

**CREATE CHANGE**

**BE DIFFERENT**

**ANNUAL REPORT 2018**

**ANADOLU  
SİGORTA**  
Never Lose

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## GENERAL INFORMATION

### Anadolu Anonim Türk Sigorta Şirketi 2018 Annual Report

#### Corporate Title

Anadolu Anonim Türk Sigorta Şirketi

#### Website

www.anadolusigorta.com.tr

**Anadolu Sigorta Trade Registration No:**  
4593/557

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Previous years' annual reports  
of Anadolu Sigorta



# LEADING THE SECTOR



**THE FIRST NATIONAL INSURANCE COMPANY OF OUR COUNTRY, ANADOLU SİGORTA WILL KEEP PIONEERING THE DEVELOPMENT OF INSURANCE BUSINESS IN TURKEY AND FURTHER CONSOLIDATE ITS STRONG POSITION IN THE INDUSTRY ON THE BACK OF ITS DIGITAL INSURANCE DRIVE.**

## **CORPORATE PROFILE, OUR VISION, OUR MISSION, OUR CORPORATE VALUES**

### **Corporate Profile**

In 2018, Anadolu Sigorta expanded its total premium production by 22% year-on-year to TL 5.7 billion and controlled an 11.94% share of the overall market among non-life companies.

Anadolu Sigorta pursues its operations via ten regional branches across the nation and one branch in the Turkish Republic of Northern Cyprus. The number of employees on the Company's payroll averaged 1,260 in 2018.

Anadolu Sigorta registered its highest premium production in the motor vehicle liability with TL 1,550 million, followed by the motor vehicles branch with TL 1,090 million in 2018. Trailing these two branches, in order, were fire and natural disasters with TL 1,035 million, health with TL 711 million, general losses with TL 513 million and general liability with TL 272 million.

Turkey's first national insurance company and the pioneer in the sector, Anadolu Sigorta will keep contributing to the advancement of the insurance business in Turkey in the light of its mission and vision, and further build on its solid position in the industry on the back of its powerful digital insurance initiative.

## Our Vision

- To make Anadolu Sigorta the insurance brand preferred by everyone who needs insurance.
- To achieve a strength that makes it a reference point in the worldwide insurance industry as well.

## Our Mission

In keeping with the deeply-rooted, pioneering, honest, and solid corporate values of Anadolu Sigorta to:

- Lead the sector,
- Help create a broad public awareness of insurance in Turkey,
- Implement a customer-focused approach to service,
- Increase our financial strength to international standards,
- Enhance the value of our Company.

## Our Corporate Values

### A Company Entrenched In History

- It was founded in accordance with the instructions given by Mustafa Kemal Atatürk.
- It is Turkey's first national insurance company.
- It has a powerful corporate structure built on its knowledge of insurance accumulated through the years.

### Pioneership

- Pioneer in creating product;
- Pioneer in service;
- Pioneer in technology;
- With its self-renewing ability preserves its pioneering position;
- It plays a pioneering role in social responsibility.

### Integrity

- It has ethical merits;
- It fulfills its promises definitely;
- It inheres in transparency as principle;
- It never abandons human values.

### Powerful Structure

- It has a stable financial power;
- It has an extended and efficient service network;
  - It has a sophisticated and high qualified human source;
  - It gains power from the synergy created by İşbank.

**FOUNDED IN 1925 AS THE FIRST NATIONAL INSURANCE COMPANY IN OUR COUNTRY, ANADOLU SİGORTA HAS BEEN PURSUING ITS OPERATIONS AWARE OF ITS PIONEERING ROLE IN THE TURKISH INSURANCE INDUSTRY.**

## **MILESTONES FROM THE HISTORY OF ANADOLU SİGORTA**

**ANADOLU SİGORTA WAS FOUNDED ON APRIL 1<sup>ST</sup> AT THE INITIATIVE OF OUR GREAT LEADER**

**1925**

**ATATÜRK AND UNDER THE LEADERSHIP OF İŞBANK, TURKEY'S FIRST NATIONAL BANK.**

### **1925**

Anadolu Sigorta was founded on April 1<sup>st</sup> at the initiative of Atatürk and under the leadership of İşbank, Turkey's first national bank.

### **1961**

The first data processing system was set up.

### **1975**

Being the leader of national insurance since the onset of the Turkish Republic, Anadolu Sigorta celebrated its 50<sup>th</sup> anniversary.

### **1983**

"Blue Insurance" policies marking the introduction of comprehensive insurance system in Turkey and offering 17 types of cover were put on sale for the first time.

### **1984**

Highly acclaimed by the public and the sector, "Insurance of the Future", the most comprehensive life policy ever offered in Turkey until then, was introduced.

### **1986**

Representing a new branch in the Turkish insurance business, "Electronic Equipment Insurance" was first started by Anadolu Sigorta.

### **1987**

Activities commenced in the agricultural insurance branch.



**TOTAL PREMIUM  
PRODUCTION IN  
2018 REACHED  
TL 5.7 BILLION  
MARK.**

**2018**

## 1991

The life branch was transferred to Anadolu Hayat Sigorta, a newly-formed life insurer as required by law.

## 1993

Extending administrative and technical assistance to Günay Anadolu Sigorta, founded and started to operate in Azerbaijan, Anadolu Sigorta became the first Turkish insurance company to set up an international operation.

## 1996

Policies in legal protection insurance branch, another first in our country, were written.

## 1997

Aiming to make the most of the possibilities offered by IT, a "Recon Project" was launched. Services were made more efficient and productive with the inclusion of all services and agencies in the data processing network with online and real-time systems.

## 1999

In order to provide the fastest and most comprehensive service to its policyholders in the aftermath of the disastrous earthquake of 17 August, the Company worked round the clock to provide uninterrupted service.

