(Convenience translation of independent auditors' report and unconsolidated financial statements originally issued in Turkish)

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Financial Statements as of December 31, 2018 together with the Independent Auditor's Report

February 28, 2019
This report includes 3 pages of independent auditors' audit report and 84 pages of unconsolidated financial statements and notes to the financial statements

Building a better
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(Convenience translation of a report and unconsolidated financial statements originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Millî Reasürans Türk Anonim Şirketi

A) Report on the Audit of the Unconsolidated Financial Statements

1) Opinion

We have audited the unconsolidated financial statements of Millî Reasürans Türk Anonim Şirketi (the Company), which comprise the unconsolidated statement of financial position as at December 31, 2018, and the unconsolidated statement of income, unconsolidated statement of changes in equity and unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2018, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Financial Reporting Standards decree for the matters not regulated by insurance legislation; "Insurance Accounting and Financial Reporting Legislation".

2) Basis for Opinion

We conducted our audit in accordance with Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Estimates and assumptions used in calculation of insurance contract liabilities	
As of December 31, 2018, the Company has insurance liabilities of TL 1.842.662.679 representing 49% of the Company's total liabilities. The Company made net provision of TL 1.159.082.038 for the future outstanding claims for insurance contracts. In the calculation of Incurred But Not Reported (IBNR) claims provisions (net negative amount of TL 174.500.673) which is accounted under the outstanding claims reserves, the Company Management has used the actuarial assumptions and estimates detailed in note 2 and 17. Uncertainty of estimation and management judgment containing, IBNR calculations has been considered as a key audit matter.	We have performed the audit procedures related the actuarial assumptions which disclosed in the Note 2 and 17 together with the actuary auditor who is part of our audit team. These procedures are primarily intended to assess whether the estimates and methods that used in the calculation of the outstanding claims reserve by the Company are appropriate. In this context, we have performed the audit procedures related to the recording the Company's incurred outstanding claims; performed the analytical review the incurred case files which selected randomly; have performed the audit procedures related to the completeness of the data used in the correct calculation of insurance contract liabilities; assessed the convenience of the IBNR calculation method used by the Company for each line of businesses both the relevant claim characteristics and the Company's claim history; performed the recalculation procedure on the amount of IBNR calculated by the Company; reviewed the claim analyzes made by the Company's actuary and questioned these analyzes in terms of suitability and consistency of both legislation and Company past experience; assessed whether the explanation in the notes of the financial statements are sufficient.

Valuation of investment properties and properties for own use and significant information disclosed	
As explained in note 2, 6 and 7, the Company recognizes investment properties and properties for own use at their fair values, after initial recognition. As of December 31, 2018, fair value amount of the investment properties and properties for own use disclosed in the unconsolidated financial statements amounts to TL 392.041.000 and TL 179.340.000 respectively, as determined by independent appraisal firms and details of the valuation have been disclosed in note 2, 6 and 7. Due to the fact that investment properties and properties for own use are a significant part of the Company's assets and applied valuation methods contain significant judgements and assumptions, we have considered the valuation of properties as a key audit matter.	We assessed the qualifications, competencies and independence of the professional appraisers engaged by the management. In our audit, we assessed whether the valuation methods as applied by appraisers are acceptable for valuation of the underlying property. We reconciled the appraised value for independent sections in the valuation report with disclosed amount in note 6 and 7. In addition, we reconciled standing data included in the valuation report such as rental income, duration of lease contracts, occupancy rates and administration expenses to source documents. Among the other audit procedures we performed, we verified the assumptions used by the external appraisers in their valuations (including the discount rate, the market rent and the expected occupancy rates) against external data. For this assessment we involved internal valuation experts in our audit procedures. Due to the high level of judgment in the valuation of investment property and properties for own use and the existence of alternative assumptions and valuation methods, we assessed if the result of the external valuation is within an acceptable range. We also examined the suitability of the information in the financial statements and explanatory note, given the importance of this information for users of the financial statements.

4) Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with Insurance Accounting and Financial Reporting Legislation and designing, implementing and maintaining internal systems relevant to the preparation and fair presentation of the unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

5) Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

1) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2018 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

2) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Fatih Polat.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Fatih Polat, SMMM
Partner

February 28, 2019
İstanbul, Turkey

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MİLLÎ REASÜRANS TÜRK ANONİM ŞİRKETİ
CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON THE UNCONSOLIDATED FINANCIAL STATEMENT PREPARED AS OF DECEMBER 31, 2018

We confirm that the unconsolidated financial statements and related disclosures and footnotes as of December 31, 2018 which were prepared in accordance with the accounting principles and standards in force as per the regulations of T.C. Hazine ve Maliye Bakanlığı are in compliance with the "Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies" and the financial records of our Company.

Istanbul,

February 28, 2019

Şule SOYLU
Assistant
General Manager

Özlem CİVAN
Assistant
General Manager

Hasan Hulki YALÇIN
General Manager

Ertan TAN
Actuary
Registration No: 21

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(Currency: Turkish Lira (TL))

ASSETS			
I- Current Assets	**Note**	**Audited Current Period December 31, 2018**	**Audited -Restated(*) Prior Period December 31, 2017**
A- Cash and Cash Equivalents	**4.2,14**	**1.742.214.225**	**1.223.132.413**
1- Cash	4.2,14	19.945	5.842
2- Cheques Received		-	-
3- Banks	4.2,14	1.742.194.280	1.223.126.571
4- Cheques Given and Payment Orders (-)		-	-
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months		-	-
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Investments with Risks on Policy Holders	**11**	**159.988.747**	**451.080.848**
1- Financial Assets Available for Sale	11	166.943.287	458.035.388
2- Financial Assets Held to Maturity		-	-
3- Financial Assets Held for Trading		-	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders		-	-
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)	11	(6.954.540)	(6.954.540)
C- Receivables From Main Operations	**12**	**300.658.813**	**176.061.654**
1- Receivables From Insurance Operations		-	-
2- Provision for Receivables From Insurance Operations (-)		-	-
3- Receivables From Reinsurance Operations	12	173.721.335	113.058.283
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited For Insurance & Reinsurance Companies	12	126.937.478	63.003.371
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Pension Operation		-	-
9- Doubtful Receivables From Main Operations	4.2,12	-	7.385
10- Provisions for Doubtful Receivables From Main Operations (-)	4.2,12	-	(7.385)
D- Due from Related Parties		**-**	**-**
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
E- Other Receivables	**4.2,12**	**1.696.048**	**1.231.493**
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given	4.2,12	356.092	288.736
4- Other Receivables	4.2,12	1.339.956	942.757
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables	12	409.363	53.177
7- Provisions for Other Doubtful Receivables (-)	4.2,12	(409.363)	(53.177)
F- Prepaid Expenses and Income Accruals		**157.050.701**	**125.842.706**
1- Deferred Commission Expenses	17	147.058.200	114.233.617
2- Accrued Interest and Rent Income		-	-
3- Income Accruals	4.2	9.222.719	11.284.419
4- Other Prepaid Expenses		769.782	324.670
G- Other Current Assets		**1.251.722**	**989.723**
1- Inventories		110.589	51.215
2- Prepaid Taxes and Funds	12, 19	-	-
3- Deferred Tax Assets		-	-
4- Job Advances	4.2,12	166.660	54.000
5- Advances Given to Personnel	4.2,12	-	466.665
6- Stock Count Differences		-	-
7- Other Current Assets		974.473	417.843
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		**2.362.860.256**	**1.978.338.837**

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 "Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these unconsolidated financial statements.

(Currency: Turkish Lira (TL))

ASSETS			
II- Non-Current Assets	**Note**	**Audited Current Period December 31, 2018**	**Audited –Restated(*) Prior Period December 31, 2017**
A- Receivables From Main Operations		**-**	**-**
1- Receivables From Insurance Operations		-	-
2- Provision for Receivables From Insurance Operations (-)		-	-
3- Receivables From Reinsurance Operations		-	-
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited for Insurance & Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables From Pension Operations		-	-
9- Doubtful Receivables from Main Operations	4.2,12	25.352.034	17.966.058
10-Provision for Doubtful Receivables from Main Operations	4.2,12	(25.352.034)	(17.966.058)
B- Due from Related Parties		**-**	**-**
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
C- Other Receivables		**-**	**-**
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
D- Financial Assets	**9**	**768.947.999**	**663.651.785**
1- Investments In Associates		-	-
2- Affiliates	9	118.255.503	116.391.717
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries	9	650.692.496	547.260.068
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)		-	-
E- Tangible Fixed Assets	**6**	**573.877.977**	**515.627.790**
1- Investment Properties	6,7	392.041.000	365.981.000
2- Diminution in Value for Investment Properties (-)		-	-
3- Building for own use	6	179.340.000	147.915.000
4- Machinery and Equipments		-	-
5- Furnitures and Fixtures	6	6.065.122	5.695.006
6- Vehicles	6	2.270.724	1.604.238
7- Other Tangible Assets (Including Leasehold Improvements)		-	-
8- Leased Tangible Fixed Assets		-	-
9- Accumulated Depreciation (-)	6	(5.838.869)	(5.567.454)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		-	-
F- Intangible Fixed Assets	**8**	**32.355.257**	**21.834.988**
1- Rights	8	8.428.284	6.029.231
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortizations (-)	8	(6.176.494)	(4.242.018)
8- Advances Regarding Intangible Assets	8	30.103.467	20.047.775
G- Prepaid Expenses and Income Accruals		**200.497**	**51.066**
1- Deferred Commission Expenses		-	-
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses		200.497	51.066
H- Other Non-current Assets		**-**	**-**
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets		-	-
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
II- Total Non-current Assets		**1.375.381.730**	**1.201.165.629**
TOTAL ASSETS		**3.738.241.986**	**3.179.504.466**

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 "Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these unconsolidated financial statements.

(Currency: Turkish Lira (TL))

LIABILITIES			
III- Short-Term Liabilities	**Note**	**Audited Current Period December 31, 2018**	**Audited –Restated(*) Prior Period December 31, 2017**
A- Borrowings		**-**	**-**
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Current Portion of Long Term Borrowings		-	-
5- Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6- Other Financial Assets Issued		-	-
7- Value Differences on Issued Financial Assets (-)		-	-
8- Other Financial Borrowings (Liabilities)		-	-
B- Payables From Main Operations	**19**	**63.770.093**	**36.392.472**
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations	19	63.195.552	35.718.777
3- Cash Deposited by Insurance & Reinsurance Companies	19	574.541	673.695
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties	**19**	**109.359**	**106.310**
1- Due to Shareholders	45	97.467	81.850
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties	45	11.892	24.460
D- Other Payables	**19**	**2.054.267**	**3.032.087**
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses		-	-
3- Other Payables	19,4.2	2.054.267	3.032.087
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves	**17**	**1.741.675.129**	**1.390.078.067**
1- Unearned Premiums Reserve - Net	17	579.216.291	453.202.210
2- Unexpired Risk Reserves - Net	17	3.303.005	5.834.053
3- Mathematical Reserves - Net	17	73.795	116.109
4- Outstanding Claims Reserve - Net	17	1.159.082.038	930.925.695
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Relevant Provisions	**19**	**5.707.038**	**8.574.495**
1- Taxes and Dues Payable	19	2.335.582	1.317.814
2- Social Security Premiums Payable	19	163.021	148.338
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		-	-
5- Corporate Tax Liability Provision on Period Profit	19	27.682.983	44.131.400
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	19	(24.474.548)	(37.023.057)
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks		**-**	**-**
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs		-	-
H- Deferred Income and Expense Accruals	**19**	**6.796.679**	**5.781.650**
1- Deferred Commission Income	10,19	758.494	614.358
2- Expense Accruals	19	5.802.394	4.921.575
3- Other Deferred Income	19	235.791	245.717
I- Other Short Term Liabilities		**-**	**-**
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities		-	-
III - Total Short Term Liabilities		**1.820.112.565**	**1.443.965.081**

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 “Accounting Policies, Changes and Mistakes in Accounting Estimates.

(Currency: Turkish Lira (TL))

LIABILITIES			
IV- Long-Term Liabilities	**Note**	**Audited Current Period December 31, 2018**	**Audited –Restated(*) Prior Period December 31, 2017**
A- Borrowings		-	-
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Bonds Issued		-	-
5- Other Issued Financial Assets		-	-
6- Value Differences on Issued Financial Assets (-)		-	-
7- Other Financial Borrowings (Liabilities)		-	-
B- Payables From Main Operations		-	-
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Discount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		-	-
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses		-	-
3- Other Payables		-	-
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves	**17**	**100.987.550**	**70.933.229**
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net	17	100.987.550	70.933.229
F- Other Liabilities and Provisions		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks	**23**	**53.961.104**	**47.628.666**
1- Provision for Employment Termination Benefits	23	9.224.292	8.293.551
2- Provisions for Employee Pension Fund Deficits	22,23	44.736.812	39.335.115
H- Deferred Income and Expense Accruals	**19**	**32.500**	**110.500**
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income	19	32.500	110.500
I- Other Long Term Liabilities	**21**	**26.848.005**	**29.799.122**
1- Deferred Tax Liability	21	26.848.005	29.799.122
2- Other Long Term Liabilities		-	-
IV- Total Long Term Liabilities		**181.829.159**	**148.471.517**

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 “Accounting Policies, Changes and Mistakes in Accounting Estimates.

(Currency: Turkish Lira (TL))

EQUITY			
V- Equity	**Note**	**Audited Current Period December 31, 2018**	**Audited –Restated(*) Prior Period December 31, 2017**
A- Paid in Capital		**660.000.000**	**660.000.000**
1- (Nominal) Capital	2.13,15	660.000.000	660.000.000
2- Unpaid Capital (-)		-	-
3- Positive Inflation Adjustment on Capital		-	-
4- Negative Inflation Adjustment on Capital (-)		-	-
5- Unregistered Capital		-	-
B- Capital Reserves	**15**	**144.260.425**	**129.183.342**
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital	15	24.245.511	23.723.323
4- Translation Reserves	15	(43.734.932)	(28.441.170)
5- Other Capital Reserves	15	163.749.846	133.901.189
C- Profit Reserves		**415.359.698**	**376.873.982**
1- Legal Reserves	15	123.041.466	104.684.305
2- Statutory Reserves	15	23.673.660	14.966.866
3- Extraordinary Reserves	15	284.629.561	179.927.411
4- Special Funds (Reserves)		-	-
5- Revaluation of Financial Assets	11,15	(38.392.931)	52.911.798
6- Other Profit Reserves	15	22.407.942	24.383.602
D- Previous Years' Profits		**238.466.727**	**217.988.199**
1- Previous Years' Profits		238.466.727	217.988.199
E- Previous Years' Losses (-)		**-**	**-**
1- Previous Years' Losses			-
F- Net Profit of the Period	**15**	**278.213.412**	**203.022.345**
1- Net Profit of the Period		278.213.412	203.022.345
2- Net Loss of the Period (-)		-	-
3- Net Income not subject to distribution		-	-
Total Shareholders' Equity		**1.736.300.262**	**1.587.067.868**
Total Liabilities and Shareholders' Equity		**3.738.241.986**	**3.179.504.466**

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 “Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these unconsolidated financial statements.

(Currency: Turkish Lira (TL))

I-TECHNICAL SECTION	Note	Audited Current Period December 31, 2018	Audited –Restated(*) Prior Period December 31, 2017
A- Non-Life Technical Income		**1.504.350.816**	**1.063.774.256**
1- Earned Premiums (Net of Reinsurer Share)		1.015.961.002	854.917.654
1.1 - Written Premiums (Net of Reinsurer Share)	17	1.136.728.102	941.218.642
1.1.1 - Gross Written Premiums (+)	17	1.299.862.846	1.069.783.386
1.1.2 - Ceded Premiums to Reinsurers (-)	10,17	(163.134.744)	(128.564.744)
1.1.3 - Ceded Premiums to SSI (-)		-	-
1.2- Change in Unearned Premiums Reserve(Net of Reinsurers Shares and Reserves Carried Forward)(+/-)	17,29	(123.298.148)	(83.752.260)
1.2.1 - Unearned Premiums Reserve (-)	17	(134.980.956)	(84.243.905)
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)	10,17	11.682.808	491.645
1.2.3 - SSI of Unearned Premiums Reserve (+)		-	-
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	29	2.531.048	(2.548.728)
1.3.1 - Unexpired Risks Reserve (-)	29	2.720.045	(2.939.350)
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+)	29	(188.997)	390.622
2- Investment Income Transferred from Non-Technical Part		338.043.300	156.592.562
3- Other Technical Income (Net of Reinsurer Share)		150.346.514	52.264.040
3.1 - Gross Other Technical Income (+)		150.330.727	52.260.130
3.2 - Reinsurance Share of Other Technical Income (-)		15.787	3.910
4- Accrued Subrogation and Salvage Income (+)		-	-
B- Non-Life Technical Expense (-)		**(1.409.129.382)**	**(999.638.658)**
1- Total Claims (Net of Reinsurer Share)		(953.879.013)	(647.434.998)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(725.361.560)	(578.676.529)
1.1.1 - Gross Claims Paid (-)	17	(759.354.911)	(600.996.193)
1.1.2 - Reinsurance Share of Claims Paid (+)	10,17	33.993.351	22.319.664
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17,29	(228.517.453)	(68.758.469)
1.2.1 - Outstanding Claims Reserve (-)	17	(229.099.909)	(74.971.893)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	10,17	582.456	6.213.424
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1 - Bonus and Discount Reserve (-)		-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(29.825.822)	(25.544.414)
4- Operating Expenses (-)	32	(425.424.547)	(326.659.246)
5- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
5.1- Mathematical Reserves (-)		-	-
5.2- Reinsurance Share of Mathematical Reserves (+)		-	-
6.- Other Technical Expenses (-)		-	-
6.1.- Gross Other Technical Expenses (-)		-	-
6.2.- Reinsurance Share of Other Technical Expenses (+)		-	-
C- Non Life Technical Net Profit (A-B)		**95.221.434**	**64.135.598**
D- Life Technical Income		**18.813.060**	**18.732.233**
1- Earned Premiums (Net of Reinsurer Share)		15.537.709	16.242.726
1.1 - Written Premiums (Net of Reinsurer Share)	17	18.253.642	14.582.105
1.1.1 - Gross Written Premiums (+)	17	20.314.687	15.929.503
1.1.2 - Ceded Premiums to Reinsurers (-)	10,17	(2.061.045)	(1.347.398)
1.2- Change in Unearned Premiums Reserve(Net of Reinsurers Shares and Reserves Carried Forward)(+/-)	17,29	(2.715.933)	1.660.621
1.2.1- Unearned Premium Reserves (-)	17	(2.909.016)	1.610.673
1.2.2- Unearned Premium Reserves Reinsurer Share (+)	10,17	193.083	49.948
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		-	-
1.3.1- Unexpired Risks Reserves (-)		-	-
1.3.2- Unexpired Risks Reserves Reinsurer Share (+)		-	-
2- Life Branch Investment Income		3.194.833	2.393.978
3- Unrealized Income from Investments		-	-
4-Other Technical Income (Net of Reinsurer Share) (+/-)		80.518	95.529
4.1- Gross Other Technical Income (+/-)		89.933	99.116
4.2- Reinsurance Share of Other Technical Income (+/-)		(9.415)	(3.587)
5- Accrued Subrogation and Salvage Income (+)		-	-

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 "Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these unconsolidated financial statements.

(Currency: Turkish Lira (TL))

I-TECHNICAL SECTION	**Note**	**Audited Current Period December 31, 2018**	**Audited –Restated(*) Prior Period December 31, 2017**
E- Life Technical Expense		**(13.374.290)**	**(19.687.047)**
1- Total Claims (Net of Reinsurer Share)		(5.607.798)	(14.784.249)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(5.968.908)	(14.424.544)
1.1.1- Gross Claims Paid (-)	17	(6.619.434)	(15.010.303)
1.1.2- Claims Paid Reinsurer Share (+)	10,17	650.526	585.759
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17,29	361.110	(359.705)
1.2.1 - Outstanding Claims Reserve (-)	17	(126.553)	(922.579)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	10,17	487.663	562.874
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1 - Bonus and Discount Reserve (-)		-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	42.314	49.048
3.1- Mathematical Reserves (-)	29	42.314	49.048
3.1.1- Actuarial Mathematical Reserve (-)	29	42.314	49.048
3.1.2- Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-
3.2- Reinsurer Share of Mathematical Reserves (+)		-	-
3.2.1- Reinsurance Share of Actuarial Mathematical Reserve (+)		-	-
3.2.2- Reinsurance Share of Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-
4- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(228.499)	(178.889)
5- Operating Expenses (-)	32	(7.580.307)	(4.772.957)
6- Investment Expenses (-)		-	-
7- Unrealized Losses from Investments (-)		-	-
8- Investment Income Transferred to Non- Technical Part (-)		-	-
F- Life Technical Profit (D-E)		**5.438.770**	**(954.814)**
G- Individual Retirement Technical Income		**-**	**-**
1- Fund Management Fee		-	-
2- Management Fee Deduction		-	-
3- Initial Contribution Fee		-	-
4- Management Fee In Case Of Temporary Suspension		-	-
5- Withholding tax		-	-
6- Increase in Market Value of Capital Commitment Advances		-	-
7-Other Technical Income		-	-
H- Individual Retirement Technical Expense		**-**	**-**
1- Fund Management Expenses (-)		-	-
2- Decrease in Market Value of Capital Commitment Advances (-)		-	-
3- Operating Expenses (-)		-	-
4- Other Technical Expense (-)		-	-
I- Individual Retirement Technical Profit (G-H)		**-**	**-**

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 "Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these unconsolidated financial statements.

