GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF STATUTORY FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018 AND THE INDEPENDENT AUDITOR'S REPORT (ORIGINALLY ISSUED IN TURKISH)

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Güneş Sigorta A.Ş.

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Güneş Sigorta A.Ş. (the "Company") which comprise the balance sheet as at 31 December 2018 and the income statement, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements and a summary of significant accounting policies and financial statement notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with accounting and financial reporting regulations enforced by insurance legislation and Turkish Financial Reporting Standards ("TFRS") for the matters not regulated by insurance legislation "Regulation on Insurance Accounting and Financial Reporting Principles".

2. Basis for Opinion

Our audit was conducted in accordance with the regulations on the principles on auditing as set out in the insurance legislation and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate 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 financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the 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 matter***
Estimation of claims incurred but not reported As explained in Notes 2 and 17, the Company has accounted for the net incurred but not reported claims provision amounting to TRY 326,830,893 as of 31 December 2018. Abovementioned provision is calculated according to the best estimation methods determined within the opinion of the Company's actuary in accordance with "Circular on Outstanding Claim Provisions" dated 5 December 2014 and numbered 2014/16 published by Ministry of Treasury and Finance of Turkish Republic The reason we focus on this area during our audit is the significance of the incurred but not reported claims provision for the financial statements and the significant actuarial judgments and estimates required by the nature of provision in the financial statements.	We tested the design and operational effectiveness of the key controls implemented by the Company's management in relation to the ultimate claims used in the calculation of incurred but not reported claims provision. We tested the mathematical accuracy of the calculation of incurred but not reported claims for selected branches. We assessed the methods and assumptions used by branch in association with our own actuary experts by inquiring with the Company's management and actuary of the Company. In addition, for selected branches, we made an independent evaluation of the reasonable ranges for the incurred but not reported claims provision and compared them with the Company's records. We checked the adequacy and accuracy of the disclosures in the financial statements related to such provisions.

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

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulation on Insurance Accounting and Financial Reporting Principles and TFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with the regulations on the principles on auditing as set out in the insurance legislation and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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 financial statements.

As part of an independent audit conducted in accordance with the regulations on the principles on auditing as set out in the insurance legislation SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the 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.

- Assess the 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 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 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 independent 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 financial statements, including the disclosures, and whether the 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 provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also 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 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. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

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

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 22 February 2019.

Additional Paragraph for Convenience Translation into English

As discussed in Note 2.31 to the accompanying financial statements, the effects of differences between the accounting principles as set out by the related insurance laws and accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations and changes in financial position and cash flows in accordance with accounting principles generally accepted in such countries and IFRS.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Talar Gül, SMMM
Partner

Istanbul, 22 February 2019

GÜNEŞ SİGORTA

FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2018

We confirm that the financial statements, related disclosures and footnotes as at 31 December 2018 which were prepared in accordance with the accounting principles and standards in force as per the regulations of Republic of Turkey Ministry of Treasury and Finance Undersecretariat of Treasury 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.

Güneş Sigorta A.Ş.

22 February 2019

Atilla BENLİ Member of Board of Directors General Manager	Saltuk Buğra SÜRÜEL Assistant General Manager	Uğur SEFİLOĞLU Financial Affairs Group Manager
M. Bahadır TAMKAN Technical Accounting Manager	Murat SÜZER General Accounting & Financial Reporting Manager	Orhun Emre ÇELİK Actuary Register Number: 40

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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CONVENIENCE TRANSLATION OF THE BALANCE SHEETS ON 31 DECEMBER 2018 AND 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

ASSETS

	Notes	Audited Current period 31 December 2018	Audited Prior Period 31 December 2017
I- Current Assets			
A- Cash and Cash Equivalents	**14**	**1,071,969,768**	**864,526,361**
1- Cash	14	1,744	2,291
2- Cheques Received		-	-
3- Cash at Banks	14	920,893,658	739,177,481
4- Cheques Given and Payment Orders		-	-
5- Bank Warrantied and Shorter than 3 months credit card receivables	14	151,074,366	125,333,334
6- Other Cash and Cash Equivalents	14	-	13,255
B- Financial Assets and Financial Investments with Risks on Policyholders	**4.2, 11**	**22,241,849**	**-**
1- Available-for-Sale Financial Asset		-	-
2- Held to Maturity Investments		-	-
3- Financial Assets Held for Trading	4.2, 11	22,241,849	-
4- Loans and Receivables		-	-
5- Provision for Loans and Receivables		-	-
6- Financial Investments with Risks on Saving Life Policyholders		-	-
7- Company's Own Equity Shares		-	-
8- Diminution in Value of Financial Investments		-	-
C- Receivables from Main Operations	**4.2, 12**	**531,686,102**	**449,611,942**
1- Receivables from Insurance Operations	12	535,712,640	451,780,574
2- Provision for Receivables from Insurance Operations (-)	4.2, 12	(6,568,180)	(5,080,848)
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations (-)		-	-
5- Cash Deposited to Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders (Advance loan)		-	-
7- Loans to the Policyholders (-) (Advance loan) Provisions (-)		-	-
8- Receivables from Individual Pension Operations		-	-
9- Doubtful Receivables from Main Operations	12	194,276,881	165,728,014
10- Provision for Doubtful Receivables from Main Operations	4.2, 12	(191,735,239)	(162,815,798)
D- Due from Related Parties		**-**	**14,447**
1- Due from Shareholders		-	-
2- Due from Associates		-	14,447
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
E- Other Receivables	**4.2, 47**	**1,937,498**	**3,203,065**
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables	4.2, 47	1,937,498	3,203,065
5- Rediscount on Other Miscellaneous Receivables (-)		-	-
6- Other Doubtful Receivables		421,964	403,151
7- Provision for Other Doubtful Receivables (-)		(421,964)	(403,151)
F- Prepaid Expenses and Income Accruals	**17**	**122,294,652**	**108,981,755**
1- Deferred Acquisition Costs	17	108,218,487	97,786,422
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Prepaid Expenses	17	14,076,165	11,195,333
G- Other Current Assets		**17,034,956**	**12,641,452**
1- Stocks to be used in the Following Months		-	-
2- Prepaid Taxes and Funds	4.2, 12	16,140,828	12,243,662
3- Deferred Tax Assets		-	-
4- Job Advances		-	-
5- Advances Given to Personnel	4.2	96,337	37,238
6- Inventory Count Differences		-	-
7- Other Miscellaneous Current Assets	47	797,791	360,552
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		**1,767,164,825**	**1,438,979,022**

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS ON 31 DECEMBER 2018 AND 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

ASSETS

	Notes	Audited Current period 31 December 2018	Audited Prior Period 31 December 2017
II- Non-Current Assets			
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 and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders (-)		-	-
8- Receivables from Individual Pension Business		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations (-)		-	-
B- Due from Related Parties		**-**	**-**
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
C- Other Receivables	**4.2, 12, 47**	**153,399**	**175,465**
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income (-)		-	-
3- Deposits and Guarantees Given	4.2, 47	153,399	175,465
4- Other Miscellaneous Receivables		-	-
5- Rediscount on Other Miscellaneous Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
D- Financial Assets	**9**	**612,901,553**	**503,114,597**
1- Investments in Equity Shares		632,102,438	521,742,644
2- Investments in Associates		-	-
3- Capital Commitments to Associates (-)		-	-
4- Investments in Subsidiaries		-	-
5- Capital Commitments to Subsidiaries (-)		-	-
6- Investments in Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Financial Investments with Risks on Policyholders		-	-
9- Other Financial Assets		-	-
10- Impairment in Value of Financial Assets (-)	9	(19,200,885)	(18,628,047)
E- Tangible Assets		**223,734,594**	**208,534,572**
1- Investment Property	7	17,162,000	14,866,000
2- Impairment on Investment Property (-)		-	-
3- Property Held for Own Use	6	204,120,000	188,775,000
4- Machinery and Equipment	6	6,426,609	6,346,054
5- Furniture and Fixtures	6	6,335,304	6,242,902
6- Motor Vehicles	6	414,561	414,561
7- Other Tangible Assets (Including Leasehold Improvements)	6	1,535,635	1,535,635
8- Tangible Assets Acquired Through Finance Leases	6	8,819,487	8,840,627
9- Accumulated Depreciation	6	(21,079,002)	(18,486,207)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
F- Intangible Assets		**6,504,997**	**7,219,852**
1- Rights	8	10,713,906	8,862,556
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
5- Other Intangible Assets	8	16,507,653	16,507,653
6- Accumulated Amortization (-)	8	(20,813,028)	(18,246,823)
7- Advances Paid for Intangible Assets		96,466	96,466
G- Prepaid Expenses and Income Accruals		**-**	**-**
1- Deferred Acquisition Expenses		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses and Income Accruals		-	-
H- Other Non-Current Assets	**21**	**-**	**9,665,934**
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Stocks to be Used in the Following Years		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	-	9,665,934
6- Other Miscellaneous Non-Current Assets		-	-
7- Amortization on Other Non-Current Assets (-)		-	-
8- Provision for Other Non-Current Assets (-)		-	-
II- Total Non-Current Assets		**843,294,543**	**728,710,420**
TOTAL ASSETS		**2,610,459,368**	**2,167,689,442**

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

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS ON 31 DECEMBER 2018 AND 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

LIABILITIES

	Notes	Audited Current period 31 December 2018	Audited Prior Period 31 December 2017
III- Short-Term Liabilities			
A- Financial Liabilities		-	-
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Leasing Costs (-)		-	-
4- Current Portion of Long-Term Debts		-	-
5- Principal Instalments and Interests on Bonds Issued		-	-
6- Other Financial Assets Issued		-	-
7- Valuation Differences of Other Financial Assets Issued		-	-
8- Other Financial Liabilities		-	-
B- Payables Arising from Main Operations	**4.2, 19**	**288,616,766**	**223,087,097**
1- Payables Arising from Insurance Operations	4.2, 19	288,616,766	223,087,097
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business		-	-
5- Payables Arising from Other Main Operations		-	-
6- Discount on Payables from Other Main Operations (-)		-	-
C- Due to Related Parties	**4.2, 45**	**67,161**	**60,461**
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel	4.2	67,161	60,461
6- Due to Other Related Parties		-	
D- Other Payables	**4.2**	**27,328,499**	**22,768,552**
1- Deposits and Guarantees Received		-	-
2- Debts to SSI for treatment expenses	19	7,496,588	4,969,138
3- Other Miscellaneous Payables	19	20,097,291	17,914,046
4- Discount on Other Miscellaneous Payables (-)	19	(265,380)	(114,632)
E- Insurance Technical Provisions	**2**	**1,334,195,872**	**1,103,754,961**
1- Reserve for Unearned Premiums - Net	17	514,508,898	447,462,845
2- Reserve for Unexpired Risks- Net	2.24, 17	17,999,626	1,184,660
3- Life Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net	4.2, 17	757,657,673	629,914,752
5- Provision for Bonus and Discounts – Net		-	-
6- Other Technical Provisions – Net	10, 17	44,029,675	25,192,704
F- Provisions for Taxes and Other Similar Obligations	**4.2**	**31,148,209**	**24,851,642**
1- Taxes and Funds Payable	4.2	28,951,042	22,943,620
2- Social Security Premiums Payable	4.2	2,197,167	1,908,022
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Similar Payables		-	-
5- Corporate Tax Provision and Other Fiscal Liabilities		-	-
6- Prepaid Taxes and Other Liabilities Regarding Current Period Profit (-)		-	-
7- Provisions for Other Taxes and Similar Liabilities		-	-
G- Provisions for Other Risks	**23**	**3,676,606**	**3,907,790**
1- Provision for Termination Indemnities		-	-
2- Provision for Pension Fund Deficits		-	
3- Provisions for Costs	23	3,676,606	3,907,790
H- Deferred Income and Expense Accruals	**10, 19**	**70,519,558**	**68,769,403**
1- Deferred Commission Income	10, 19	70,519,558	68,769,403
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Short-Term Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		-	-
3- Other Various Short Term Liabilities		-	-
III - Total Short-Term Liabilities		**1,755,552,671**	**1,447,199,906**

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS ON 31 DECEMBER 2018 AND 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

LIABILITIES

	Notes	Audited Current period 31 December 2018	Audited Prior Period 31 December 2017
IV- Long-Term Liabilities			
A- Financial Liabilities		**-**	**-**
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Leasing Costs (-)		-	-
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assets Issued (-)		-	-
7- Other Financial Liabilities		-	-
B- Payables Arising from Main Operations		**-**	**-**
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business		-	-
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other Operations (-)		-	-
C- Due to Related Parties		**-**	**-**
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables	**4.2**	**3,419,421**	**2,555,551**
1- Deposits and Guarantees Received	4.2	3,419,421	2,555,551
2- Debts to SSI for treatment expenses		-	-
3- Other Miscellaneous Payables		-	-
4- Discount on Other Miscellaneous Payables (-)		-	-
E- Insurance Technical Provisions	**2.26, 17**	**33,855,634**	**28,081,528**
1- Reserve for Unearned Premiums – Net		-	-
2- Reserve for Unexpired Risks - Net		-	-
3- Life Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts – Net		-	-
6- Other Technical Provisions – Net	2.26, 17	33,855,634	28,081,528
F- Diğer Yükümlülükler ve Karşılıkları		-	-
F- Other Liabilities and Relevant Accruals			**-**
1- Other Liabilities		-	-
2- Overdue, Deferred or By Instalment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks	**23**	**14,225,735**	**12,253,298**
1- Provisions for Severance Pay	23	14,225,735	12,253,298
2- Provisions for Employee Pension Funds Deficits		-	-
H- Deferred Income and Expense Accruals		**-**	**-**
1- Deferred Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Long-Term Liabilities		**1,121,547**	**-**
1- Deferred Tax Liabilities		1,121,547	-
2- Other Long-Term Liabilities		-	-
IV- Total Long-Term Liabilities		**52,622,337**	**42,890,377**

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

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS ON 31 DECEMBER 2018 AND 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

SHAREHOLDERS' EQUITY

	Notes	Audited Current period 31 December 2018	Audited Prior period 31 December 2017
V- Shareholders' Equity			
A- Paid in Capital	**2.13, 15**	**270,000,000**	**270,000,000**
1- (Nominal) Capital	2.13, 15	270,000,000	270,000,000
2- Unpaid Capital (-)		-	-
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences (-)		-	-
5- Capital To Be Registered		-	-
B- Capital Reserves	**15**	**79,411,294**	**79,059,074**
1- Share Premium	15	654,992	654,992
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Asset Sales That Will Be Transferred to Capital		-	-
4- Currency Translation Adjustments		-	-
5- Other Capital Reserves	15	78,756,302	78,404,082
C- Profit Reserves	**15**	**697,873,570**	**584,770,615**
1- Legal Reserves	15	4,949,441	4,949,441
2- Statutory Reserves		-	-
3- Extraordinary Reserves		-	-
4- Special Funds (Reserves)		-	-
5- Revaluation of Financial Assets	15	529,808,797	425,220,441
6- Other Profit Reserves	15	163,115,332	154,600,733
D- Retained Earnings		-	-
1- Retained Earnings		-	-
E- Accumulated Losses (-)		**(255,871,878)**	**(282,723,769)**
1- Accumulated Losses (-)		(255,871,878)	(282,723,769)
F- Net Profit/(Loss) for the Period	**37**	**10,871,374**	**26,493,239**
1- Net Profit for the Year		9,548,969	26,141,019
2- Net Loss for the Year (-)		-	-
3- Net Profit That Is Not Subject To Distribution		1,322,405	352,220
Total Equity		**802,284,360**	**677,599,159**
TOTAL EQUITY AND LIABILITIES		**2,610,459,368**	**2,167,689,442**

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

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

I- TECHNICAL PART

	Notes	Audited Current period 31 December 2018	Audited Prior period 31 December 2017
A- Non-Life Technical Income		**1,092,999,720**	**925,510,784**
1- Earned Premiums (Net of Reinsurer Share)		918,955,103	814,954,013
1.1- Written Premiums (Net of Reinsurer Share)	5, 17, 24	1,002,816,122	884,253,507
1.1.1- Written Premiums, gross	17, 24	1,907,406,583	1,660,979,253
1.1.2- Written Premiums, ceded	10, 17	(870,151,643)	(744,904,463)
1.1.3- Premiums transferred to SSI	10, 17	(34,438,818)	(31,821,283)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	5, 17	(67,046,053)	(69,837,009)
1.2.1- Reserve for Unearned Premiums, gross	17	(177,808,364)	(144,596,196)
1.2.2- Reserve for Unearned Premiums, ceded	10, 17	106,687,146	73,430,702
1.2.3- SSI Share of Reserve for Unearned Premium	10, 17	4,075,165	1,328,485
1.3 Changes in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	5, 17	(16,814,966)	537,515
1.3.1- Reserve for Unexpired Risks, gross	17	(36,256,672)	2,824,147
1.3.2- Reserve for Unexpired Risks, ceded	10, 17	19,441,706	(2,286,632)
2- Investment Income - Transferred from Non-Technical Section		140,777,407	74,992,877
3- Other Technical Income (Net of Reinsurer Share)		2,011,519	2,138,201
3.1- Other Technical Income, gross		2,011,519	2,138,201
3.2- Other Technical Income, ceded		-	-
4- Accrued salvage and subrogation income		31,255,691	33,425,693
B- Non-Life Technical Expense		**(1,067,280,649)**	**(897,635,662)**
1- Incurred Losses (Net of Reinsurer Share)		(806,511,133)	(668,941,795)
1.1- Claims Paid (Net of Reinsurer Share)		(678,768,212)	(561,061,047)
1.1.1- Claims Paid, gross		(1,091,341,380)	(839,528,421)
1.1.2- Claims Paid, ceded	10	412,573,168	278,467,374
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17	(127,742,921)	(107,880,748)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(455,290,208)	(259,743,372)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10, 17	327,547,287	151,862,624
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts, gross		-	-
2.2- Provision for Bonus and Discounts, ceded		-	-
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	5, 17	(5,774,106)	(5,163,773)
4- Operating Expenses	5, 32	(254,995,410)	(223,530,094)
5- Change in mathematical provisions (net off circulating part) (Net off Circulating Part)		-	-
5.1- Mathematical Provisions		-	-
5.2- Mathematical Provisions, ceded		-	-
6- Other Technical Expenses		-	-
6.1- Other Technical Expenses, gross		-	-
6.2- Gross Other Technical Expenses, ceded		-	-
C- Net Technical Income-Non-Life (A – B)		**25,719,071**	**27,875,122**
D- Life Technical Income		-	-
1- Earned Premiums (Net of Reinsurer Share)		-	-
1.1- Written Premiums (Net of Reinsurer Share)		-	-
1.1.1- Written Premiums, gross		-	-
1.1.2- Written Premiums, ceded		-	-
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)		-	-
1.2.1- Reserve for Unearned Premiums, gross		-	-
1.2.2- Reserve for Unearned Premiums, ceded		-	-
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.3.1- Reserve for Unexpired Risks, gross		-	-
1.3.2- Reserve for Unexpired Risks, ceded		-	-
2- Investment Income		-	-
3- Unrealized Gains on Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		-	-
4.1- Other Technical Expenses, gross		-	-
4.2- Gross Other Technical Expenses, reinsurer share		-	-
5- Accrued subrogation income		-	-

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

I- TECHNICAL PART

	Notes	Audited Current period 31 December 2018	Audited Prior period 31 December 2017
E- Life Technical Expense		-	-
1- Incurred Losses (Net of Reinsurer Share)		-	-
1.1- Claims Paid (Net of Reinsurer Share)		-	-
1.1.1- Claims Paid, gross		-	-
1.1.2- Claims Paid, ceded		-	-
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.2.1- Change in Provisions for Outstanding Claims, gross		-	-
1.2.2- Change in Provisions for Outstanding Claims, ceded		-	-
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts, gross		-	-
2.2- Provision for Bonus and Discounts, ceded		-	-
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
3.1- Mathematical Reserves (-)		-	-
3.1.1- Actuarial Mathematical Reserves (+/-)		-	-
3.1.2- Profit Share Reserve (For Permanent Life Insurance Policies)		-	-
3.2- Reinsurers' Share of Mathematical Reserves (+)		-	-
3.2.1- Reinsurer's Share of Actuarial Mathematical Reserves (+)		-	-
3.2.2- Reinsurer's Share of Profit Share Reserve- (for Permanent Life Insurance Policies) (+)		-	-
4- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
5- Operating Expenses		-	-
6- Investment Expenses		-	-
7- Unrealized Losses on Investments		-	-
8- Investment Income Transferred to the Non-Life Technical Section		-	-
F- Net Technical Income- Life (D – E)		-	-
G- Pension Business Technical Income		-	-
1- Fund Management Income		-	-
2- Management Fee		-	-
3- Entrance Fee Income		-	-
4- Management Expense Charge in case of Suspension		-	-
5- Income from Individual Service Charges		-	-
6- Increase in Value of Capital Allowances Given as Advance		-	-
7- Other Technical Expense		-	-
H- Pension Business Technical Expense		-	-
1- Fund Management Expense		-	-
2- Decrease in Value of Capital Allowances Given as Advance		-	-
3- Operating Expenses		-	-
4- Other Technical Expenses		-	-
I- Net Technical Income - Pension Business (G - H))		-	-