(Currency: Turkish Lira (TL))

II-NON-TECHNICAL SECTION	Note	Audited Current Period December 31, 2018	Audited – Restated(*) Prior Period December 31, 2017
C- Non Life Technical Profit (A-B)		**95.221.434**	**64.135.598**
F- Life Technical Profit (D-E)		**5.438.770**	**(954.814)**
I - Individual Retirement Technical Profit (G-H)		**-**	**-**
J- Total Technical Profit (C+F+I)		**100.660.204**	**63.180.784**
K- Investment Income		**644.537.098**	**378.157.716**
1- Income From Financial Investment	4.2	214.039.085	137.801.432
2- Income from Sales of Financial Investments	4.2	50.373.242	22.820.237
3- Revaluation of Financial Investments	4.2	7.026.454	1.328.966
4- Foreign Exchange Gains	4.2	139.716.863	41.419.317
5- Income from Affiliates		31.731.033	28.233.340
6- Income from Subsidiaries and Joint Ventures	4.2	157.046.405	89.674.722
7- Income Received from Land and Building	7	44.371.016	56.622.702
8- Income from Derivatives	4.2	-	-
9- Other Investments		233.000	257.000
10- Investment Income transferred from Life Technical Part		-	-
L- Investment Expenses (-)		**(425.812.893)**	**(192.041.506)**
1- Investment Management Expenses (including interest) (-)	4.2	(511.981)	(846.635)
2- Valuation Allowance of Investments (-)		-	-
3- Losses On Sales of Investments (-)	4.2	(11.907.041)	(996.561)
4- Investment Income Transferred to Non-Life Technical Part (-)		(338.043.300)	(156.592.562)
5- Losses from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	4.2	(57.759.377)	(21.942.845)
7- Depreciation Expenses (-)	6,8	(2.297.422)	(2.007.230)
8- Other Investment Expenses (-)		(15.293.772)	(9.655.673)
M- Other Income and Expenses (+/-)		**(13.488.014)**	**(2.143.249)**
1- Provisions Account (+/-)	47	(13.191.358)	(11.519.265)
2- Discount account (+/-)	47	(727.787)	(271.769)
3- Mandatory Earthquake Insurance Account (+/-)		-	-
4- Inflation Adjustment Account (+/-)		-	-
5- Deferred Tax Asset Accounts(+/-)	21,35	1.814.922	9.420.780
6- Deferred Tax Expense Accounts (-)	21,35	-	-
7- Other Income and Revenues		379.572	499.542
8- Other Expense and Losses (-)		(1.763.363)	(272.537)
9- Prior Period Income		-	-
10- Prior Period Losses (-)		-	-
N- Net Profit / (Loss)		**278.213.412**	**203.022.345**
1- Profit /(Loss) Before Tax		305.896.395	247.153.745
2- Corporate Tax Liability Provision (-)		(27.682.983)	(44.131.400)
3- Net Profit (Loss)		278.213.412	203.022.345
4- Inflation Adjustment Account		-	-

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 "Accounting Policies, Changes and Mistakes in Accounting Estimates.

(Currency: Turkish Lira (TL))

	Note	Audited Current Period 1 January- December 31, 2018	Audited Prior Period 1 January- December 31, 2017
A - Cash flows from operating activities			
1- Cash provided from insurance activities		-	-
2- Cash provided from reinsurance activities		1.534.690.612	1.161.113.986
3- Cash provided from individual pension business		-	-
4- Cash used in insurance activities		-	-
5- Cash used in reinsurance activities		(1.521.680.097)	(1.116.616.835)
6- Cash used in individual pension business		-	-
7- Cash provided by operating activities		**13.010.515**	**44.497.151**
8- Interest paid		-	-
9- Income taxes paid		(33.082.800)	(37.023.057)
10- Other cash inflows		39.750.251	41.122.733
11- Other cash outflows		(68.167.721)	(34.383.296)
12-Net cash provided by operating activities		**(48.489.755)**	**14.213.531**
B - Cash flows from investing activities		-	-
1- Proceeds from disposal of tangible assets		140.790	211.000
2- Acquisition of tangible assets	6, 8	(13.813.514)	(9.025.268)
3- Acquisition of financial assets	11	(1.085.165.474)	(486.980.571)
4- Proceeds from disposal of financial assets	11	1.373.823.061	442.910.376
5- Interests received		224.260.372	196.048.205
6- Dividends received		38.003.576	20.276.206
7- Other cash inflows		165.410.375	56.395.233
8- Other cash outflows		(447.186.124)	(34.833.981)
9- Net cash provided by investing activities		**255.473.062**	**185.001.200**
C- Cash flows from financing activities		-	-
1- Equity shares issued		-	-
2- Cash provided from loans and borrowings		-	-
3- Finance lease payments		-	-
4- Dividends paid	2.23	(49.984.383)	(49.984.383)
5- Other cash inflows		-	-
6- Other cash outflows		-	-
7- Net cash used in financing activities		**(49.984.383)**	**(49.984.383)**
D- Effect of exchange rate fluctuations on cash and cash equivalents		**(2.028)**	**(1.551)**
E- Net increase in cash and cash equivalents		**156.996.896**	**149.228.797**
F- Cash and cash equivalents at the beginning of the year	14	1.163.291.557	1.014.062.760
G- Cash and cash equivalents at the end of the year	**14**	**1.320.288.453**	**1.163.291.557**

The accompanying notes are an integral part of these unconsolidated financial statements.

(Currency: Turkish Lira (TL))

Audited – Restated Changes in Equity(*) – December 31, 2017

	Note	Paid in Capital	Equity Share Owned by Company (-)	Revaluations of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
I – Balance at the end of the previous year – December 31, 2016		**660.000.000**	**-**	**189.009.992**	**-**	**(26.027.092)**	**55.535.403**	**-**	**161.806.553**	**129.243.232**	**166.338.531**	**1.335.906.619**
II – Change in Accounting Standards(*)		**-**	**-**	**(157.651.862)**	**-**	**-**	**34.833.418**	**10.220.993**	**109.452.684**	**74.368.108**	**16.846.265**	**88.069.606**
III – Restated balances (I+II) – January 1, 2017		**660.000.000**	**-**	**31.358.130**	**-**	**(26.027.092)**	**90.368.821**	**10.220.993**	**271.259.237**	**203.611.340**	**183.184.796**	**1.423.976.225**
A- Capital increase		-	-	-	-	-	-	-	-	-	-	-
1- In cash		-	-	-	-	-	-	-	-	-	-	-
2- From reserves		-	-	-	-	-	-	-	-	-	-	-
B- Purchase of own shares		-	-	-	-	-	-	-	-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-	-	5.719.868	4.745.873	20.028.672	(59.329.201)	19.764.496	**(9.070.292)**
D- Change in the value of financial assets	15	-	-	21.553.668	-	-	-	-	-	-	-	**21.553.668**
E- Currency translation adjustments		-	-	-	-	(2.414.078)	-	-	-	-	-	**(2.414.078)**
F- Other gains or losses		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the year		-	-	-	-	-	-	-	-	203.022.345	-	**203.022.345**
I – Other reserves and transfers from retained earnings	38	-	-	-	-	-	8.595.616	-	70.647.616	(94.282.139)	15.038.907	-
J- Dividends paid		-	-	-	-	-	-	-	-	(50.000.000)	-	**(50.000.000)**
IV - Balance at the end of the period – December 31, 2017	**15**	**660.000.000**	**-**	**52.911.798**	**-**	**(28.441.170)**	**104.684.305**	**14.966.866**	**361.935.525**	**203.022.345**	**217.988.199**	**1.587.067.868**

Audited Changes in Equity – December 31, 2018

	Note	Paid in Capital	Equity Share Owned by Company (-)	Revaluations of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
I – Balance at the end of the previous year – December 31, 2017		**660.000.000**	**-**	**565.916.100**	**-**	**(28.441.170)**	**64.131.019**	**-**	**225.607.943**	**103.711.833**	**250.643.385**	**1.841.569.110**
II – Change in Accounting Standards(*)		**-**	**-**	**(513.004.302)**	**-**	**-**	**40.553.286**	**14.966.866**	**136.327.582**	**99.310.512**	**(32.655.186)**	**(254.501.242)**
III – Restated balances (I+II) – January 1, 2018		**660.000.000**	**-**	**52.911.798**	**-**	**(28.441.170)**	**104.684.305**	**14.966.866**	**361.935.525**	**203.022.345**	**217.988.199**	**1.587.067.868**
A- Capital increase		-	-	-	-	-	-	-	-	-	-	-
1- In cash		-	-	-	-	-	-	-	-	-	-	-
2- From reserves		-	-	-	-	-	-	-	-	-	-	-
B- Purchase of own shares		-	-	-	-	-	-	-	-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-	-	11.065.714	8.706.794	86.676.949	(99.310.512)	20.478.528	**27.617.473**
D- Change in the value of financial assets	15	-	-	(91.304.729)	-	-	-	-	-	-	-	**(91.304.729)**
E- Currency translation adjustments		-	-	-	-	(15.293.762)	-	-	-	-	-	**(15.293.762)**
F- Other gains or losses		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the year		-	-	-	-	-	-	-	-	278.213.412	-	**278.213.412**
I – Other reserves and transfers from retained earnings	38	-	-	-	-	-	7.291.447	-	46.420.386	(53.711.833)	-	-
J- Dividends paid	38	-	-	-	-	-	-	-	-	(50.000.000)	-	**(50.000.000)**
IV - Balance at the end of the period – December 31, 2018	**15**	**660.000.000**	**-**	**(38.392.931)**	**-**	**(43.734.932)**	**123.041.466**	**23.673.660**	**495.032.860**	**278.213.412**	**238.466.727**	**1.736.300.262**

(*) Information related to restated financial statements has been disclosed in Note 2.1.6 "Accounting Policies, Changes and Mistakes in Accounting Estimates.

The accompanying notes are an integral part of these unconsolidated financial statements.

(Currency: Turkish Lira (TL))

	Note	Audited Current Period December 31, 2018(*)	Audited Prior Period December 31, 2017(*)
I. PROFIT DISTRIBUTION			
1.1. CURRENT YEAR PROFIT(*)		**309.275.069**	**150.503.442**
1.2. TAX AND FUNDS PAYABLE	35	**(27.682.983)**	**(44.131.400)**
1.2.1. Corporate Income Tax(Income Tax)	35	**(27.682.983)**	(44.131.400)
1.2.2. Income tax deduction			-
1.2.3. Other taxes and Duties			-
A NET PROFIT(1.1 – 1.2)		**281.592.086**	**106.372.042**
1.3. PREVIOUS PERIOD LOSSES (-)			
1.4. FIRST LEGAL RESERVE		(14.079.604)	(5.318.602)
1.5. STATUTORY FUND (-)			-
B NET PROFIT DISTRIBUTION [(A-(1.3 + 1.4 + 1.5)]		**267.512.482**	**101.053.440**
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	**(10.105.344)**
1.6.1. Holders of shares		-	(10.105.344)
1.6.2. Holders of Preferred shares		-	-
1.6.3. Holders of Redeemed shares		-	-
1.6.4. Holders of Participation Bond		-	-
1.6.5. Holders of Profıt and Loss sharing certificate		-	-
1.7. DIVIDEND TO PERSONNEL (-)		-	**(2.728.443)**
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	**(39.894.656)**
1.9.1. Holders of shares		-	(39.894.656)
1.9.2. Holders of Preferred shares		-	-
1.9.3. Holders of Redeemed shares		-	-
1.9.4. Holders of Participation Bond		-	-
1.9.5. Holders of Profıt and Loss sharing certificate		-	-
1.10. SECOND LEGAL RESERVE (-)		-	**(1.972.844)**
1.11. STATUTORY RESERVES (-)		-	-
1.12. EXTRAORDINARY RESERVES		-	**(46.352.153)**
1.13. OTHER RESERVES		-	-
1.14. SPECIAL FUNDS		-	-
II. DISTRIBUTION OF RESERVES		-	-
2.1. DISTRIBUTION OF RESERVES		-	-
2.2. SECOND LEGAL RESERVES (-)		-	-
2.3. COMMON SHARES (-)		-	-
2.3.1. Holders of shares		-	-
2.3.2 Holders of Preferred shares		-	-
2.3.3. Holders of Redeemed shares		-	-
2.3.4 Holders of Participation Bond		-	-
2.3.5 Holders of Profıt and Loss sharing certificate		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III. PROFIT PER SHARE		-	-
3.1. HOLDERS OF SHARES		-	106.372.042
3.2. HOLDERS OF SHARES (%)		-	16,1170
3.3. HOLDERS OF PREFERRED SHARES		-	-
3.4. HOLDERS OF PREFERRED SHARES (%)		-	-
IV. DIVIDEND PER SHARE		-	-
4.1. HOLDERS OF SHARES		-	50.000.000
4.2. HOLDERS OF SHARES (%)		-	7,5758
4.3. HOLDERS OF PREFERRED SHARES		-	-
4.4. HOLDERS OF PREFERRED SHARES (%)		-	-

(*) Since the profit distribution proposal for the year 2018 has not prepared by the Board of Directors, profit distribution table has not been filled yet.

(**) Reserve for personnel dividend amounting to TL 3.378.675 that recognized according to TAS 19 is included in period profit as of December 31, 2018.

(Currency: Turkish Lira (TL))

1 General information

1.1 Name of the Company and the ultimate owner of the group

The shareholder having direct or indirect control over the shares of Millî Reasürans Türk Anonim Şirketi (“the Company”) is Türkiye İş Bankası AŞ Group (“İş Bankası”) having 76.64% of the outstanding shares.

The Company was established in February 26, 1929 and has been operating since in July 19, 1929.

1.2 The Company’s address and legal structure and address of its registered country and registered office (or, if the Company’s address is different from its registered office, the original location where the Company’s actual operations are performed)

The Company was registered in Turkey in July 16, 1929 and has the status of ‘Incorporated Company’. The address of the Company’s registered office is Maçka Cad. No: 35 34367 Şişli İstanbul.

1.3 Main operations of the Company

The Company is primarily engaged in reinsurance and retrocession businesses in domestic and international markets. In 2007, the Company opened a branch in Singapore upon the completion of the necessary local formalities according to the local legislation. Singapore branch has been operating since 2008.

1.4 Details of the Company’s operations and nature of field of activities

The Company conducts its operations in accordance with the Insurance Law No. 5684 (“the Insurance Law”) issued in June 14, 2007 dated and 26552 numbered Official Gazette and the communiqués and other regulations in force issued by Republic of Turkey Ministry of Treasury and Finance based on the Insurance Law.

The purpose and activities of the Company as stated at the Articles of Association of the Company are as follows:

- Providing life and non-life reinsurance and other related products and services in all insurance branches and sub-branches to Turkish and foreign insurance companies;
- Managing and participating in reinsurance operations of Pools,
- Purchasing, selling, constructing and renting real estates,
- Purchasing debt instruments and shares issued by all sorts of commercial, industrial and financial institutions and government agencies as well as providing capital or participating in the establishment of such institutions to provide a consistent, secure and adequate financial income,
- In addition to these, carrying out other operations upon recommendation by the Board of Directors and resolution of the General Meeting which are deemed to be beneficial and material for the Company and are not prohibited by the law.

1.5 Average number of the Company’s personnel based on their categories

The average number of the personnel during the year in consideration of their categories is as follows:

	December 31, 2018	**December 31, 2017**
Top executive	5	6
Managers	32	33
Officers	130	130
Contracted personnel	6	6
Other personnel	39	41
Total	**212**	**216**

(Currency: Turkish Lira (TL))

1 General information *(continued)*

1.6 Remuneration and similar benefits provided to top management

For the year ended December 31, 2018, wages and similar benefits provided to the top management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers is amounting to TL 6.698.944 (December 31, 2017: TL 5.910.690).

1.7 Keys used in the distribution of investment income and operating expenses (personnel, administrative, research and development, marketing and selling, services rendered from third parties and other operating expenses) in the financial statements

Procedures and principles related to keys used in the financial statements of the companies are determined in accordance with the January 4, 2008 dated and 2008/1 numbered "Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan" issued by Republic of Turkey Ministry of Treasury and Finance.

In accordance with the above mentioned Communiqué, insurance and reinsurance companies are allowed to transfer technical section operating expense to insurance section through methods determined by Republic of Turkey Ministry of Treasury and Finance or by the Company itself. In accordance with the approval of the Undersecretariat of Republic of Turkey Ministry of Treasury and Finance, dated March 6, 2008 and numbered 10222, known and exactly distinguishable operating expenses are distributed to related branches directly and services rendered from third parties and other operating expenses in accordance with the gross premiums written for the last three years.

Income from the assets invested against non-life technical provisions is transferred to technical section from non-technical section; remaining income is transferred to the non-technical section. Income is distributed to the sub-branches in accordance with the percentage calculated by dividing "net cash flow" to the "total net cash flow", net cash flow being net of reinsurer share and calculated by deducting net losses paid from net written premiums.

Income from the assets invested against mathematical provisions is recorded under technical section; remaining income is transferred to the non-technical section.

1.8 Information on the financial statements as to whether they comprise an individual company or a group of companies

The accompanying financial statements comprise only the unconsolidated financial information of the Company. As further discussed in note 2.2 - Consolidation, the Company has prepared consolidated financial statements as of December 31, 2018 separately.

1.9 Name or other identity information about the reporting entity and the changes in this information after previous reporting date

Trade name of the Company	:	Millî Reasürans Türk Anonim Şirketi
Registered address of the head office	:	Maçka Cad. No:35
		34367 Şişli/İstanbul
The web page of the Company	:	**www.millire.com**

There has been no change in the aforementioned information subsequent to the previous reporting date.

1 General information *(continued)*

1.10 Subsequent events

There has been no change in the Company's operations, documentation and records or policies after the reporting date.

The financial statements for the period January 1 – December 31, 2018 have been approved by the Board of Directors on 28 February 2019.

2. Summary of significant accounting policies

2.1 Basis of preparation

2.1.1 Information about the principles and the specific accounting policies used in the preparation of the financial statements

The Company maintains its books of account and prepares its financial statements in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), and other accounting and financial reporting principles, statements and guidance (collectively "the Reporting Standards") in accordance with the "Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies" as promulgated by Republic of Turkey Ministry of Treasury and Finance based on Article 18 of the Insurance Law and Article 11 of the The Individual (Personal) Pension Savings and Investment System Law numbered 4632.

According to numbered 4th related law Accounting for subsidiaries, associates, joint ventures, consolidated financial statements, financial statements which disclosed public regulated by Republic of Turkey Ministry of Treasury and Finance.

The Company prepares its financial statements are regulated in form and content in order to compare the financial statements of prior period and with other companies according to"Communiqué on Presentation of Financial Statements " which is published in the Official Gazette dated April 18, 2008 and numbered 26851.

Additional paragraph for convenience translation to English

The differences between the accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying unconsolidated financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries other than Turkey and IFRS.

Accounting in hyperinflationary countries

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the Turkish Lira based on "TAS 29 – *Financial Reporting in Hyperinflationary Economies*" as at December 31, 2004. *TAS 29* requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous years be restated in the same terms.

With respect to the declaration of Republic of Turkey Ministry of Treasury and Finance with the article dated April 4, 2005 and numbered 19387, financial statements as of December 31, 2004 are adjusted for the opening balances of 2005 in accordance with the section with respect to inflation accounting of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated January 15, 2003 and numbered 25290. Inflation accounting is no longer applied starting from January 1, 2005, in accordance with the same declaration of Republic of Turkey Ministry of Treasury and Finance. Accordingly, as at December 31, 2018, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded before January 1, 2005 are measured as restated to December 31, 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded after January 1, 2005 are measured at their nominal values.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

2.1.2 Other related accounting policies appropriate for the understanding of the financial statements

Other accounting policies

The Company recorded premiums, commissions and claims accruals based on the notifications sent by the insurance and reinsurance companies after the closing of their balances. Premiums, commissions and claims accruals are recorded in the accompanying financial statements with the three-month delay. Therefore, related income statement balances include last quarter results for the year ended December 31, 2017 and nine-month results as at and for the period ended September 30, 2018 and accordingly related balance sheet balances as of December 31, 2018 do not reflect the actual position. According to the letter dated August 31, 2010 and numbered B.02.1.HZN.0.10.03.01/42139 sent by Republic of Turkey Ministry of Treasury and Finance to the Company, it is stated that account statements sent by the ceding companies are subject to possible delays and Republic of Turkey Ministry of Treasury and Finance is considered special situations of the reinsurance companies in their regulations.

Information regarding other accounting polices is disclosed above in "Note 2.1.1 - *Information about the principles and the specific accounting policies used in the preparation of the financial statements*" and each under its own caption in the following sections of this report.

2.1.3 Current and presentation currency

The accompanying unconsolidated financial statements are presented in TL, which is the Company's functional currency.

2.1.4 Rounding scale of the amounts presented in the financial statements

Financial information presented in TL, has been rounded to the nearest TL values.

2.1.5 Basis of measurement used in the preparation of the financial statements

The accompanying financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until December 31, 2004, except for the financial assets held for trading, available-for-sale financial assets, derivative financial instruments, self-used buildings and investment properties recorded in tangible assets and associates which are measured at their fair values unless reliable measures are available.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

2.1.6 Accounting policies, changes in accounting estimates and errors

Accounting of fire and earthquake premiums obtained from foreign reinsurance treaties on the basis of branches

Fire and earthquake premiums obtained from foreign reinsurance treaties could not accounted on the basis of branches in the previous years due to limitations imposed by local legislation of the foreign countries, notification characteristics of the treaties and total premiums used by foreign companies in the reconciliation process. Therefore, all premiums obtained from aforementioned treaties are accounted on the fire branch. According to the letter dated August 2, 2011 and numbered B.02.1.HZN.0.10.03.01/38732 sent by Republic of Turkey Ministry of Treasury and Finance to the Company, it is allowed to use average rate calculated over separately reported fire and earthquake premiums for unclassified premiums of proportioned treaties. Furthermore, according to the letter dated August 12, 2011 sent by the Turkish Treasury to the Company, prospective application as at June 30, 2011 effective from January 1, 2011 is allowed since retrospective application is impossible. Accordingly, financial statements prepared as of December 31, 2018, premiums obtained from foreign proportioned treaties are accounted on the basis of average earthquake premium ratio calculated from foreign proportioned treaties over the period of January 1 – December 31, 2018. The same ratio is used for unproportioned reinsurance treaties in accordance with the Communiqué released on July 28, 2010 and numbered 27655 "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves". Distribution of commissions and claims between the fire and earthquake branches is parallel with the aforementioned method.

According to the letter dated January 12, 2012 and numbered B.02.1.HZN.0.10.03.01/854 sent by Republic of Turkey Ministry of Treasury and Finance to the Company, determination of final claims for the last business year used in IBNR calculation has been changed as at December 31, 2011. Accordingly, the final premium amount earned for the last business year is determined by considering premium development factors since premiums may be accrued in the following years under the terms of the agreements. Based on the calculated final premium amount of the last business year, unearned premium reserves and earned premiums are determined. Aforementioned earned premium amount is multiplied by the average of claim/premium ratio of the previous years to determine final claims amount of the last business year. IBNR is calculated by subtracting the paid and reported claims of the last business year from the final claims amount determined by the aforementioned method. In addition, IBNR amounts reported by sedan companies are taken into consideration and in order to prevent duplicate provision; paid claims, outstanding claims reserve and premiums of reported claims are excluded from the data set used in the calculation of IBNR. The Company determined final IBNR amount by adding reported IBNR amounts to IBNR amounts calculated from the data prepared in accordance with the principals mentioned above.

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

2.1.6 Accounting policies, changes in accounting estimates and errors *(continued)*

According to 16th article of "Circular on Actuarial Chain Ladder Method (2010/12)" dated September 20, 2010 and announced by Republic of Turkey Ministry of Treasury and Finance, ACML calculation should be made through main branches. However, as at December 31, 2012, the Company has calculated ACML reserve for General Damages main branch as two separate sub branches namely agriculture and non agriculture branches. Because, Agriculture and Engineering sub branches under General Damages main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Damages branch produces unreliable and improper results. The Company applied to Republic of Turkey Ministry of Treasury and Finance on January 17, 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Damages branch as agriculture and non agriculture sub branches separately. Republic of Turkey Ministry of Treasury and Finance has given permission the Company in order to calculate IBNR reserve for General Damages within two sub branches with the letter dated January 28, 2013 and numbered 24179134. As of December 31, 2018, the Company recognised the amount that arose due to change in calculation method for IBNR on General Damages branch.

Changes in accounting policies or accounting errors are applied retrospectively and prior year financial statements are adjusted accordingly. If estimated changes in accounting policies are only for one period, changes are applied on the current year but if estimated changes are for the following periods, changes are applied both on the current and following years prospectively.

Critical accounting judgements used in applying the Company's accounting policies are explained in 3 – *Significant accounting estimates and requirements*.

The company has demonstrated impacts of amendments, related to communique numbered 2017/07, published by Ministry of Treasury and Finance of Republic of Turkey- General Directorate of Insurance and retrospective impacts of amendments, which are made through using equity method, defined in TAS 27 "Consolidated and Separate Financial Statements":

Restatement of the detailed balance sheet as of December 31, 2017:

Detailed Balance Sheet	**Previously Reported**	**Restated**	**Effect**	**(*)**
	December 31, 2017	**December 31, 2017**		
B- Financial Assets and Investments with Risks on Policy Holders	**485.566.843**	**451.080.848**	**(34.485.995)**	**B**
1- Financial Assets Available for Sale	492.521.383	458.035.388	(34.485.995)	B
I- Total Current Assets	**2.012.824.832**	**1.978.338.837**	**(34.485.995)**	**B**
D- Financial Assets	**883.667.032**	**663.651.785**	**(220.015.247)**	**B**
2- Affiliates	-	116.391.717	116.391.717	B
4- Subsidiaries	883.667.032	547.260.068	(336.406.964)	B
II- Total Non-current Assets	**1.421.180.876**	**1.201.165.629**	**(220.015.247)**	**B**
Total Assets	**3.434.005.708**	**3.179.504.466**	**(254.501.242)**	**B**
B- Capital Reserves	**112.341.037**	**129.183.342**	**16.842.305**	**B**
5- Other Capital Reserves	117.058.884	133.901.189	16.842.305	B
C- Profit Reserves	**714.872.855**	**376.873.982**	**(337.998.873)**	**B**
1- Legal Reserves	64.131.019	104.684.305	40.553.286	B
2- Statutory Reserves	-	14.966.866	14.966.866	B
3- Extraordinary Reserves	86.192.951	179.927.411	93.734.460	B
5- Revaluation of Financial Assets	565.916.100	52.911.798	(513.004.302)	B
6- Other Profit Reserves	(1.367.215)	24.383.602	25.750.817	B
D- Previous Years' Profits	**250.643.385**	**217.988.199**	**(32.655.186)**	**B**
1- Previous Years' Losses	250.643.385	217.988.199	(32.655.186)	B
F- Net Profit of the Period	**103.711.833**	**203.022.345**	**99.310.512**	**B**
1- Net Profit of the Period	103.711.833	203.022.345	99.310.512	B
Total Shareholders' Equity	**1.841.569.110**	**1.587.067.868**	**(254.501.242)**	**B**
Total Liabilities and Shareholders' Equity	**3.434.005.708**	**3.179.504.466**	**(254.501.242)**	**B**

(*)The effects of the restatements are described in paragraphs A and B below.

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

2.1.6 Accounting policies, changes in accounting estimates and errors *(continued)*

Restatement of the detailed income statement as of January 1 to December 31, 2017

Detailed Income Statement	**Previously Reported**	**Restated**	**Effects**	**(*)**
	January 1 – December 31, 2017	**January 1 – December 31, 2017**		
K- Investment Income	**278.847.204**	**378.157.716**	**99.310.512**	**B**
1- Income From Financial Investment	139.201.432	137.801.432	(1.400.000)	B
5- Income from Affiliates	-	28.233.340	28.233.340	B
6- Income from Subsidiaries and Joint Ventures	17.197.550	89.674.722	72.477.172	B
N- Net Profit / (Loss)	**103.711.833**	**203.022.345**	**99.310.512**	**B**
1- Profit /(Loss) Before Tax	147.843.233	247.153.745	99.310.512	B
3- Net Profit (Loss)	103.711.833	203.022.345	99.310.512	B

Restatement of the detailed balance sheet as of January 01, 2017:

Detailed Balance Sheet	**Previously Reported**	**Restated**	**Effects**	**(*)**
	January 01, 2017	**January 01, 2017**		
B- Financial Assets and Investments with Risks on Policy Holders	**379.491.869**	**358.120.872**	**(21.370.997)**	**B**
1- Financial Assets Available for Sale	386.347.109	364.976.112	(21.370.997)	B
I- Total Current Assets	**1.780.604.203**	**1.759.233.207**	**(21.370.996)**	**B**
D- Financial Assets	**551.268.910**	**567.098.842**	**15.829.932**	**B**
2- Affiliates	-	107.983.889	107.983.889	B
4- Subsidiaries	551.268.910	459.114.953	(92.153.957)	B
II- Total Non-current Assets	**1.041.875.459**	**1.057.705.391**	**15.829.932**	**B**
Total Assets	**2.822.479.662**	**2.816.938.598**	**(5.541.064)**	**B**
III- Short-Term Liabilities	**1.387.435.503**	**1.282.054.435**	**105.381.068**	**A**
E- Insurance Technical Reserves	**1.341.749.642**	**1.236.368.574**	**105.381.068**	**A**
2- Unexpired Risk Reserves - Net	11.121.932	3.285.325	7.836.607	A
4- Outstanding Claims Reserve - Net	959.351.982	861.807.521	97.544.461	A
I- Other Long Term Liabilities	**17.039.884**	**28.810.281**	**11.770.397**	**A-B**
1- Deferred Tax Liability	17.039.884	28.810.281	11.770.397	A-B
IV- Total Long Term Liabilities	**99.137.540**	**110.907.937**	**11.770.397**	**A-B**
B- Capital Reserves	**121.258.386**	**137.993.457**	**16.735.071**	**B**
5- Other Capital Reserves	123.562.155	140.297.226	16.735.071	B
C- Profit Reserves	**259.066.470**	**239.186.631**	**(19.879.839)**	**B**
1- Legal Reserves	55.535.403	90.368.821	34.833.418	B
2- Statutory Reserves	-	10.220.993	10.220.993	B
3- Extraordinary Reserves	15.545.335	81.426.607	65.881.272	B
5- Revaluation of Financial Assets	189.009.992	31.358.130	(157.651.862)	B
6- Other Profit Reserves	(1.024.260)	25.812.080	26.836.340	B
D- Previous Years' Profits	**166.338.531**	**183.184.796**	**16.846.265**	**A-B**
1- Previous Years' Profits	166.338.531	183.184.796	16.846.265	A-B
F- Net Profit of the Period	**129.243.232**	**203.611.340**	**74.368.108**	**A-B**
1- Net Profit of the Period	129.243.232	203.602.690	74.359.458	A-B
3- Net Income not subject to distribution	-	8.650	8.650	B
Total Shareholders' Equity	**1.335.906.619**	**1.423.976.225**	**88.069.606**	**A-B**
Total Liabilities and Shareholders' Equity	**2.822.479.662**	**2.816.938.598**	**(5.541.064)**	**A-B**

(*)The effects of the restatements are described in paragraphs A and B below.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

2.1.6 Accounting policies, changes in accounting estimates and errors *(continued)*

A. Effects of restatements according to the Circular 2017/7 announced by Republic of Turkey Ministry of Treasury and Finance are as follows

With the Circular 2017/7 announced by Republic of Turkey Ministry of Tresuary and Finance regarding "the discount of net cash flow from outstanding claim files". Since the discount of "Land Vehicle Liability" and "General Liability" branches has become compulsory, according to the Article 1 of the circular, this is considered as a change of accounting policies and financial statements have been retrospectively restated. Companies are able to discount net cash flow from outstanding claim files according to the methods outlined by the circular.

B. "Impact of amendments regarding TAS 27 – "Consolidated and Separate Financial Statements"

The company recognizes its subsidiaries and affiliates through using equity method, defined in TAS 27 – "Consolidated and Separate Financial Statements", while preparing its non-consolidated financial statements.

2.2 Consolidation

Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Individual Pension Companies" issued by Republic of Turkey Ministry of Treasury and Finance in the Official Gazette dated December 31, 2008 and numbered 27097 ("the Circular for Consolidation") requires that insurance, reinsurance and individual pension companies issue consolidated financial statements starting from March 31, 2009.

In this framework, separate consolidated financial statements are issued through consolidating financial statements of Anadolu Hayat Emeklilik Anonim Şirketi (Anadolu Hayat), which is an affiliate, and Miltaş A.Ş, which is a subsidiary, according to equity method and financial statements of Anadolu Anonim Türk Sigorta Şirketi (Anadolu Sigorta), which is an affiliate, in line with full consolidation method.

The company recognizes its subsidiaries and affiliates through using equity method with respect to TAS 27 - "Consolidated and Separate Financial Statements" during the preparation of separate financial statements in line with "Sector Announcement regarding Recognition of Subsidiaries, Jointly Controlled Partnerships and Affiliates of Insurance and Reassurance and Pension Companies" dated August 12, 2008 and numbered 2008/36 of Ministry of Treasury and Finance of Republic of Turkey.

2 Summary of significant accounting policies *(continued)*

2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. As of December 31, 2018 the Company operates in life and non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

2.4 Foreign currency transactions

Transactions are recorded in TL, which is the Company's functional currency. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date and all exchange differences, except for those arising on the translation of the fair value change of available-for-sale financial assets, are offset and are recognized as foreign exchange gains or losses.

Foreign currency exchange differences of unrecognized gains or losses arising from the difference between their fair value and the discounted values calculated per effective interest rate method of foreign currency available-for-sale financial assets are recorded in "Revaluation of financial assets" under equity and the realized gain or losses are recognized directly in the statement of income.

2.5 Tangible assets

Tangible assets of the Company except for buildings for own use are recorded at their historical costs that have been adjusted for the effects of inflation until the end of December 31, 2004. There have been no other inflationary adjustments for these tangible assets for the following years and therefore they have been recorded at their costs restated for the effects of inflation until December 31, 2004. Tangible assets that have been purchased after January 1, 2005 have been recorded at their costs after deducting any exchange rate differences and finance expenses less impairment losses if any.

The company has started to show based on the revaluation model by measuring over fair value as of the third quarter of the 2015 year by making changes in the use of the property which is measuring the cost model in the financial statements before.

Buildings for own use are recognized by fair value that are determined in valuations made by independent valuation experts who have professional competency by reducing their values following accumulated depreciation. Accumulated depreciation at the date of revaluation is deducted from gross book value and net amount is brought to values after revaluation.

Increase of revaluation results in the carrying value of use of land and building account in equity in the balance sheet under "Other Capital Account" as the net of tax effects. As a result of the evaluation of real estate an increase on the corresponding impairments are deducted from the fund; all other decrease are reflected the profit/loss account.

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net carrying value and the proceeds from the disposal of related tangible assets and reflected to the statement of income of the related period.

2 Summary of significant accounting policies *(continued)*

2.5 Tangible assets *(continued)*

Land is not depreciated due to its indefinite life. Depreciation is allocated based on the useful life of tangible assets at cost or revalued amounts of tangible assets by using the straight-line method basis.

Maintenance and repair costs incurred in the ordinary course of the business are recorded as expense.

There are no pledges, mortgages and other encumbrances on tangible fixed assets.

There are no changes in accounting estimates that have significant effect on the current period or that are expected to have significant effect on the following periods.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets at cost.

Depreciation rates and estimated useful lives are as follows:

Tangible assets	**Estimated useful lives (years)**	**Depreciation rates (%)**
Building for own used	50	2,0
Machinery and equipment	3 – 15	6,7 – 33,3
Vehicles	5	20,0
Other tangible assets (includes leasehold improvements)	5	20,0

2.6 Investment property

Investment properties are held either to earn rentals and/or for capital appreciation or for both.

In the event of investment property of first registration is measured on fair value including transaction costs after measured at cost. The changes which result of fair value valuation recognised in the income statement.

Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of retirement or disposal.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The fair value on the date of change in the usage is considered as cost in the reclassification recognition when investment property that measured with fair value is reclassified as a tangible asset.

2 Summary of significant accounting policies *(continued)*

2.7 Intangible assets

The Company's intangible assets consist of computer software.

Intangible assets are recorded at cost in compliance with the "TAS 38 – Accounting for intangible assets". The cost of the intangible assets purchased before December 31, 2004 are restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Amortization is charged on a straight-line basis over their estimated useful lives (3-15 years) over the cost of the asset.

Costs associated with developing or maintaining computer software programs are recognized as expense when incurred. Costs that are directly associated with the development of identifiable and unique software products that are controlled by the Company and will probably provide more economic benefits than costs in one year are recognized as intangible assets. Costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding three years).

2.8 Financial assets

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Securities are recognized and derecognized at the date of settlement.

Financial assets are classified in four categories; as financial assets held for trading, available-for-sale financial assets, held to maturity financial assets, and loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables those are not interest earning are measured by discounting of future cash flows less impairment losses, and interest earning loans and receivables are measured at amortized cost less impairment losses.

Available-for-sale financial assets are the financial assets other than assets held for trading purposes, held-to-maturity financial assets and loans and receivables.

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Assets that are not traded in an active market are measured by valuation techniques, including recent market transactions in similar financial instruments, adjusted for factors unique to the instrument being valued; or discounted cash flow techniques for the assets which do not have a fixed maturity. Unrecognized gains or losses derived from the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in "Revaluation of financial assets" under shareholders' equity. Upon disposal, the realized gain or losses are recognized directly in the statement of income.

The determination of fair values of financial instruments not traded in an active market is determined by using valuation techniques. Observable market prices of the quoted financial instruments which are similar in terms of interest, maturity and other conditions are used in determining the fair value.

2. Summary of significant accounting policies *(continued)*

2.8 Financial Assets *(continued)*

Equity Shares which are classified as available-for-sale financial assets in an active market (stock exchange) are reflected to the consolidated financial statements with their fair values by taking into consideration the registered prices in the active market. Shares that are not traded in an active market are followed at acquisition costs and are shown in the consolidated financial statements at their cost value after the provision for impairment losses, if any.

Subsidiaries are the entities that the Company has the power to govern the financial and operating policies of those so as to obtain benefits from its activities. The Company prepares its individual financial statements and accounts for its investments in subsidiaries and associates using the equity method defined in 'TAS 27 - *Consolidated and Separate Financial Statements Standard*'.

2.9 Impairment on assets

Impairment on financial assets

Financial assets or group of financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the Company estimates the amount of impairment. Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) ("loss event(s)") incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

Loans and receivables are presented net of specific allowances for uncollectibility. Specific allowances are made against the carrying amounts of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and receivable to their recoverable amounts.

The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments and purchased loans measured to fair value is calculated as the present value of the expected future cash flows discounted at the current market rate of interest.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

Impairment on tangible and intangible assets

On each balance sheet date, the Company evaluates whether there is an indication of impairment of fixed assets. If there is an objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the "*TAS 36* – Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

Rediscount and provision expenses of the year are detailed in *Note 47*.

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies *(continued)*

2.10 Derivative financial instruments

As of the reporting date, the Company does not have any derivative financial instruments (December 31, 2017: None). Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 – *Financial Instruments: Recognition and measurement*.

Derivative financial instruments are initially recognized at their fair value.

The receivables and liabilities arising from the derivative transactions are recognized under the off-balance sheet accounts through the contract amounts.

Derivative financial instruments are subsequently remeasured at fair value and positive fair value differences are presented either as "financial assets held for trading" and negative fair value differences are presented as "other financial liabilities" in the accompanying financial statements. All unrealized gains and losses on these instruments are included in the statement of income.

2.11 Offsetting of financial assets

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the Reporting Standards, or for gains and losses arising from a group of transactions resulting from the Company's similar activities like trading transactions.

2.12 Cash and cash equivalents

Cash and cash equivalents, which is the basis for the preparation of the statement of cash flows includes cash on hand, cheques received, other cash and cash equivalents, demand deposits and time deposits at banks having an original maturity less than 3 months which are ready to be used by the Company or not blocked for any other purpose.

2.13 Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group by having 76.64% of the outstanding shares of the Company. As of December 31, 2018 and 2017, the share capital and ownership structure of the Company are as follows:

	December 31, 2018		**December 31, 2017**	
Name	**Shareholding amount (TL)**	**Shareholding rate (%)**	**Shareholding amount (TL)**	**Shareholding amount (TL)**
Türkiye İş Bankası A.Ş.	505.810.925	76,64	505.810.925	76,64
Millî Reasürans T.A.Ş. Mensupları Yardımlaşma Sandığı Vakfı	69.604.854	10,55	69.604.854	10,55
Groupama Emeklilik A.Ş.	38.809.894	5,88	38.809.894	5,88
Ankara Doğal Elektrik Üretim ve Ticaret A.Ş.	22.240.456	3,37	22.240.456	3,37
T.C. Ziraat Bankası A.Ş.	16.430.944	2,49	16.430.944	2,49
Other	7.102.927	1,07	7.102.927	1,07
Paid in capital	**660.000.000**	**100,00**	**660.000.000**	**100,00**

2 Summary of significant accounting policies *(continued)*

2.13 Capital *(continued)*

Sources of the capital increases during the year

None.