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

II- NON-TECHNICAL PART

	Notes	Audited Current period 31 December 2018	Audited Prior period 31 December 2017
C- Net Technical Income – Non-Life (A-B)		**25,719,071**	**27,875,122**
F- Net Technical Income – Life (D-E)		-	-
I - Net Technical Income – Pension Business (G-H)		-	-
J- Total Net Technical Income (C+F+I)		**25,719,071**	**27,875,122**
K- Investment Income		**361,695,776**	**173,061,749**
1- Income from Financial Assets	26	144,919,637	81,030,027
2- Income from Disposal of Financial Assets		-	-
3- Valuation of Financial Assets	26	5,150,960	2,916,540
4- Foreign Exchange Gains	26	184,655,484	75,305,738
5- Income from Associates	26	20,569,367	9,280,957
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment	26	6,400,328	1,419,487
8- Income from Derivative Transactions		-	3,109,000
9- Other Investments		-	-
10- Income Transferred from Life Section		-	-
L- Investment Expense		**(325,504,667)**	**(156,094,603)**
1- Investment Management Expenses (Inc. interest)	4.2	(5,635,884)	(3,767,707)
2- Diminution in Value of Investments		(717,603)	-
3- Loss from Disposal of Financial Assets		-	(5,578)
4- Investment Income Transferred to Non-Life Technical Section	4.2	(140,777,407)	(74,992,877)
5- Loss from Derivative Transactions		(2,647,500)	-
6- Foreign Exchange Losses	4.2	(158,725,233)	(64,023,399)
7- Depreciation and Amortization Expenses	4.2, 6, 8	(6,861,268)	(7,343,000)
8- Other Investment Expenses	4.2	(10,139,772)	(5,962,042)
M- Income and Expenses From Other and Extraordinary Operations		**(51,038,806)**	**(18,349,029)**
1- Provisions	47	(50,679,556)	(33,778,937)
2- Rediscounts		(3,108,264)	(2,093,518)
3- Specified Insurance Accounts		-	-
4- Monetary Gains and Losses		-	-
5- Deferred Taxation (Deferred Tax Assets)	21, 35	1,512,840	15,267,885
6- Deferred Taxation (Deferred Tax Liabilities)		-	-
7- Other Income		1,593,129	2,664,965
8- Other Expenses and Losses		(356,955)	(409,424)
9- Prior Year's Income		-	-
10- Prior Year's Expenses and Losses		-	-
N- Net Profit for the Year	**5, 37**	**10,871,374**	**26,493,239**
1- Profit for the Year	5, 37	10,871,374	26,493,239
2- Corporate Tax Provision and Other Fiscal Liabilities		-	-
3- Net Profit for the Year	5, 37	10,871,374	26,493,239
4- Monetary Gains and Losses		-	-

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

CONVENIENCE TRANSLATION OF THE STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	Audited Current period 31 December 2018	Audited Prior period 31 December 2017
A. CASH GENERATED FROM MAIN OPERATIONS			
1. Cash provided from insurance activities		2,424,194,704	2,035,444,956
2. Cash provided from reinsurance activities		-	-
3. Cash provided from pension business		-	-
4. Cash used in insurance activities		(2,345,442,509)	(1,927,636,626)
5. Cash used in reinsurance activities		-	-
6. Cash used in pension business		-	-
7. Cash Provided From Operating Activities		**78,752,195**	**107,808,330**
8. Interest paid		-	-
9. Income taxes paid		(16,140,828)	(12,154,504)
10. Other cash inflows		1,534,030	14,191,612
11. Other cash outflows		(8,117,872)	(2,720,435)
12. Net Cash Provided From Operating Activities		**56,027,525**	**107,125,003**
B. CASH FLOWS FROM INVESTING OPERATIONS			
1. Disposal of tangible and intangible assets		2,265,967	926,867
2. Acquisition of tangible and intangible assets	6, 8	(2,072,415)	(836,551)
3. Acquisition of financial assets	11	(41,999,999)	-
4. Disposal of financial assets		18,970,849	3,109,000
5. Interests received		144,919,637	81,030,027
6. Dividends received	26	20,569,367	9,266,510
7. Other cash inflows		433,857	1,479,549
8. Other cash outflows		(5,635,884)	(3,767,707)
9. Net Cash Provided by Investing Activities		**137,451,379**	**91,207,695**
C. CASH FLOWS FROM FINANCING OPERATIONS			
1. Equity shares issued		-	-
2. Cash provided from loans and borrowings		-	-
3. Finance lease payments		-	(1,658,420)
4. Dividends paid		-	-
5. Other cash inflows		-	-
6. Other cash outflows		-	-
7. Net Cash Used In Financing Activities		-	**(1,658,420)**
D. EFFECT OF EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		**2,990,987**	**12,859,506**
E. Net increase/ (decrease) in cash and cash equivalents		**196,469,891**	**209,533,784**
F. Cash and cash equivalents at the beginning of the period	**14**	**729,689,602**	**520,155,818**
G. Cash and cash equivalents at the end of the period	**14**	**926,159,493**	**729,689,602**

CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

Statements of Changes in Equity - Audited (*)

	Share Capital	Own Shares of the Company (-)	Value Increase/ (Decrease) In Assets	Inflation Adjustment Differences In Shareholders	Currency Translation Adjustments	Legal Reserves	Statutory Reserve	Other Reserves and Retained Profit	Net Profit/(Loss) For the Period	Retained Earnings	Total
I – Balance at the Prior Period End – 31 December 2016	**270,000,000**	**-**	**286,146,708**	**-**	**-**	**4,949,441**	**-**	**221,098,005**	**(50,762,448)**	**(298,236,645)**	**433,195,061**
II - Change in accounting standards (Note:2.1) (**)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,696,741**	**63,601,930**	**66,298,671**
III – New balances - 31 December 2016	**270,000,000**	**-**	**286,146,708**	**-**	**-**	**4,949,441**	**-**	**221,098,005**	**(48,065,707)**	**(234,634,715)**	**499,493,732**
A – Capital increase (Note 15)	-	-	-	-	-	-	-	-	-	-	-
B – Own Shares of the Company	-	-	-	-	-	-	-	-	-	-	-
C – Gain and losses not recognized in the statement of income (Note 15)	-	-	139,073,733	-	-	-	-	(900,650)	-	-	138,173,083
D – Change in the value of financial assets	-	-	-	-	-	-	-	13,604,430	-	-	13,604,430
E – Currency translation adjustments	-	-	-	-	-	-	-	-	-	-	-
F – Other gains or losses (Note 6)	-	-	-	-	-	-	-	(797,730)	-	632,405	(165,325)
G – Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H – Net profit for the period	-	-	-	-	-	-	-	-	26,493,239	-	26,493,239
I – Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J – Transfer	-	-	-	-	-	-	-	655,752	48,065,707	(48,721,459)	-
IV – Balance at – 31 December 2017	**270,000,000**	**-**	**425,220,441**	**-**	**-**	**4,949,441**	**-**	**233,659,807**	**26,493,239**	**(282,723,769)**	**677,599,159**
I – Balance at the Prior Period End – 31 December 2017	**270,000,000**	**-**	**425,220,441**	**-**	**-**	**4,949,441**	**-**	**233,659,807**	**26,493,239**	**(282,723,769)**	**677,599,159**
II - Change in accounting standards	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
III – New balances - 31 December 2017	**270,000,000**	**-**	**425,220,441**	**-**	**-**	**4,949,441**	**-**	**233,659,807**	**26,493,239**	**(282,723,769)**	**677,599,159**
A – Capital increase	-	-	-	-	-	-	-	-	-	-	-
B – Own Shares of the Company	-	-	-	-	-	-	-	-	-	-	-
C – Gain and losses not recognized in the statement of income (Note 4.2 and 15)	-	-	104,588,356	-	-	-	-	(787,230)	-	-	103,801,126
D – Change in the value of financial assets (Note 6)	-	-	-	-	-	-	-	16,274,956	-	-	16,274,956
E – Currency translation adjustments	-	-	-	-	-	-	-	-	-	-	-
F – Other gains or losses (Note 6)	-	-	-	-	-	-	-	(6,973,127)	-	710,872	(6,262,255)
G – Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H – Net profit for the period	-	-	-	-	-	-	-	-	10,871,374	-	10,871,374
I – Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J – Transfer	-	-	-	-	-	-	-	352,220	(26,493,239)	26,141,019	-
IV – Balance at – 31 December 2018	**270,000,000**	**-**	**529,808,797**	**-**	**-**	**4,949,441**	**-**	**242,526,626**	**10,871,374**	**(255,871,878)**	**802,284,360**

(*) Detailed explanations for the shareholders' equity items are disclosed in Note 15.
(**) Restated as presented in Note 2.1.6.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

1. GENERAL INFORMATION

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

As at 31 December 2018, the major shareholders of Güneş Sigorta A.Ş. (the "Company") are Türkiye Vakıflar Bankası TAO ("Vakıflar Bankası") and Groupama Holding Filiales et Participations (Note 2.13). As of 31 December 2018, 16.97% of the company's shares are publicly traded at Borsa Istanbul.

1.2 Location and the legal structure of the Company, country and the address of the registered office (address of the operating center if it is different from the registered office)

The Company has been registered in Istanbul, Turkey in 1957 and operates as a joint stock company in accordance with Turkish Commercial Code ("TCC"). The Headquarter of the Company is located in "Güneş Plaza, Büyükdere Cad. No: 110 Esentepe Şişli 34394".

Excepting Istanbul - Headquarter office, the Company has regional offices, Istanbul - Centre, Istanbul - Kadıköy, Istanbul - West, Middle Anatolia, Aegean, South Anatolia, Blacksea Mediterranean, The Marmara, East Anatolia, and Turkish Republic of Northern Cyprus, as the current year the İstanbul 1.Region, İstanbul 2.Region, İstanbul 3.Region, Middle Anatolia, Aegean -Mediterranean, South Anatolia financial region offices are opened. The Company has also representative offices in Erzurum, Kayseri and Samsun.

1.3 Nature of operations

The Company operates in non-life insurance branches consisting of automotive and non-automotive accident, fire, transportation, engineering, health, agriculture and legal protection.

1.4 Description of the main operations of the Company

The Company conducts its operations as stated in Note 1.3 above in accordance with the Insurance Law No.5684 issued in the Official Gazette dated 14 June 2007 and numbered 26552 ("the Insurance Law") and the communiqués and other regulations in effect issued by Ministry of Treasury and Finance. As at 31 December 2018, the Company has 1,418 agencies (31 December 2017: 1,554 authorized agencies).

1.5 The average number of the personnel during the period in consideration of their categories

The average number of the personnel during the period was as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Senior Management (*)	14	17
Other Personnel	596	586
Total	**610**	**603**

(*) The chairman and members of the board of directors, general manager, assistant general managers, group managers and the chairman of the inspection board are grouped in the senior management class.

1.6 The total amount of the salaries and similar benefits provided to the senior management including Chairman, Member of the Board of Directors, General Manager, Inspection Manager, Group Managers, and Assistant General Managers:

	1 January - 31 December 2018	1 January - 31 December 2017
Salaries	3,393,503	2,747,424
Bonuses	851,919	581,074
Title and license compensations	494,160	416,762
Group and individual pension contributions	67,151	51,743
Transportation, food and fuel contributions	26,382	15,840
Other paid benefits	593,936	56,486
Total benefits provided to senior management	**5,427,051**	**3,869,329**
Provision for employment termination benefits	**94,366**	**214,557**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

1. GENERAL INFORMATION (Continued)

1.7 Criteria set for the allocation of investment income and operating expenses (personnel, management, research and development, marketing and sales, outsourcing utilities and services and other operating expenses) in the financial statements

Procedures and principles related to keys used in the distribution of investment income and operating expenses in the financial statements are determined in accordance with "Communiqué on the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In accordance with Insurance Accounting Plan" dated 4 January 2008 and numbered 2008/1 issued by Ministry of Treasury and Finance of Turkish Republic ("Ministry of Treasury and Finance").

In accordance with the related communiqué, all income that is generated by the Company assets invested for non-life technical provisions is transferred from non-technical to technical part. The other investment income is classified under non-technical part. The Company allocates general expenses transferred to technical part to branches based on the weighted average of the number of policies, amount of premium production and number of claim notifications in last three years.

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

The financial statements include only one company (Güneş Sigorta A.Ş.).

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

Name of the Company	:	Güneş Sigorta Anonim Şirketi
Registered address of the head office	:	Güneş Plaza, Büyükdere Cad. No: 110 Esentepe Şişli 34394 İstanbul
The website of the Company	:	**www.gunessigorta.com.tr**

1.10 Subsequent Events

Financial statements of 1 January – 31 December 2018 are approved by Board of Directors at 22 February 2019 and signed by General Manager Atilla Benli and Deputy General Manager Saltuk Buğra Sürüel. Explanations related to subsequent events are disclosed in detail in Note 46.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The Company prepares its financial statements in accordance with the Insurance Law numbered 5684 and the regulations issued for insurance and reinsurance companies by Ministry of Treasury and Finance.

The financial statements are prepared in accordance with the Insurance Chart of Accounts included in the communiqué issued by Ministry of Treasury and Finance regarding the Insurance Chart of Accounts and Prospects, published in the Official Gazette (No: 25686) dated 30 December 2004 (Insurance Accounting System Communiqué No.1) and 27 December 2011 dated and 2011/14 numbered Notice regarding to the Opening of New Account Codes In Insurance Account Plan. Content and the format of the financial statements prepared and explanations and notes thereof are determined in accordance with the Communiqué on Presentation of Financial Statements published in the Official Gazette numbered 26851 dated 18 April 2008 and numbered 2012/7 and dated 31 May 2012 Notice regarding to the Presentation of the New Account Codes and Financial Statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1.1 Information about the principles and the special accounting policies used in the preparation of the financial statements (Continued)

The financial statements were prepared as in a TRY and historical cost basis, being adjusted for inflation until 31 December 2004, except for the financial assets and investment properties and properties held for use measured at their fair value.

In accordance with the "Regulation on Financial Reporting of Insurance and Reinsurance Companies and Pension Companies" issued on 14 July 2007 and effective from 1 January 2008, and also in accordance with the communiqués which may be issued by Ministry of Treasury and Finance, operations of insurance companies shall be accounted for in accordance with the Turkish Financial Reporting Standards ("TFRS") as issued by the Turkish Accounting Standards Board ("TASK") and other regulations, communiqués and explanations issued by Ministry of Treasury and Finance regarding accounting and financial reporting issues. With reference to the notice of Ministry of Treasury and Finance No. 9 dated 18 February 2008, "TAS 1- Financial Statements and Presentation", "TAS 27- Consolidated and Unconsolidated Financial Statements", "TFRS 1 - Transition to TFRS" and "TFRS 4- Insurance Contracts" have been scoped out of this application. In addition, insurance companies are not required to prepare consolidated financial statements pursuant to the official statement on Regulation of Consolidated Financial Statements of Insurance and Reinsurance Companies and Pension Companies issued in the Official Gazette, dated on 31 December 2008 and numbered 27097. As at 31 December 2017, The Company does not have any subsidiaries to be consolidated on its financial statements.

The Company accounts and recognizes its insurance technical reserves in its financial statements as of 31 December 2017 in accordance with the "Regulation on Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested" ("Regulation on Technical Reserves") dated 28 July 2010 published in official gazette numbered 27655 and changes on this regulation on 17 July 2012 and numbered 28356 and other regulations issued for insurance and reinsurance companies by Ministry of Treasury and Finance (Note 2.23, 2.24, 2.25 and 2.26).

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

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 31 December 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.

It was announced with the article of Ministry of Treasury and Finance numbered 19387, dated 4 April 2005, insurance companies are required to restate their financial statements as of 31 December 2004 in accordance with "Financial Reporting in Hyperinflationary Economies" included in the regulations of Capital Markets Board (''CMB'') Communiqué XI No.25 (which came into force as published in the Official Gazette No: 25290 dated 15 January 2003). In line with the decree of CMB dated 17 March 2005, Ministry of Treasury and Finance also announced that inflation accounting is not required effective from 1 January 2005. Based on the above mentioned notification of Ministry of Treasury and Finance, the Company has restated its financial statements as of 31 December 2004 in accordance with the regulations on "Financial Reporting in Hyperinflationary Economies" and not continued to apply TAS 29 "Financial Reporting in Hyperinflationary Economies".

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1.3 Functional and presentation currency

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

2.1.4 Rounding of the amounts presented in the financial statements

The financial information presented in TRY has been rounded to the nearest TRY 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 31 December 2004, except for the financial assets held for trading, available for sale financial assets, investment property, owner occupied property of the Company and investments in associates which are stated at their fair values.

2.1.6 Accounting policies, changes in accounting estimates and errors

In accordance with the Decree No 2017/7 on the Reduction of Outstanding Net Cash Flows from the Compensation of Treasury, published by Ministry of Treasury and Finance on 15 September 2017, in accordance with the Circular on the Amendment of the General Communiqué No: 2016/22 and for the branches of General Liability and Land Vehicles, in accordance with the principles set out in the Circular on Reducing Net Cash Flows from Outstanding Claims, issued by the Ministry of Treasury and Finance on 10 June 2016, numbered 2016/22. As stated in the Circular No. 2016/22, the Company has considered the discounting of the provision for outstanding claims as a change in accounting policy.

The effects on the financial statements prepared as of 1 January 2017 of the amendments to the accounting policies for discounting the outstanding claims reserve are shown in the following tables

1 January 2017	Reported Previously	The Effect of Restatement	Reported Restated
Assets			
Outstanding claim provision - Net	(604,851,235)	82,817,231	(522,034,004)
Unexpired risk reserve - Net	(1,778,282)	56,107	(1,722,175)
Deferred tax asset	18,713,702	(16,574,667)	2,139,035
Retained earnings	(298,236,645)	63,601,930	(234,634,715)
Net loss for the period	(50,762,448)	2,696,741	(48,065,707)

Explanations on accounting estimates are given in Note 3.

2.1.7 Comparative information

Where necessary, comparative information has been reclassified so that provide the compatibility to the presentation of financial statements for the current period.

2.2 Consolidation

"Circular on the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Individual Pension Companies" issued by Ministry of Treasury and Finance in the Official Gazette dated 31 December 2008 and numbered 27097 ("the Circular for Consolidation") requires that insurance, reinsurance and individual pension companies issue consolidated financial statements starting from 31 March 2009 The processes for liquidation of Güneş Turizm End. ve Ticaret A.Ş., the subsidiary of the Company, has been completed upon being registered through the Trade Registry Gazette on 21 October 2016. As a result of this liquidation process, the Company does not have any subsidiary that is required to be consolidated starting from 31 December 2017. Vakıf Emeklilik ve Hayat A.Ş., that was accounted based on the equity method in the consolidated financial statements in prior periods, has been maintained as available for sale financial asset on these financial statements considering that there is no significant influence.

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Segment reporting

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.

Since the main economic environment, where the Company operates, is Turkey, a geographical segment reporting has not been presented.

Information about the Company’s business reports regarding all branches are explained in the context of TFRS 8 - Business segments in Note 5.

2.4 Foreign currency transactions

Transactions are recorded in TRY, which is the Company’s functional currency. Transactions in foreign currencies are recorded at the rates ruling at the date 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.

Changes in the fair value of financial assets denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the asset and other changes in the carrying amount of the asset. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in equity.

Foreign exchange differences arising from the translation of non-monetary financial assets and liabilities are considered as part of the fair value changes and those differences are accounted for in the accounts in which the fair value changes are accounted for.

2.5 Tangible assets

All tangible assets except for buildings for operational use are carried at cost by deducting accumulated depreciation. Properties for operational use are recorded at their fair value on the basis of a valuation made by an independent valuation expert less subsequent accumulated depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net carrying amount is restated to the revalued amount.

Increases in the carrying amounts arising on revaluation of property, net of tax effects, are credited to “Other Capital Reserves” under shareholders’ equity. Any subsequent decrease in value offsetting previous increases in the carrying amount of the same asset is charged against the funds in the equity; and all other decreases are charged to profit or loss. At each reporting date, the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset’s original cost is transferred from “Other Capital reserves” to retained earnings.

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net book value and the net sales price and reflected to the statement of income of the related period. Maintenance and repair costs incurred in the ordinary course of the business are recorded as expense.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the costs or revalued amounts of tangible assets. Depreciation rates and estimated useful lives are below.

	Estimated Useful Lives (years)	Depreciation Rates (%)
Properties for operational use (Buildings)	50	2
Furniture and fixtures	4-50	25-2
Motor vehicles	4-5	25-20
Other tangible assets (including leasehold improvements)	3-5	33-20

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Tangible assets (Continued)

An investigation is to be performed to determine the possible impairment in case of there are existing conditions which point out impairment of tangible assets except properties for operational use and as a result of that investigation; accrual is to be booked to reduce net book value of tangible assets in case of recoverable value amount is less than net book value of related tangible asset. Profits and losses arising from disposal of tangible assets will be kept in "Other income and expense" account. In case of disposal of revalued assets; amount on "Other Capital Reserves" account related to that assets is to be transferred to retained earnings account (Note 6).