Privileges on common shares representing share capital

There are no privileges on common shares representing share capital.

Registered capital system in the Company

None.

Repurchased own shares by the Company

None.

2.14 Insurance and investment contracts - classification

An insurance contract is a contract under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk covers all risk except for financial risks. All premiums have been received within the coverage of insurance contracts recognized as revenue under the account caption “written premiums”.

Investment contracts are those contracts which transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided, that it is not specific to a party to the contract, in the case of a non-financial variable.

The Company acts as a reinsurer when writing insurance from an insurance company (cedent) on the basis of reinsurance contracts and cedes insurance business to another retrocessionaire (the retrocedant) on the basis of retrocession contracts.

As of the reporting date, the Company does not have a contract which is classified as an investment contract.

2.15 Insurance contracts and investment contracts with discretionary participation feature

Discretionary participation feature (“DPF”) within insurance contracts and investment contracts is the right to have following benefits in addition to the guaranteed benefits.

(i) that are likely to comprise a significant portion of the total contractual benefits;
(ii) whose amount or timing is contractually at the discretion of the Issuer; and
(iii) that are contractually based on:
  (1) the performance of a specified pool of contracts or a specified type of contract;
  (2) realized and/or unrealized investments returns on a specified pool of assets held by the Issuer; or
  (3) the profit or loss of the Company, Fund or other entity that issues the contract,

As of balance sheet date, the Company does not have any insurance or investment contracts that contain a discretionary participation feature.

2.16 Investment contracts with discretionary participation feature

As of the reporting date, the Company does not have any insurance contracts and investment contracts without discretionary participation feature.

2 Summary of significant accounting policies *(continued)*

2.17 Liabilities

Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities of the Company are measured at their discounted values. A financial liability is derecognized when it is extinguished.

2.18 Income taxes

Corporate Tax

Statutory income is subject to corporate tax at 20%.(However, according to the Provisional Article 10 added to the Corporate Tax Law, the corporate tax rate of 20% is calculated as 22% for the corporate earnings for the fiscal periods starting in the related year for the institutions whose special accounting periods are assigned to the taxation periods of 2018, 2019 and 2020 will be implemented. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. The withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

Prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

2 Summary of significant accounting policies *(continued)*

2.18 Income taxes *(continued)*

Deferred tax

In accordance with TAS 12 – *Income taxes*, deferred tax assets and liabilities are recognized on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

Deferred tax assets and liabilities are reported as net in the financial statements if, and only if, the Company has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity.

In case where gains/losses resulting from the subsequent measurement of the assets are recognized in the statement of income, then the related current and/or deferred tax effects are also recognized in the statement of income. On the other hand, if such gains/losses are recognized as an item under equity, then the related current and/or deferred tax effects are also recognized directly in the equity.

Since the applicable tax rate has been changed to 22% for the 3 years beginning from 1 January 2018, 22% tax rate is used in the deferred tax calculation of 31 December 2017 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

Transfer pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué on disguised profit distribution via Transfer Pricing, dated November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm’s length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

2 Summary of significant accounting policies *(continued)*

2.19 Employee benefits

Pension and other post-retirement obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his/her dependants will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Employees of the Company are the members of "Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı ("Milli Reasürans Pension Fund") which is established in accordance with the temporary Article 20 of the Social Security Act No: 506.

As per the temporary sub article No: 20 of the Article 73 of the Social Security Law, pension funds should be transferred to the Social Security Institution within three years after the publication of the aforementioned Law published in the Official Gazette numbered 26870 and dated May 8, 2008. Decree of the Council of Ministers about two years extending transfer duration, was published in the Official Gazette on April 9, 2011. Based on this, expiration date has been extended to May 8, 2013 from the expiration date on May 8, 2011. On March 8, 2012, "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" numbered 28227, was published on Official Gazette and 4th article of this act changed "two years" phrase as "four years" which takes part on second sentence of first clause of 20th article of the code numbered 5510. Also, under the scope of Decree of the council of ministers numbered 2013/4617 was published on Official Gazette numbered 28636, on May 3, 2013 and 20th temporary article of the Social Security Laws numbered 506 banks, insurance and reinsurance companies, chambers of commerce, stock markets or participants of pension funds and salary or income provided ones and their shareholders' transfer duration has been extended one year to the Social Security Institution by Decree of the council of ministers.

Employees of the Company are the members of "Milli Reasürans Türk Anonim Şirketi Memurları Emekli ve Sağlık Sandığı ("Milli Reasürans Pension Fund") which is established in accordance with the temporary Article 20 of the Social Security Act No: 506. As per the temporary sub article No: 20 of the Article 73 of the Social Security Law, pension funds should be transferred to the Social Security Institution within three years after the publication of the a aforementioned Law published in the Official Gazette numbered 26870 and dated May 8, 2008. The related three-year transfer period has been prolonged for two years by the Cabinet decision, which was published on the Official Gazette dated April 9, 2011. Accordingly, the three-year period expired on May 8, 2011 was extended to May 8, 2015.

Lastly, first paragraph of temporary 20th article of 5510 numbered Law, article 51 of the law regarding changing of several laws and delegated legislations and the law of occupational health and safety which are published in April 23, 2015 dated Official Gazette is changed as following.

Funds participating, pensioned or endowed and beneficiaries of the established funds for the personnel of banks, insurance and reinsurance companies, chambers of commerce, chamber of industries, stock exchanges or is organized by them under the temporary 20th article of law no. 506, council of ministers is entitled to determine the date of transfer to Social Security Institution. As of the transfer date, fund participatings are regarded as social insurant in accordance with the (a) subclause of first sub articles of 4th article of related law.

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies *(continued)*

2.19 Employee benefits *(continued)*

Pension and other post-retirement obligations *(continued)*

In accordance with the Act, as of the transfer date, present value of the liabilities will be determined by considering the income and expense of the pension fund.

The cash value of the obligations of the pension fund for each member of the fund including members left the fund as of the transfer date will be calculated according to following assumptions:

a) Technical deficit rate of 9.80% shall be used in the actuarial calculation of the value in cash, and

b) Gains and losses of the funds stems from benefits covered by the aforementioned Law taken into accounts to calculate present value of the obligations.

Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as of December 31, 2018 is TL 5.434 (December 31, 2017: TL 4.732).

The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 – *Employee Benefits*. After the revision of TAS 19, as the amount of actuarial gain and loss are presented under the other profit reserves, which were previously shown under the income statement. The major actuarial assumptions used in the calculation of the total liability as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	**December 31, 2017**
Discount rate	4,22%	%4,25
Expected rate of salary/limit increase	11,30%	%6,00
Estimated employee turnover rate	2,00%	%2,00

Expected rate of salary/limit increase above was determined according to the government’s annual inflation forecasts.

Other benefits

The Company has provided for undiscounted short-term employee benefits earned during the year as per services rendered in compliance with *TAS 19* in the accompanying financial statements.

2 Summary of significant accounting policies *(continued)*

2.20 Provisions

A provision is made for an existing obligation resulting from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the reporting date and, if material, such expenses are discounted to their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Company to settle the liability, the related liability is considered as “contingent” and disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Company discloses the contingent asset.

2.21 Revenue recognition

Written premiums

Written premiums represent premiums taken from insurance and reinsurance companies as a reinsurance company. Premiums ceded to retrocession companies are accounted as “written premiums, ceded” in the profit or loss statement. Written premiums are recorded upon the receipt of quarterly statements of accounts from ceding companies in treaties whereas facultative accounts are registered upon the receipt of monthly payrolls.

Claims paid

Claims paid represent payments of the Company as a reinsurance company when risks taken from insurance and reinsurance companies are realized. Claims are recognised as expense upon the receipt of notifications. Notifications have not specific periods and depend on the initiative of the insurance and reinsurance companies.

Commission income and expenses

As further disclosed in Note 2.24 - *Reserve for unearned premiums*, commissions paid to the insurance and reinsurance companies as a reinsurance company and the commissions received from the reinsurance companies are recognized over the life of the contract by deferring commission income and expenses within the calculation of reserve for unearned premiums for the policies produced before January 1, 2008 and recognizing deferred commission income and deferred commission expense in the financial statements for the policies produced after January 1, 2008.

2 Summary of significant accounting policies *(continued)*

2.21 Revenue recognition *(continued)*

Interest income and expenses

Interest income and expense are recognized using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Trading income/expense

Trading income/expense includes gains and losses arising from disposals of financial assets held for trading purpose and available-for-sale financial assets. Trading income and trading expenses are recognized as “Income from disposal of financial assets” and “Loss from disposal of financial assets” in the accompanying unconsolidated financial statements.

Dividends

Dividend income is recognized when the Company’s right to receive payment is ascertained.

2.22 Leasing transaction

As of the reporting date, there is no financial lease contract of the Company.

Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease.

2.23 Dividend distribution

It is decided in Ordinary General Assembly Meeting of the Company, held on March 27, 2018, to make a dividend payment of TL 50.000.000 to shareholders and to allocate remaining balance as voluntary reserves from the net period income amounting to TL 103.711.833, from 2017 activities of the Company, after the legal reserves are allocated and TL 49.984.383 has been paid in cash and TL 15.617 has been recognized in due to shareholders account under short term liabilities.

2 Summary of significant accounting policies *(continued)*

2.24 Unearned premium reserve

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 26606 numbered and August 7, 2007 dated Official Gazette and put into effect starting from January 1, 2008, the unearned premiums reserve represents the proportions of the gross premiums written without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the reporting date for all short-term insurance policies. Nonetheless;

- Unearned premium reserve is calculated on the basis of 1/8 for reinsurance and retrocession transactions that are not subject to basis of day or 1/24 due to application limitations,

- For commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves.

In line with the Communiqué on Technical Reserves, the calculation of unearned premium reserve is performed as follows by the Company: for proportional reinsurance contracts, on the basis of 1/8 over the ceded premiums for treaty and facultative contracts, for commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves and for facultative and non-proportional reinsurance contracts, on the basis on day by considering beginning and ending of the contracts. The Company calculates unearned premiums reserve for ceded premium as retrocedant on the same basis.

Unearned premiums reserve is calculated for all insurance contracts except for the contracts for which the mathematical reserve is provided. Reserve for unearned premiums is also calculated for the annual premiums of the annually renewed long term insurance contracts.

Since the Communiqué on Technical Reserves was effective from January 1, 2008, Republic of Turkey Ministry of Treasury and Finance issued July 4, 2007 dated and 2007/3 numbered "Circular to Assure the Compliance of the Technical Reserves of Insurance, Reinsurance and Pension Companies With the Insurance Law No.5684" ("Compliance Circular") to regulate the technical provisions between the issuance date and enactment date of the Communiqué on Technical Reserves. In accordance with the Compliance Circular, it is stated that companies should consider earthquake premiums written after June 14, 2007 in the calculation of the reserve for unearned premiums while earthquake premiums were deducted in the calculation of the reserve for unearned premiums before. Accordingly, the Company has started to calculate unearned premiums reserve for the earthquake premiums written after June 14, 2007, while the Company had not calculated reserve for unearned premiums for the earthquake premiums written before June 14, 2007.

In previous years, the unearned premiums reserve had been calculated after deducting commissions given and commissions received. In order to prevent possible problems during the transfer of the reserves calculated before January 2008, on December 28, 2007 Republic of Turkey Ministry of Treasury and Finance issued "2007/25 Numbered Circular Related to the Calculation of the Unearned Premiums Reserve and Accounts That Should Be Used for Deferred Commission Income and Expenses". In accordance with the related circular, the reserve for unearned premiums should be calculated by deducting commissions for the policies produced before January 1, 2008, but it should be calculated on gross basis for the policies produced after January 1, 2008.

According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated July 28, 2010; there is no change in the calculation of unearned premiums reserve for reinsurance companies.

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies *(continued)*

2.25 Outstanding claims reserve

Claims are recorded in the year in which they occur, based on reported claims or on the basis of estimates when not reported. Outstanding claims reserve represents the estimate of the total reported costs of notified claims on an individual case basis at the reporting date as well as the corresponding handling costs.

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 27655 numbered and July 28, 2010 dated Official Gazette according to the Communiqué on Technical Reserves, all expenses related to the claim files including calculated or expected expertise, consultant, lawsuit and communication expenses in the calculation of outstanding claims reserve. In these calculations salvage and subrogation income are not considered.

Except for the life branch, outstanding claims reserve consists of claims are recorded in the year in which they occur, based on reported claims and the difference between the result of the actuarial chain ladder method whose content and application criteria stated by Republic of Turkey Ministry of Treasury and Finance and reported but not settled claims are considered as incurred but not reported ("IBNR") claims. Actuarial chain ladder method may be differentiated by Republic of Turkey Ministry of Treasury and Finance for reinsurance companies due to their special conditions.

December 5, 2014 dated "Circular regarding Outstanding Claims Reserve (2014/16)" and 2010/12 numbered "Circular regarding actuarial chain ladder method"of Republic of Turkey Ministry of Treasury is abolished except Article 9 and 10. According to circular that explains ACML measurement method, insurance and reinsurance companies calculate ACML with six different methods as "Standard Chain, Damage/Premium, Cape Cod, Frequency/Intense, Munich Chain and Bornhuetter-Ferguson".

The methods selected for each branch is provided in the following section. The Company has not perform big claim elimination by Box Plox method.

Branches	**December 31, 2018**	**December 31, 2017**
Fire and Natural Disasters	Standard Chain	Standard Chain
General Damages(*)	Standard Chain	Standard Chain
General Liabilities	Standard Chain	Standard Chain
Land Vehicles Liabilities	Standard Chain	Standard Chain
Marine	Standard Chain	Standard Chain
Sea Vehicles	Standard Chain	Standard Chain
Land Vehicles	Standard Chain	Standard Chain
Casualty	Standard Chain	Standard Chain
Health	Standard Chain	Standard Chain
Air Vehicles	Standard Chain	Standard Chain
Legal Protection	Standard Chain	Standard Chain
Sea Vehicles Liability	Sector Average (Insurance Association of Turkey 09/2018)	Sector Average (Insurance Association of Turkey 09/2017)
Air Vehicles Liability	Sector Average (Insurance Association of Turkey 09/2018)	Sector Average (Insurance Association of Turkey 09/2017)
Fidelity Guarantees	Sector Average (Insurance Association of Turkey 09/2018)	Sector Average (Insurance Association of Turkey 09/2017)
Financial Losses	Sector Average (Insurance Association of Turkey 09/2018)	Sector Average (Insurance Association of Turkey 09/2017)
Credit	Sector Average (Insurance Association of Turkey 09/2018)	Sector Average (Insurance Association of Turkey 09/2017)
Life	Sector Average (Insurance Association of Turkey 09/2018)	Sector Average (Insurance Association of Turkey 09/2017)

(*) Two separate calculation have been made as agriculture and non agriculture sub branches.

2 Summary of significant accounting policies *(continued)*

2.25 Outstanding claims reserve *(continued)*

The Company, as a reinsurance company, selects data, adjustments, applicable methods and development factors by itself over the data obtained from insurance companies on a branch basis via actuarial methods. According to the article 11 clause 5 of "Circular on Actuarial Report for Non-Life Insurance Branch" dated November 6, 2008, selections and results should be assess in detail in actuarial report by the actuary.

The Company does not have sufficient data for ships, Air Vehicles Liability, Fidelity Guarantees, financial losses, credits and life branches. Furthermore, claim development tables have irregular distribution for the aforementioned branches. Therefore, the Company prefers to use sector average in the actuarial chain ladder method.

According to December 5, 2014 dated "Circular regarding Outstanding Claims Reserve (2014/16)" of Republic of Turkey Ministry of Treasury and Finance, the Company constitutes data by taking base of acceptance year rather than Casualty period for the reason of characteristic of reinsurance operations in course of ACML calculation and calculates ACML once in a year as of year end. The methods indicated in the table are calculated according to paid claim.

Salvage and subrogation income which will be deducted in the calculation of ACML stated by the Undersecretariat should be based on collected amount (collected amount includes interest income over salvage and subrogation income, expertise, consultant and lawsuit expenses). Collections are taken into account according to their collection period.

According to the letter dated January 12, 2012 and numbered B.02.1.HZN.0.10.03.01/854 sent by Republic of Turkey Ministry of Treasury and Finance to the Company, determination of final claims for the last business year used in IBNR calculation has been changed as at December 31, 2011. Accordingly, the final premium amount earned for the last business year is determined by considering premium development factors since premiums may be accrued in the following years under the terms of the agreements. Based on the calculated final premium amount of the last business year, unearned premium reserves and earned premiums are determined. Aforementioned earned premium amount is multiplied by the average of claim/premium ratio of the previous years to determine final claims amount of the last business year. IBNR is calculated by subtracting the paid and reported claims of the last business year from the final claims amount determined by the aforementioned method. In addition, IBNR amounts reported by sedan companies are taken into consideration and in order to prevent duplicate provision; paid claims, outstanding claims reserve and premiums of reported claims are excluded from the data set used in the calculation of IBNR. The Company determined final IBNR amount by adding reported IBNR amounts to IBNR amounts calculated from the data prepared in accordance with the principals mentioned above.

In accordance with December 5, 2014 dated and 2014/16 numbered "Circular for Outstanding Claims Reserve" of Republic of Turkey Ministry of Treasury and Finance, ACML calculation should be on main branch. However, as at December 31, 2012, the Company has calculated ACML reserve for General Damages main branch as two separate sub branches namely agriculture and non agriculture branches. Because, Agriculture and Engineering sub branches under General Damages main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Damages branch produces unreliable and improper results. The Company applied to Republic of Turkey Ministry of Treasury and Finance on January 17, 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Damages branch as agriculture and non agriculture sub branches separately. Republic of Turkey Ministry of Treasury and Finance has given permission the Company in order to calculate IBNR reserve for General Damages within two sub branches with the letter dated January 28, 2013 and numbered 24179134. As of December 31, 2018, the Company recognised the amount that arose due to change in calculation method for IBNR on General Damages branch.

2 Summary of significant accounting policies *(continued)*

2.25 Outstanding claims reserve *(continued)*

With the Circular 2017/7 announced by Republic of Turkey Ministry of Tresuary and Finance regarding "the discount of net cash flow from outstanding claim files". Since the discount of "Land Vehicle Liability" and "General Liability" branches has become compulsory, according to the Article 1 of the circular, this is considered as a change of accounting policies and financial statements have been retrospectively restated. Companies are able to discount net cash flow from outstanding claim files according to the methods outlined by the circular.

As of the reporting date, as a result of actuarial chain ladder method; the Company except Singapore branch recorded 100% of additional negative IBNR amounting to TL 207.059.238 (December 31, 2017: TL 131.488.022 negative IBNR) as outstanding claims reserve. As of the reporting date, TL 32.558.565 TL (December 31, 2017: TL 13.602.239) of IBNR provision is recorded for Singapore branch.

2.26 Mathematical reserves

In accordance with the Communiqué on Technical Reserves, companies operating in life and non-life insurance branches are obliged to allocate adequate mathematical reserves based on actuarial basis to meet liabilities against policyholders and beneficiaries for long-term life, health and personal Casualty insurance contracts. Actuarial mathematical reserves, according to formulas and basis in approved technical basis of tariffs for over one year-length life insurance, are calculated by determining the difference between present value of liabilities that the Company meets in future and current value of premiums paid by policyholder in future (prospective method).

Mathematical reserves are recorded based on the data sent by ceding companies.

2.27 Unexpired risk reserves

In accordance with the Communiqué on Technical Reserves, while providing unearned premiums reserve, in each accounting period, the companies should perform adequacy test covering the preceding 12 months due to the probability that future claims and compensations of the outstanding policies may be in excess of the unearned premiums reserve already provided. In performing this test, it is required to multiply the unearned premiums reserve, net with the expected claim/premium ratio. Expected claim/premium ratio is calculated by dividing incurred losses (outstanding claims reserve, net at the end of the period + claims paid, net –outstanding claims reserve, net at the beginning of the period) to earned premiums (written premiums, net + unearned premiums reserve, net at the beginning of the period –unearned premiums reserve, net at the end of the period).

According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 28356 dated July 17, 2012; besides the net unexpired risk reserve detailed in the above, gross unexpired risk reserve is also calculated. The test is performed on main branch basis and in case where the net and gross expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the unearned premiums reserve of that main branch is added to the reserves of that branch. Difference between the gross and net amount is represents reinsurer's share. Premiums paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms.

With the Circular 2017/7 announced by Republic of Turkey Ministry of Treasury and Finance regarding "the discount of net cash flow from outstanding claim files". Since the discount of "Land Vehicle Liability" and "General Liability" branches has become compulsory, according to the Article 1 of the circular, this is considered as a change of accounting policies and financial statements have been retrospectively restated. Companies are able to discount net cash flow from outstanding claim files according to the methods outlined by the circular.

2 Summary of significant accounting policies *(continued)*

2.27 Unexpired risk reserves *(continued)*

Net and gross unexpired risk reserves are calculated by multiplying the exceeding portion of the expected claim/premium ratio with the net and gross unearned premiums reserve of that main branch is added to the reserves of that branch in case where the net and gross expected claim/premium ratio that is calculated on the basis of Casualty year and by including indirect reinsurance contracts is higher than 95% for the year 2016, 90% for the year 2017 and 85% for the year 2018. The Company, as a reinsurance company, indicated that usage of Casualty year for the calculation is not possible and demanded the following particulars;

- Calculation of unexpired risk reserves on the basis of business year,

- Calculation of unexpired risk reserves once a year and using the portion calculated on previous year-end in the interim periods,

- The opportunity that the Company will take weighted average of final claim/premium ratio of the previous two years (total final claims of related two years/ total final premium of related two years) in consideration for the final claim/premium ratio estimates on the basis of business year. Republic of Turkey Ministry of Treasury and Finance has accepted the demand of the Company as appropriate with the letter dated December 31, 2016 and numbered 38681552-306.99-E.36992 As of the reporting date, the Company has provided net unexpired risk reserves amounting to TL 3.303.005 in the accompanying unconsolidated financial statements (December 31, 2017: TL 5.834.053).

In order to ensure the elimination of misleading impact, caused by the amended outstanding claims reserve calculation method, on unexpired risk reserve, outstanding claims reserve of previous period is also calculated by the new method and amount, calculated based on aforementioned new method, is used in unexpired risk reserves account as the provision for carry-over outstanding claims reserve.

2.28 Equalization reserves

In accordance with the Communiqué on Technical Reserves put into effect starting from January 1, 2008, the companies should provide equalization reserve in credit insurance and earthquake branches to equalize the fluctuations in future possible claims and for catastrophic risks. Equalization reserve, started to be provided in 2008, is calculated as 12% of net premiums written in credit insurance and earthquake branches. In the calculation of net premiums, fees paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. The companies should provide equalization reserve up to reaching 150% of the highest premium amount written in a year within the last five years. In case where claims incurred, the amounts below exemption limits as stated in the contracts and the share of the reinsurance firms cannot be deducted from equalization reserves. Claims payments are deducted from first year's equalization reserves by first in first out method.

With the Communiqué released on July 28, 2010 and numbered 27655 "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves", ceded premiums of earthquake and credit for non-proportional reinsurance contracts covered multiple branches should be calculated according to percentage of premiums of those branches within the total premiums unless the Company is determined any other methods. Share of earthquake and credit premium of written premiums for non-proportional reinsurance contracts is based on share of earthquake and credit premiums of proportional reinsurance contracts. In accordance with the Communiqué on Technical Reserves, the Company considers 11% of net death premium (including damage payments) as earthquake premium and 12% of that amount is calculated as equalization provision since the Company not having sufficient data for calculation. After five financial years, in case that provision amount is less than previous year amount depending on written premiums, the difference is recognized in other profit reserves under equity. This amount recorded in equity can either be kept under reserves or can also be used in capital increase or paying claims.

2 Summary of significant accounting policies *(continued)*

2.28 Equalization reserves *(continued)*

Equalization reserves are presented under "other technical reserves" within long term liabilities in the accompanying unconsolidated financial statements. As of the reporting date, the Company has recognized equalization reserves amounting to TL 100.987.550 (December 31, 2017: TL 70.933.229).

As of December 31, 2018, the Company has deducted TL 5.834.920 (December 31, 2017: TL 4.070.305 TL) from equalization provision in consequence of realized earthquake losses.

2.29 Related parties

Parties are considered related to the Company if:

(a) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company;

(b) the party is an associate of the Company;

(c) the party is a joint venture in which the Company is a venturer;

(d) the party is member of the key management personnel of the Company and its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or

(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

A number of transactions are entered into with related parties in the normal course of business.

2.30 Earning per share

Earnings per share are determined by dividing the net income by the weighted average number of shares outstanding during the year attributable to the shareholders of the Company. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus shares issued are regarded as issued shares.

2.31 Subsequent events

Subsequent events that provide additional information about the Company's position at the reporting dates (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes when material.

2 Summary of significant accounting policies *(continued)*

2.32 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim financial statements as of December 31, 2018 are consistent with those of the previous financial year. There is no new and amended TFRS or TFRIC interpretation effective as of January 1, 2018. The effect of these standards and interpretations on the Company's financial position and performance are explained in the relevent paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2018 are as follows

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 is effective for annual periods beginning on or after 1 January 2018. The company has postponed its transition date to IFRS 15 to January 1, 2021 in accordance with "Communique on Transition Date of Insurance and Pension Companies to IFRS 15", dated October 23, 2018 and numbered 2018/4 and published by Ministry of Treasury and Finance.

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018. As an alternative, enterprises may prefer early implementation of provisions regarding representation of profit or loss of financial liabilities, which are established only as "fair value through profit or loss", without applying other requirements of the respective standard. The company continues to apply requirements of TAS 39 since companies, whose activities are mainly associated with insurance, are exempted to optionally implement IFRS 9 Financial Instruments standards until 2021.

TFRS 4 Insurance Contracts (Amendments)

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

a) give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and

b) give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 Financial instruments until 2021. The entities that defer the application of TFRS 9 Financial instruments will continue to apply the existing financial instruments Standard—TAS 39.

These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments did not have a significant impact on the financial position or performance of the Company.

2 Summary of significant accounting policies *(continued)*

2.32 The new standards, amendments and interpretations *(continued)*

TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on December 19, 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on January 1, 2018. The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:
a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

TAS 40 Investment Property: Transfers of Investment Property (Amendments)

In December 2017, POA issued amendments to TAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

2 Summary of significant accounting policies *(continued)*

2.32 The new standards, amendments and interpretations *(continued)*

Annual Improvements to TFRSs - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TFRS 1 "Initial Implementation of International Financial Reporting Standards": This amendment has abolished short term exemptions of certain TFRS 7 disclosures, TAS 19 transition provisions and TFRS 10 Investment Enterprises. Amendment is applicable for annual accounting periods, starting on and after January 1, 2018.

- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are applied for annual periods beginning on or after 1 January 2018.

The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers,office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company

2 Summary of significant accounting policies *(continued)*

2.32 The new standards, amendments and interpretations *(continued)*

Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)

In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after January 1, 2019, with early application permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Company will wait until the final amendment to assess the impacts of the changes.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in “IAS 12 Income Taxes” when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:
(a) whether an entity considers uncertain tax treatments separately;
(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application.

The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

2 Summary of significant accounting policies *(continued)*

2.32 The new standards, amendments and interpretations *(continued)*

Annual Improvements – 2015–2017 Cycle

In January 2019, POA issued Annual Improvements to TFRS Standards 2015–2017 Cycle, amending the following standards:

- TFRS 3 Business Combinations and TFRS 11 Joint Arrangements — The amendments to TFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to TFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- TAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- TAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Plan Amendment, Curtailment or Settlement” (Amendments to TAS 19)

In January 2019, the POA published Amendments to TAS 19 “Plan Amendment, Curtailment or Settlement” The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019, early application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

The POA issued minor amendments to TFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying TFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

2 Summary of significant accounting policies *(continued)*

2.32 The new standards, amendments and interpretations *(continued)*

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted.

The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:
- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

2 Summary of significant accounting policies *(continued)*

2.32 The new standards, amendments and interpretations *(continued)*

Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

3 Significant Accounting Estimates and Requirements

The notes given in this section are provided to addition/supplement the commentary on the management of insurance risk note 4.1 – Management of insurance risk and note 4.2 – Financial risk management.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas at estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

Note 4.1 – Management of insurance risk

Note 4.2 – Financial risk management

Note 7 – Investment properties

Note 9 – Investments in subsidiaries

Note 10 – Reinsurance assets/liabilities

Note 11 – Financial assets

Note 12 – Loans and receivables

Not 17 – Insurance liabilities and reinsurance assets

Not 17 – Deferred acquisition costs

Note 21 – Deferred income taxes

Note 23 – Other liabilities and cost provisions

4 Management of insurance and financial risk

4.1 Management of insurance risk

Objective of managing risks arising from insurance (reinsurance) contracts and policies used to minimize such risks

Reinsurance risk is defined as a possibility of financial loss due to inappropriate and insufficient application of reinsurance techniques in the activities of taking insurance contract responsibility partially or completely.

Potential risks that may be exposed in transactions are described, classified and managed based on the requirements set out in the Company's "Regulative Framework on the Risk Management Activities, Risk Management Policies and Implementation Procedures and Principles of the Risk Management" issued by the approval of the Board of Directors.

The main objective of the "Regulative Framework on the Risk Management Activities, Risk Management Policies and Implementation Procedures and Principles of the Risk Management" is to determine the risk measurement, assessment, and control procedures and maintain consistency between the Company's asset quality and limitations allowed by the insurance standards together with the Company's risk tolerance of the accepted risk level assumed in return for a specific consideration. In this respect, instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

Reinsurance risk is measured by quantitative methods and kept under pre-specified limits based on the "Limit over Acceptable Reinsurance Risk and Maximum Custody Share Limit" updated and approved annually by the Board of Directors.

Reinsurance risk is monitored regularly according to criteria described in the "Limit over Acceptable Reinsurance Risk and Maximum Custody Share Limit" policy and results are analysed by the Risk Committee and reported to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

Sensitivity to insurance risk

Insurance risks do not generally have significant unrecoverable losses in the course of ordinary transactions, except for risks associated with earthquake and other catastrophic risks. Therefore, there is a high sensitivity to earthquake and catastrophic risks.

The case of potential claims' arising from earthquake and other catastrophic risks exceeding the maximum limit of the excess of loss agreements, such risks are treated as the primary insurance risks and are managed based on the precautionary principle. Maximum limit of excess of loss agreements is determined based on the worst case scenario on the possibility of an earthquake in terms of its severity and any potential losses incurred in accordance with the generally accepted international earthquake models.

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk *(continued)*

4.1 Management of insurance risk *(continued)*

Insurance risk concentrations

The Company's gross and net insurance risk concentrations (net of reinsurer share) in terms of insurance branches are summarized as below:

		December 31, 2018	
Branches	**Gross total claims liability(*)**	**Reinsurance share of total claims liability**	**Net total claims liability**
Fire and natural disasters	353.012.333	(18.286.412)	334.725.921
General Damages	200.443.380	(1.846.348)	198.597.032
Land vehicles liability (MTPL)	57.945.642	(93.924)	57.851.718
General liabilities	39.721.164	(6.326.317)	33.394.847
Sea Vehicles	27.673.744	(2.473.593)	25.200.151
Marine	26.701.708	(4.124.212)	22.577.496
Land vehicles	23.653.534	(350.208)	23.303.326
Casualty	23.022.278	(492.327)	22.529.951
Life	6.619.434	(650.526)	5.968.908
Health	5.380.428	-	5.380.428
Fidelity Guarantees	700.880	(10)	700.870
Financial losses	528.783	-	528.783
Air Vehicless	380.319	-	380.319
Sea Vehicles Liability	128.186	-	128.186
Credit	62.076	-	62.076
Legal protection	456	-	456
Total	**765.974.345**	**(34.643.877)**	**731.330.468**

		December 31, 2017	
Branches	**Gross total claims liability(*)**	**Reinsurance share of total claims liability**	**Net total claims liability**
Fire and natural disasters	251.570.409	(14.778.916)	236.791.493
General Damages	161.603.161	(866.648)	160.736.513
Land vehicles liability (MTPL)	68.157.854	(95.695)	68.062.159
General liabilities	27.973.013	(2.071.703)	25.901.310
Sea Vehicles	27.563.445	(2.556.755)	25.006.690
Casualty	19.910.650	(14.060)	19.896.590
Marine	21.112.608	(1.730.232)	19.382.376
Land vehicles	16.847.694	(205.655)	16.642.039
Life	15.010.302	(585.759)	14.424.543
Health	4.788.316	-	4.788.316
Financial losses	582.126	-	582.126
Fidelity Guarantees	399.558	-	399.558
Air Vehicless	344.783	-	344.783
Credit	154.741	-	154.741
Legal protection	176	-	176
Sea Vehicles Liability	(12.340)	-	(12.340)
Total	**616.006.496**	**(22.905.423)**	**593.101.073**

(*) Total claims liability includes outstanding claims reserve (paid).

Effects of the changes in assumptions used in the measurement of insurance assets and liabilities showing the effect of each change separately that has significant effect on financial statements

In the current year, there are no material changes in the assumptions of measurement of insurance assets and liabilities.

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk

Introduction and overview

This note presents information about the Company's exposure to each of the below risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Company is subject to credit risk, market risk (foreign currency risk, interest rate risk and price risk in relation with financial investments) and liquidity risk due to assets and liabilities. The Company's exposure to each of the above risks is assessed according to "Application Principles in Respect of Risk Limits".

The Company monitors its receivables by obtaining comprehensive information about the debtors and debtors' activities. The risk over investment portfolio is managed by measuring and reporting the market risk daily, reassessing the results validity and applying different scenario analyses. The Company's exposure to each of the above risks is measured by Internal Control and Risk Management Service independently, reported to Board of Directors and units of İş Bankası through the Risk Committee.

Credit risk

Credit risk is the risk of financial loss to the Company if counterparties (parties issued financial instrument, insurance companies, reinsurance companies and other debtors) having business relationship with the Company fails to meet its contractual obligations. The Company manages this credit risk by regularly assessing reliability of the counterparties.

Credit risk is measured by both quantitative and qualitative methods and the weighted reinsurers in retrocession programs, credit ratings of them that indicate their financial strengths and their financial positions are analysed.

Doubtful receivables are monitored quarterly.

In addition, concentration of the investment portfolio is assessed quarterly.

The results evaluated by the Risk Committee and reported regularly to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

(Currency: Turkish Lira (TL))

4 Management insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Credit risk *(continued)*

Net book value of the assets that is exposed to credit risk is shown in the table below.

	December 31, 2018	December 31, 2017
Cash and cash equivalents *(Note 14)* (*)	1.742.194.280	1.223.126.571
Financial assets and financial investments with risks on policyholders *(Note 11)*(**)	109.875.291	378.829.902
Receivables from main operations *(Note 12)*	300.658.813	176.061.654
Reinsurer share in outstanding claims reserve*(Note 10), (Note 17)*	48.942.099	47.871.980
Income accruals	9.222.719	11.284.419
Other receivables *(Note 12)*	1.696.048	1.231.493
Other current asset *(Note 12)*	166.660	520.665
Total	**2.212.755.910**	**1.838.926.684**

(*) Cash on hands balance amounting to TL 19.945 are not included (December 31, 2017: TL 5.842).

(**) Equity shares amounting to TL 50.113.456 are not included (December 31, 2017: TL 72.250.946)

December 31, 2018 and 2017, the aging of the receivables from main operations and related provisions are as follows:

	December 31, 2018		December 31, 2017	
	Gross amount	Provision	Gross amount	Provision
Not past due	175.984.193	-	108.760.060	-
Past due 0-30 days	67.566.798	-	43.221.659	-
Past due 31-60 days	7.185.469	-	2.697.491	-
Past due 61-90 days	4.329.297	-	835.469	-
More than 90 days	70.945.090	(25.352.034)	38.520.418	(17.973.443)
Total	**326.010.847**	**(25.352.034)**	**194.035.097**	**(17.973.443)**

The movements of the allowances for impairment losses for receivables from main operations during the year are as follows:

	December 31, 2018	December 31, 2017
Provision for receivables from insurance operations at the beginning of the year	17.973.443	16.864.610
Collections during the period *(Note 47)*	(11.831)	(2.062)
Provisions for doubtful receivables during the period (*Note 47)*	292.830	-
Foreign currency translation effect *(Note 47)*	7.097.592	1.110.895
Provision for receivables from insurance operations at the end of the year	**25.352.034**	**17.973.443**

The movements of the allowances for impairment losses for other receivables are as follows:

	December 31, 2018	December 31, 2017
Provision for other receivables at the beginning of the year	53.177	53.177
Impairment losses provided during the period *(Note 47)*	356.186	-
Provision for other receivables at the end of the year	**409.363**	**53.177**

(Currency: Turkish Lira (TL))

4 Management insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset as a result of the imbalance between the Company's cash inflows and outflows in terms of maturity and volume.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities.

In respect of this risk which is measured by quantitative methods, any liquidity deficit is observed via the maturity analysis of assets and liabilities in the statement of balance sheet. Furthermore, liquidity structure of the Company is monitored by using the following basic indicators in respect of liquidity ratios:

- Liquid Assets / Total Assets
- Liquidity Ratio
- Current Ratio
- Premium and Reinsurance Receivables / Total Assets

The results evaluated by the Risk Committee and reported regularly to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

Management of the liquidity risk

The Company considers the maturity match between asset and liabilities for the purpose of avoiding liquidity risk and ensure that it will always have sufficient liquidity to meet its liabilities when due.

Maturity distribution of monetary assets and liabilities:

December 31, 2018	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Unallocated
Cash and cash equivalents	1.742.214.225	1.062.334.568	568.874.461	32.667.559	78.337.637	-
Financial assets(*)	109.875.291	109.875.291	-	-	-	-
Receivables from main operations	300.658.813	154.061.872	17.567.782	4.224.997	124.804.162	-
Other receivables and current assets	11.085.427	10.562.675	-	-	522.752	-
Total monetary assets	**2.163.833.756**	**1.336.834.406**	**586.442.243**	**36.892.556**	**203.664.551**	**-**
Financial liabilities and other liabilities	2.054.267	2.054.267				
Payables arising from main operations	63.770.093	54.959.881	1.532.162	1.256.141	6.021.909	-
Due to related parties	109.359	109.359	-	-	-	-
Insurance technical reserves(**)	1.159.082.038	-	-	-	-	1.159.082.038
Provisions for taxes and other similar obligations	5.707.038	5.707.038	-	-	-	-
Provisions for other risks and expense accruals	59.763.498	2.423.719	3.378.675	-		53.961.104
Total monetary liabilities	**1.290.486.293**	**65.254.264**	**4.910.837**	**1.256.141**	**6.021.909**	**1.213.043.142**

(*) Equity shares amounting to TL 50.113.456 are not included.

(**) Net of outstanding claims reserve not subject to consistent distribution is presented in the "unallocated" column.

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Liquidity risk *(continued)*

December 31, 2017	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Unallocated
Cash and cash equivalents	1.223.132.413	1.044.972.385	159.957.933	18.202.095	-	-
Financial assets(*)	378.829.902	371.329.322	-	-	1.815.693	5.684.887
Receivables from main operations	176.061.654	91.045.359	14.963.790	4.487.761	65.564.744	-
Other receivables and current assets	13.036.577	12.693.841	-	-	342.736	-
Total monetary assets	**1.791.060.546**	**1.520.040.907**	**174.921.723**	**22.689.856**	**67.723.173**	**5.684.887**
Financial liabilities and other liabilities	3.032.087	3.032.087	-	-	-	-
Payables arising from main operations	36.392.472	25.518.507	6.634.956	4.239.009	-	-
Due to related parties	106.310	106.310	-	-	-	-
Insurance technical reserves(**)	930.925.695	-	-	-	-	930.925.695
Provisions for taxes and other similar obligations	8.574.495	8.574.495	-	-	-	-
Provisions for other risks and expense accruals	52.550.241	1.787.580	3.133.995	-	-	47.628.666
Total monetary liabilities	**1.031.581.300**	**39.018.979**	**9.768.951**	**4.239.009**	**-**	**978.554.361**

(*) Equity shares amounting to TL 72.250.946 are not included.

(**) Net of outstanding claims reserve not subject to consistent distribution is presented in the “unallocated” column.

Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads will affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Foreign currency risk

The Company is exposed to foreign currency risk through insurance and reinsurance transactions in foreign currencies.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the reporting periods, foreign currency assets and liabilities evaluated by the Central Bank of Republic of Turkey’s spot purchase rates and the differences arising from foreign currency rates are recorded as foreign exchange gain or loss in the statement of operations.

The Company’s exposure to foreign currency risk is as follows:

December 31, 2018	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	398.635.043	17.362.486	5.589.240	421.586.769
Receivables from main operations	69.372.305	32.350.106	152.399.146	254.121.557
Total foreign currency assets	**468.007.348**	**49.712.592**	**157.988.386**	**675.708.326**
Liabilities:				
Payables arising from main operations	(12.881.791)	(8.260.518)	(20.458.243)	(41.600.552)
Insurance technical reserves(*)	(241.303.121)	(128.788.912)	(125.188.008)	(495.280.041)
Total foreign currency liabilities	**(254.184.912)**	**(137.049.430)**	**(145.646.251)**	**(536.880.593)**
Net financial position	**213.822.436**	**(87.336.838)**	**12.342.135**	**138.827.733**

December 31, 2017	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	263.984.818	12.469.766	3.174.131	279.628.715
Receivables from main operations	40.875.377	15.997.108	82.757.734	139.630.219
Total foreign currency assets	**304.860.195**	**28.466.874**	**85.931.865**	**419.258.934**
Liabilities:				
Payables arising from main operations	(9.284.248)	(3.293.305)	(10.819.470)	(23.397.023)
Insurance technical reserves(*)	(126.051.494)	(93.800.091)	(126.962.691)	(346.814.276)
Total foreign currency liabilities	**(135.335.742)**	**(97.093.396)**	**(137.782.161)**	**(370.211.299)**
Net financial position	**169.524.453**	**(68.626.522)**	**(51.850.296)**	**49.047.635**

(*) According to the “Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves” published in Official Gazette no 27655 dated July 28, 2010; foreign currency denominated claims provisions evaluated by the Central Bank of Republic of Turkey’s spot sales rates.