2.6 Investment property

The lands and buildings, which are obtained either to earn income or for capital appreciation or for both, instead of either for the Company's operations or for management purposes or for sale during the regular operations, are classified under investment properties. Investment properties are reflected in the financial statement at fair value. Changes in fair values of investment properties are recognized in the income statement under investment income (Note 7).

2.7 Intangible assets

The Company's intangible assets consist of rights and computer software. Intangible assets are accounted at cost accounting for intangible assets.

The Company, record the amortization amount for intangible assets on a straight-line basis over their estimated useful lives. The useful lives of intangible assets vary between 5 and 10 years (Note 8).

2.8 Financial assets

Classification and measurement

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 favorable to the entity. Financial assets are classified in two categories; as, available-for-sale 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 loans and receivables. Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. However, assets that are not traded in an active market are measured by using 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 profit or loss. During the available-for-sale asset is first recognized, additional costs of recognition will be added to fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

Financial assets classified as held for trading; If a financial instrument is held for trading after the initial recognition, the financial asset is classified as financial assets at fair value through profit or loss. If the company manages related investments and decides to purchase and sell the fair value of these investments in accordance with the company's written risk management and investment strategies, the financial assets are recognized as financial assets at fair value through profit or loss. After the initial recognition, all kind of transaction costs are recognized in profit or loss. Financial assets at fair value through profit or loss are measured at fair value and changes in fair value are recognized in profit or loss. Best expected purchase price as of the balance sheet date is used as a base in the determination of fair value. The fair value represents the best purchase order amount current pending orders at Borsa Istanbul A.Ş., the price of most recent transaction realized in the absence of these orders and the cost price which is forwarded by effective interest rate (the ratio which equalize the future cash flows of a financial asset or liability to its current net book value) in the absence of all other method.

Derecognition

A financial asset is derecognized when the control over the contractual rights that comprise that asset is lost. This occurs when the rights are realized, expire or are surrendered.

2.9 Impairment of assets

Impairment of financial assets

Financial assets or group of financial assets are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, the Company estimates the amount of impairment. A financial asset is impaired; if and only, 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 be incurred due to future events are not recognized even if the probability of loss is high.

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 assets

On each reporting date the Company evaluates whether there is an indication of impairment of tangible and intangible assets. If there is an objective evidence of impairment, the asset's recoverable amount is estimated and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

Discount and provision expenses of the period are detailed in Note 47.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Derivative financial instruments

As at the reporting date, the Company does not have any derivative financial instruments (31 December 2017: None).

2.10 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 Turkish Financial Reporting Standards, or for gains and losses arising from a group of similar transactions included in the Company's trading activities.

2.11 Cash and cash equivalents

Cash and cash equivalents, which is the basis for 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 three months and readily to be used by the Company or not blocked for any other purpose (Note 14).

2.12 Share Capital

As of 31 December 2018 and 2017, the share capital and ownership structure of the Company is as follows:

	31 December 2018		31 December 2017	
Name of Shareholders	**Share amount (TRY)**	**Share (%)**	**Share amount (TRY)**	**Share (%)**
Vakıflar Bankası T.A.O.	129,642,844	48.02	129,642,844	48.02
Groupama Holding Filiales et Participations	54,000,000	20.00	54,000,000	20.00
Halka açık hisseler	45,830,156	16.97	45,830,156	16.97
Türkiye Vakıflar Bankası Vakıfbank Personeli Özel Sosyal Güvenlik Hizmetleri Vakfı	27,000,000	10.00	27,000,000	10.00
Türkiye Vakıflar Bankası T.A.O. Memur ve Hiz. Emekli ve Sağlık Yardım Sandığı Vak.	13,527,000	5.01	13,527,000	5.01
Paid-in Capital	**270,000,000**	**100.00**	**270,000,000**	**100.00**

Privileges to the different class of shares

None (31 December 2017: None).

The Company's registered share capital

The Company's limit of registered paid-in capital is 540,000,000 TRY and divided 540,000,000 shares with a nominal value of TRY 1.Allowance of equity ceiling for registered share capital valid between 2017-2021. Even if it cannot be reached to permissible written ceiling capital amount by the end of 2021 it is still mandatory to take permission from general board to let the board of directors give the decision of capital increase for either renewing previous ceiling price or setting a new ceiling amount within the permission of Capital Market Boards. In the case of the not taking the authority mentioned above the Company is considered as out of the registered share capital system. As at 31 December 2018, the paid in share capital of the Company consists of 270,000,000 issued shares with the total amount of TRY 270,000,000 (31 December 2017: 270,000,000 shares).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Insurance and investments 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.

As of reporting date, the Company does not have a predetermined risk guaranteeing 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) Those 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) Those 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 at the reporting date, the Company does not have any insurance or investment contracts that contain a DPF.

Investment contracts without DPF

As at the reporting date, the Company does not have any insurance contracts and investment contracts without DPF.

2.16 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.

2.17 Taxes

Corporate tax

Statutory income is subject to corporate tax at a rate of 22%. Corporate tax rate is applied on tax base which the net income for the periods, that is 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.

Within the scope of the "Law on Amendments to Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated 5 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. Under the said law, deferred tax assets and liabilities are recognized on the financial statements as of 31 December 2018 with a tax rate of 22% for the portion of temporary differences that will have tax effect in the years 2018, 2019 and 2020, 20% for temporary differences and 20% respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Taxes (Continued)

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 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 quarterly periods. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. However carry forward tax losses cannot be deducted from retained earnings. Tax losses cannot be carried back to offset profits from previous periods. As at 31 December 2018 the Company has deductible tax losses amounting to TRY 76,497,931 (31 December 2017: TRY 109,539,535).

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. In accordance with the regulation "Statute for Restructuring of Certain Receivables" numbered 6736 which was published in Trade Registry Gazette dated 19 August 2016 and numbered 29806, the Company has been exempted from tax investigation of the relevant year's income items as a result of increase in the tax bases for the years 2011, 2012, 2013, 2014 and 2015 by considering the minimum tax bases. However, based on the article 5, paragraph 1 and section (ğ) of the regulation numbered 6736, the Company will not be able to offset the carry forward tax losses of the years for which the tax base is increased, against future taxable profits.

According to the Decision of the President on the Amendment to the Decision of the Council of Ministers, enumerated as 30521, dated 22 July 2006 and published in the Official Gazette enumerated as 30521 and dated 31 August 2018; as of 1 September 2018, withholding tax rates applied to foreign exchange deposit accounts, foreign exchange participation accounts, deposit rates and participation accounts have been changed to be valid for 3 months In this framework, withholding tax rates for time deposit for TRY up to 6 months (including 6th month) are reduced from 15% to 5%, up to 1 year (including 12th month) are reduced from 12% to 3%. Withholding tax rates for interest incomes from foreign currency time deposit and dividend incomes from participating demand deposit accounts in participating banks, up to 6 months are increased from 18% to 20%, up to 1 year are increased from 15% to 16%. The tax rate used for foreign currency time deposit more than 1 year is 13% and it has not changed.

Deferred income taxes

Deferred income tax assets and liabilities are recognized according to using the balance sheet method, on all taxable temporary differences arising between the tax bases and 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 income 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.

If transactions and events are recorded in the statement of income, then the related tax effects are also recognized in the statement of income. However, if transactions and events are recorded directly in the shareholders' equity, the related tax effects are also recognized directly in the shareholders' equity (Note 21).

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Taxes (Continued)

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 18 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.

2.18 Employee benefits

Reserve for severance indemnity:

In accordance with existing Turkish Labor 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 at 31 December 2018 TRY 5,434.42 (31 December 2017: TRY 4,732.48).

The fundamental assumption is that maximum ceiling for the yearly services increases in line with the inflation; therefore, the discount rate reflects the real rate after netting of the effects of inflation. The provision for termination benefits and severance payment has been calculated by using the ceiling amounting to 6,017.60 which is applicable starting from 1 January 2019, as it is adjusted yearly (1 January 2018: TRY 5,001.76)

The Company are calculated provision for employee severance indemnities using actuarial methods. The major statistical assumptions used in the calculation of the total liability as at 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Discount Rate	%4.89	%3.94
Expected Rate of Salary/Limit Increase	%10.00	%6.50
Estimated Employee Turnover Rate	%4.70	%5.33

The specified expected rate of salary/limit increase is defined according to inflation estimation of Central Bank of Turkey.

Other employee benefits

The Company has provided for undiscounted short-term employee benefits earned during the financial period as per services in the accompanying financial statements (Note 23).

2.19 Provisions

A provision is allocated 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 (Note 23).

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition

Written premiums

Written premiums represent premiums on policies written during the year net of taxes, premiums of the cancelled policies which were produced in prior years and premiums ceded to reinsurance companies. Premiums ceded to reinsurance companies on gross premiums are booked in “premiums ceded to reinsurance companies” account of statement of income (Note 24).

Claim recovery and salvage income and related receivables

In the calculations related to provisions for outstanding claims accrued and identified, accrued or collected subrogation, salvage or similar income items cannot be deducted. However, accrued subrogation, salvage, and similar income items can be recognized in the assets section of the balance sheet and income statement.

In order to accrue receivable or income of subrogation, salvage; acquisition of the right of subrogation, determination of the amount certainly, and must not have been charged by the end of the period are needed. In accordance with Turkish Commercial Code, the compensation must be paid for getting the right of subrogation.

In accordance with the Circular 2010/13 dated 20 September 2010; the Company can account for income accrual for subrogation receivables up to the guarantee limit of insurance companies without any voucher for insurance companies after the completion of the claim payments made to the insuree and receipt of voucher (bank statement related to the claim payment) from third parties other than insurance companies and notice of the insurance companies or third part parties. If the amount cannot be collected from the counterparty insurance company, the Company provides provision for uncollected amounts due for six months. If the counter party is not an insurance company, the provision is provided after four months.

On the other hand, if there is an agreement with the insurance company or third parties; where there is a payment plan up to one year, or receipt of cheques, bills or similar documents, the Company is not required to provide provision for subrogation receivables that overdue six months from insurance and four months from other counterparties are under the instalment plan.

At the reporting date, in accordance with the related circular, the Company recognized TRY 12,519,081 (31 December 2017: TRY 10,939,603) net salvage and subrogation receivables in the receivables from main operations and provided TRY 218,925 (31 December 2017: TRY 176,156 allowance for salvage and subrogation receivables that are overdue as described in the related circular (Note 4.2 and 12).

When the subrogation is subject to a court case, the amount is recorded on the date of the transaction and the same amount of provision is provided on the same day.

The Company provided a provision for net subrogation receivables under legal follow up and TRY 178,120,136 (31 December 2017: TRY 148,310,199) that is presented under doubtful receivables under main operations (Note 4.2 and 12).

In order to account for salvage income expected from the sale of the assets, the claim amount should be paid to the insuree and the ownership of the related assets should be transferred to the Company. When the assets are transferred to the insuree, sold to third parties by the Company or by an intermediary; salvage income is recorded and should not be recorded as a deduction from provisions for outstanding claims and paid claims.

For the years ended 31 December 2018 and 2017, accrued salvage and subrogation income per branches is as follows:

	31 December 2018	**31 December 2017**
Motor own damage	10,636,875	8,762,758
Motor third party liability	1,341,531	889,514
Other	540,675	1,287,331
Total	**12,519,081**	**10,939,603**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition (Continued)

For the period 1 January - 31 December 2018 and 2017, salvage and subrogation collections are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Motor own damage	151,302,811	118,543,106
Motor third party liability	6,655,519	5,432,884
Other	7,840,403	2,228,808
Total	**165,798,733**	**126,204,798**

Commission income and expense

As further detailed in Note 2.23, commissions paid to the agencies related to the production of the policies and the commissions received from the reinsurance firms related to the premiums ceded are recognized over the life of the contract by deferring commission income and expenses within the calculation of reserve for unearned premiums and they are recognized in "Deferred commission income" and "Deferred commission expense".

Interest income and expense

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.

Dividend

Dividend income is accounted when related dividend right arises.

2.21 Leasing transactions

Tangible assets acquired through of finance leases are recorded in tangible assets and the obligations under finance leases arising from the lease contracts are presented under "Finance Lease Payables" account in the balance sheet. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expense in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through finance lease and in the expected future benefits, the leased assets are measured at net realizable value. Depreciation for assets obtained through financial lease is calculated in the same manner as respective class at tangible assets.

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

2.22 Dividend distribution

As of reporting date, no dividend distribution is declared by the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Reserve for unearned premiums

Reserve for unearned premiums, effective insurance contracts premiums occur from gross amounts without any commission or other discount and based on daily premium calculations for the following period or periods. For the goods transportation insurance contracts without a specific expire date, the premiums accrued from the last three months, 50% of the remaining amount is allocated as reserve for unearned premium.

The reserve for unearned premiums during the day basis evaluation while following sections of the extended periods are being evaluated it is assumed that in general implementation, the policy starts at noon 12:00 and ends again at noon 12:00.

Unearned portion of the commissions paid to the intermediaries for written premiums and commissions received from reinsurers for the premiums ceded are recognized in short term Prepaid Expenses and Income Accruals and Deferred Income and Expense Accruals respectively in the balance sheet. They are also recognized in the operating expenses after netting off.

In accordance with the Communiqué on Technical Reserves, for the calculation of reserve for unearned premium of foreign currency indexed insurance agreements, foreign currency selling exchange rates announced by Turkish Central Bank are used, unless there is a specified exchange rate in the agreement (Note 17).

2.24 Reserve for unexpired risks

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected loss ratios. Expected loss ratio is calculated by dividing the incurred losses to earned premiums, above the mentioned expected loss ratio is calculated on the basis of main branches as of 31 December 2018 and 2017, in accordance with the "Regulation regarding the Changes in the Calculation of Unexpired Risk Reserve" dated 13 December 2012 and numbered 2012/15 published by Ministry of Treasury and Finance. in case where the expected loss ratio is higher than 95% net unexpired risks reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch and gross unexpired risks reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross amount and net amount is recognized as reinsurers' share.

Besides, in accordance with "the Circular on Unexpired Risk Reserve Provision" no. 2016/37 dated 11 November 2016 published by Ministry of Treasury and Finance ("sectoral announcement no. 2016/37"), the amount of the gross loss ratio to be used in the calculation of unexpired risk reserve in the Land Vehicles, Land Vehicles, Compulsory, Financial Liability and General Liability branches to the insurance companies shall be calculated on the basis of the accident year and the amount of the final damage, including the indirect works, for every three months period of the last year including the current period, it is possible to calculate it by dividing the obtained prime. In accordance with the circular no 2016/37, if the gross loss ratio is over 85% for the year 2018, the gross loss ratio of the Company will be multiplied by gross unearned premiums against the gross unearned premiums. As a result of the multiplication of net unearned premiums provision, net contingent risks have been calculated.

Within the framework of "the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" numbered 2016/22 and dated 10 June 2016 and within the framework of "the amendment to the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" numbered 2017/7 and dated 15 September 2017 published by Ministry of Treasury and Finance, The Company has revised retrospectively the calculation of outstanding claims provision and ongoing risk provision that it has applied after discounting.

In accordance with the third paragraph of Circular published by Ministry of Treasury and Finance numbered 2016/37; despite of there is no calculating result of unexpired risk reserve in the subjected file, an evaluation is made by considering Risky Insurance Pool, the Company has calculated and accounted for net unexpired risk reserve amounting to TRY 17,999,626 as at 31 December 2018 (31 December 2017: TRY 1,184,660) (Note 17).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Provision for outstanding claims

The Company accounts for outstanding claim provision for ultimate cost of the claims incurred, but not paid in the current or previous periods or, for the estimated ultimate cost if the cost is not certain yet, and for the incurred but not reported claims. Claim provisions are accounted for based on reports of experts or initial assessments of policyholders and experts, and in the calculations related to the claim provisions, claim recoveries, salvage and similar gains are not deducted.

In accordance with the Communiqué on Technical Reserves and 2011/1 and dated 14 January 2011, starting from 1 July 2012, the Company provided provision for the files that there is uncertainty about their amount and/or which are defined as pilot case based on the average amounts of which the calculation procedure and methods defined by Ministry of Treasury and Finance and updated the provision based on the further court decision and the expert reports.

As of 31 December 2018, the difference between the provision for outstanding claim that is accrued and the amount that is calculated by using the actuarial chain ladder method, of which the content and implementation fundamentals are determined on the Legislation for Technical Provision and the "Circular on Provision for Outstanding Claim" numbered. 2014/16 and dated 5 December 2014 and is effective from 1 January 2015, is accounted for as incurred but not reported claims provision.

In accordance with "the Circular on Provision for Outstanding Claim" dated 5 December 2014 and numbered 2014/16 published by Ministry of Treasury and Finance, since 1 January 2015, the calculation of incurred but not reported claim provision for outstanding claim considering that best estimations of the Company's actuary has been adjudicated. Based on mentioned circular letter, the data selection on incurred but not reported claim provision calculations, the amendments and adjustments and the selection of the best method and interference with development factor are done by the Company's actuaries based on actuarial methods. In this related circular letter, on the calculation of incurred but not reported provision for outstanding claim amount, the Company has been given the right to choose Actuarial Chain Ladder Methods (ACLM) for each branch of Chain Ladder Method, Loss Ratio, Cape Cod, Frequency-Severity Techniques, Munich Chain Ladder Method and Bornhuetter-Ferguson. The Company has chosen Chain Ladder Method for incurred but not reported claim provisions for outstanding claims of all branches except for the general liability, air vehicle and air vehicle liability. It has been chosen Loss Ratio Method for general liability and air vehicle branches and Cape Cod as for air vehicle liability in compliance with the Company's actuary. The large claim limits and the files over the limits of these large claims on the basis of branches are determined by statistical analysis of Company's actuary; the data set used to ACLM calculations are considered without these files. The actuarial methods that has been used to calculate ACLM and large claims on the basis of branches are presented in Note 17.

The data related accrued claim recoveries, salvage and equivalent income in the balance sheet are taken into consideration in the ACLM calculations with collections. In addition, for the branches with a negative ACLM result, the incurred but not reported claim provision was calculated considering the total amount of the negative ACLM result. The ACLM calculations are performed on a gross basis and the net amounts are determined in accordance with in-forced reinsurance agreements of the Company. The gross and net incurred but not reported claim provision to be added or to be deducted for each branch and the calculation methodology as at 31 December 2018 and 2017 are explained in the Note 17.

In accordance with the Circular numbered 2011/18, paid claims, outstanding claims, claim recovery, salvage and similar incomes related to treatment expense within the scope of the law, are excluded from the previous year's statistics for the "Compulsory Transportation", "Compulsory motor third part liability", "Compulsory Motor Personal Accident" branches, in the calculations related to ACLM development triangles prepared to determine the incurred but not reported claim provision as of 31 December 2018.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Provision for outstanding claims (Continued)

In accordance with the circular of "Regulation on the Changes in the Regulation of Provision for Outstanding Claim (2014/16)" numbered 2015/7 - 2015/28 and 2016/11 issued by Ministry of Treasury and Finance dated 17 March 2015, 27 July 2015 and 29 February 2016 respectively, companies are allowed to account the effects of the changes in the calculation of claim provision gradually by each trimester during the years 2015, 2016, 2017, 2018 and 2019. In this context, the Company has calculated the incurred but not reported claim provision for Compulsory Traffic branch as of 31 December 2017 by applying the gradual accounting rates of 25%, 2.5%, 5% and 10% respectively for quarterly increases in 2015; 7.5%, 7.5%, 10% and 10% quarterly increases for 2016 and also 12.5%, 12.5%, 15% and 15% for 2017 quarters, and 20% for first two quarters and 25% for last two quarters of 2018 in accordance with the related regulation. As of 31 December 2018, as a result of ACLM calculations; the Company has allocated a net provision for incurred but not reported claims amounting to TRY 326,830,893 (31 December 2017: TRY 239,822,053). If the Company did not choose the mentioned gradual accounting application, net incurred but not reported claim provision would be TRY 118,528,606 more as of 31 December 2018. (Note 17).

Within the framework of "the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" numbered 2016/22 and dated 10 June 2016 and within the framework of "the amendment to the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" numbered 2017/7 and dated 15 September 2017 published by Ministry of Treasury and Finance, as of 31 December 2018, the Company has calculated a net discount to the outstanding claims provision for TRY 113,736,849 (31 December 2017: TRY 88,104,234) as of 31 December 2017 for the liability branches of General Liability and Motor Third Party Liability.

As of 31 December 2018 and 2017, the net outstanding claims provisions of the Company in the branches are presented below before and after the discounts.

31 December 2018 Branch	Net Outstanding Claim Provision Before Discount	Discount Amount	Net Discounted Outstanding Claim Provision
Motor Third Party Liability	(707,968,099)	104,940,323	(603,027,776)
General Liability	(55,639,000)	8,796,526	(46,842,474)
Total	**(763,607,099)**	**113,736,849**	**(649,870,250)**

31 December 2017 Branch	Net Outstanding Claim Provision Before Discount	Discount Amount	Net Discounted Outstanding Claim Provision
Motor Third Party Liability	(582,355,750)	81,550,149	(500,805,601)
General Liability	(40,557,462)	6,554,085	(34,003,377)
Total	**(622,913,212)**	**88,104,234**	**(534,808,978)**

The methods applied to estimate the net cash flows of the Company as at 31 December 2018 and 2017 and the estimated net cash flows for each major branch are as follows.