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Market risk *(continued)*

Foreign currency risk *(continued)*

TL equivalents of the related monetary amounts denominated in foreign currencies are presented in the above table.

Foreign currency rates used for the translation of foreign currency denominated monetary assets and liabilities as of reporting dates are as follows:

	At the end of the period		**Average**	
	US Dollar	**Euro**	**US Dollar**	**Euro**
December 31, 2018	5,2609	6,0280	4,8301	5,6789
December 31, 2017	3,7719	4,5155	3,6445	4,1159

Exposure to foreign currency risk

20 percent depreciation of the TL against the following currencies as of December 31, 2018 would have increased or decreased equity and profit or loss (excluding tax effects) by the amounts shown below (December 31, 2017: 10 percent depreciation of the TL). This analysis assumes that all other variables, in particular interest rates, remain constant. In case of a 20 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

	December 31, 2018		**December 31, 2017**	
	Profit or loss	**Equity(*)**	**Profit or loss**	**Equity(*)**
US Dollar	42.764.487	42.764.487	16.952.445	16.952.445
Euro	(17.467.368)	(17.467.368)	(6.862.652)	(6.862.652)
Others	2.468.427	2.468.427	(5.185.030)	(5.185.030)
Total, net	**27.765.546**	**27.765.546**	**4.904.763**	**4.904.763**

(*) Equity effect also includes profit or loss effect of 20% depreciation of TL against related currencies (December 31, 2017: 10% depreciation of TL).

Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands.

As of reporting date; the interest rate profile of the Company's interest earning financial assets and interest bearing financial liabilities are detailed as below:

	December 31, 2018	**December 31, 2017**
Financial assets		
Financial assets with fixed interest rates:	***1.735.789.236***	***1.220.364.713***
Cash at banks *(Note 14)*	1.727.884.076	1.214.679.826
Available for sale financial assets – Private sector bonds – TL *(Note 11)*	7.905.160	-
Available for sale financial assets – Government bonds – TL *(Note 11)*	-	5.684.887
Financial assets with variable interest rate:	**-**	***961.152***
Available for sale financial assets – Private sector bonds – TL *(Note 11)*	-	961.152

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Market risk *(continued)*

Fair value information

The estimated fair values of financial instruments have been determined using available market information, and where it exists, appropriate valuation methodologies.

The Company has classified its financial assets as held for trading or available for sale. As of the reporting date, available for sale financial assets and financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying unconsolidated financial statements.

Management estimates that the fair value of other financial assets and liabilities are not materially different than their carrying values.

Classification relevant to fair value information

TFRS 7 – *Financial instruments: Disclosures* requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows.

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires the utilization of observable market data, if available.

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

	December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Available for sale financial assets (Note 11)(*)	159.260.466	-	-	159.260.466
Associates (Note 9)	-	118.255.503	-	118.255.503
Subsidiaries (Note 9)	-	650.692.496	-	650.692.496
Total financial assets	**159.260.446**	**768.947.999**	**-**	**928.208.465**
Tangible assets:				
Investment properties *(Note 6)*	-	392.041.000	-	392.041.000
Owner Occupied Properties *(Note 6)*	-	179.340.000	-	179.340.000
Total tangible assets	**-**	**571.381.000**	**-**	**571.381.000**
Total	**159.260.446**	**1.340.328.999**	**-**	**1.499.589.465**

(*) As of December 31, 2018, securities that are not publicly traded amounting to TL 728.281 have been measured at cost.

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Market risk *(continued)*

	December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Available for sale financial assets *(Note 11)*(*)	450.372.494	-	-	450.372.494
Associates *(Note 9)*	-	116.391.717	-	116.391.717
Subsidiaries *(Note 9)*	-	547.260.068	-	547.260.068
Total financial assets	**450.372.494**	**663.651.785**	**-**	**1.114.024.279**
Tangible assets:				
Investment properties *(Note 6)*	-	365.981.000	-	365.981.000
Owner Occupied Properties *(Note 6)*	-	147.915.000	-	147.915.000
Total tangible assets	**-**	**513.896.000**	**-**	**513.896.000**
Total	**450.372.494**	**1.177.547.785**	**-**	**1.627.920.279**

(*) As of December 31, 2017, securities that are not publicly traded amounting to TL 708.354 have been measured at cost.

Equity share price risk

Equity share price risk is defined as the risk of decreasing the market price of equity shares as a result of a decline in index.

The effect of changes in fair values of the associates and the available-for-sale financial assets on equity that is resulted from the fluctuations on index (all of the other variables are assumed to be fixed) are as follows as of December 31, 2018 and 2017:

	Change in index	**December 31, 2018**	**December 31,2017**
Market price of equity	%10	4.938.518	7.154.259

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Gain and losses from financial assets

Gains and losses recognized in the statement of income, net:	**December 31, 2018**	**December 31, 2017**
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15)*	20.482.905	3.047.570
Interest income from bank deposits	209.673.361	128.135.803
Interest income from debt securities classified as available-for-sale financial assets	1.846.363	(348.208)
Income from equity shares	9.546.226	8.592.946
Foreign exchange gains	139.716.863	41.419.317
Income from investment funds	29.276.621	22.067.629
Interest income from repos	613.305	454.895
Income from subsidiaries	157.046.405	89.674.722
Income from affiliates	31.731.033	28.233.340
Investment income	**599.933.082**	**321.278.014**
Foreign exchange losses	(57.759.377)	(21.942.845)
Loss from disposal of financial assets	(11.907.041)	(996.561)
Investment management expenses (including interest)	(511.981)	(846.635)
Investment expenses	**(70.178.399)**	**(23.786.041)**
Investment income, net	**529.754.683**	**297.491.973**

Gains and losses recognized in the statement of equity, net:	**December 31, 2018**	**December 31, 2017**
Fair value changes in available for sale financial assets *(Note 15)*	(70.821.824)	24.601.238
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15)*	(20.482.905)	(3.047.570)
Total	**(91.304.729)**	**21.553.668**

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Capital management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements required by Republic of Turkey Ministry of Treasury and Finance
- To safeguard the Company's ability to continue as a going concern

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Individual Pension Companies" issued by Republic of Turkey Ministry of Treasury and Finance on August 23, 2015 dated and 29454 numbered; the Company measured its minimum capital requirement as TL 467.082.690 (December 31, 2017: TL 384.768.809) as of December 31, 2018. As of December 31, 2018 and December 31, 2017, the capital amount of the Company presented in the unconsolidated financial statements are TL 1.736.300.262 and TL 1.587.067.868 respectively and capital surplus of the Company is amounting to TL 1.079.355.016 (December 31, 2017: TL 982.382.182) according to the communiqué.

5 Segment Information

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

As of December 31, 2018, the Company operates in life and non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

6 Tangible assets

Movement in tangible assets in the period from January 1 to December 31, 2018 is presented below:

	January 1, 2018	Additions	Foreign currency translation effect(*)	Disposals	Revaluation surplus	December 31, 2018
Cost:						
Investment properties *(Note 7)*	365.981.000	1.174.094	-	-	24.885.906	392.041.000
Buildings for own use	147.915.000	-	-	-	31.425.000	179.340.000
Furniture and fixtures	5.695.006	364.595	355.977	(350.456)	-	6.065.122
Land vehicles	1.604.238	741.355	215.830	(290.699)	-	2.270.724
	521.195.244	**2.280.044**	**571.807**	**(641.155)**	**56.310.906**	**579.716.846**
Accumulated depreciation:						
Buildings for own use	478.643	471.236	-	-	(810.011)	139.868
Furniture and fixtures	4.467.547	452.122	334.603	(347.991)	-	4.906.281
Land vehicles	621.264	359.029	91.626	(279.199)	-	792.720
	5.567.454	**1.282.387**	**426.229**	**(627.190)**	**(810.011)**	**5.838.869**
Carrying amounts	**515.627.790**					**573.877.977**

(*) Foreign currency translation effect resulted from Singapore Branch.

(Currency: Turkish Lira (TL))

6 Tangible assets (continued)

Movement in tangible assets in the period from January 1 to December 31, 2017 is presented below:

	January 1, 2017	Additions	Foreign currency translation effect(*)	Disposals	Revaluation surplus	December 31, 2017
Cost:						
Investment properties *(Note 7)*	326.090.000	-	-	-	39.891.000	365.981.000
Buildings for own use	147.915.000	-	-	-	-	147.915.000
Furniture and fixtures	5.578.940	158.877	57.432	(100.243)	-	5.695.006
Land vehicles	1.113.102	734.663	36.629	(280.156)	-	1.604.238
	480.697.042	**893.540**	**94.061**	**(380.399)**	**39.891.000**	**521.195.244**
Accumulated depreciation:						
Buildings for own use	36.819	441.824	-	-	-	478.643
Furniture and fixtures	3.927.625	588.415	51.125	(99.618)	-	4.467.547
Land vehicles	680.961	210.665	9.794	(280.156)	-	621.264
	4.645.405	**1.240.904**	**60.919**	**(379.774)**	**-**	**5.567.454**
Carrying amounts	**476.051.637**					**515.627.790**

(*)Foreign currency translation effect resulted from Singapore Branch.

The Company’s property for own use is valuated over fair value as September 2018. Expertise reports regarding this property are prepared by independent professional valuation specialists authorized by CMB in September 2018.

As of December 31, 2018 and 2017, the fair values (excluding VAT) and net carrying values of property for own used are presented below:

Owner occupied land and buildings	Expertise date	Expertise value	Net Book Value (December 31, 2018)	Net Book Value (December 31, 2017)
Headquarter Building	September 2018	179.340.000	179.200.132	147.436.357
Total		**179.340.000**	**179.200.132**	**147.436.357**

Fair value measurement

The fair values of property for own use were determined by market comparison technique. The fair value measurement of owner occupied land and buildings is classified as level 2.

As of December 31, 2018 and 2017, there is no mortgage on Company’s tangible assets.

(Currency: Turkish Lira (TL))

7 Investment properties

Additions and disposals for investment properties is given "6- Tangible Assets" note in table of current period movement of tangible assets.

Investment properties are presented by fair value method as of December 31, 2018 and 2017 on balance sheet and The Company's investment properties gained TL 24.885.906 amount of value in 2018 in the context of expertise report prepared by independent professional valuation specialists authorized by Capital Markets Board of Turkey. From investment property, TL 19.485.110 amount of rent income is obtained from investment properties in the current accounting period (December 31, 2017: TL 16.731.702).

As of December 31, 2018, inflation adjusted cost and fair value amounts of the Company's investment properties are amounting to TL 392.041.000 (December 31, 2017: TL 365.981.000).

The expertise (excluding VAT) and net book values of investment properties are as follows per real estate. Expertise reports regarding these properties are prepared by independent professional valuation specialists authorized by CMB in September 2018. There is no pledge on the real estates.

As of December 31, 2018 and 2017, details of investment properties and the fair values are as follows:

	December 31, 2018 Net book value	**December 31, 2017 Net book value**	**Date of expertise report**	**Value of expertise report**
Çifteler Land	6.000	6.000	September 2018	6.000
Villa Office Block	45.100.000	44.300.000	September 2018	45.100.000
Suadiye Fitness Center	36.175.000	36.175.000	September 2018	36.175.000
Tunaman Garage	121.500.000	105.000.000	September 2018	121.500.000
Operating Center Rental Offices	189.260.000	180.500.000	September 2018	189.260.000
Carrying amounts	**392.041.000**	**365.981.000**		**392.041.000**

Fair value measurement

The fair values of investment properties were determined by market comparison technique. The fair value measurement of owner occupied land and buildings is classified as level 2.

8 Intangible assets

Movement in intangible assets in the period from January 1 to December 31, 2018 is presented below:

	January 1, 2018	**Additions**	**Foreign currency translation effects(*)**	**Disposal**	**December 31, 2018**
Cost:					
Other intangible assets	6.029.231	1.477.778	921.275	-	8.428.284
Advances on intangible fixed assets(**)	20.047.775	10.055.692	-	-	30.103.467
	26.077.006	**11.533.470**	**921.275**	**-**	**38.531.751**
Accumulated amortization:					
Other intangible assets	4.242.018	1.015.035	919.441	-	6.176.494
	4.242.018	**1.015.035**	**919.441**	**-**	**6.176.494**
Carrying amounts	**21.834.988**				**32.355.257**

(*) Foreign currency translation effect resulted from Singapore Branch.

(**) Given referring to reinsurance computer software.

(Currency: Turkish Lira (TL))

8 Intangible assets (continued)

Movement in intangible assets in the period from January 1 to December 31, 2017 is presented below:

	January 1, 2017	**Additions**	**Foreign currency translation effects(*)**	**Disposal**	**December 31, 2017**
Cost:					
Other intangible assets	5.405.787	467.410	156.034	-	6.029.231
Advances on intangible fixed assets(**)	12.383.457	7.664.318	-	-	20.047.775
	17.789.244	**8.131.728**	**156.034**	**-**	**26.077.006**
Accumulated amortization:					
Other intangible assets	3.319.811	766.326	155.881	-	4.242.018
	3.319.811	**766.326**	**155.881**	**-**	**4.242.018**
Carrying amounts	**14.469.433**				**21.834.988**

(*) Foreign currency translation effect resulted from Singapore Branch.

(**) Given referring to reinsurance computer software.

9 Investments in associates

The Company accounts for its subsidiaries, its investments in associates and its joint ventures using the equity method defined in TAS 27 - "Consolidated and Seperate Financial Statements" in preparing the unconsolidated financial statements.

As of the reporting date, the carrying values of the investments accounted for using equity method accounted in balance sheet in the unconsolidated financial statements of the Company are as follows:

	December 31, 2018		**December 31, 2017**	
	Net book value	**Participation rate %**	**Net book value**	**Participation rate %**
Anadolu Hayat Emeklilik	118.255.503	12,46	116.391.717	12,46
Investments in associates, net	**118.255.503**		**116.391.717**	
Anadolu Sigorta	647.247.206	57,31	544.063.326	57,31
Miltaş Turizm İnşaat Ticaret Anonim Şirketi	3.445.290	77,00	3.196.742	77,00
Investments in subsidiaries, net	**650.692.496**		**547.260.068**	
Total financial asset	**768.947.999**		**663.651.785**	

Name	**Total assets**	**Shareholders' equity**	**Retained earnings**	**Profit for the year**	**Audited**	**Period**
Associates:						
Anadolu Hayat Emeklilik(*)	20.229.978.136	949.081.089	98.747.310	254.663.182	Audited.	December, 31 2018
Subsidiaries:						
Miltaş Turizm İnşaat Tic.A.Ş.	4.769.334	4.474.402	-	332.283	Not Audited.	December, 31 2018
Anadolu Sigorta(*)	7.576.987.749	1.319.162.272	80.319.522	324.506.976	Audited.	December, 31 2018

(*) As of December 31, 2018, consolidated financial informations of Anadolu Sigorta and Anadolu Hayat Emeklilik are shown.

(Currency: Turkish Lira (TL))

10 Reinsurance assets and liabilities

As of December 31, 2018 and 2017, outstanding reinsurance assets and liabilities of the Company, as Reinsurance company in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	**December 31, 2018**	**December 31, 2017**
Receivables from reinsurance companies *(Note 12)*	46.329.322	21.470.170
Cash deposited to reinsurance companies	72.560.207	25.060.298
Outstanding claims reserve, ceded *(Note 4.2)*, *(Note 17)*	48.942.099	47.871.980
Unearned premiums reserve, ceded *(Note 17)*	18.693.888	6.817.997
Total	**186.525.516**	**101.220.445**

There is no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	**December 31, 2018**	**December 31, 2017**
Deferred commission income *(Note 19)*	758.494	614.358
Total	**758.494**	**614.358**

Gains and losses recognized in the statement of income in accordance with existing retrocession contracts are as follows:

	December 31, 2018	**December 31, 2017**
Premiums ceded during the period *(Note 17)*	(165.195.789)	(129.912.142)
Unearned premiums reserve, ceded at the beginning of the period *(Note 17)*	(6.817.997)	(6.276.404)
Unearned premiums reserve, ceded at the end of the period *(Note 17)*	18.693.888	6.817.997
Premiums earned, ceded *(Note 17)*	**(153.319.898)**	**(129.370.549)**
Claims paid, ceded during the period *(Note 17)*	34.643.877	22.905.423
Outstanding claims reserve, ceded at the beginning of the period *(Note 17)*	(47.871.980)	(41.095.682)
Outstanding claims reserve, ceded at the end of the period *(Note 17)*	48.942.099	47.871.980
Claims incurred, ceded *(Note 17)*	**35.713.996**	**29.681.721**
Commission income accrued from reinsurers during the period *(Note 32)*	2.228.392	1.803.088
Deferred commission income at the beginning of the period *(Note 19)*	614.358	449.504
Deferred commission income at the end of the period *(Note 19)*	(758.494)	(614.358)
Commission income earned from reinsurers *(Note 32)*	**2.084.256**	**1.638.234**
Changes in unexpired risks reserve, reinsurers' share *(Note 17)*	**(188.997)**	**390.622**
Total, net	**(115.710.643)**	**(97.659.972)**

(Currency: Turkish Lira (TL))

11 Financial assets

As of December 31, 2018 and 2017, the Company's financial assets are detailed as follows:

	December 31, 2018	December 31, 2017
Available for sale financial assets	166.943.287	458.035.388
Impairment loss on available for sale financial assets	(6.954.540)	(6.954.540)
Total	**159.988.747**	**451.080.848**

As of December 31, 2018 and 2017, the Company's available for sale financial assets are as follows:

	December 31, 2018			
	Nominal value	**Cost**	**Fair value**	**Net book value**
Debt instruments:				
Private sector bonds – TL	15.100.000	14.528.500	14.859.700	14.859.700
Impairment loss on private sector bonds			(6.954.540)	(6.954.540)
	15.100.000	**14.528.500**	**7.905.160**	**7.905.160**
Non-fixed income financial assets:				
Equity shares		62.575.635	50.113.456	50.113.456
Investment funds		99.162.237	101.970.131	101.970.131
		161.737.872	**152.083.587**	**152.083.587**
Total available-for-sale financial assets	**15.100.000**	**176.266.372**	**159.988.747**	**159.988.747**

	December 31, 2017			
	Nominal value	**Cost**	**Fair value**	**Net book value**
Debt instruments:				
Government bonds – TL	5.900.000	7.303.056	5.684.887	5.684.887
Private sector bonds – TL	7.908.788	7.908.788	7.915.692	7.915.692
Impairment loss on private sector bonds			(6.954.540)	(6.954.540)
	13.808.788	**15.211.844**	**6.646.039**	**6.646.039**
Non-fixed income financial assets:				
Equity shares		54.939.661	72.250.946	72.250.946
Investment funds		349.061.157	372.183.863	372.183.863
		404.000.818	**444.434.809**	**444.434.809**
Total available-for-sale financial assets	**13.808.788**	**419.212.662**	**451.080.848**	**451.080.848**

(Currency: Turkish Lira (TL))

11 Financial assets *(continued)*

Debt instruments presented above are traded in the capital markets. As of December 31, 2018, equity shares classified as available for sale financial assets with a carrying amount of TL 728.281 are not publicly traded (December 31, 2017: TL 708.354).

There is no debt security issued during the period or issued before and paid during the period by the Company.

Value increases in financial assets including equity shares classified as available for sale financial assets and subsidiaries for the last 3 years (including tax effects):

Year	**Change in value increase**	**Total increase in value**
2018	(91.304.729)	(38.392.931)
2017(*)	21.553.668	52.911.798
2016(*)	(59.316.799)	31.358.130

(*)Restated due to retrospectively amendments.