31 December 2018 Branch	Methods Applied	2019	2020	2021	2022	2023	2024	2025	Total
Motor Third Party Liability	Table 57	252,024,963	157,208,165	118,550,471	84,418,129	58,060,638	32,032,250	5,673,484	707,968,099
General Liability	Table 57	16,504,579	13,535,495	10,208,894	7,959,863	5,308,420	1,985,848	135,901	55,639,000

31 December 2017 Branch	Methods Applied	2018	2019	2020	2021	2022	2023	2024	Total
Motor Third Party Liability	Table 57	214,481,001	139,139,117	100,722,750	69,577,428	37,624,178	17,375,450	3,435,826	582,355,750
General Liability	Table 57	11,339,948	9,868,762	8,232,713	5,494,303	3,702,121	1,793,175	126,440	40,557,462

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Provision for outstanding claims (Continued)

In accordance with "The Communiqué on the Calculation of Provision for Incurred But Not Reported Claims" dated 26 December 2011 and numbered 2011/23 (the "Communiqué numbered 2011/23"), insurance companies are allowed to calculate a winning ratio over the amounts of legal cases opened against the Company which are closed in the past 5 years on a sub-branch basis and to reduce a certain portion of the outstanding claim files under legal follow-up using the calculated winning ratio as of 31 December 2018 and 2017. The Company has calculated the winning ratio on a sub-branch basis by dividing the amount of the cases closed in favor of the Company to the total amount of the legal cases of which legal processes have been completed in the past 5 years' time as of 31 December 2018 and 2017. The principal amounts have been taken into consideration and interest and other charges have been excluded from winning ratio calculations. In accordance with the Communiqué numbered 2011/23, the deduction from the outstanding claims under legal follow-up has been made using the ratio 25% for the branches with winning ratios over 25%. The Company has calculated win ratio over gross amounts and has determined reinsurance share of discount amount considering reinsurance share of related files. The net deduction amount from outstanding claim files using the winning ratios calculated on a sub - branch basis is TRY 62,135,463 (31 December 2017: TRY 39,908,852) (Note 17). The calculated and used wining ratios as at 31 December 2018 and 2017 are as follows:

	31 December 2018		31 December 2017	
Branch	**Calculated Winning Ratio (%)**	**Used Winning Ratio (%)**	**Calculated Winning Ratio (%)**	**Used Winning Ratio (%)**
Occupational responsibility	100	25	100	25
Boat	60	25	31	25
Fire	54	25	56	25
Third party financial liability	45	25	33	25
Personnel accident	38	25	22	22
Motor vehicles - own damage	37	25	37	25
Flood	28	25	71	25
MTPL - facultative	27	25	25	25
Compulsory transportation financial liability	26	25	18	18
Commodity	26	25	17	17
Construction	20	20	40	25
Machinery breakdown	20	20	8	8
Hazardous materials liability	17	17	16	16
Employer financial liability	17	17	13	13
Compulsory personal accident for bus transportation	16	16	14	14
Health	14	14	21	21
Motor third party liability	12	12	9	9
Electronic device	9	9	12	12
Bottled gas liability	3	3	6	6

2.26 Equalization provision

In accordance with the Communiqué on Technical Reserves, the Insurance Companies should provide equalization provision in credit insurance and earthquake branches to equalize the fluctuations in future possible claims and for catastrophic risks. Provision is calculated as 12% of net premiums written in credit insurance and earthquake branches. In the calculation of net premiums, fees paid for un-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms.

The insurance companies are allowed to deduct claim payments and outstanding claims evidenced by expertise reports or official documents received from public institutions due to earthquake losses from the equalization reserve, provided that no deduction has been made from current year charge to the reserve.

As of 31 December 2018 equalization provision amounting to TRY 33,855,634 (31 December 2017: TRY 28,081,528) is presented under "Other Technical Reserves" under the long term-liabilities in the accompanying financial statements (Note 17).

2.27 Related parties

For the purpose of the accompanying 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 (Note 45).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Earnings 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 (Note 37).

2.29 Subsequent events

Post-balance sheet events that provide additional information about the Company's position at the reporting dates (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material (Note 46).

2.30 New standards and interpretations not yet adopted

a) Standards, amendments and interpretations applicable as at 31 December 2018:

- IFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

  Until IFRS 17 is effective, the company will benefit from the temporary exemption for IFRS 9 included in IFRS 4.

- IFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- Amendment to IFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

  The Company has postponed the transition to TFRS 15 on 1 January 2021, in accordance with the "Circular on the Transition Date to TFRS 15 of Insurance and Pension Companies" issued by Ministry of Treasury and Finance, dated 23 October 2018 and enumerated as 2018/4.

- Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

  - All companies issuing insurance contracts will have the option to account for the volatility that may arise when IFRS 9 is applied, in the other comprehensive income statement, rather than accounting for profit or loss, before the new insurance contract standard is issued and give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard IAS 39.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 New standards and interpretations not yet adopted

a) Standards, amendments and interpretations applicable as at 31 December 2018: (Continued)

Subjected changes of standards did not have a significant impact on the financial position and performance of the company.

- Amendment to IAS 40, Investment property' relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. Subjected changes of standards did not have a significant impact on the financial position and performance of the company.

- Amendments to IFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. Subjected changes of standards did not have a significant impact on the financial position and performance of the company.

- Annual improvements, 2014 **-** 2016**;** effective for annual periods beginning on or after 1 January 2018.

  - IFRS 1,' First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.

  - IAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.

  Subjected improvements did not have a significant impact on the financial position and performance of the company.

- IFRS 22,' Foreign currency transactions and advance consideration', effective from annual periods beginning on or after 1 January 2018. This IFRS addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. Subjected changes of standards did not have a significant impact on the financial position and performance of the company.

b) Standards, amendments published on 31 December 2018, yet not effective currently:

- IFRS 9, "Changes in financial instruments"; Effective for annual reporting periods beginning on or after January 1, 2019. This amendment confirms that if a financial liability measured at amortized cost is changed without resulting in a recognition, the resulting gain or loss is recognized directly in profit or loss. Gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted from the original effective interest rate. This means that, unlike IAS 39, it is not possible to recognize the difference over the remaining life of the instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 New standards and interpretations not yet adopted (Continued)

b) Standards, amendments published on 31 December 2018, yet not effective currently: (Continued)

The Company will benefit from the temporary exemption items for TFRS 9, which is included in TFRS 4, until IFRS 17 is effective.

- IAS 28, "Changes in investments in associates and joint ventures"; Effective for annual reporting periods beginning on or after 1 January 2019. We have clarified that companies will account for long term participations or jointly controlled investments that are not applied by the equity method using IFRS 9. The amendment is effective for annual periods beginning on or after 1 January 2019. However, early application is allowed. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

- IFRS 16, 'Leases'; effective from annual periods beginning on or after 1 January 2019, this standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  As at the reporting date, amount of the Company's operating lease commitments is TRY 1,764,642. On 1 January 2019, the Company plans to recognize approximately TRY 1,370,284 existence of tenure and rental debts (after accrued rental payments and prepayment adjustments as of 31 December 2018); and TRY 19,103 deferred tax asset. Due to the implementation of the new rules, the Company expects its net profit after tax to decrease by TRY 1,351,181 in 2019.

- IFRS 23, 'Uncertainty over income tax treatments', effective from annual periods beginning on or after 1 January 2019. This IFRS clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRS 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRS 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

  The interpretation will be applied for annual periods beginning on or after 1 January 2019. Early application is allowed. In the case of early implementation of this interpretation, the entity will make a statement on early application. In the first application, the entity may apply this interpretation retrospectively, in accordance with TAS 8, or retrospectively by recording the cumulative effect at the date of initial application as a correction to the opening balance of the retained earnings (or, if appropriate, another component of the equity item). The impact of the amendments on financial position or performance of the Company is in the process of assessing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 New standards and interpretations not yet adopted (Continued)

b) Standards, amendments published on 31 December 2018, yet not effective currently: (Continued)

- IFRS 17 "Insurance Contracts" is effective for annual reporting periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which allows for a wide range of applications. IFRS 17 will change the basis of insurance contracts and the accounts of all entities that issue investment contracts with voluntary participation features.

  The effect of subjected standard on the financial position and performance of the company are being evaluated.

- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

  - IFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - IFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
  - IAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

  The improvements will be applied for annual periods beginning on or after 1 January 2019. Early application is allowed. Generally, the Company does not expect a significant impact on the balance sheet and equity.

- Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'**;** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

  - use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
  - recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

  The amendments will be applied for annual periods beginning on or after 1 January 2019. Early application is allowed. In the case of early implementation of these amendments, the entity will make a statement on early application. The impact of the amendments on financial position or performance of the Company is in the process of assessing.

- Amendments to IAS 1 and IAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

  - use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting
  - clarify the explanation of the definition of material; and
  - incorporate some of the guidance in IAS 1 about immaterial information

  The amendments will be applied for annual periods beginning on or after 1 January 2020. Early application is allowed. The impact of the amendments on financial position or performance of the Company is in the process of assessing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 New standards and interpretations not yet adopted (Continued)

b) Standards, amendments published on 31 December 2018, yet not effective currently: (Continued)

- Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

  The amendments will be applied for annual periods beginning on or after 1 January 2020. Early application is allowed. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

2.31 Convenience translation into English

The effects of differences between the accounting principles as set out by the related insurance laws and accounting principles generally accepted in countries in which the financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the financial statements. Accordingly, the financial statements are not intended to present the financial position and results of operations and changes in financial position and cash flows in accordance with accounting principles generally accepted in such countries and IFRS.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The notes given in this section are provided to addition/supplement the commentary on the management of insurance risk (Note 4.1) and management of financial risk (Note 4.2).

Preparation of financial statements requires the use of estimations and assumptions which may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the balance sheet date and reported amounts of income and expenses during the financial period. Accounting estimates and assumptions are continuously evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Although the estimations and assumptions are based on the best knowledge of the management for existing events and operations, they may differ from the actual results.

The estimation of the ultimate liability for technical expenses that can be incurred for the existing insurance contracts is the one of the most critical accounting estimates. Estimation of the insurance liabilities, by nature, includes the evaluation of several uncertainties (Note 17).

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 - Management of financial risk
Note 6 - Tangible assets
Note 7 - Investment properties
Note 8 - Intangible assets
Note 9 - Investments in associates
Note 10 - Reinsurance assets and liabilities
Note 11 - Financial assets
Note 12 - Loans and receivables
Note 21 - Deferred taxes
Note 42 – Risks

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

4.1 Management of insurance risk

The risk under an insurance contract is the probability of an insured event's occurring including the uncertainty of the amount of any resulting claim. This risk is impossible to estimate because of its structure. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities.

In accordance with Code of Risk Acceptance of the Company, risks are allocated in terms of their branches and potential effects. The main part of this risk management is the evaluation of all possibilities to eliminate, control or reinsure the risk by defining in all parts of the insurance operations.

According to risk types, the Company makes some analysis to decide about which branches it can operate in which city or region by using the analysis of district-city actuarial methods.

These analyses are updated about the new information received and so that policies will change about the priorities of the operations.

With the risk policies developed by these methods, it is aimed to increase the Company's profitability on the basis of branches, cities, and regions.

Risks are divided into branches and sizes in terms of the Company's Risk Acceptance Regulations. Acceptance or rejection according to the result of risk examination's evaluations is decided by the Company's Risk Engineers, Related Branch Managers, and Vice Technical Manager after evaluation.

The Company determines annual "risk acceptance policies" regarding the products of the Company and revise these policies during the year, if necessary. Based on the mentioned risk acceptance policies, the maximum and minimum limits for risk analysis during the period from order process to the issuance of the policy and the risks which will be excluded are determined for each product. Furthermore, the Company, by considering its financial structure, obtains coverage for the significant risks and catastrophic losses through the use of reinsurance agreements.

The most common method to manage insurance risk is to arrange reinsurance agreements. But the transfer of insurance risk through reinsurance agreements is not eliminating the liability of the Company as the first one made the insurance. If reinsurance company does not pay the loss, Company's liability towards the policyholder continues. The company evaluates the reliability of reinsurance company by analyzing the financial condition before annual contract.

The Company not only creates new policies within the context of risk evaluation as mentioned above, also transfers the risks to reinsurer companies with reinsurance agreements. The Company transfers the risks with special acceptance of excess loss insurance and quota surplus reinsurance within the context of the agreements.

Reinsurance agreements contains claim excess (quota surplus reinsurance, excess loss insurance) catastrophic guarantee (provision). In addition, at the jobs, excess of special acceptance capacity which are at different levels for branches, arbitrary reinsurance are done by related technical departments.

Generally, the Company has agreements of fire and natural disasters, transportation, accident, transportation vehicles (land), transportation vehicles (air), transportation vehicles (sea), general losses, transportation vehicles (land) liability, transportation vehicles (sea) liability, general liability, financial losses, legal protection and health branches. Insurance guarantee amounts are also explained in Note 17.

Reinsurance agreements are the agreements signed, paid by the company and are also carried out by the both The Company and Reinsurance Company. These agreements have the sufficient conditions to be able to classify as insurance agreements which are used in purpose of losses result from one or more insurance agreements.

As of 31 December 2018, Everest Reinsurance ("Everest Re") is the leader reinsurer of the Company in branches such as fire, assorted accident, transportation and machinery breakings with quota-shared, excess loss-shared and catastrophe-cover agreements. Other following reinsurers are Milli Re, QBE, Munich Re, Scor, Odyssey Re and Hannover Re.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

4.1 Management of insurance risk (Continued)

The last credit-scaling notes prepared by AM BEST as follows in the table;

Reinsurer	Scale	Outlook	Date
Everest Re	A+	Stationary	16 March 2018
Hannover Re	A+	Stationary	20 December 2018
Munich Re	A+	Stationary	13 July 2018
Scor	A+	Stationary	19 September 2018
QBE	A	Stationary	13 June 2018
Odyssey Re	A	Stationary	28 February 2018
Millî Re	B+	Negative	9 August 2018

The company has annual excess treaty in fire, machinery breakdown, diverse accident, and branches, as for quota share agreements for motor insurance and compulsory traffic insurance branches as of the date 31 December 2018.

Premiums transferred to the Social Security Institution

The collection and settlement of expenses with respect to the medical care related services provided to the injured people due to the traffic accidents have been regulated by Article 98 of Road Traffic Act numbered 2918 altered by Article 59 of "The Law on Restructuring of Some Receivables and Changes in Social Security and General Insurance Law and Other Laws and Law Decrees" (the "Law") numbered 6111 published in the Official Gazette dated 25 February 2011. In this context, all the traffic accident related medical care services provided by any public or private health institution will be covered by Social Security Institution ("SSI") regardless of social security status of the injured. Besides, in accordance with the temporary Article 1 of the Law, all of the expenses with respect to the traffic accident related medical care services provided before enforcement of the Law, will also be covered by SSI.

The liability of the insurance companies with respect to the service costs to be incurred in the context of abovementioned articles has been determined in accordance with the provisions of "The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated 27 August 2011 ("The Regulation"), "The Communiqué on the Principles of the Implementation of the Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated 15 September 2011 and numbered 2011/17 (the "Communiqué numbered 2011/17") and "The Communiqué on the Accounting of Payments to Social Security Institution ("SSI") with respect to Treatment Expenses and Introduction of New Account Codes to Insurance Account Chart" dated 17 October 2011 (the "Communiqué numbered 2011/18"), the regulation("2012/3 numbered notice) making changes in "The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated 16 March 2012 and numbered 2012/3 and the communique about changes related "the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated 30 April 2012 and numbered 2012/6.(the "Communique numbered 2012/6").Within this framework, the Company is required to cede a certain amount of premiums to be determined in accordance with the Regulation and the Communiqué numbered 2011/17 to SSI in relation to policies issued as of 25 February 2011,the notice numbered 2012/3 and the communiqué numbered 2012/6 in "Compulsory Transportation", "Compulsory Traffic" and "Compulsory Motor Personal Accident" branches regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law. Based on the aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI in 1 January - 31 December 2018 account period as TRY 34,438,818 under the account of "premiums transferred to SSI" (1 January - 31 December 2017: TRY 31,821,283).

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

4.1 Management of insurance risk (Continued)

Premiums and claims transferred to the Risky Insured Pool

12 April 2017 for high level of damage frequency and / or vehicle groups as determined by the "Regulation on the Amendment of the Regulation on Tariff Implementation Principles in the Compulsory Financial Liability Insurance for Motor Vehicles", published by Ministry of Treasury and Finance in the Official Gazette dated 11 July 2017 and numbered 30121 The "Risk Insured Pool" ("Pool") was established to be valid for the traffic insurance policies written since 12 April 2017. According to the risk insured Pool Work Essentials enacted with the regulation in question, the premium for the pool covered by traffic insurance policy and damage Turkey Motor Vehicle Bureau ("TMTB") to be calculated in two stages. Accordingly, 50% of the premiums and damages are shared equally among the insurance companies; while the remaining 50% is distributed considering the share of insurance companies in the last 3 years of traffic insurance premiums.

The Company has recorded the premiums, indemnities and commission amounts transferred from the Risky Insurance Pool within the scope of the Company's share within the scope of the regulation, taking into consideration the estimated amounts of the unreported periods at the closing date of the accounts and the monthly receipts finalized by TMTB. As of 31 December 2018, the Company has transferred TRY 50,783,919 premium and TRY 28,190,393 paid compensation and TRY 224,131 recovery income to the Pool. TRY 68,208,789 premium, TRY 7,350,372 commission, TRY 29,120,969 paid as compensation and TRY 131,537 recovery income from Pool to the Company were recognized in accordance with the relevant legislation.

The "Compulsory Medical Malpractice Law" which is annexed to the "Procedures and Principles Regarding the Contribution of the Institution in the Compulsory Financial Liability Insurance for Medical Malpractice" (2010/1) published by Ministry of Treasury and Finance in the Official Gazette dated 7 October 2017 and numbered 30203 Liability Insurance Tariff and Instruction "B. INCIDENT ", the Premiums and Claims Sharing Basis for the Medical Malpractice Insurance Liability Insurance, the premiums and damages related to the financial liability policies in the application are calculated in two stages by the company appointed by the Evaluation Committee. Accordingly, 50% of the premiums and damages are shared equally among the insurance companies; and the remaining 50% is distributed considering the share of insurance companies' medical liability insurance premiums in the last three years.

The Company has accounted the amounts of premiums, claims and commissions that are taken over from the Pool within the scope of the Company's market share and ceded to the Medical Malpractice Liability Pool within the scope of the regulation, considering the amounts in the monthly statements that is finalized by other insurance companies. As of 31 December 2018, The Company has ceded TRY 1,660,254 premium to the Pool and accounted TRY 1,282,578 premium, TRY 46,869 compensation and TRY 198,089 commission income; based on its share which are reported by the Pool, on the financial statements in accordance with the legislation.

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

4.2 Management of financial risk (Continued)

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors monitors the effectiveness of the risk management system through the internal audit department.

The Company's risk management policies are established to identify and analysed the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Credit risk

Credit risk is basically defined as the possibility that counterparty will fail to meet its obligations in accordance under agreed terms of a contract. The balance sheet items that the Company is exposed to credit risk are as follows:

- banks
- other cash and cash equivalents (excluding cash on hand)
- financial assets held for trading
- premium receivables from policyholders
- receivables from intermediaries (agencies)
- receivables from reinsurance companies related to commissions and claims paid
- reinsurance shares of insurance liability
- other receivable

Financial assets of the Company, subject to credit risk are mainly demand and time deposits held at banks in Turkey and other financial intermediaries, and credit card receivables. All these receivables are assumed that they do not have a high credit risk.

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

	31 December 2018	31 December 2017
Cash equivalents (Note 14)	1,071,968,024	864,524,070
Reinsurer's share in provision for outstanding claims (Note 10)	899,581,260	572,033,973
Receivables from operating activities (Note 12)	531,686,102	449,611,942
Financial assets held for trading (Note 11)	22,241,849	-
Prepaid taxes and funds (Note 12)	16,140,828	12,243,662
Other receivables (Note 12 and 47)	2,090,897	3,378,530
Advances given to personnel	96,337	37,238
Total	**2,543,805,297**	**1,901,829,415**

Details of guarantees and securities taken for the receivables are as follows:

	31 December 2018	31 December 2017
Notes received	58,728,201	53,118,621
Letter of guarantee	33,246,587	32,480,577
Cash guarantees	3,517,803	2,469,605
Other guarantee and commitments	387,237	316,701
Treasury and government bonds taken as guarantee	2,169,205	1,770,430
Total	**98,049,033**	**90,155,934**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

4.2 Management of financial risk (Continued)

As at 31 December 2018 and 2017, the aging of the receivables from operating activities and related provisions are as follows:

	31 December 2018		31 December 2017	
	Gross amount	**Provision**	**Gross amount**	**Provision**
Undue receivables	503,975,236	-	425,830,404	-
Past due 0-30 days	6,860,145	-	2,249,349	-
Past due 31-60 days	1,408,197	-	1,433,359	-
Past due 61-180 days	1,704,368	-	1,669,727	-
Past due 181-365 days	2,334,474	(1,216,941)	1,941,834	(940,066)
More than one year receivables	6,911,139	(5,132,314)	7,716,298	(3,964,626)
Doubtful receivables under legal follow-up	16,156,745	(13,615,103)	17,417,815	(14,505,599)
	539,350,304	**(19,964,358)**	**458,258,786**	**(19,410,291)**
Subrogation and salvage receivables	12,519,081	(218,925)	10,939,603	(176,156)
Doubtful receivables from main operations Subrogation under legal follow up (Note 12)	178,120,136	(178,120,136)	148,310,199	(148,310,199)
Total	**729,989,521**	**(198,303,419)**	**617,508,588**	**(167,896,646)**

The movement in the allowance for impairment in respect of premium receivables during the period is as follows:

	2018	**2017**
Beginning of the period – 1 January	**(167,896,646)**	**(139,160,340)**
Change in provision for recovery receivables under legal follow-up (Note 47)	(29,809,936)	(33,638,870)
Change in provision for premium receivables Doubtful receivables under legal follow-up	136,689	(210,093)
Collections in the period (Note 47)	753,806	372,976
Change in provision from premium Receivables under management bias (Note 47)	(1,444,563)	2,922,773
Change in provision from recovery Receivables under management bias (Note 47)	(42,769)	59,370
Other	-	1,757,538
Period ending - December 31	**(198,303,419)**	**(167,896,646)**

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments.

Managing Liquidity Risk

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

4.2 Management of financial risk (Continued)

Monetary asset and liabilities' remaining periods to maturity:

31 December 2018	Book value	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years
Assets					
Cash and cash equivalents	1,071,969,768	154,590,739	917,379,029	-	-
Receivables from operating activities	531,686,102	55,734,941	183,129,868	282,746,755	10,074,538
Financial assets held for trading	22,241,849	-	-	-	22,241,849
Other receivables	2,090,897	1,937,498	-	-	153,399
Total monetary assets	**1,627,988,616**	**212,263,178**	**1,100,508,897**	**282,746,755**	**32,469,786**
Liabilities					
Payables from operating activities	288,616,766	30,846,821	182,761,606	75,008,339	-
Due to related parties	67,161	67,161	-	-	-
Other payables	30,747,920	9,107,376	18,221,123	-	3,419,421
Provision for outstanding claims, net	757,657,673	113,648,651	393,981,990	166,684,688	83,342,344
Provision for tax and Other similar liabilities	31,148,209	28,951,042	2,197,167	-	-
Total monetary liabilities	**1,108,237,729**	**182,621,051**	**597,161,886**	**241,693,027**	**86,761,765**

31 December 2018	Book value	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years
Assets					
Cash and cash equivalents	864,526,361	134,656,947	729,869,414	-	-
Receivables from operating activities	449,611,942	78,014,980	147,509,750	219,275,076	4,812,136
Receivables from affiliates	14,447	14,447	-	-	-
Other receivables	3,378,530	3,203,065	-	-	175,465
Total monetary assets	**1,317,531,280**	**215,889,439**	**877,379,164**	**219,275,076**	**4,987,601**
Liabilities					
Payables from operating activities	223,087,097	21,951,973	151,406,085	49,729,039	-
Due to related parties	60,461	60,461		-	-
Other payables	25,324,103	7,314,319	15,454,233	-	2,555,551
Provision for outstanding claims, net	629,914,752	94,487,212	327,555,671	138,581,246	69,290,623
Provision for tax and Other similar liabilities	24,851,642	22,943,620	1,908,022	-	-
Total monetary liabilities	**903,238,055**	**146,757,585**	**496,324,011**	**188,310,285**	**71,846,174**

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.

Currency risk

The Company is exposed to 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 periods, foreign currency assets and liabilities evaluated by the Central Bank of the 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 income.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

4.2 Management of financial risk (Continued)

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

31 December 2018	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	28,642,224	14,241,127	834	42,884,185
Receivables from operating activities	235,362,961	41,705,054	1,606,616	278,674,631
Total foreign currency assets	**264,005,185**	**55,946,181**	**1,607,450**	**321,558,816**
Liabilities:				
Payables arising from operating activities	(171,534,835)	(13,985,101)	(451,016)	(185,970,952)
Provision for outstanding claims	(5,108,870)	(1,785,760)	(106,996)	(7,001,626)
Deposits and collaterals received	(1,166,195)	(292,483)	-	(1,458,678)
Total foreign currency liabilities	**(177,809,900)**	**(16,063,344)**	**(558,012)**	**(194,431,256)**
Balance sheet position	**86,195,285**	**39,882,837**	**1,049,438**	**127,127,560**

31 December 2017	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	62,093,876	7,059,800	699,331	69,853,007
Receivables from operating activities	170,011,950	33,785,648	505,270	204,302,868
Total foreign currency assets	**232,105,826**	**40,845,448**	**1,204,601**	**274,155,875**
Liabilities:				
Payables arising from operating activities	(145,415,458)	(5,409,137)	(1,120,022)	(151,944,617)
Provision for outstanding claims	(4,093,031)	(1,320,858)	(127,029)	(5,540,918)
Deposits and collaterals received	(634,708)	(164,688)	-	(799,396)
Total foreign currency liabilities	**(150,143,197)**	**(6,894,683)**	**(1,247,051)**	**(158,284,931)**
Balance sheet position	**81,962,629**	**33,950,765**	**(42,450)**	**115,870,944**

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

Foreign currency rates used for the translation of foreign currency denominated monetary assets and liabilities as at 31 December 2018 and 2017 are as follows:

	USD	**Euro**
31 December 2018	5.2609	6.0280
31 December 2017	3.7719	4.5155

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

4.2 Management of financial risk (Continued)

Exposure to currency risk

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

	1 January - 31 December 2018		1 January - 31 December 2017	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
US Dollar	17,239,057	17,239,057	16,392,526	16,392,526
Euro	7,976,567	7,976,567	7,976,567	7,976,567
Other currencies	209,888	209,888	209,888	209,888
Total, net	**25,425,512**	**25,425,512**	**24,578,981**	**24,578,981**

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 re-pricing bands.

As at 31 December 2018 and 2017; the interest rate profile of the Company's interest earning financial assets and interest bearing financial liabilities are detailed below:

	31 December 2018	**31 December 2017**
Financial assets with fixed interest rate:		
Deposits in banks (Note 14)	917,379,027	729,196,633
Financial assets held for trading (Note 11)	22,241,849	-

Interest rate sensitivity of the financial instruments

The Company does not have any interest sensitive financial instrument as of 31 December 2018.

Fair value information

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

Available-for-sale financial assets are measured at their fair values based on their quoted prices in the accompanying financial statement. To measure the fair values of the debt securities which has no quoted prices in the financial markets, a valuation technique is applied, which all inputs are based on the observable information.

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

4.2 Management of financial risk (Continued)

Classification of fair value measurement

"TFRS 7 - Financial Instruments: Disclosures requires the measurements of fair value of financial instruments to be classified in a hierarchy that reflects the significance of the valuation inputs used. This classification priorities observable data, using market data obtained from independent sources, in preference to unobservable data that relies, for example on the use of predictions and assumptions about market prices by the Company. This sort of categorization generally results in the classifications below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

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

Classification of financial assets and liabilities' fair values is as follows:

31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets:				
Financial assets held for trading (Note 11)	-	22,241,849	-	22,241,849
Associates	34,898,933	-	576,197,588	611,096,521
Properties held for use (Note 6)	-	204,120,000	-	204,120,000
Investment Properties (Note 7)	-	17,162,000	-	17,162,000
Total Financial Assets	**34,898,933**	**243,523,849**	**576,197,588**	**854,620,370**

31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets:				
Associates	40,889,384	-	460,879,004	501,768,388
Properties held for use (Note 6)	-	188,775,000	-	188,775,000
Investment Properties (Note 7)	-	14,866,000	-	14,866,000
Total Financial Assets	**40,889,384**	**203,641,000**	**460,879,004**	**705,409,388**

The reconciliation of the balance at the beginning and balance at the ending for Level 3 in terms of fair value measurements are presented in the table below.

	2018	**2017**
Beginning - January 1	**460,879,004**	**323,706,588**
Total gains and loss		
- Recognized in other comprehensive income	115,318,584	137,172,416
Period ending - December 31	**576,197,588**	**460,879,004**

Fair values of affiliates and subsidiaries are determined in accordance with discounted cash flow and comparative value method in valuation reports prepared by independent valuation companies.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

4.2 Management of financial risk (Continued)

Sensitivity of fair value of equity shares

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

Borsa Istanbul (the "BIST") is traded in the financial statements term securities shown between the market value and the measured stocks, indexes of possible fluctuations due to fair value changes in (all other variables held constant with) the Company's equity the effect on (excluding tax effects) is as follows:

	Change in Index	31 December 2018 Equity	31 December 2017 Equity
BİST - 100	%10	3,490,035	4,089,103

Capital management

The Company's major capital management policies include the following:

- To comply with the insurance capital requirements required by Ministry of Treasury and Finance
- To safeguard the Company's ability to continue as going concern
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk assumed

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy of Insurance, Reinsurance and Individual Pension Companies" dated 19 January 2008 and numbered 26761 issued by Ministry of Treasury and Finance; as of 31 December 2018, the Company measured its minimum capital requirement as TRY 450,822,657 (31 December 2017: TRY 377,063,936). As of 31 December 2018, the Company's total equity calculated in accordance with the related communiqué is equal to TRY 824,933,495 which is more than the minimum capital requirement by TRY 374,110,838 (31 December 2017:TRY 317,785,253 more).

The Company has taken following actions to increase profitability and sustain a structure;

- The company makes production and risk selection in accordance with the new legal regulations in traffic insurances.
- The actuarial schedules related to motor vehicles and traffic branches are regularly reviewed and revised. The company intends to increase its profitability and production in the motor vehicles and to reduce the harm caused by balanced production in the traffic branch.
- In order to set an individual profitable portfolio, the Company operates by adopting adequate price and accurate conditions policy.
- The Company has adopted the policy of increasing the treaty capacity in Fire and Construction branches to constitute a profitable portfolio.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

4.2 Management of financial risk (Continued)

Information about earnings from financial assets is indicated in note 26. The details of financial expenses are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Investment income transferred to non-life technical section	140,777,407	74,992,877
Foreign exchange losses	158,725,233	64,023,399
Fx losses from current account transactions	*122,581,560*	*45,661,422*
Fx losses from cash and cash equivalent transactions	*36,143,673*	*18,361,977*
Amortization expenses	6,861,268	7,343,000
Investment management expenses - including interest	5,635,884	3,767,707
Other	10,139,772	5,967,620
Financial expenses	**322,139,564**	**156,094,603**

The details of financial gains and loses recognized in equity are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Changes in fair value of Investments at associates (Note15)	104,588,356	139,073,733
Total	**104,588,356**	**139,073,733**

5. SEGMENT REPORTING

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.

Business segments

Information about the Company's segment reporting is explained in this section within the context of TFRS 8 - Business Segments Standards.

Not only reports given to upper level management to give a decision about reporting sub-operating segments, also numerical sub limits within the context of TFRS 8 – Business Segments Standards are taken into consideration and premium production, and technical profitability are evaluated as a different business segments.

Fire Insurance

With this insurance; damages on the insured goods as a result of fire, lightning, blast, fume, steam, and fever are insured up to the insurance coverage.

5. SEGMENT REPORTİNG (Continued)

Other Accident Insurance

This section contains insurance in branches Motor own damage, personal accident insurance and broken glass. The company provide physical damage thereby danger and invasion by motor own damage policyholder motor can be used in road, from non-motorized vehicles , and the trailer or caravan with backhoe, advantage arising from the tractor wheel; can be used in highway motor vehicle, struggle with non-motorized transport, on the move or pause position involuntarily policyholder or user of the car, strike of an object which was moving or the car striking to object tipping, falling, rolling, such as accidents, or movements with bad faith by third party, vehicle's combustion, be stealing of car or attempt to steal.

Motor Vehicles (Land) Liability Insurance

The Company described the policy that if the mentioned motor vehicle, during the operation, will cause a person's death or injury or damage a thing, in accordance with No. 2918 Road Traffic Act, the operator's legal responsibility will be provided up to insurance limits.

The damages occurred by trailers, or semi-trailers (including light trailers) will be covered by the trailer's insurance policy. Trailers to carry people will be covered if there is an additional liability insurance, specified the special conditions

In order to prevent or minimize the damage after an accident, the Insuree's reasonable and necessary expenses will be covered by the Company. This insurance is the operator (the Insuree) to ensure the defence against unjustified claims.

Health Insurance

Health insurance; during the period of insurance, provides the treatment costs if the insuree got illness, accident, if also there is, daily paid claims up to written amounts in the insurance policy. The policy's geographical borders are mentioned in the policy. .

Geographical Reporting

The main geographical segment the Company operates is in Turkey, so the Company does not disclose geographical segment reporting.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

5. SEGMENT REPORTING (Continued)

As of 1 January - 31 December 2018 segment results are as follows:

	Motor Third Party Liability	Land Vehicles	Health	Fire	Other	Undistributed	Total
Technical Income	**362,391,776**	**320,019,090**	**163,606,792**	**132,046,463**	**114,935,599**	**-**	**1,092,999,720**
1 - Earned premiums (net off reinsurers' share)	297,355,929	293,952,918	147,411,500	97,757,007	82,477,749	-	918,955,103
1.1 - Written premiums (net off reinsurers' share)	354,212,017	298,658,673	153,221,918	106,269,972	90,453,542	-	1,002,816,122
1.2 - Change in reserve for unearned premiums	(42,066,596)	(4,705,755)	(5,810,418)	(8,512,965)	(5,950,319)	-	(67,046,053)
1.3 - Change in reserve for unexpired risks	(14,789,492)	-	-	-	(2,025,474)	-	(16,814,966)
2 - Other technical incomes and accrued salvage and Subrogation receivables (net off reinsurer's share)	17,209,607	9,498,146	101,611	4,529,806	1,928,040	-	33,267,210
3 – Investment Income Transferred from Non-Technical Part	47,826,240	16,568,026	16,093,681	29,759,650	30,529,810	-	140,777,407
Technical Expense	**(399,086,344)**	**(353,825,107)**	**(165,616,478)**	**(85,298,331)**	**(63,454,389)**	**-**	**(1,067,280,649)**
1 - Damages accrued (net off reinsurers' share)	(346,435,096)	(269,006,195)	(113,807,302)	(37,674,698)	(39,587,842)	-	(806,511,133)
1.1 - Claims paid (net off reinsurers' share)	(244,212,922)	(260,396,725)	(116,055,415)	(37,575,311)	(20,527,839)	-	(678,768,212)
1.2 - Change in provision for outstanding claims (net off reinsurers' share and deferred part) (+/-)	(102,222,174)	(8,609,470)	2,248,113	(99,387)	(19,060,003)	-	(127,742,921)
2- Change in other technical provisions	-	(999,848)	-	(4,257,593)	(516,665)	-	(5,774,106)
3- Operating expenses	(52,651,248)	(83,819,064)	(51,809,176)	(43,366,040)	(23,349,882)	-	(254,995,410)
Profit/(loss)	**(36,694,568)**	**(33,806,017)**	**(2,009,686)**	**46,748,132**	**51,481,210**	**-**	**25,719,071**
Investment income						361,695,776	361,695,776
Investment expenses						(325,504,667)	(325,504,667)
Other operating expenses						(51,038,806)	(51,038,806)
Net period profit							**10,871,374**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

5. SEGMENT REPORTING (Continued)

As of 1 January - 31 December 2017 segment results are as follows:

	Motor Third Party Liability	Land Vehicles	Health	Fire	Other	Undistributed	Total
Technical Income	**316,575,320**	**284,586,323**	**143,169,145**	**92,373,525**	**88,806,471**		**925,510,784**
1 - Earned premiums (net off reinsurers' share)	272,859,468	261,520,809	133,911,607	77,760,239	68,901,890	-	814,954,013
1.1 - Written premiums (net off reinsurers' share)	291,878,610	284,846,842	142,589,314	85,828,475	79,110,266	-	884,253,507
1.2 - Change in reserve for unearned premiums	(19,019,142)	(23,326,033)	(8,677,707)	(8,068,236)	(10,745,891)	-	(69,837,009)
1.3 - Change in reserve for unexpired risks	-	-	-	-	537,515	-	537,515
2 - Other technical incomes and accrued salvage and Subrogation receivables (net off reinsurer's share)	20,769,063	5,066,443	330,130	3,782,612	5,615,646	-	35,563,894
3 - Investment Income Transferred from Non-Technical Part	22,946,789	17,999,071	8,927,408	10,830,674	14,288,935	-	74,992,877
Technical Expense	**(335,808,060)**	**(283,767,871)**	**(153,236,147)**	**(83,640,967)**	**(41,182,617)**	**-**	**(897,635,662)**
1 - Damages accrued (net off reinsurers' share)	(278,455,418)	(210,205,749)	(107,648,161)	(45,577,909)	(27,054,558)	-	(668,941,795)
1.1 - Claims paid (net off reinsurers' share)	(192,017,209)	(205,959,567)	(103,461,800)	(39,647,918)	(19,974,553)	-	(561,061,047)
1.2 - Change in provision for outstanding claims (net off reinsurers' share and deferred part) (+/-)	(86,438,209)	(4,246,182)	(4,186,361)	(5,929,991)	(7,080,005)	-	(107,880,748)
2- Change in other technical provisions	-	(834,143)	-	(3,789,105)	(540,525)	-	(5,163,773)
3- Operating expenses	(57,352,642)	(72,727,979)	(45,587,986)	(34,273,953)	(13,587,534)	-	(223,530,094)
Profit/(Loss)	**(19,232,740)**	**818,452**	**(10,067,002)**	**8,732,558**	**47,623,854**	**-**	**27,875,122**
Investment income						173,061,749	173,061,749
Investment expenses						(156,094,603)	(156,094,603)
Other operating expenses						(18,349,029)	(18,349,029)
Net period profit							**26,493,239**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

6. TANGIBLE ASSETS

Movements of tangible assets in the period from 1 January to 31 December 2018.

	1 January 2018	Additions	Disposals	Valuation Increase	31 December 2018
Cost:					
Real estate property held for use	188,775,000	-	-	15,345,000	204,120,000
Machinery and equipment	6,346,054	123,763	(43,208)	-	6,426,609
Furniture and fixtures	6,242,902	97,302	(4,900)	-	6,335,304
Motor vehicles	414,561	-	-	-	414,561
Other tangibles (include leasehold improvements)	1,535,635	-	-	-	1,535,635
Leased assets	8,840,627	-	(21,140)	-	8,819,487
	212,154,779	**221,065**	**(69,248)**	**15,345,000**	**227,651,596**
***Accumulated depreciation*:**					
Real estate property held for use	-	(1,640,823)	1,640,823	-	-
Machinery and equipment	(4,824,531)	(570,007)	41,408	-	(5,353,130)
Furniture and fixtures	(5,639,553)	(156,997)	4,900	-	(5,791,650)
Motor vehicles	(392,501)	(14,993)	-	-	(407,494)
Other tangibles (include leasehold improvements)	(1,510,475)	(14,717)	-	-	(1,525,192)
Leased assets	(6,119,147)	(1,897,526)	15,137	-	(8,001,536)
	(18,486,207)	**(4,295,063)**	**1,702,268**	**-**	**(21,079,002)**
Net book value	**193,668,572**				**206,572,594**

Movements of tangible assets in the period from 1 January to 31 December 2017.