Details of the financial assets issued by related parties of the Company's are as follows:

	December 31, 2018			
	Nominal value	**Cost**	**Fair value**	**Net book value**
Available for sale financial assets – Equity shares		62.508.033	50.045.854	50.045.854
Available for sale financial assets – Investment funds		99.162.237	101.970.131	101.970.131
Available for sale financial assets – Private sector bonds	9.000.000	8.428.500	8.759.700	8.759.700
Total	**9.000.000**	**170.098.770**	**160.775.685**	**160.775.685**

	December 31, 2017			
	Nominal value	**Cost**	**Fair value**	**Net book value**
Available for sale financial assets – Equity shares		54.872.059	72.183.344	72.183.344
Available for sale financial assets – Investment funds		349.061.157	372.183.863	372.183.863
Total		**403.933.216**	**444.367.207**	**444.367.207**

(Currency: Turkish Lira (TL))

11 Financial assets *(continued)*

Movements of the financial assets during the period are presented below:

		December 31, 2018
	Available-for-sale	**Total**
Balance at the beginning of the period	**451.080.848**	**451.080.848**
Acquisitions during the period	1.085.165.474	1.085.165.474
Disposals (sale and redemption)	(1.373.823.061)	(1.373.823.061)
Change in the fair value of financial assets	(11.371.447)	(11.371.447)
Change in amortized cost of the financial assets	1.300.960	1.300.960
Bonus shares acquired	7.635.973	7.635.973
Balance at the end of the period	**159.988.747**	**159.988.747**

		December 31, 2017
	Available-for-sale	**Total**
Balance at the beginning of the period	**358.120.872**	**358.120.872**
Unrealized exchange differences on financial assets	-	-
Acquisitions during the period	486.980.571	486.980.571
Disposals (sale and redemption)	(442.910.376)	(442.910.376)
Change in the fair value of financial assets	21.231.995	21.231.995
Change in amortized cost of the financial assets	20.789.498	20.789.498
Bonus shares acquired	6.868.288	6.868.288
Balance at the end of the period	**451.080.848**	**451.080.848**

(Currency: Turkish Lira (TL))

12 Loans and receivables

	December 31, 2018	December 31, 2017
Receivables from main operations *(Note 4.2)*	300.658.813	176.061.654
Prepaid taxes and funds *(Note 19)*	-	-
Other receivables *(Note 4.2)*	1.696.048	1.231.493
Other current asset	166.660	520.665
Total	**302.521.521**	**177.813.812**
Short-term receivables	302.521.521	177.813.812
Total	**302.521.521**	**177.813.812**

As of December 31, 2018 and 2017, receivables from main operations are detailed as follows:

	December 31, 2018	December 31, 2017
Receivables from insurance companies	61.201.859	47.708.257
Receivables from brokers and intermediaries	66.190.154	43.879.856
Receivables from reinsurance companies *(Note 10)*	46.329.322	21.470.170
Total receivables from insurance operations, net	**173.721.335**	**113.058.283**
Cash deposited to insurance and reinsurance companies	126.937.478	63.003.371
Doubtful receivables from main operations	25.352.034	17.973.443
Provision for doubtful receivables from main operations	(25.352.034)	(17.973.443)
Receivables from main operations	**300.658.813**	**176.061.654**

As of December 31, 2018 and 2017, mortgages and collaterals obtained for receivables are disclosed as follows:

	December 31, 2018	December 31, 2017
Letters of guarantees	11.742.907	10.074.256
Total	**11.742.907**	**10.074.256**

Provisions for overdue receivables and receivables not due yet

a) *Receivables under legal or administrative follow up (due): TL* 25.352.034 for main operations (December 31, 2017: TL 17.973.443) and TL 409.363 (December 31, 2017: TL 53.177) for other receivables.

b) Provision for premium receivables (due): None (December 31, 2017: None).

The Company’s receivables from and payables to shareholders, associates and subsidiaries are detailed in note 45 – *Related party transactions*.

The details of the receivables and payables denominated in foreign currencies and foreign currency rates used for the translation are presented in Note 4.2– Financial risk management.

13 Derivative financial assets

As of December 31, 2018 and 2017, the Company has no derivative financial instruments.

14 Cash and cash equivalents

As of December 31, 2018 and 2017, the details of cash and cash equivalents are as follows:

	December 31, 2018		**December 31, 2017**	
	At the end of the period	**At the beginning of the period**	**At the end of the period**	**At the beginning of the period**
Cash on hand	19.945	5.842	5.842	17.446
Bank deposits	1.742.194.280	1.223.126.571	1.223.126.571	1.123.257.588
Cheques received	-	-	-	1.950.000
Cash and cash equivalents in the balance sheet	**1.742.214.225**	**1.223.132.413**	**1.223.132.413**	**1.125.225.034**
Bank deposits – blocked	(500)	(500)	(500)	(500)
Time deposits with maturities longer than 3 months	(409.261.173)	(51.610.145)	(51.610.145)	(104.733.974)
Interest accruals on bank deposits	(12.664.099)	(8.230.211)	(8.230.211)	(6.427.800)
Cash and cash equivalents presented in the statement of cash flows	**1.320.288.453**	**1.163.291.557**	**1.163.291.557**	**1.014.062.760**

As of December 31, 2018 and 2017, the details of bank deposits as follows:

	December 31, 2018	**December 31, 2017**
Foreign currency denominated bank deposits		
- time deposits	407.654.891	271.248.511
- demand deposits	13.929.931	8.378.793
Bank deposits in Turkish Lira		
- time deposits	1.320.229.185	943.431.315
- demand deposits	380.273	67.952
Bank deposits	**1.742.194.280**	**1.223.126.571**

(Currency: Turkish Lira (TL))

15 Equity

Paid in capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group having 76,64% of outstanding shares. As of December 31, 2018 and, 2017, the shareholding structure of the Company is as follows:

	December 31, 2018		**December 31, 2017**	
Name	**Pay tutarı (TL)**	**Pay oranı (%)**	**Pay tutarı (TL)**	**Pay oranı (%)**
Türkiye İş Bankası A.Ş.	505.810.925	76,64	505.810.925	76,64
Millî Reasürans T.A.Ş. Mensupları Yardımlaşma Sandığı Vakfı	69.604.854	10,55	69.604.854	10,55
Groupama Emeklilik A.Ş.	38.809.894	5,88	38.809.894	5,88
Ankara Doğal Elektrik Üretim ve Ticaret A.Ş.	22.240.456	3,37	22.240.456	3,37
T.C. Ziraat Bankası A.Ş.	16.430.944	2,49	16.430.944	2,49
Other	7.102.927	1,07	7.102.927	1,07
Paid in capital	**660.000.000**	**100,00**	**660.000.000**	**100,00**

As of December 31, 2018, the issued share capital of the Company is TL 660.000.000 (December 31, 2017: TL 660.000.000) and the share capital of the Company consists of 66.000.000.000 (December 31, 2017: 66.000.000.000 shares) issued shares with TL 0,01 nominal value each. There are no privileges over the shares of the Company.

There are not any treasury shares held by the Company itself or by its subsidiaries or associates.

There are not any treasury shares issued which will be subject to sale in accordance with forward transactions and contracts.

(Currency: Turkish Lira (TL))

15 Equity *(continued)*

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

The movements of legal reserves are as follows:

	December 31, 2018	December 31, 2017
Legal reserves at the beginning of the period	**104.684.305**	**90.368.821**
Transfer from profit	7.291.447	8.595.616
Accounted according to the equity method	11.065.714	5.719.868
Legal reserves at the end of the period	**123.041.466**	**104.684.305**

As of December 31, 2018 and December 31, 2017, "Other Reserves and Retained Earnings" includes extraordinary reserves, gains to be added to equity and buildings for own use revaluation differences and other profit reserves.

Extraordinary reserves

The movement of extraordinary reserves is as follows:

	December 31, 2018	December 31, 2017
Extraordinary reserves at the beginning of the period	**179.927.411**	**81.426.607**
Transfer from profit	46.420.386	70.647.616
Accounted according to the equity method	58.281.764	27.853.188
Extraordinary reserves at the end of the period	**284.629.561**	**179.927.411**

Other profit reserves

According to revision on TAS 19, actuarial profit and losses that recognized in income statement in termination indemnity calculation before, is recognized in "Other Profit Reserves" account under equity in current period financial statements. The amount of TL (2.073.808), (December 31, 2017 TL (1.367.215 TL)) regarding actuarial calculation is presented in other profit reserves account, in calculation of termination indemnity as of December 31, 2018.

Movement of other profit reserves is presented below:

	December 31, 2018	December 31, 2017
Other profit reserves at the beginning of the period	**24.383.602**	**25.812.080**
Actuarial gains/losses	(706.593)	(342.955)
Accounted according to the equity method	(1.269.067)	(1.085.523)
Other profit reserves at the end of the period	**22.407.942**	**24.383.602**

(Currency: Turkish Lira (TL))

15 Equity *(continued)*

Statutory reserves

After the allocation of first legal reserves and first dividend to shareholders, reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly. As of December 31, 2018, there are no funds allocated in this manner (December 31, 2017: None). As of December 31, 2018, the statutory reverses that are accounted according to the equity method amounting to TL 23.673.660 (December 31, 2017: 14.966.866 TL).

Foreign currency translation differences

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. As of December 31, 2018, foreign currency translation loss amounting to TL 43.734.932 (December 31, 2017: TL 28.441.170 loss) stems from Singapore Branch whose functional currency is US Dollars.

Other capital reserves

"According to TAS 16 – "Property Plant and Equipment", property, plant and equipment are initially recorded at cost and can be subsequently measured at their fair values. The Company has started to show based on the revaluation model by measuring over fair value as of the third quarter of 2015 by making changes in the use of the property which is measuring the cost model in the financial statements before.

According to expertise reports, fair value of building for own use is calculated as TL 179.340.000 and revaluation differences amounted TL 162.300.435 is recognized in 'Other Capital Reserves' account under equity amounting to TL 146.070.394 with net tax effect in financial statements as of December 31, 2018 (December 31, 2017: TL 117.058.884). As of December 31, 2018, the other capital reverses that are accounted according to the equity method amounting to TL 17.679.452 (December 31, 2017: 16.842.305 TL)

Valuation of financial assets

As of December 31, 2018 and 2017 detailed change of fair value of marketable securities, debt securities and subsidiaries classified as available for sale financial assets is as following:

	December 31, 2018	December 31, 2017
Fair value reserves at the beginning of the period	**52.911.798**	**31.358.130**
Change in the fair value during the period *(Note 4.2)*	(79.511.110)	27.983.813
Deferred tax effect *(Note 4.2)*	4.183.047	(3.992.089)
Net gains transferred to the statement of income *(Note 4.2)*	(20.482.905)	(3.047.570)
Deferred tax effect *(Note 4.2)*	4.506.239	609.514
Fair value reserves at the end of the period	**(38.392.931)**	**52.911.798**

Profit for the period that is extraneous from the distribution

In accordance with tax legislation, 75% of profits from sales of participation shares and 50% of profit from real states included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years. In the direction of sector announcement made by Treasury dated October 27 , 2008 and numbered 2008/41, the Company classified the gain on sale dated April 10, 2015 from the land in real estate amounting to TL 23.723.323 as of December 31, 2016. As of December 31, 2018, profit for the period that is extraneous from the distribution that are accounted according to the equity method amounting to TL 522.188 (December 31, 2017: None.)

(Currency: Turkish Lira (TL))

16 Other reserves and equity component of discretionary participation

As of December 31, 2018 and 2017, other reserves are explained in detail in Note 15 – *Equity* above.

As of December 31, 2018 and 2017, the Company does not hold any insurance or investment contracts which contain a discretionary participation feature.

17 Insurance contract liabilities and reinsurance assets

Estimation of the ultimate payment for the outstanding claims is one of the most important accounting assumptions of the Company. Estimation of the insurance contract liabilities contains several ambiguities by nature. The Company makes calculation of the related insurance technical provisions accordance with the Insurance Legislation and reflects them into financial statements as mentioned in Note 2 – *Summary of significant accounting policies*.

As of December 31, 2018 and 2017, technical reserves of the Company are as follows:

	December 31, 2018	**December 31, 2017**
Unearned premiums reserve, gross	597.910.179	460.020.207
Unearned premiums reserve, ceded *(Note 10)*	(18.693.888)	(6.817.997)
Unearned premiums reserve, net	**579.216.291**	**453.202.210**
Outstanding claims reserve, gross	1.208.024.137	978.797.675
Outstanding claims reserve, ceded *(Note 10)*	(48.942.099)	(47.871.980)
Outstanding claims reserve, net	**1.159.082.038**	**930.925.695**
Unexpired risks reserve, gross	3.559.131	6.279.176
Unexpired risks reserve, ceded *(Note 10)*	(256.126)	(445.123)
Unexpired risks reserve, net	**3.303.005**	**5.834.053**
Equalization reserve, net	**100.987.550**	**70.933.229**
Mathematical reserves	**73.795**	**116.109**
Total technical reserves, net	**1.842.662.679**	**1.461.011.296**
Short-term	1.741.675.129	1.390.078.067
Medium and long-term	100.987.550	70.933.229
Total technical reserves, net	**1.842.662.679**	**1.461.011.296**

(Currency: Turkish Lira (TL))

17 Insurance liabilities and reinsurance assets *(continued)*

As of December 31, 2018 and 2017, movements of the insurance liabilities and related reinsurance assets are presented below:

	December 31, 2018		
Unearned premiums reserve	**Gross**	**Ceded**	**Net**
Unearned premiums reserve at the beginning of the period	460.020.207	(6.817.997)	453.202.210
Written premiums during the period	1.320.177.533	(165.195.789)	1.154.981.744
Earned premiums during the period	(1.182.287.561)	153.319.898	(1.028.967.663)
Unearned premiums reserve at the end of the period	**597.910.179**	**(18.693.888)**	**579.216.291**

	December 31, 2017		
Unearned premiums reserve	**Gross**	**Ceded**	**Net**
Unearned premiums reserve at the beginning of the period	377.386.976	(6.276.405)	371.110.571
Written premiums during the period	1.085.712.889	(129.912.142)	955.800.747
Earned premiums during the period	(1.003.079.658)	129.370.550	(873.709.108)
Unearned premiums reserve at the end of the period	**460.020.207**	**(6.817.997)**	**453.202.210**

	December 31, 2018		
Outstanding claims reserve	**Gross**	**Ceded**	**Net**
Outstanding claims reserve at the beginning of the period	978.797.675	(47.871.980)	930.925.695
Claims reported during the period and changes in the estimations of outstanding claims reserve provided at the beginning of the period	1.101.172.109	(36.603.633)	1.064.568.476
Claims paid during the period	(765.974.345)	34.643.877	(731.330.468)
Discount effect	(105.971.302)	889.637	(105.081.665)
Outstanding claims reserve at the end of the period	**1.208.024.137**	**(48.942.099)**	**1.159.082.038**

	December 31, 2017		
Outstanding claims reserve	**Gross**	**Ceded**	**Net**
Outstanding claims reserve at the beginning of the period	902.903.203	(41.095.682)	861.807.521
Claims reported during the period and changes in the estimations of outstanding claims reserve provided at the beginning of the period	693.677.696	(29.833.513)	663.844.183
Claims paid during the period	(616.006.496)	22.905.423	(593.101.073)
Discount effect	(1.776.728)	151.792	(1.624.936)
Outstanding claims reserve at the end of the period	**978.797.675**	**(47.871.980)**	**930.925.695**

17 Insurance liabilities and reinsurance assets *(continued)*

Total amount of guarantee that should be placed by the Company for life and non-life branches and guarantees placed for the life and non-life branches in respect of related assets

The Company, being a reinsurance company, has no obligation of providing guarantees.

Total amount of insurance risk on a branch basis

Total amount of insurance risk on branch basis for non-life insurance branch is not kept by the Company.

Company's number of life insurance policies, additions, disposals during the year and the related mathematical reserves

None.

Distribution of new life insurance policyholders in terms of numbers and gross and net premiums as individual or group during the period

None.

Distribution of mathematical reserves for life insurance policyholders who left the Company's portfolio as individual or group during the period

None.

Pension investment funds established by the Company and their unit prices

None.

Number and amount of participation certificates in portfolio and circulation

None.

Portfolio amounts in terms of number of new participants, left or cancelled participants, and existing participants for individuals and groups

None.

Valuation methods used in profit share calculation for saving life contracts with profit sharing

None.

(Currency: Turkish Lira (TL))

17 Insurance liabilities and reinsurance assets *(continued)*

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups

None.

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups which were transferred from other insurance companies during the year

None.

Distribution of individual and group participants and their gross and net contributions which were transferred from life insurance portfolio to private pension portfolio during the year

None.

Distribution of individual and group participants which were cancelled or transferred to other insurance companies in terms of their numbers and gross and net contributions

None.

Profit share distribution rate of life insurances

None.

Deferred commission expenses

The Company capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As of December 31, 2018, short-term deferred expenses amounting to TL 147.058.200 (December 31, 2017: TL 114.233.617) totally consist of deferred commission expenses.

As of December 31, 2018 and 2017, the movement of deferred commission expenses is presented below:

	December 31, 2018	**December 31, 2017**
Deferred commission expenses at the beginning of the period	114.233.617	92.601.448
Commissions accrued during the period *(Note 32)*	316.773.909	262.282.352
Commissions expensed during the period *(Note 32)*	(283.949.326)	(240.650.183)
Deferred commission expenses at the end of the period	**147.058.200**	**114.233.617**

18 Investment contract liabilities

None.

(Currency: Turkish Lira (TL))

19 Trade and other payables and deferred income

	December 31, 2018	December 31, 2017
Payables from reinsurance operations	63.770.093	36.392.472
Short/long term deferred income and expense accruals	6.829.179	5.892.150
Taxes and other liabilities and similar obligations	5.707.038	8.574.495
Due to related parties *(Note 45)*	109.359	106.310
Other payables	2.054.267	3.032.087
Total	**78.469.936**	**53.997.514**
Short-term liabilities	78.437.436	53.887.014
Medium and long-term liabilities	32.500	110.500
Total	**78.469.936**	**53.997.514**

As of December 31, 2018 and 2017, other payables largely consist of outsourced benefits and services.

Short/long term deferred income and expense accruals include deferred commission income *(Note 10)* amounting to TL 758.494 TL (December 31, 2017: TL 614.358).

As of December 31, 2018, the amounting of the expense accruals TL 5.802.394 (December 31, 2017: TL 4.921.575) are detailed in the table below.

	December 31, 2018	December 31, 2017
Dividend accrual	3.378.675	3.133.995
Other accruals	2.423.719	1.787.580
Total	**5.802.394**	**4.921.575**

Prepaid income and expense accruals are TL 268.291 (December 31, 2017: TL 356.217) consist of long-term and short term other deferred income.

Corporate tax liabilities and prepaid taxes are disclosed below:

	December 31, 2018	December 31, 2017
Taxes paid during the year	24.474.548	37.023.057
Corporate tax liabilities	(27.682.983)	(44.131.400)
Prepaid assets, net	**(3.208.435)**	**(7.108.343)**

Total amount of investment incentives which will be benefited in current and forthcoming periods

None.

20 Financial liabilities

The Company has no any financial liabilities as of December 31, 2018 (The Company has no any financial liabilities as of December 31, 2017).

(Currency: Turkish Lira (TL))

21 Deferred tax

As of December 31, 2018 and 2017, deferred tax assets and liabilities are attributable to the following:

	December 31, 2018	December 31, 2017
	Deferred tax assets / (liabilities)	**Deferred tax assets / (liabilities)**
Equalization provision	13.065.362	8.263.702
Provision for the pension fund deficits	8.947.362	7.867.023
Provision for doubtful receivables	855.039	478.797
Provisions for employee termination benefits	1.844.858	1.658.710
Unexpired risks reserve	726.661	1.283.492
Personnel Bonus Accrual	743.308	689.479
Time deposits	192.055	85.806
Rediscount of receivables and payables	(31.612)	(40.193)
Amortization correction differences	(271.977)	(267.310)
Profit commission accrual	(2.028.998)	(2.482.572)
Valuation differences in financial assets	2.246.258	88.173
Real estate valuation differences	(53.136.321)	(47.424.229)
Deferred tax (liabilities)/assets, net	**(26.848.005)**	**(29.799.122)**

As of December 31, 2018, the Company does not have deductible tax losses. The Company also does not have deductible tax losses as of December 31, 2017.

Movement of deferred tax assets are given below:

	December 31, 2018	**December 31, 2017**
Opening balance at 1 January	**(29.799.122)**	**(28.810.281)**
Deferred tax income/ expense	1.814.922	9.420.780
Deferred tax income/ expense recognised in equity	1.136.195	(10.409.621)
Deferred tax (assets) / liabilities:	**(26.848.005)**	**(29.799.122)**

22 Retirement benefit obligations

Employees of the Company are the members of “Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı (“Milli Reasürans Pension Fund”) which is established in accordance with the temporary Article 20 of the Social Security Act No: 506.

As per the provisional article No: 23 of the Banking Law No: 5411, pension funds of the banks which were established within the framework of Social Security Institution Law, should be transferred to the Social Security Institution within three years after the publication of the prevailing Banking Law enacted on November 1, 2005. However, the said article of the Banking Law has been vetoed by the President on November 2, 2005 and the execution of the article was ceased based on the Supreme Court’s decision numbered 2007/33 and dated March 22, 2007. The justified decision of Supreme Court is published in Official Gazette dated December 15, 2007 and numbered 26731. Supreme Court asserted possible losses on acquired rights of employees of pension fund as reason for cancellation decision.