	1 January 2017	Additions	Disposals	Valuation Increase	31 December 2017
Cost:					
Real estate property held for use	176,095,000	14,444	-	12,665,556	188,775,000
Machinery and equipment	7,299,635	842	(954,423)	-	6,346,054
Furniture and fixtures	5,776,796	489,521	(23,415)	-	6,242,902
Motor vehicles	418,444	-	(3,883)	-	414,561
Other tangibles (include leasehold improvements)	1,535,635	-	-	-	1,535,635
Leased assets	8,840,627	-	-	-	8,840,627
	199,966,137	**504,807**	**(981,721)**	**12,665,556**	**212,154,779**
Accumulated depreciation:					
Real estate property held for use	-	(1,571,280)	1,571,280	-	-
Machinery and equipments	(4,970,419)	(808,535)	954,423	-	(4,824,531)
Furniture and fixtures	(5,510,065)	(152,903)	23,415	-	(5,639,553)
Motor vehicles	(362,723)	(33,661)	3,883	-	(392,501)
Other tangibles (include leasehold improvements)	(1,472,498)	(37,977)	-	-	(1,510,475)
Leased assets	(4,200,064)	(1,919,083)	-	-	(6,119,147)
	(16,515,769)	**(4,523,439)**	**2,553,001**	**-**	**(18,486,207)**
Net book value	**183,450,368**				**193,668,572**

The Company's properties held for use is recognized at fair value. As of 31 December 2018, the properties are carried at their fair values identified by the peer comparison method as stated in the appraisal reports prepared by CMB certified independent expertise companies:

	Appraisal Company	31 December 2018	31 December 2017
Güneş Plaza	TSKB Gayrimenkul Değerleme A.Ş.	190,000,000	177,165,000
Ankara Building	TSKB Gayrimenkul Değerleme A.Ş.	4,895,000	3,750,000
Kabataş Building	TSKB Gayrimenkul Değerleme A.Ş.	3,750,000	3,700,000
Antalya Building	TSKB Gayrimenkul Değerleme A.Ş.	3,050,000	1,645,000
Trabzon Building	TSKB Gayrimenkul Değerleme A.Ş.	900,000	1,000,000
Adana Building	TSKB Gayrimenkul Değerleme A.Ş.	780,000	950,000
Samsun Building	TSKB Gayrimenkul Değerleme A.Ş.	445,000	290,000
Erzurum Building	TSKB Gayrimenkul Değerleme A.Ş.	300,000	275,000
Toplam		**204,120,000**	**188,775,000**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

6. TANGIBLE ASSETS (Continued)

Revaluation increases arising from valuation of land and buildings, net of deferred tax effects, are credited to "Other Profit Reserves" under shareholders' equity. Revaluation decreases arising from valuation of land and buildings are charged against "Other Profit Reserves" for the corresponding asset under shareholders' equity. Fair value decreases per revaluation fund recorded in "Other Profit Reserves" are charged to the income statement.

The movements of the revaluation increases for the land and buildings accounted for using revaluation model is below:

	2018	2017
Beginning - 1 January	139,597,258	126,790,558
Increase in value arising from revaluation	16,985,828	14,236,834
Depreciation differences recognized in retained earnings net	(710,872)	(632,405)
Increase in value arising from revaluation		
Deferred tax effect (Note 21)	(6,973,127)	(797,729)
Period ending - 31 December (Note 15)	**148,899,087**	**139,597,258**

Cost and accumulated depreciations of the buildings as at 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Cost	55,943,389	55,943,389
Accumulated depreciation	(17,249,404)	(16,319,453)
Net book value	**38,693,985**	**39,623,936**

As of 31 December 2018 and 2017, reconciliation between net book value, calculated by costs of properties held for own use and revalued amounts are as follows:

	31 December 2018	31 December 2017
Revalued amount	204,120,000	188,775,000
Accumulated depreciation	-	-
Revalued amount (net of accumulated depreciation)	**204,120,000**	**188,775,000**
Net book value, calculated over cost amount	(38,693,985)	(39,623,936)
Revaluation fund before tax	**165,426,015**	**149,151,064**
Calculated deferred tax liability (Note 21)	(16,526,928)	(9,553,806)
Revaluation fund, (net) (Note 15)	**148,899,087**	**139,597,258**

There is no commitment on the properties held for use (31 December 2017: None)

7. INVESTMENT PROPERTY

As at 31 December 2018 and 2017, movements of the investment properties are as follows:

	1 January 2018	Additions	Disposals	Valuation Increase	31 December 2018
Investment properties	14,866,000	-	(1,967,000)	4,263,000	17,162,000
	14,866,000	**-**	**(1,967,000)**	**4,263,000**	**17,162,000**

	1 January 2017	Additions	Disposals	Valuation Increase	31 December 2017
Investment properties	15,205,000	43,000	(677,000)	295,000	14,866,000
	15,205,000	**43,000**	**(677,000)**	**295,000**	**14,866,000**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

7. INVESTMENT PROPERTY (Continued)

The lands and buildings for getting rental income, or holding for appreciation or for both instead of using in the operations of the Company, administrative purposes or sailing in the ordinary course of business, are classified as investment properties.

As of 31 December 2018 and 2017, investment properties are reflected into the financial statements at their fair values obtained from appraisal reports prepared by independent professional valuation experts.

	31 December 2018	31 December 2017
İzmir Konak Land (*)	11,100,000	9,300,000
Tekirdağ Farm (*)	4,720,000	4,240,000
Other land and buildings (*)	1,342,000	1,326,000
Total	**17,162,000**	**14,866,000**

(*) The value of these properties has been determined by the peer comparison method, specified in appraisal report dated 15 January 2019.

Costs and accumulated depreciation of investment properties as at 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Cost	10,361,760	10,776,658
Accumulated Depreciation	(6,766,057)	(6,576,899)
Net book value	**3,595,703**	**4,199,759**

There is no rental income from investment properties (31 December 2017: None).
There are no pledges on the investment properties (31 December 2017: None).

8. INTANGIBLE ASSETS

Movements in intangible assets in the period from 1 January to 31 December 2018 and 2017 are as follows:

	1 January 2018	Additions	Disposals	31 December 2018
Cost:				
Rights	8,862,556	1,851,350	-	10,713,906
Computer software	16,507,653	-	-	16,507,653
	25,370,209	**1,851,350**	**-**	**27,221,559**
***Accumulated amortization*:**				
Rights	(8,067,105)	(915,440)	-	(8,982,545)
Computer software	(10,179,718)	(1,650,765)	-	(11,830,483)
	(18,246,823)	**(2,566,205)**	**-**	**(20,813,028)**
Net book value	**7,123,386**			**6,408,531**

	1 January 2017	Additions	Disposals	31 December 2017
Cost:				
Rights	8,530,812	331,744	-	8,862,556
Computer software	16,507,653	-	-	16,507,653
	25,038,465	**331,744**	-	**25,370,209**
Accumulated amortization:				
Rights	(6,898,309)	(1,168,796)	-	(8,067,105)
Computer software	(8,528,953)	(1,650,765)	-	(10,179,718)
	(15,427,262)	**(2,819,561)**	**-**	**(18,246,823)**
Net book value	**9,611,203**			**7,123,386**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

9. INVESTMENT IN EQUITY SHARES

		31 December 2018		31 December 2017	
	Participation Rate(%)	Cost	Carrying Value	Cost	Carrying Value
Vakıf Finansal Kiralama A.Ş.	15.65	13,614,690	24,234,019	13,614,690	28,182,257
Vakıf Gayrimenkul Yatı. Ort. A.Ş. (*)	1.74	8,060,517	7,342,914	8,060,517	9,605,125
Vakıf Menk. Kıy. Yat. Ort. A.Ş.	11.00	2,200,000	3,322,000	2,200,000	3,102,000
Publicly traded investment in equity shares		**23,875,207**	**34,898,933**	**23,875,207**	**40,889,382**
Vakıf Emeklilik ve Hayat A.Ş. (1)	37.10	27,260,175	533,464,441	27,260,175	426,351,465
Vakıf Finans Faktoring A.Ş. (2)	13.71	7,229,553	29,755,128	7,229,553	21,601,204
Taksim Otelcilik A.Ş. (2)	1.43	5,628,206	6,187,125	5,628,206	6,474,468
Vakıf Pazarlama Sanayi ve Ticaret A.Ş. (2) (*)	9.76	13,989,682	4,831,293	13,989,682	4,827,447
Türk P ve I Sigorta A.Ş. (4)	16.67	1,375,000	1,375,000	1,000,000	1,000,000
Vakıf İnşaat Restorasyon Tic. A.Ş. (3) (*)	3.00	5,919,833	900,801	5,919,832	900,801
Vakıf Yatırım Menkul Değerler A.Ş. (2)	0.25	130,801	661,437	130,801	467,176
Tarım Sigortaları Havuz İşl. A.Ş. (4)	4.17	430,032	430,032	346,211	346,211
Vakıf Enerji ve Madencilik A.Ş. (2) (*)	1.77	4,703,224	397,363	4,703,224	256,443
Other non-marketable securities		**66,666,506**	**578,002,620**	**66,207,684**	**462,225,215**
Financial assets total		**90,541,713**	**612,901,553**	**90,082,891**	**503,114,597**

(1) Vakıf Emeklilik A.Ş., %37.10 of its shares owned by the Company, is classified as securities and carried at its fair value considering that there is no significant influence of the Company in accordance with "TAS 28 – Investments in Associates and Joint Ventures". As of 31 December 2018 and 2017, its fair value was determined based on valuation report dated 16 January 2018 prepared by a CMB licensed company.
(2) As at 31 December 2018 and 2017 the fair value determined based on valuation reports held.
(3) As at 31 December 2018 and 2017 the fair value determined based on valuation report prepared by a CMB licensed appraisal Company in 2008.
(4) The financial assets recognized with cost, due to lack of market price of the financial asset or valuation report.

(*) As of 31 December 2018, the Company has allocated TRY 19,200,885 provision for related investments. (31 December 2017: 18,628,047TL).

Movements of financial assets during the period as follows:

	2018	2017
Beginning of the period - 1 January	**503,114,597**	**356,886,871**
Purchases	392,201	-
Fair value increases, recognized in equity (Note 15)	110,045,739	146,101,640
Value decreases reflected in income statement	(717,603)	-
Disposals	-	(14,425)
Other	66,619	140,511
Period ending - 31 December	**612,901,553**	**503,114,597**

As of 31 December 2018 and 2017, there are no financial assets given as a guarantee.

The table within the company's equity share and associates as it is below:

Thousand TL	Total Assets	Total Equity	Current year Profit/(Loss)	Prior Profit/(Loss)	Audited /Unaudited	Period
Vakıf Emeklilik ve Hayat A.Ş.	8,914,605	464,739	199,737	73,260	Audited	31 December 2018
Vakıf Finansal Kiralama A.Ş.	3,085,702	247,113	40,433	33,664	Audited	31 December 2018
Vakıf Finans Factoring Hizmetleri A.Ş.	2,685,802	241,379	94,928	23,194	Audited	31 December 2018
Vakıf Gayrimenkul Yat. Ort. A.Ş.	1,689,412	985,645	37,735	78,179	Audited	31 December 2018
Vakıf Yatırım Menkul Değerler A.Ş.	532,102	205,129	34,272	11,178	Audited	31 December 2018
Vakıf Menk. Kıy. Yat. Ort. A.Ş.	17,922	17,527	101	(3,009)	Audited	31 December 2018
Tarım Sigortaları Havuz İşl. A.Ş.	24,933	10,321	4,772	1,753	Unaudited	31 December 2018
Türk P ve I Sigorta A.Ş.	41,798	8,523	6,068	1,779	Unaudited	31 December 2018
Vakıf Enerji ve Madencilik A.Ş.	305,391	231,027	(2,533)	(19,341)	Unaudited	31 December 2018
Taksim Otelcilik A.Ş.	385,932	374,130	19,360	4,067	Unaudited	31 December 2018
Vakıf Paz. Sanayi ve Ticaret A.Ş.	78,703	56,899	5,205	5,904	Unaudited	31 December 2017

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

10. REINSURANCE ASSETS AND LIABILITIES

As a ceding company, outstanding reinsurance assets and liabilities of the Company shown in details as follows:

	31 December 2018	31 December 2017
Reinsurance Assets /(Liabilities)		
Provision for outstanding claims, ceded (Note 17)	899,581,260	572,033,973
Reserve for unearned premiums, ceded (Note 17)	521,527,205	414,840,059
Equalization provision reinsurance share (Note 17)	77,843,764	61,517,506
Reserve for unexpired risks reinsurance share (Note 17)	27,002,225	7,560,519
Unearned premiums SSI share	18,731,331	14,656,166
Deferred commission income (Note 17)	(70,519,558)	(68,769,403)
Current account net debts of reinsurance companies (Note 19)	(258,346,265)	(158,337,605)

As of 31 December 2018, the Company accounted for a provision amounting to TRY 44,029,675 in short term "other technical provisions" for the claim receivables from several reinsurance companies and reinsurance share of certain outstanding claim files considering that they are under arbitration process or impaired (31 December 2017: TRY 25,192,704) (Note17).

	1 January - 31 December 2018	1 January - 31 December 2017
Reinsurance Income/(Expenses)		
Paid Claims - Reinsurer Share	412,573,168	278,467,374
Outstanding claim provision- Reinsurer Share	327,547,287	151,862,624
Commissions received from reinsurers, net (Note 32)	130,199,406	115,700,456
Change in Unearned premium reserve- Reinsurer Share	106,687,146	73,430,702
Equalization provision - Reinsurer Share	16,326,258	14,223,021
Change in Unearned premium reserve SSI Share	4,075,165	1,328,485
Unexpired risk Reserve - Reinsurer Share	19,441,706	(2,286,632)
Ceded premiums to SSI	(34,438,818)	(31,821,283)
Ceded premiums to reinsurers	(870,151,643)	(744,904,463)

Detailed explanations about reinsurance agreements are disclosed in Note 2.14.

11. FİNANCIAL ASSETS

	31 December 2018	31 December 2017
Financial assets held for trading	22,241,849	-
	22,241,849	**-**

As of 31 December 2018, the details of the Company's trading financial assets are as follows:

31 December 2018	Nominal Value	Cost	Fair Value	Book Value
Asset based securities- TL	22,000,000	22,000,000	22,241,849	22,241,849
Total	**22,000,000**	**22,000,000**	**22,241,849**	**22,241,849**

	1 January 2018	Additions	Disposals	Valuation increase	31 December 2018
Financial assets held for trading	-	41,999,999	(21,618,349)	1,860,199	22,241,849
	-	**41,999,999**	**(21,618,349)**	**1,860,199**	**22,241,849**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

12. LOANS AND RECEIVABLES

	31 December 2018	31 December 2017
Receivables from operating activities (Note 4.2)	531,686,102	449,611,942
Prepaid taxes and funds (Note 4.2)	16,140,828	12,243,662
Other receivables (Note 4.2)	2,090,897	3,378,530
Total	**549,917,827**	**465,234,134**
Short-term receivables	549,764,428	465,058,669
Medium and long-term receivables	153,399	175,465
Total	**549,917,827**	**465,234,134**

As at 31 December 2018 and 2017, receivables from operating activities are detailed as follows:

	31 December 2018	31 December 2017
Receivables from agencies, brokers and intermediaries	342,750,925	331,702,651
Receivables from policyholders	180,442,634	109,138,320
Salvage and subrogation (Note 2.20)	12,519,081	10,939,603
Total receivables from main insurance operations	**535,712,640**	**451,780,574**
Provision for salvage and subrogation receivables (Note 2.20)	(218,925)	(176,156)
Provision for premium receivables	(6,349,255)	(4,904,692)
Provisions for receivables from insurance operations	**(6,568,180)**	**(5,080,848)**
Total receivables from main insurance operations -net	**529,144,460**	**446,699,726**
Salvage and subrogation receivables under administrative and legal follow up - gross	178,120,136	148,310,199
Doubtful receivables from main operations	16,156,745	17,417,815
Doubtful receivables from main operations	**194,276,881**	**165,728,014**
Receivables from main operations-gross	**723,421,341**	**612,427,740**
Provisions for salvage and subrogation receivables under administrative and legal follow up	(178,120,136)	(148,310,199)
Provisions for doubtful receivables from main operations	(13,615,103)	(14,505,599)
Allowances for doubtful receivables from main operating activities	**(191,735,239)**	**(162,815,798)**
Receivables from main operations	**531,686,102**	**449,611,942**

Details of salvage and subrogation receivables are as follows:

	31 December 2018	31 December 2017
Salvage and subrogation receivables - gross	320,154,784	274,431,090
Salvage and subrogation receivables – reinsurance share	(129,515,567)	(115,181,288)
Salvage and subrogation	**190,639,217**	**159,249,802**
Provisions for salvage and subrogation receivables under administrative and legal follow up	(178,120,136)	(148,310,199)
Provision of salvage and subrogation receivables	(218,925)	(176,156)
Accruals of net salvage and subrogation receivables	**12,300,156**	**10,763,447**

The related party transactions of the Company are presented in Note 45 in detail.

The receivables and payables denominated in foreign currencies and detailed analyses of foreign currency balances are presented in Note 4.2.

13. DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2018 and 2017, the Company does not have any derivative financial instruments

14. CASH AND CASH EQUIVALENT ASSETS

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

	31 December 2018		31 December 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	1,744	2,291	2,291	1,186
Banks	920,893,658	739,177,481	739,177,481	556,902,445
Receivables from Credit Cards	151,074,366	125,333,334	125,333,334	108,299,498
Mail Cheque	-	13,255	13,255	7,775
	1,071,969,768	**864,526,361**	**864,526,361**	**665,210,904**
Blocked amounts	(136,153,554)	(130,089,149)	(130,089,149)	(143,224,016)
Accrued interest on bank deposits	(9,656,721)	(4,747,610)	(4,747,610)	(1,831,070)
Cash and cash equivalents in the statement of cash flows	**926,159,493**	**729,689,602**	**729,689,602**	**520,155,818**

As at 31 December 2018 and 2017, bank balances are detailed as follows

	31 December 2018	31 December 2017
Foreign currency denominated bank deposit		
- Time deposit	42,288,349	67,676,436
- Demand deposit	595,836	2,176,570
Bank deposit in Turkish Lira		
- Time deposits	875,090,678	661,520,197
- Demand deposits	2,918,795	7,804,278
Banks	**920,893,658**	**739,177,481**

As of 31 December 2018, the Company has blocked bank deposits in favor of Ministry of Treasury and Finance in the amount of TRY 129,300,000 (31 December 2017: TRY 121,512,885), Tarım Sigortaları Havuz İşletmeleri A.Ş.'s (TARSİM) the amount of TRY 5,603,554 Tarım Sigortaları Havuz İşletmeleri AŞ ("TARSİM") (31 December 2017: TRY 7,326,264) and Central Bank of Turkish Republic of Northern Cyprus in the amount of TRY 1,250,000 (31 December 2017: TRY 1,250,000).

As of 30 June 2018, maturity distributions of time deposits are between 2 days and 92 days (31 December 2017: 2-92 days). Interest rates of time deposits are as follows:

	31 December 2018	31 December 2017
TL	%20.00 - %24.15	%10.00 - %15.50
USD	%0.60 - %1.75	%1.00 - %1.50
EUR	%0.20	%0.15

15. SHAREHOLDERS' EQUITY

Paid in capital

As of 31 December 2018, the Company has TRY 270,000,000 of the capital which is totally paid and that comprises of issued shares of 270,000,000 nominal (31 December 2017: 270,000,000 issued shares, TRY 270,000,000 paid capital).

There are no privileges to any class of shares.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

15. SHAREHOLDERS' EQUITY (Continued)

As at 31 December 2018, the shareholders which have direct or indirect control over the shares of the Company are Vakıflar Bankası with 48.02% of shares (31 December 2017: 48.02%) and Groupama Holding Filiales et Participations with 20% of shares (31 December 2017: 20%)

There is no treasury shares held by the Company itself or by its subsidiaries or associates

There is no shares issued which will be subject to sale in accordance with forward transactions and contracts.

Other capital reserves

As at 31 December 2018 and 2017, the detail of other capital reserves in accompanying the financial statements are as follows:

	31 December 2018	31 December 2017
Funds of profit from sale of properties	78,756,302	78,404,082
Premium on issued shares	654,992	654,992
Capital Reserves	**79,411,294**	**79,059,074**

In accordance with tax legislation, 75% of profits from sales of land and buildings and participation shares included in the assets of companies is exempted from corporate tax on a condition that it is classified under a special fund for five years. The exempted gains cannot be transferred to another account except for capital expenditure or cannot be paid as dividend for five years. In accordance with the 27 October 2008 dated and 2008/41 numbered sector announcement by Ministry of Treasury and Finance, 75% of TRY 104,608,403 sales gain amounting to TRY 78,756,302 arising from sales of the other investment properties in 2010, 2014 and 2015, are recognized under "other capital reserve" account.

In accordance with the same disclosures, the Company acquired 50% of the building sales profit of TRY 2,644,810, which is calculated from the sale of investment property owned by the Company in accordance with the Tax Procedural Law is amounting to TRY 1,322,405; ''Net Profit'' is classified as ''Non-Distribution Profit'' within the account group. TRY 1,092,710 of sales profit, which is calculated by taking into consideration the book value determined according to TAS, has been accounted under tab Investment Revenues sales in the income statement (31 December 2017: TRY 249,867).

Legal reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the TCC. The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5%, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital

The movement of legal reserves in the period is as follows

	31 December 2018	31 December 2017
Legal reserves	4,949,441	4,949,441
Legal reserves	**4,949,441**	**4,949,441**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

15. SHAREHOLDERS' EQUITY(Continued)

Valuation of financial assets

As at 31 December 2018 and 2017, financial assets classified as available for sale securities, investments and equity securities resulting from changes in the fair value of the details are as follows:

	31 December 2018	31 December 2017
Investment in equity shares	529,808,797	425,220,441
Valuation of financial assets	**529,808,797**	**425,220,441**

The movements of change in fair value of investment in equity shares are given below:

	2018	2017
Beginning of the period – 1 January	**425,220,441**	**286,146,708**
Fair value increase (Note 9)	110,045,739	146,101,640
Tax effect on fair value increase (Note 21)	(5,524,002)	(7,168,418)
Other	66,619	140,511
Period ending - 31 December	**529,808,797**	**425,220,441**

The value increase in financial assets in last 3 years (with the effect of related tax effect) is as follows:

2018	104,588,356
2017	139,073,733
2016	53,110,482

Other profit reserves

In accordance with the 4 July 2007 dated and 2007/3 numbered Compliance Circular issued by Ministry of Treasury and Finance, it was stated that the companies would not further provide earthquake provision for the year 2007. However, it was also stated that earthquake provisions provided in previous periods (earthquake provision in the financial statements as at 31 December 2006) should be transferred to the reserve accounts under equity in accordance with the 5th Temporary Article of the Insurance Law. The companies had to transfer total amount of provisions, including earthquake provisions reserved as at 31 December 2006 and related gains obtained from investment of these amounts, to the account called as "549.01 - transferred earthquake provisions" which would be opened as at 1 September 2007 within Uniform Chart of Account and the reserves amount should not be subject to dividend distribution or should not be transferred to other accounts. In accordance with the related laws and regulations as of 30 June 2007 TRY 12,464,935 amount of earthquake provisions has been transferred to other profit reserves under equity accounts at 3 September 2007.

Details of other profit reserves are as follows:

	31 December 2018	31 December 2017
Revaluation fund (Note 6)	148,899,087	139,597,258
Earthquake claim fund transferred to shareholder's equity	12,464,935	12,464,935
Transferred reserves from profits of prior years	6,592,946	6,592,946
Actuarial gain and (loss)	(4,841,636)	(4,054,406)
Other profit reserves	**163,115,332**	**154,600,733**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

15. SHAREHOLDERS' EQUITY (Continued)

The movement of the revaluation funds is as follows:

	2018	2017
Beginning of the period – 1 January	139,597,258	126,790,558
Increase/(decrease) in the revaluation fund, net(Note 6)	9,301,829	12,806,700
End of the period – 31 December (Note 6)	**148,899,087**	**139,597,258**

In accordance with "TMS 16 - Tangible Assets", the Company accounts for property (land and buildings) using the revaluation model. Increases in the carrying amounts arising on revaluation of land and buildings, net of tax, are accounted for in "Other capital reserves" under shareholders' equity. At each accounting period, the difference between depreciation based on the revalued carrying amount of the asset (charged to the statement of income) and the depreciation based on the asset's original cost is transferred from "Other Capital reserves" to retained earnings. In accordance with the current regulation, revaluation increases arising from the revaluation of property held for use are not allowed to be used in capital increases. The movements in the current period related to revaluation increases are disclosed in Note 6.

16. OTHER RESERVES AND EQUITY COMPONENT OF DISCRETIONARY PARTICIPATION FEATURE

The information about other reserves which are within the share holders' equity is at Note 15.

17. INSURANCE LIABILITIES AND REINSURANCE ASSETS

As of 31 December 2018 and 2017, details of technical provisions are as follows:

	31 December 2018	31 December 2017
Reserve for unearned premiums, gross	1,054,767,434	876,959,070
Reserve for unearned premiums, ceded (Note 10)	(521,527,205)	(414,840,059)
Reserve for unearned premiums, SSI ceded (Note 10)	(18,731,331)	(14,656,166)
Reserve for unearned premiums, net	**514,508,898**	**447,462,845**
Provision for outstanding claims, gross	1,657,238,933	1,201,948,725
Provision for outstanding claims, ceded (Note 10)	(899,581,260)	(572,033,973)
Provision for outstanding claims, net	**757,657,673**	**629,914,752**
Reserve for unexpired risks gross	45,001,851	8,745,179
Reserve for unexpired risks, ceded (Note 10)	(27,002,225)	(7,560,519)
Reserve for unexpired risks, net	**17,999,626**	**1,184,660**
Equalization provision, gross	111,699,398	89,599,034
Equalization provision, ceded (Note 10)	(77,843,764)	(61,517,506)
Equalization provision, net	**33,855,634**	**28,081,528**
Other technical provisions, net (Note 10)	**44,029,675**	**25,192,704**
Total technical provisions, net	**1,368,051,506**	**1,131,836,489**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

17. INSURANCE LIABILITIES AND REINSURANCE ASSETS (Continued)

In accordance with the 5 December 2014 dated and 2014/16 numbered "Circular on Provision for Outstanding Claim" by Ministry of Treasury and Finance, the Company decided ACLM methods for each branch depending on the actuary's recommendation. Same methods implemented along with previous periods for ACML calculations of all branches except Air Vehicle and Air Vehicle Liability branches. The development factors used on Compulsory Traffic was calculated by considering on incurred claim triangles that was excluded large claims to remove the misleading effect of them and those development factors was applied to the incurred claim triangles which include all claims. In addition, development and tail factors has been determined by using statistical methods and implemented to ACLM triangles in accordance with actuary's opinion. Loss ratio method implemented to ACLM triangles for General Liability branch as a result of large claim elimination pursuant to actuary's opinion. The ACLM calculations are performed on a gross basis and the net amounts are determined in accordance with the methods presented below. As of 31 December 2018 and 2017, ACLM calculation methods for branches and as a result of these calculations, additional gross or net reserves that will be reserved or that will be reduced from reserves are described below:

	31 December 2018			31 December 2017		
Branch	**Method Used**	**Provision Gross Add**	**Provision Net, Add**	**Method Used**	**Provision Gross Add**	**Provision Net Add**
Compulsory Traffic	Standard	320,722,728	304,550,032	Standard	240,224,798	235,035,943
General Liability	Claim/Premium	202,161,384	25,816,009	Claim/Premium	120,195,763	17,680,797
Facultative financial liability	Standard	9,876,367	9,716,370	Standard	7,010,345	6,855,416
Accident	Standard	3,202,065	1,802,442	Standard	2,105,160	1,295,516
General Losses	Standard	11,001,201	991,208	Standard	7,663,552	651,402
Breach of trust	Standard	7,468,789	450,368	Standard	1,059,207	58,256
Water vehicles	Standard	2,022,535	255,851	Standard	(3,049,847)	(345,548)
Legal protection	Standard	180,133	67,082	Standard	692,008	288,913
Air vehicles	Claim/Premium	129,341,762	-	Claim/Premium	60,438,445	-
Air vehicles liability	Cape Cod	38,558,435	-	Cape Cod	17,389,005	-
Financial losses	Standard	(106,879)	(6,391)	Standard	163,528	10,483
Marine	Standard	(1,804,840)	(649,562)	Standard	(3,763,128)	(1,429,989)
Health	Standard	(1,120,847)	(1,120,847)	Standard	102,524	102,452
Fire and Natural Disasters	Standard	(3,329,062)	(1,895,901)	Standard	(4,149,021)	(2,269,099)
Land Vehicles	Standard	(13,296,012)	(13,145,768)	Standard	(18,343,618)	(18,112,489)
Total		**704,877,759**	**326,830,893**		**427,738,721**	**239,822,053**

Below are the details of methods used to calculate net amount of provisions with additional gross, as a result of ACLM calculations for branches:

Branches	**Used Net Off Method**
Compulsory Traffic	Conservation rate of related reinsurance agreement
General Liability	Conservation rate of last period outstanding claim (after large claim elimination)
Facultative Financial Liability	Conservation rate of related reinsurance agreement
Air vehicles Liability	Conservation rate of incurred claims in ACLM table (after large claim elimination)
General Loses elimination)	Conservation rate of incurred claims in ACLM table (after large claim
Accident	Conservation rate of incurred claims in ACLM table (after large claim)
Health	Conservation rate of related reinsurance agreement
Fire and Natural Disasters	Conservation rate of incurred claims in ACLM table (after large claim elimination)
Breach of Trust	Conservation rate of incurred claims in ACLM table (after large claim elimination)
Marine	Conservation rate of incurred claims in ACLM table (after large claim elimination)
Air Vehicles	Conservation rate of incurred claims in ACLM table (after large claim elimination)
Legal Protection	Conservation rate of incurred claims in ACLM table (after large claim elimination)
Land Vehicles	Conservation rate of related reinsurance agreement
Water Vehicles	Conservation rate of incurred claims in ACLM table (after large claim elimination)
Financial Losses	Conservation rate of incurred claims in ACLM table (after large claim elimination)

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

17. INSURANCE LIABILITIES AND REINSURANCE ASSETS (Continued)

The Company, while doing the ACLM calculations, eliminated the major 3 claims in a separate file to have a more homogeneous data set of calculations with the statistical methods, accepted by circular. The major claim limits to extract the major claims for branches which are as a result of the calculations are described below:

Branches	**31 December 2018**	**31 December 2017**
Air Vehicles	9,009,026,228	4,411,293,673
General Liability	4,340,660,568	2,216,028,630
Breach of Trust	3,820,746,494	340,785,571
Marine	331,125,434	162,980,118
Air Vehicles Liability	148,441,657	68,058,992
Water Vehicles	90,544,876	138,454,708
Accident	50,035,898	160,000,000
Financial Losses	16,438,859	538,009
General Losses	13,007,176	14,182,101
Facultative Financial Liability	2,721,710	2,342,837
Land Vehicles	870,513	737,771
Fire and Natural Disasters	348,381	362,405
Legal Protection	62,511	55,278
Health	39,126	51,222
Compulsory Traffic (*)	-	434,500

(*) The thresholds used for Compulsory Traffic were used for the selection of development coefficients.

As of 31 December 2018 and 2017, movements of insurance liabilities and reassurance assets are as follows:

Reserve for unearned premiums:

	2018		
	Gross	**Reinsurer's Share**	**Net**
Beginning of the period – 1 January	876,959,070	(429,496,225)	447,462,845
Written premium during the period	1,907,406,583	(904,590,461)	1,002,816,122
Earned premiums during the period	(1,729,598,219)	793,828,150	(935,770,069)
Period ending – 31 December	**1,054,767,434**	**(540,258,536)**	**514,508,898**

Reserve for unearned premiums:

	2017		
	Gross	**Reinsurer's Share**	**Net**
Beginning of the period - 1 January	732,362,874	(354,737,038)	377,625,836
Written premium during the period	1,660,979,253	(776,725,746)	884,253,507
Earned premiums during the period	(1,516,383,057)	701,966,559	(814,416,498)
Period ending - 31 December	**876,959,070**	**(429,496,225)**	**447,462,845**

Provision for Outstanding Claim:

	2018		
	Gross	**Reinsurer's Share**	**Net**
Beginning of the period - 1 January	**1,001,173,374**	**(483,068,120)**	**518,105,254**
Claims paid during the period	(265,279,639)	176,980,644	(88,298,995)
Change			
- Indirect claims	17,342,542	(11,609,104)	5,733,438
- Current period outstanding claims	415,160,388	(210,479,548)	204,680,840
- Prior years outstanding claims	108,557,819	(142,079,264)	(33,521,445)
Total reported claims end of the period	**1,276,954,484**	**(670,255,392)**	**606,699,092**
Deduction amount calculated in accordance with winning ratio (*)	(142,648,972)	80,513,509	(62,135,463)
Incurred but not reported claims (*)	704,877,759	(378,046,866)	326,830,893
Discount adjustment for outstanding claim reserve (*)	(181,944,338)	68,207,489	(113,736,849)
Period Ending - 31 December	**1,657,238,933**	**(899,581,260)**	**757,657,673**

(*) Note 2.25

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

17. INSURANCE LIABILITIES AND REINSURANCE ASSETS (Continued)

	2017		
	Gross	**Reinsurer's Share**	**Net**
Beginning of the period – 1 January	**764,530,868**	**(340,038,278)**	**424,492,590**
Claims paid during the period	(72,742,937)	50,068,395	(22,674,542)
Change			
- Indirect claims	3,747,944	(4,975,855)	(1,227,911)
- Current period outstanding claims	462,402,289	(197,572,990)	264,829,299
- Prior years outstanding claims	(156,763,774)	9,450,123	(147,313,651)
Total reported claims end of the period	**1,001,174,390**	**(483,068,605)**	**518,105,785**
Deduction amount calculated in accordance with winning ratio (*)	(90,961,096)	51,052,244	(39,908,852)
Incurred but not reported claims (*)	427,738,721	(187,916,668)	239,822,053
Discount adjustment for outstanding claim reserve (*)	(136,003,290)	47,899,056	(88,104,234)
Period ending –31 December	**1,201,948,725**	**(572,033,973)**	**629,914,752**

(*) Note 2.25

Claim Development Tables

The basic assumption used in estimation of the provision for outstanding claims is the Company's past experience of claims development. In determining the effect of external factors like court decisions and legal changes provision for outstanding claims; The Company management uses its own judgments. Sensitivity of estimations caused by legal changes and other ambiguities in the process of estimation is not measurable. Also the long intervals between the time claim happens and the payment time prevent the provision for outstanding claims to be determined clearly. Consequently, total liabilities can change according to subsequent events and differences occurred by this re-estimation of the total liabilities are booked in financial statements in succeeding periods

Development of insurance liabilities allows measuring the performance of the Company in estimating the total claims liability. The amounts in the upper part of the tables below show the changes in the Company's estimations of aggregate claims from the time that claims happened, whereas the amounts in the lower part of the table gives the reconciliation of the total liabilities with the provision for outstanding claim that is presented on the financial statements

31 December 2018

Claim year	**1 January - 31 December 2012**	**1 January - 31 December 2013**	**1 January - 31 December 2014**	**1 January - 31 December 2015**	**1 January - 31 December 2016**	**1 January - 31 December 2017**	**1 January - 31 December 2018**	**Total**
Claim year								
1 year later	373,188,502	396,026,618	493,741,656	591,580,053	560,742,202	582,826,685	698,453,637	3,696,559,353
2 years later	152,681,179	143,970,156	213,071,904	286,454,301	270,481,339	322,559,798	-	1,389,218,677
3 years later	72,201,428	80,865,218	119,953,391	153,971,952	157,258,611	-	-	584,250,600
4 years later	70,185,163	81,295,217	125,158,050	142,377,484	-	-	-	419,015,914
5 years later	73,885,136	85,979,833	128,167,234	-	-	-	-	288,032,203
6 years later	76,975,170	92,462,966	-	-	-	-	-	169,438,136
7 years later	81,759,331	-	-	-	-	-	-	81,759,331
Total incurred Loss - Gross	**900,875,909**	**880,600,008**	**1,080,092,235**	**1,174,383,790**	**988,482,152**	**905,386,483**	**698,453,637**	**6,628,274,214**

31 December 2017

Claim year	**1 January - 31 December 2011**	**1 January - 31 December 2012**	**1 January - 31 December 2013**	**1 January - 31 December 2014**	**1 January - 31 December 2015**	**1 January - 31 December 2016**	**1 January - 31 December 2017**	**Total**
Claim year								
1 year later	374,134,420	378,393,217	423,277,415	509,115,044	606,718,411	526,960,758	606,981,566	3,425,580,831
2 years later	137,043,773	150,237,505	158,456,469	219,233,882	263,840,578	254,601,829	-	1,183,414,036
3 years later	70,465,636	75,852,192	89,645,515	136,949,006	163,381,855	-	-	536,294,204
4 years later	54,607,657	77,183,218	90,551,245	129,874,896	-	-	-	352,217,016
5 years later	55,155,333	81,657,182	95,477,925	-	-	-	-	232,290,440
6 years later	53,187,635	80,265,255	-	-	-	-	-	133,452,890
7 years later	57,176,709	-	-	-	-	-	-	57,176,709
Total incurred Loss -Gross	**801,771,163**	**843,588,569**	**857,408,569**	**995,172,828**	**1,033,940,844**	**781,562,587**	**606,981,566**	**5,920,426,126**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

17. INSURANCE LIABILITIES AND REINSURANCE ASSETS (Continues)

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

	31 December 2018		31 December 2017	
	Should be placed (*)	Placed	Should be placed (*)	Placed
Non-life:				
Banks deposits (Note 14)		130,550,000		122,762,885
Total	**150,144,340**	**130,550,000**	**125,687,979**	**122,762,885**

(*) Under the article 4 of the "The Communiqué on the Financial Structure of Insurance, Reinsurance and Pension Companies", published in accordance with the Insurance Law, in the Official Gazette dated 7 August 2007 and numbered 26606, the insurance companies and private pension companies operating in life and personal accident branches are required to provide guarantees that equal to one third of required capital amount as determined by capital adequacy calculation, as Minimum Guarantee Fund, in each capital adequacy calculation period.

Total amount of insurance risk on a branch basis

	31 December 2018	31 December 2017
Motor third party liabilities	2,205,157,454,910	1,812,885,442,980
Fire and Nature Disasters	256,503,610,319	232,847,525,080
Health	147,824,927,376	139,298,954,049
General Losses	85,471,004,791	82,558,813,168
General Liability	41,257,809,654	27,319,281,429
Air Vehicles Liability	34,186,676,000	37,071,825,255
Land Vehicles	20,531,075,997	16,236,708,092
Air Vehicles	9,731,813,492	4,238,876,143
Accident	8,367,609,412	10,972,926,966
Financial Losses	5,685,019,174	7,397,006,727
Water Vehicles	5,351,094,486	5,944,670,682
Marine	3,499,046,381	3,819,428,733
Legal Protection	1,108,826,816	1,365,429,438
Total	**2,824,675,968,808**	**2,381,956,888,742**

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

None (31 December 2017: None).

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

None (31 December 2017: None).

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

None (31 December 2017: None).

Deferred commission expenses

Deferred portion of commissions paid to the intermediaries in relation to the policy production are capitalized under the account of "short-term prepaid expenses" in the accompanying financial statements. Total prepaid expenses amounting to TRY 122,294,652 (31 December 2017: TRY 108,981,755) is composed of deferred commission expenses amounting to TRY 108,218,487 (31 December 2017: TRY 97,786,422) and other prepaid expenses amounting to TRY 14,076,165 (31 December 2017: TRY 11,195,333)

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

17. INSURANCE LIABILITIES AND REINSURANCE ASSETS (Continued)

As at 31 December 2018 and 2017, the movements of deferred commission expenses are presented below:

	2018	2017
Beginning of the period – 1 January	**97,786,422**	**91,138,398**
Commissions accrued during the period	238,761,305	218,898,434
Commissions expensed during the period (Note 32)	(228,329,240)	(212,250,410)
Period ending - 31 December	**108,218,487**	**97,786,422**

Individual pension funds

None (31 December 2017: None).

18. INVESTMENT CONTRACT LIABILITIES

None (31 December 2017: None).

19. TRADE AND OTHER PAYABLES DEFERRED INCOME

	31 December 2018	31 December 2017
Payables arising from operating activities	288,616,766	223,087,097
Deferred Commission Incomes (Note 10)	70,519,558	68,769,403
Payables to SSI	7,496,588	4,969,138
Other various payables	19,831,911	17,799,414
Total	**386,464,823**	**314,625,052**

As of 31 December 2018 payables arising from operating activities are debts to reinsurance companies amounting to; TRY 258,346,265 (31 December 2017: TRY 158,337,605) (Note 10).

As of 31 December 2018 and 2017, details of other payables are as follows:

	31 December 2018	31 December 2017
Accounts payable	13,855,099	11,261,436
Payables to Turkish Natural Catastrophe Insurance Pool (TCIP)	5,123,828	4,292,798
Payables to contracted repair shops	982,033	2,319,272
Other various payables	136,331	40,540
Other payables rediscounts	(265,380)	(114,632)
	19,831,911	**17,799,414**

Total amount of investment discount for the current and future periods

None (31 December 2017: None).

20. FINANCIAL LIABILITIES

The company does not have any financial debt as of 31 December 2018 (31 December 2017: None).

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

21. DEFERRED TAXES

The Company calculates deferred income tax assets and liabilities for the temporary differences in the balance sheet items arising due to the measurement in these financial statements and measurement in accordance with Tax Procedure Law. The enacted tax rate used for the calculation of deferred income tax assets and liabilities on temporary differences that are expected to be realized in the following periods under the liability method is 22% and 11% (31 December 2017: %20 or %5). However, as mentioned on the note 2.17, the Company will be responsible for 22%, 5.5% or 11% of the temporary differences that is to be realized in the first 3 years.