Following annulment of the temporary Article 23 of the Banking Law, the new law “Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees” was published in the Official Gazette dated May 8, 2008 and came into force. The new law requires transfer of the participants or beneficiaries of pension funds to Social Security Institution as at the effective date of the Act within 3 years and prescribe the extension period of the transfer as maximum of two years upon the order of the Cabinet. Accordingly, the three-year period expired on May 8, 2011 was extended to the May 8, 2013. On March 8, 2012, “Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees” numbered 28227, was published on Official Gazette and 4th article of this act changed “two years” phrase as “four years” which takes part on second sentence of first clause of 20th article of the code numbered 5510. Also, under the scope of Decree of the council of ministers numbered 2013/4617 was published on Official Gazette numbered 28636, on May 3, 2013 and 20th temporary article of the Social Security Laws numbered 506 banks, insurance and reinsurance companies, chambers of commerce, stock markets or participants of pension funds and salary or income provided ones and their shareholders’ transfer duration has been extended one year to the Social Security Institution by Decree of the council of ministers. Under the scope of Decree of Turkish Ministry of Labour and Social Security numbered 174, according to 20th temporary article of the Social Security Laws numbered 5510, the Council of Ministers postpone transfer of the funds until May 8, 2015 with the decision of The Council of Ministers dated February 24, 2014.

April 23, 2015 dated Official Gazette is changed as following; insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or which constitutes their union personnel and associates of funds “The Council is authorized to determine the date of transfer within the scope of article 20 th of the law, 506 banks, insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or which constitutes their union personnel and associates of funds to the social security institution. Pension fund contributors as of the transfer date and considered insured by the first paragraph of Article 4 of this law.

With the decision of the Council of Ministers to be published in the future, the principles and practices of the period will be determined.

On the other hand, the application made on June 19, 2008 by the Republican People’s Party to the Constitutional Court for the annulment and motion for stay of some articles, including the first paragraph of the provisional article 20 of the Law, which covers provisions on transfers, was rejected in accordance with the decision taken at the meeting of the afore-mentioned court on March 30, 2011.

As per the temporary sub article No: 20 of the Article 73 of the above mentioned law also includes the following;

a) technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and

b) uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by the entities who transfer the funds.

(Currency: Turkish Lira (TL))

22 Retirement benefit obligations *(continued)*

In accordance with the law; after fund affiliates along with monthly salary and/or revenue endowed people and their rights holder transfer to Social Security Intuition, these people' uncovered social rights and payments is paid, even if it is written in the foundation's obligation which they are belong to, by funds and fund affiliate's employer institutions.The benefits stated in the settlement deeds of pension fund but not subject to transfer will continue to be covered by the pension funds.

The technical financial position of the Milli Reasürans Pension Fund is audited by the registered actuary in accordance with the Article 21 of the Insurance Law and Actuary Act. As per the calculations based on the above mentioned assumptions, actuarial and technical deficit amounting to TL 44.736.812 (December 31, 2017: TL 39.335.115) is accounted as "Provision for pension fund deficits" in the accompanying unconsolidated financial statements.

An actuarial report has been obtained from registered actuary regarding calculation of the amount to be paid to the Social Security Institution by the Company in accordance with the new law. The CSO 1980 mortality table for December 31,2018 9.8% of technical deficit interest rate are taken into account in the calculation of the said technical deficit. No real increase / decrease is anticipated in salary and health expenses. The health benefits to be paid will be considered by the Group management due to the changes in the Social Security Institution legislation and other regulations. At December 31, 2018 and 2017, technical deficit from pension funds comprised the following.

	December 31, 2018	**December 31, 2017**
Net present value of total liabilities other than health	(133.663.392)	(120.115.748)
Net present value of insurance premiums	29.450.709	25.469.048
Net present value of total liabilities other than health	**(104.212.683)**	**(94.646.700)**
Net present value of health liabilities	(16.741.096)	(14.756.726)
Net present value of health premiums	16.332.152	13.918.802
Net present value of health liabilities	**(408.944)**	**(837.924)**
Pension fund assets	**59.884.815**	**56.149.509**
Amount of actuarial and technical deficit	**(44.736.812)**	**(39.335.115)**

Pension fund's assets are comprised of the following items:

	December 31, 2018	**December 31, 2017**
Cash and cash equivalents	48.840.924	46.869.599
Associates	9.682.845	8.356.885
Other	1.361.046	923.025
Total plan assets	**59.884.815**	**56.149.509**

(Currency: Turkish Lira (TL))

23 Other liabilities and expense accruals

As of December 31, 2018 and 2017; the provisions for other risks are disclosed as follows:

	December 31, 2018	**December 31, 2017**
Provision for pension fund deficits *(Note 22)*	44.736.812	39.335.115
Provision for employee termination benefits	9.224.292	8.293.551
Total provision for other risks	**53.961.104**	**47.628.666**

Movement of provision for employee termination benefits during the period is presented below:

	December 31, 2018	**December 31, 2017**
Provision at the beginning of the period	8.293.551	7.202.618
Interest cost *(Note 47)*	665.401	613.138
Service cost *(Note 47)*	528.850	479.622
Payments during the period *(Note 47)*	(1.146.752)	(430.521)
Actuarial gain/ loss	883.242	428.694
Provision at the end of the period	**9.224.292**	**8.293.551**

24 Net insurance premium revenue

Net insurance premium revenue for non–life branches is presented in detailed in the accompanying unconsolidated statement of income.

25 Fee revenue

None.

26 Investment income

Investment income is presented in Note 4.2 – *Financial risk management*.

27 Net income accrual on financial assets

Net realized gains on financial assets are presented in Note 4.2 – *Financial risk management*.

28 Asset held at fair value through profit or loss

Presented in “Note 4.2 – Financial Risk Management”.

(Currency: Turkish Lira (TL))

29 Insurance rights and claims

	December 31, 2018		December 31, 2017	
	Life	**Non-Life**	**Life**	**Non-Life**
Claims paid, net off reinsurers' share	(5.968.908)	(725.361.560)	(14.424.544)	(578.676.529)
Changes in outstanding claims reserve, net off reinsurers' share	361.110	(228.517.453)	(359.705)	(68.758.469)
Changes in unearned premiums reserve, net off reinsurers' share	(2.715.933)	(123.298.148)	1.660.620	(83.752.259)
Changes in unexpired risks reserve, net off reinsurers' share	-	2.531.048	-	(2.548.728)
Change in equalization reserve, net off reinsurers' share	(228.499)	(29.825.822)	(178.889)	(25.544.414)
Change in life mathematical reserves, net off reinsurers' share	42.314	-	49.048	-
Total	**(8.509.916)**	**(1.104.471.935)**	**(13.253.470)**	**(759.280.399)**

30 Investment contract benefits

None.

31 Other expenses

The allocation of the expenses with respect to their nature or function is presented in Note 32 – *Expenses by nature* below.

32 Operating expenses

As of December 31, 2018 and 2017, the operating expenses are disclosed as follows:

	December 31, 2018		December 31, 2017	
	Life	**Non-Life**	**Life**	**Non-Life**
Commission expenses *(Note 17)*	6.404.104	277.545.222	3.699.959	236.950.224
Commissions to the intermediaries accrued during the period (Note 17)	7.101.817	309.672.092	4.001.994	258.280.358
Changes in deferred commission expenses (Note 17)	(697.713)	(32.126.870)	(302.035)	(21.330.134)
Employee benefit expenses *(Note 33)*	786.531	51.527.690	762.104	44.133.697
Foreign exchange losses	117.919	70.362.562	51.597	26.203.562
Administration expenses	226.149	15.706.760	210.082	13.041.930
Commission income from reinsurers *(Note 10)*	-	(2.084.256)	(1.611)	(1.636.623)
Commission income from reinsurers accrued during the period (Note 10)	-	(2.228.392)	-	(1.803.088)
Change in deferred commission income (Note 10)	-	144.136	(1.611)	166.465
Outsourced benefits and services	20.622	1.144.486	22.012	1.118.514
Other	24.982	11.222.083	28.814	6.847.942
Total	**7.580.307**	**425.424.547**	**4.772.957**	**326.659.246**

(Currency: Turkish Lira (TL))

33 Employee benefit expenses

As of December 31, 2018 and 2017, employee benefit expenses are disclosed as follows:

	December 31, 2018		**December 31, 2017**	
	Life	**Non-Life**	**Life**	**Non-Life**
Wages and salaries	572.422	38.880.258	558.452	33.271.119
Employer’s share in social security premiums	128.864	7.687.682	128.566	6.915.865
Pension fund benefits	85.245	4.959.750	75.086	3.946.713
Total *(Note 32)*	**786.531**	**51.527.690**	**762.104**	**44.133.697**

34 Financial costs

Finance costs of the period are presented in “Note 4.2 – *Financial Risk Management*” above. There are no finance costs classified in production costs or capitalized on tangible assets. All financial costs are directly recognised as expense in the unconsolidated statement of income.

35 Income tax

Income tax expense in the accompanying financial statements is as follows:

	December 31, 2018	**December 31, 2017**
Corporate tax expense:		
Corporate tax provision	(27.682.983)	(44.131.400)
Deferred taxes:		
Origination and reversal of temporary differences	1.814.922	9.420.780
Total income tax expense / (income)	**(25.868.061)**	**(34.710.620)**

For the period then ended as of December 31, 2018 and 2017, a reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company’s effective income tax rate is as follows:

	December 31, 2018		**December 31, 2017**	
Profit before taxes	**304.081.473**	**Tax rate (%)**	**237.732.965**	**Tax rate (%)**
Taxes on income per statutory tax rate	66.897.924	22,00	47.546.593	20,00
Tax exempt income	(49.106.105)	(16,15)	(33.269.201)	(13,99)
Non-deductible expenses	8.076.242	2,66	20.433.228	8,60
Total tax expense recognized in profit or loss	**25.868.061**	**8,51**	**34.710.620**	**(14,60)**

36 Net foreign exchange gains

Net foreign exchange gains are presented in Note 4.2 – *Financial Risk Management* above.

(Currency: Turkish Lira (TL))

37 Earnings per share

Earnings per share are calculated by dividing net profit of the year to the weighted average number of shares.

	2018	**2017**
Net profit for the period	278.213.412	203.022.345
Weighted average number of shares	66.000.000.000	66.000.000.000
Earnings per share (TL)	0,0042	0,0031

38 Dividends per share

Dividend distribution policy of the Company stated its Articles of Association are as follows:

Net profit for the year presents remaining amount of total income of the year after deducting operating expenses, amortisation, provisions, taxes and other similar obligations and prior year losses if any. Net profit is divided and distributed in accordance with order as follows.

- 5% of legal reserve is divided from annual net profit, until it reaches 20% of share capital.
- Amounts described by a and b clauses of 2nd paragraph of 519th article of the Turkish Commercial Law will be added to general legal reserves, after legal limit is reached.
- 10% of the remaining net profit amount is distributed to shareholders, as first dividend.
- If the company has acquired his share, according to 520th article of the Turkish Commercial Law, legal reserve is divided to meet the acquiring amount.
- Reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly,
- After the allocation of first legal reserves, first dividend to shareholders and statutory reserves, up to 3% of the remaining amount not exceeding three-wages is distributed to personnel.
- After the allocation of above mentioned reserves and dividends, second dividend to shareholders might be allocated, based on the suggestion of the Board of Directors and decision of the General Assembly.
- According to c clause of 2nd paragraph of 519th article of the Turkish Commercial Law, 10% of total amount distributed to people have share of profit will be added to general legal reserves.
- The fate of remaining amount will be determined by the General Assembly.

Judgements of 3rd paragraph of 519th article of Turkish Commercial Law are reserved.

Other legal reserves can not be divided, profit can not be transferred to next year and share of profit can not be distributed to members of the Board of Directors, founders or workers, unless legal reserves have to be divided according to laws and first dividend for shareholders is divided, in accordance with the Articles of Association.

It is decided in Ordinary General Assembly Meeting of the Company, held on March 27, 2018, to make a dividend payment of TL 50.000.000 to shareholders and to allocate remaining balance as voluntary reserves from the net period income amounting to TL 103.711.833 from 2017 activities of the Company.

Paid dividend amount is reflected to financial statements as liability on the period that is declared by the Company.

(Currency: Turkish Lira (TL))

39 Cash generated from operations

The cash flows from operating activities are presented in the accompanying unconsolidated statement of cash flows.

40 Convertible bonds

None.

41 Redeemable preference shares

None.

42 Risks

"Millî Reasürans Türk Anonim Şirketi Mensupları Yardımlaşma Sandığı Vakfı" was established by Millî Reasürans Türk Anonim Şirketi, in accordance with the Turkish Commercial and Civil Laws which is examined by Tax Audit Committee inspectors due to the Company payments what are fulfilled obligations to the foundation owing to deed of the foundation and the related act. As a result of this investigation, an examination was reported for periods of 2007, 2008, 2009, 2010 and 2011.

Legal process has been started for the years 2007, 2008, 2009, 2010, 2011 and the later years and the payment regarding to the revenue authorities was paid. As of the report date, there is no recognized provision.

43 Commitments

The Company provides guarantee to ceding companies in the non-life branch as a reinsurance company and transfers insurance risks through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies.

The future aggregate minimum lease payments under operating leases for properties rented for use are as follows:

	December 31, 2018	December 31, 2017
Within one year	2.602.820	1.022.487
Between two to five years	2.602.820	2.044.973
Total of minimum rent payments	**5.205.640**	**3.067.460**

44 Business combinations

None.

(Currency: Turkish Lira (TL))

45 Related party transactions

For the purpose of the accompanying unconsolidated financial statements, shareholders, key management and members of board of directors together with their families and companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties.

The related party balances as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	**December 31, 2017**
Türkiye İş Bankası A.Ş.	1.188.043.184	806.036.955
Other	1.883	617
Banks	**1.188.045.067**	**806.037.572**
Equity shares of the related parties *(Note 11)*	50.045.854	72.183.344
Investment funds founded by İş Portföy Yönetimi A.Ş. (*Note 11)*	101.970.131	372.183.863
Bonds issued by İş Finansal Kiralama A.Ş. (Note 11)	8.759.700	-
Financial assets	**160.775.685**	**444.367.207**
Anadolu Sigorta	4.208.694	49.110
Ziraat Sigorta A.Ş.	2.872.372	723.702
Anadolu Hayat Emeklilik A.Ş	1.006.559	250.069
İstanbul Umum Sigorta A.Ş	161.487	120.904
Ziraat Hayat ve Emeklilik A.Ş.	-	70.000
Allianz Sigorta A.Ş	-	207.266
Ergo Sigorta A.Ş	-	18.246
Receivables from main operations	**8.249.112**	**1.439.297**
Due to shareholders	97.467	81.850
Due to other related parties	11.892	24.460
Due to related parties	**109.359**	**106.310**
Axa Sigorta A.Ş	10.596.518	385.547
Ergo Sigorta A.Ş	693.757	1.793.100
Groupama Sigorta A.Ş	609.487	94.095
Allianz Sigorta A.Ş	582.788	28.741
Anadolu Hayat Emeklilik A.Ş	278.417	-
Güven Sigorta T.A.Ş	209.260	194.916
İstanbul Umum Sigorta A.Ş	22.993	35.023
Ziraat Hayat ve Emeklilik	18.039	-
Anadolu Sigorta	13.869	762.238
AvivaSa Emeklilik A.Ş	-	46.800
Payables from main operations	**13.025.128**	**3.340.460**

(Currency: Turkish Lira (TL))

45 Related party transactions *(continued)*

No guarantees have been taken against receivables from related parties.

There are no doubtful receivables and payables from shareholders, subsidiaries and joint ventures.

No guarantees, commitments, guarantee letters, advances and endorsements given in favour of shareholders, associates and subsidiaries.

The transactions with related parties are as follows:

	December 31, 2018	**December 31, 2017**
Anadolu Sigorta	141.034.866	122.812.661
Ziraat Sigorta A.Ş.	18.439.443	15.697.535
Axa Sigorta A.Ş.	8.928.768	22.769.967
Groupama Sigorta A.Ş.	2.939.670	3.688.180
Anadolu Hayat Emeklilik A.Ş.	1.995.704	1.158.363
Allianz Sigorta A.Ş.	355.191	903.676
Ziraat Hayat ve Emeklilik	290.000	280.000
Ergo Sigorta A.Ş.	96.696	241.627
Güven Sigorta T.A.Ş.	(222)	14
Premiums received	**174.080.116**	**167.552.023**
Anadolu Sigorta	104.011	2.701
Groupama Sigorta A.Ş.	15.878	1.422
Ergo Sigorta A.Ş.	7.003	630
Axa Sigorta A.Ş.	6.688	719
Güven Sigorta T.A.Ş.	2.380	259
Allianz Sigorta A.Ş.	1	27
İstanbul Umum A.Ş.	--	14
Premiums ceded	**135.961**	**5.772**
Güven Sigorta T.A.Ş.	41	(111)
Axa Sigorta A.Ş.	(172)	(295)
Ergo Sigorta A.Ş.	(213)	(249.343)
Groupama Sigorta A.Ş.	(284)	(375)
Anadolu Sigorta	(643)	(662)
Commissions received	**(1.271)**	**(250.786)**
Anadolu Sigorta	30.904.286	26.896.572
Ziraat Sigorta A.Ş.	4.525.564	3.936.304
Axa Sigorta A.Ş.	1.917.506	3.045.707
Groupama Sigorta A.Ş.	461.648	1.029.254
Anadolu Hayat Emeklilik A.Ş.	170.168	86.163
Allianz Sigorta A.Ş.	69.543	149.046
Güven Sigorta T.A.Ş.	(38)	1
Ergo Sigorta A.Ş.	(72.443)	-
Commissions given	**37.976.234**	**35.143.047**

(Currency: Turkish Lira (TL))

45 Related party transactions *(continued)*

	December 31, 2018	December 31, 2017
Anadolu Sigorta	75.875.872	71.589.822
Axa Sigorta A.Ş.	24.591.209	13.029.641
Ziraat Sigorta A.Ş.	6.879.276	10.858.885
Ergo Sigorta A.Ş.	4.924.629	10.377.343
Groupama Sigorta A.Ş.	2.818.246	3.914.587
Allianz Sigorta A.Ş.	2.318.683	1.984.185
Güven Sigorta T.A.Ş.	461.340	1.036.209
Ziraat Hayat ve Emeklilik	456.788	169.447
Anadolu Hayat Emeklilik A.Ş.	389.733	509.224
AvivaSa Emeklilik A.Ş.	-	46.800
Claims paid	**118.715.776**	**113.516.143**
Axa Sigorta A.Ş.	197.781	66.253
Groupama Sigorta A.Ş.	164.940	83.682
Güven Sigorta T.A.Ş.	163.000	51.508
Anadolu Sigorta	161.735	145.224
İstanbul Umum A.Ş.	65.852	18.462
Allianz Sigorta A.Ş.	48.908	14.896
Ergo Sigorta A.Ş.	42.109	61.945
Reinsurance’s share of claims paid	**844.325**	**441.970**
Anadolu Sigorta	2.363.222	437.245
Axa Sigorta A.Ş.	1.394.118	491.232
Ziraat Sigorta A.Ş.	258.981	90.046
Allianz Sigorta A.Ş.	136.561	31.477
Groupama Sigorta A.Ş.	48.543	23.922
Ergo Sigorta A.Ş.	21.262	10.941
Güven Sigorta T.A.Ş.	6.405	259.537
İstanbul Umum A.Ş.	2.520	721
Anadolu Hayat Emeklilik A.Ş.	1.792	220
Other income	**4.233.404**	**1.345.341**
Ergo Sigorta A.Ş.	641.708	192.974
Anadolu Sigorta	325.482	328.457
Axa Sigorta A.Ş.	302.204	62.251
Allianz Sigorta A.Ş.	80.431	124.008
Groupama Sigorta A.Ş.	54.044	21.223
Güven Sigorta T.A.Ş.	25.177	-
İstanbul Umum A.Ş.	11.744	6.789
Anadolu Hayat Emeklilik A.Ş.	2.001	242
Ziraat Sigorta A.Ş.	1.126	8.636
Other expenses	**1.443.917**	**744.580**

46 Subsequent events

Subsequent events are disclosed in note 1.10 - *subsequent events*.

(Currency: Turkish Lira (TL))

47 Other

Items and amounts classified under the "other" account in financial statements either exceeding 20% of the total amount of the group to which they relate or 5% of the total assets in the balance sheet

They are presented in the related notes above.

Payables to employees and receivables from employees presented under accounts, "other receivables" and "other short or long term payables", and which have balance more than 1% of the total assets

None.

Subrogation recorded in "Off-Balance Sheet Accounts"

None.

Real rights on immovable and their values

None.

Explanatory note for the amounts and nature of previous years' income and losses

None.

Details of rediscount and provision expenses are as follows:

Provision expenses	**December 31, 2018**	**December 31, 2017**
Provision for impairment of securities	(356.186)	(99.300)
Provision for pension fund deficits	(5.401.697)	(9.650.003)
Provision expenses for doubtful receivables (*)	(7.378.591)	(1.110.895)
Provision for employee termination benefits *(Note 23)*	(47.499)	(662.239)
Other provision	(7.385)	3.172
Total of provisions	**(13.191.358)**	**(11.519.265)**

(*) The provision for doubtful receivables related to valuation of foreign currency denominated receivables from main operations.

Rediscount Expenses	**December 31, 2018**	**December 31, 2017**
Rediscount income / (expense) from reinsurance receivables	(2.542)	(342)
Rediscount income / (expense) from reinsurance payables	(725.245)	(271.427)
Total of rediscounts	**(727.787)**	**(271.769)**