As 31 December 2018 and 31 December 2017, the temporary giving rise to deferred income tax assets and liabilities with using enacted tax rates are follows

	Total temporary differences		Deferred tax assets/(liabilities)	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Deferred tax assets				
Accumulated tax losses	76,497,931	109,539,535	16,829,545	24,098,698
Equalization provision	29,152,146	23,832,837	5,830,429	4,766,567
Impairment provision for associates	20,878,924	20,161,322	4,175,785	4,032,264
Provision for Severance and vacation (Note 23)	15,024,620	13,290,849	3,004,924	2,658,170
Provision for doubtful receivables (Note 12)	6,568,180	5,080,848	1,445,000	1,117,787
Provision for legal cases (Note 23)	2,877,721	2,870,239	633,099	631,453
Reserve for unexpired risks (Note 17)	17,999,627	1,184,660	3,959,918	260,625
Rediscount payables	1,178,968	(1,795,044)	259,372	(394,910)
Other technical provisions (Note10)	44,029,675	25,192,704	9,686,529	5,542,395
	214,207,792	**199,357,950**	**45,824,601**	**42,713,049**
Deferred tax liabilities				
Fair value differences in associates	(546,708,337)	(436,662,600)	(27,925,918)	(22,401,916)
Revaluation fund of properties Held for use (Note 6)	(165,426,015)	(149,151,064)	(16,526,933)	(9,553,806)
Fixed assets	(6,203,059)	(935,022)	(1,240,612)	(187,004)
Revaluation difference of Investment properties	(10,825,552)	(8,617,655)	(1,190,811)	(947,942)
Payable rediscounts	(281,245)	197,971	(61,874)	43,553
	(729,444,208)	**(595,168,370)**	**(46,946,148)**	**(33,047,115)**
Net deferred tax liabilities (assets)			**(1,121,547)**	**9,665,934**

The movement of deferred tax (liabilities)/assets during the period are as follows:

	2018	2017
Beginning of the period - 1 January	**9,665,934**	**2,139,035**
Deferred tax income	1,512,840	15,267,885
Deferred tax, recognized in equity over the revaluation fund of properties held for own use(Note 6)	(6,973,127)	(797,729)
Deferred tax effect of actuarial gain and loss	196,808	225,161
Deferred tax, recognized in equity over the revaluation differences of financial assets (Note 15)	(5,524,002)	(7,168,418)
End of the period - 31 December	**(1,121,547)**	**9,665,934**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

21. DEFERRED TAXES (Continued)

As of 31 December 2018 and 2017, the remaining periods to maturity of the Company's accumulated tax losses:

	31 December 2018	31 December 2017
Until 2020 (*)	13,620,974	46,662,578
Until 2021	62,876,957	62,876,957
Total	**76,497,931**	**109,539,535**

(*) As indicated in Note 2.17, in accordance with the regulation numbered 6736, the Company will not be able to offset 50% of the carry forward tax losses against future taxable profits for the years those the tax bases have been increased. As of 31 December 2017, these amounts represent 50% of the tax losses of the respective years.

As of 31 December 2018, the Company has accumulated TRY 76,497,931 (31 December 2017: TRY 109,539,535) tax losses. There is no tax loss that the Company Management believes will not be able to benefit from projections related to whether taxable profits will be available before the expiration of accumulated tax losses. (31 December 2017: None). The Company recognized deferred tax assets amounting to TRY 16,829,545 (31 December 2017: TRY 24,098,698) for the accumulated tax losses amounting to TRY 76,497,931 (31 December 2017: TRY 109,539,535).

22. RETIREMENT BENEFIT OBLIGATIONS

None (31 December 2017: None).

23. PROVISIONS FOR OTHER LIABILITIES AND EXPENSES

As at 31 December 2018 and 2017, the details of the provisions for other liabilities and expenses are as follows:

	31 December 2018	31 December 2017
Provision for law suit and court expense	2,877,721	2,870,239
Provision for unused vacations	798,885	1,037,551
Provision for accrued expenses	**3,676,606**	**3,907,790**
Provision for severance pay	**14,225,735**	**12,253,298**

Movements of provision for severance pay during the period are presented below

	2018	2017
At the beginning of the period - 1 January	12,253,298	10,552,843
Interest cost	1,311,102	1,129,154
Service cost	1,323,031	1,142,484
Payments during the period	(1,645,734)	(1,696,996)
Actuarial loss/(gain)	984,038	1,125,813
At the end of the period - 31 December	**14,225,735**	**12,253,298**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

24. NET INSURANCE PREMIUM INCOME

As of 1 January - 31 December 2018 and 2017 details of written premiums are as follows:

	1 January - 31 December 2018				1 January - 31 December 2017			
	Gross	**Re-Share**	**SSI Share**	**Net**	**Gross**	**Re-Share**	**SSI Share**	**Net**
Motor Third Party Liability	447,952,398	(59,321,264)	(34,419,117)	354,212,017	394,323,581	(70,629,446)	(31,815,525)	291,878,610
Land Vehicles	304,735,377	(6,076,704)	-	298,658,673	292,366,866	(7,520,024)	-	284,846,842
Health	153,221,918	-	-	153,221,918	142,589,314	-	-	142,589,314
Fire and Natural Disasters	343,455,592	(237,185,620)	-	106,269,972	304,091,431	(218,262,960)	-	85,828,471
Accident	50,164,872	(10,446,444)	(19,701)	39,698,727	47,421,686	(14,207,144)	(5,758)	33,208,784
General Losses	271,861,955	(247,648,385)	-	24,213,570	233,724,288	(214,132,672)	-	19,591,616
Marine	27,223,017	(14,004,297)	-	13,218,720	22,654,144	(11,109,230)	-	11,544,914
General Liability	41,699,278	(36,894,909)	-	4,804,369	31,409,640	(27,114,201)	-	4,295,439
Legal Protection	6,667,726	(1,883,691)	-	4,784,035	10,645,175	(3,453,823)	-	7,191,352
Water Vehicles	28,529,253	(25,969,370)	-	2,559,883	25,973,156	(23,732,739)	-	2,240,417
Financial Losses	2,699,778	(1,716,999)	-	982,779	2,584,966	(1,791,866)	-	793,100
Breach of Trust	656,275	(464,816)	-	191,459	608,836	(412,748)	-	196,088
Air Vehicles Liability	113,545,970	(113,545,970)	-	-	75,514,397	(75,465,837)	-	48,560
Air Vehicles	114,993,174	(114,993,174)	-	-	77,071,773	(77,071,773)	-	-
Total	**1,907,406,583**	**(870,151,643)**	**(34,438,818)**	**1,002,816,122**	**1,660,979,253**	**(744,904,463)**	**(31,821,283)**	**884,253,507**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

25. SUBSCRIPTION FEE REVENUE

None (31 December 2017: None).

26. INVESTMENT INCOME

	1 January - 31 December 2018	1 January - 31 December 2017
Income from financial investments	144,919,637	81,030,027
Interest income from time deposit	*143,301,287*	*81,030,027*
Interest income from debt instrument	*1,618,350*	-
Foreign exchange gains	184,655,484	75,305,738
Fx gains from current accounts transactions	*145,520,824*	*55,192,174*
Fx gains from cash and cash equivalent transactions	*39,134,660*	*20,113,564*
Income from associates	20,569,367	9,266,510
Income from derivative instruments	-	3,109,000
Valuation of financial investments	5,150,960	2,916,540
Rent incomes	986,093	889,067
Valuation of land, estate and buildings (Note 7)	4,263,000	295,000
Acquired incomes		
Land, estate and buildings sales from	1,151,235	249,867
Total	**361,695,776**	**173,061,749**

27. NET REALIZED GAINS ON FINANCIAL ASSETS

Net realized gains on financial assets are presented in Note 4.2.

28. NET FAIR VALUE GAINS ON ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS

Net realized gains on financial assets are presented in Note 4.2.

29. INSURANCE RIGHTS AND CLAIMS

Disclosed in Note 17.

30. INVESTMENT CONTRACT BENEFITS

None (31 December 2017: None).

31. OTHER EXPENSES

The allocation of the expenses with respect to their nature or function is presented in Note 32.

32. EXPENSE BY NATURE

Details of operating expenses included in the income statement are as follows.

	1 January - 31 December 2018	1 January - 31 December 2017
Commission expenses (Note 17)	228,329,240	212,250,410
Employee benefit expense (Note 33)	92,509,975	75,449,855
Subcontractor service expenses	6,259,310	5,083,689
Information technology expenses	5,405,384	3,835,887
Transportation expenses	4,394,595	3,364,880
Advertising expenses	2,253,898	1,900,651
Communication expenses	1,749,695	1,843,865
Office equipment expenses	1,463,434	1,327,647
Rent expenses	1,065,567	1,016,145
Light, water, heating costs	1,032,781	822,989
Cleaning expenses	719,376	505,330
Insurance procuring expenses	681,617	769,832
Representation expenses	643,276	661,217
Consultancy expenses	638,349	408,077
Mail expenses	495,477	671,898
Subscription expenses	438,022	162,313
Acquired commission incomes from reinsurer (Note 10)	(130,199,406)	(115,700,456)
Other operating expenses	37,114,820	29,155,865
Total	**254,995,410**	**223,530,094**

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

33. EMPLOYEE BENEFIT EXPENSES

The details of employee benefit expenses are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Wages and salaries	71,497,318	57,953,083
Employer's share in social security premiums	10,848,776	8,873,665
Other fringe benefits	7,039,081	5,942,971
Other benefits	3,124,800	2,680,136
Total	**92,509,975**	**75,449,855**

34. FINANCE COSTS

Finance costs are presented in Note 4.2 - Financial Risk Management above. There are no finance costs classified in production costs or capitalized on tangible assets.

35. INCOME TAXES

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

	1 January - 31 December 2018	1 January - 31 December 2017
Deferred taxes:		
Tax arising from		
Change of deductible temporary differences	4,286,086	31,683,955
Tax arising from		
Change of taxable temporary differences	(2,773,246)	(16,416,070)
Total income tax expense recognized in statement of income	**1,512,840**	**15,267,885**

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 for 1 January - 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Before Tax Profit	**9,358,534**	**11,225,354**
Income Tax Provision at statutory tax rate	(2,058,877)	(2,245,071)
Deferred tax assets not recognized	7,073,967	18,754,378
Disallowable expenses	(421,686)	(90,590)
Income not subject to tax	(5,463,121)	(1,856,187)
Other	2,382,557	705,355
Total income tax expense reflected in the statement of income	**1,512,840**	**15,267,885**

36. NET FOREIGN EXCHANGE GAINS

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

37. GAIN/(LOSS) PER SHARE

Earnings (loss) per share are calculated by dividing net profit (loss) for the period into weighted average number of shares of the Company.

	1 January - 31 December 2018	1 January - 31 December 2017
Net income/(loss) for the period	10,871,374	26,493,239
Weighted average number of shares	270,000,000	270,000,000
Earnings/(loss) per share (TRY)	0.04026	0.0981

(*) Nominal capital of the Company; was reduced to 270,000,000 from 2,700,000,000 in accordance with the amendment to the Articles of Association, adopted at the Ordinary General Assembly meeting held on 16 June 2017.

38. DIVIDENDS PER SHARE

None (31 December 2017: None).

39. CASH GENERATED FROM OPERATIONS

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

40. CONVERTIBLE BONDS

None (31 December 2017: None).

41. REDEEMABLE PREFERENCE SHARES

None (31 December 2017: None).

42. CONTINGENCIES

In the normal course of its operations, the Company is exposed to legal disputes, claims and challenges, in which mainly stem from its insurance operations. The necessary income/expense provision for those revocable cases against/on behalf of the Company are provided whether under provision for outstanding claims or provisions for other risks in the accompanying financial statements.

As of 31 December 2018, if all cases in which the Company is defendant, result in against the Company, amount of arising potential liability (including interest and other expenses) is TRY 852,094,246 (31 December 2017: TRY 674,505,064). Provision for all these cases is recognized under provision for outstanding claim account in the related financial statements.

As of 31 December 2018, if all cases which the Company is plaintiff, result in favor of the Company, collection amounting to TRY 307,178,320 gross (31 December 2017: TRY 260,678,239) is expected and also same amount of receivable provision is recorded with respecting to the reinsurer share. At the same time, for the cases which the Company is plaintiff about doubtful receivables of insurance operations, provision is recorded at an amount of TRY 13,615,103 (31 December 2017: TRY 14,505,599).

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

42. CONTENGINCIES (Continued)

As a result of the tax inspection performed at the Company by the Ministry of Finance Tax Supervisory Board relating to 2007 and 2008 insurance transactions, the Company was notified of tax principal and penalties equal to TRY 1,343,490 for 2007 and TRY 1,921,964 for 2008 on 20 December 2013. The company was notified of penalties of TRY 2,158,478 for 2009 on 28 November 2014 and TRY 6,334,772 for 2010, 2011, and 2012 on 19 June 2015. No payment was made by the Company with respect to tax principal and penalty amounts and the Company started the judicial process within its legal rights in 2014. Notification of the justified decisions of the tax lawsuits opened by the Company regarding the tax principal and penalties for 2007 and 2008 at Istanbul 1. Tax Council was made on 9 April 2015. The court ruled to cancel the tax and penalty assessment, stating that an appeal can be made to the Council of State within 30 days of the notification of the decision. The Ministry of Finance has appealed the court decisions on the tax principal and penalty amounts for 2007 and 2008. Regarding the tax principal and penalties for 2010, 2011, and 2012, notification of the justified decisions for the tax lawsuits opened at the Istanbul 1. Tax Council was made on 28 January 2016. The court ruled to cancel the tax and penalty assessment, stating that an appeal can be made to the Council of State within 30 days of notification of the decision. The Ministry of Finance has appealed the court decisions on the tax principal and penalty amounts for 2009, 2010, 2011 and 2012. Within this scope, and considering the results of the Company's lawsuits, no provisions were made in the financial statements regarding this issue.

43. COMMITMENTS

The details of the guarantees which are given by the Company in favor or the Ministry of Treasury and Finance for insurance operations are presented in Note 17.

Within the framework of operating lease the sum of the minimum lease payments are as follows for leased properties for the use of head offices and regional offices and rented vehicles for the marketing and sales team:

	31 December 2018	31 December 2017
Less than 1 year	1,881,080	2,044,976
More than 1 year and less than 5 years	176,280	1,549,672
Total minimum rent payments	**2,057,360**	**3,594,648**

44. BUSINESS COMBINATIONS

None (31 December 2017: None).

45. RELATED PARTY TRANSACTIONS

The Company's shareholders, associates, companies of Vakıflar Bankası Groups and companies of Groupama Groups are referred to related parties in the accompanying financial statements.

As at 31 December 2018 and 2017, related party balances are as follows:

	31 December 2018	31 December 2017
Cash and cash equivalents	635,698,981	350,361,084
Receivables from main activities	91,496,403	69,993,408
Other current assets	96,337	37,238
Due to related parties	-	(60,461)
Total	**727,291,721**	**420,331,269**

There is no guarantee for receivables from related parties.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

45. RELATED PARTY TRANSACTIONS (Continued)

The operations performed in organizations are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Vakıflar Bankası T.A.O.	254,102,708	182,471,647
Vakıf Emeklilik ve Hayat A.Ş.	2,615,827	1,967,532
Vakıf Finansal Kiralama A.Ş.	14,693,464	5,614,007
Vakıf Sigorta Aracılık Hizmetleri Ltd. Şti.	36,425	10,930,480
Other	2,207,959	1,695,986
Written Premium	**273,656,383**	**202,679,652**
Vakıflar Bankası T.A.O.	40,344,362	24,423,775
Vakıf Finansal Kiralama A.Ş.	2,060,022	-
Vakıf Sigorta Aracılık Hizmetleri Ltd.	5,126	1,378,197
Commission paid	**42,409,510**	**25,801,972**
Vakıflar Bankası T.A.O.	986,093	874,620
Rent income	**986,093**	**874,620**
Vakıf Emeklilik ve Hayat A.Ş.	176,446	154,067
Rent expenses	**176,446**	**154,067**
Vakıflar Bankası T.A.O.	76,734,782	26,005,504
Finance income	**76,734,782**	**26,005,504**
Vakıflar Bankası T.A.O.	435,735	367,723
Finance expense	**435,735**	**367,723**
Vakıf Finansal Kiralama A.Ş.	-	394,143
Leasing expenses	**-**	**394,143**
Vakıf Emeklilik ve Hayat A.Ş.	20,328,285	9,275,000
Vakıf Pazarlama Sanayi ve Ticaret A.Ş.	199,004	-
Vakıf Yatırım Menkul Değerler A.Ş.	42,078	5,935
Dividend income	**20,569,367**	**9,280,935**
Vakıflar Bankası T.A.O.	226,838	171,991
Vakıf Yatırım Menkul Değerler A.Ş.	-	16,200
Other operating expenses	**226,838**	**188,191**

There are no doubtful receivables from shareholders, associates and subsidiaries and there is no debt for them. There are no responsibilities to give guarantee, security, advance, and endorsement in favor of shareholders, associates, subsidiaries.

46. SUBSEQUENT EVENTS

None.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

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

Other receivables

As of 31 December 2018 and 2017, details of other receivables are as follows:

	31 December 2018	31 December 2017
Receivables from DASK insurance agencies	1,497,296	2,321,931
Other various receivables	440,202	881,134
Deposits and guarantees given	153,399	175,465
Other receivables (Note 4.2)	**2,090,897**	**3,378,530**

Other current assets

As of 31 December 2018 and 2017, details of other current assets are as follows:

	31 December 2018	31 December 2017
THY baggage claim account	797,791	360,552
Other current assets	**797,791**	**360,552**

"Total amount of each due to/from personnel items classified under "Other Receivables" and "Other Short and Long Term Payables" exceeding one percent of total assets in the balance sheet

None (31 December 2017: None).

Subrogation receivables followed under the off-balance sheet accounts

None (31 December 2017: None).

Description and amount of rights in real on property

None (31 December 2017: None).

Descriptive disclosure in relation to amounts and resources of income, expenses, and losses for the prior periods

None (31 December 2017: None).

For the years ended 31 December 2018 and 2017, details of rediscount and provision expenses are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Provision for premium receivable Under legal follow-up (Note 4.2)	(1,444,563)	2,922,773
Premium receivable provision no longer required	753,806	372,976
Recovery receivable provision by the management (Note 4.2)	(42,769)	59,370
Provision expenses for unused vacations	238,666	(9,039)
Provision expenses for employee lawsuits and courts	82,494	(134,872)
Doubtful receivables provision from agencies (Note 4.2)	136,689	(210,093)
Provision expenses for employment termination benefits	(988,400)	(574,643)
Doubtful receivables provision from reinsurance operations	(22,316,578)	(2,260,779)
Provision expense for recovery Receivable under legal follow-up (Note 4.2)	(29,809,936)	(33,638,870)
Other provision expenses	2,711,035	(305,760)
Provisions	**(50,679,556)**	**(33,778,937)**

APPENDIX I - STATEMENTS OF PROFIT DISTRIBUTION

	Notes	Current Period	Prior Period
I. DISTRIBUTION OF PROFIT FOR THE PERIOD			
1.1. PROFIT FOR THE PERIOD		-	-
1.2 TAXES PAYABLE AND LEGAL LIABILITIES		-	-
1.2.1. Corporate Tax (Income Tax)		-	-
1.2.2. Income Tax Deduction		-	-
1.2.3. Other Taxes and Legal Liabilities		-	-
A NET PROFIT FOR THE PERIOD (1.1 - 1.2)		-	-
1.3. PREVIOUS YEARS' LOSSES (-)		-	-
1.4 FIRST LEGAL RESERVE		-	-
1.5. LEGAL FUNDS TO BE KEPT		-	-
IN THE COMPANY (-)		-	-
B NET DISTRIBUTABLE			
PROFIT FOR THE PERIOD [(A - (1.3 + 1.4 + 1.5)]		-	-
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	-
1.6.1 To common shareholders		-	-
1.6.2 To preferred shareholders		-	-
1.6.3 To owners of participating redeemed shares		-	-
1.6.4 To owners of profit-sharing securities		-	-
1.6.5 To owners of profit and loss sharing securities		-	-
1.7. DIVIDENDS TO PERSONNEL (-)		-	-
1.8. DIVIDENDS TO FOUNDERS (-)		-	-
1.9. DIVIDENDS TO THE BOARD OF DIRECTORS (-)		-	-
1.10. SECOND DIVIDENDS TO SHAREHOLDERS (-)		-	-
1.10.1. To common shareholders		-	-
1.10.2. To preferred shareholders		-	-
1.10.3. To owners of participating redeemed shares		-	-
1.10.4. To owners of profit-sharing securities		-	-
1.10.5. To owners of profit and loss sharing securities		-	-
1.11. SECOND LEGAL RESERVE (-)		-	-
1.12. STATUTORY RESERVES (-)		-	-
1.13. EXTRAORDINARY RESERVES		-	-
1.14 EXTRAORDINARY RESERVES		-	-
1.15 SPECIAL FUNDS		-	-
II. DISTRIBUTION FROM RESERVES		-	-
2.1. DISTRIBUTED RESERVES		-	-
2.2. SECOND LEGAL RESERVE (-)		-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1.To common shareholders		-	-
2.3.2 To preferred shareholders		-	-
2.3.3.To owners of participating redeemed shares		-	-
2.3.4 To owners of profit-sharing securities		-	-
2.3.5 To owners of profit and loss sharing securities		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO THE BOARD OF DIRECTORS (-)		-	-
III. PROFIT PER SHARE		-	-
3.1. TO COMMON SHAREHOLDERS		-	-
3.2. TO COMMON SHAREHOLDERS (%)		-	-
3.3. TO PREFERRED SHAREHOLDERS		-	-
3.4. TO PREFERRED SHAREHOLDERS (%)		-	-
IV. DIVIDENDS PER SHARE		-	-
4.1. TO COMMON SHAREHOLDERS		-	-
4.2. TO COMMON SHAREHOLDERS (%)		-	-
4.3 TO PREFERRED SHAREHOLDERS		-	-
4.4. TO PREFERRED SHAREHOLDERS (%)		-	-

Since there is no dividend payment for the financial period 31 December 2018 and 2017, the statements of profit distribution have not been prepared.

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