## 2001

After providing service for over five decades, the Company was relocated from its building in Karaköy to İş Towers, where it would be together with İşbank subsidiaries.

## 2002

A brand-new era began with the "Maximum Service in Insurance" concept. The Company introduced the service philosophy under one title that it has

possessed since its foundation, and once again became the author of a first in the sector.

## 2004

Voted as "the most satisfactory insurance company with its products and services", Anadolu Sigorta received the Active Academy Private Customer Satisfaction Award in Insurance. The Company expanded its service range by taking over the health branch from Anadolu Hayat Emeklilik, which the Company was required by law to give up. Anadolu Sigorta was awarded its ISO 9001: 2000 Quality Management System certification, an endorsement proving that the Company's quality management system complies with international standards.

## 2006

The Company maintained its sectoral leadership in premium production for the fifth consecutive year and realized a premium production in excess of TL 1 billion, undersigning yet another historic result in the history of the Turkish insurance industry.

## 2007

The sector's unrelenting champion in premium production for the last six years, Anadolu Sigorta became the first insurance company in Turkey to exceed the USD 1 billion threshold in total premium production.

## 2008

Anadolu Sigorta launched the C2C (Closer to Customer) change program whereby all business processes are reviewed and revised. While the Company increased its profitability through sustainable growth strategy, it also received Active Academy Private Customer Satisfaction Award in Insurance for the fifth consecutive time.

## 2010

The Company celebrated its 85<sup>th</sup> anniversary.

Planned within the frame of the C2C change program, the first set of changes was put into life.

The Company launched its new social responsibility project, "Bir Usta Bin Usta" (From One Master to One Thousand), thus contributing to revitalize vanishing professions in Anatolia.

## 2012

The Company received four International award with its social responsibility project, and its 2011 Annual Report.

## 2013

Anadolu Sigorta relocated to its new head office in Kavacık-İstanbul.

## 2015

While celebrating its 90<sup>th</sup> anniversary, the Company launched its revamped website.

## 2018

The Company reached TL 5.7 billion in total premium production in 2018.

While the net profit for the period augmented by 67% to TL 307.6 million, RoE went up to 18.7%.





**WE ARE CONSERVING  
OUR CULTURAL HERITAGE**

**INNOVATIVE TECHNOLOGY STARTUPS IN THE  
INSURANCE BUSINESS BEGAN TO APPEAR ON THE  
AGENDA MORE FREQUENTLY.**

## **CHAIRMAN'S MESSAGE**



**GLOBAL ECONOMY IS  
PROJECTED TO GROW  
3.5% IN 2019 AND  
3.6% IN 2020.**

**3.6%**

### **Global economy preserved its growth trend to a large extent in 2018.**

Although failing to capture the desired level, global economy sustained its growth trend. However, re-embraced protectionism and tight measures introduced in certain countries and especially the US during the year have headlined the challenges facing global trade and negatively affecting global risk perception. The trade war that escalated and intensified between the US and China towers above us as a factor that will restrain growth in the period ahead.

On the other hand, geopolitical risks originating in the Middle East and Syria remained in existence throughout 2018 and re-introduction of the US sanctions against Iran negatively impacted the risk outlook.

Financial markets continued to be steered by the policies and decisions of the US Federal Reserve (the Fed) and the European Central Bank (ECB). Carrying out the downsizing of its balance sheet in line with the predictions, the Fed hiked the rates four times, and increased the interest rate by 25 bps to the 2.25-2.5 interval in the last meeting of 2018, which marked their highest level in the past ten years. The Fed decreased the number of rate increases in 2019 from 3 to 2.

Having gradually decreased the size of its asset-buying program during 2018 and terminated it in December despite the signals of a slowdown in the economy, the ECB is anticipated not to increase the interest rates until 2020 due to the declined inflation in the Eurozone.

The uncertainties emerging in connection with the UK's withdrawal from the European Union will also be effective in the development of global economy.

2018 saw sharp volatilities in developing markets in conjunction with the tightened global liquidity conditions and deteriorated risk perception. Yet, it is common opinion in the markets that risk perception toward developing countries will not worsen further.

The World Economic Outlook published by the IMF in January 2019 underlined that the expansion in global economy is losing pace. The IMF adhered to its 3.7% growth estimate for 2018 global growth despite the relatively weak performance in some Asian and European countries. On the other hand, global economy is projected to grow 3.5% in 2019 and 3.6% in 2020.

### **Growth began to cut pace in the Turkish economy.**

High inflation driven particularly by soaring exchange rates significantly pushed domestic demand down in 2018; accordingly, the decline in capacity utilization of the manufacturing industry and in industrial production, which is the most important component of GDP, reflected on growth in a similar pattern.

The Turkish economy began to decelerate in 2018; following the consumption-driven growth of 7.2% and 5.3% in the first and second quarters respectively, growth slimmed down to 1.6% in the third quarter due to the by-then pronounced deceleration in economic activity.

Having started 2018 with a downtrend, the unemployment rate re-adopted an upturn from the middle of the year, and climbed to 11.6% in October, its highest since March 2017.

After peaking in November, the inflation took a downturn in parallel to the downtrend in exchange rates in November, and CPI ended the year in the order of 20.3%. Displaying a tight monetary policy in the fight against inflation, the Central Bank of the Republic of Turkey (CBRT) stated that it would continue to use all the tools available in

**POWERED BY ITS CORPORATE TRADITION AND MISSION IDENTIFIED WITH THE VALUES OF OUR REPUBLIC, ANADOLU SIGORTA ALWAYS GIVES THE FOREGROUND TO TAKING CONCRETE STEPS TO REINFORCE SOCIAL VALUES AND CARRY THEM TO THE FUTURE, GOING BEYOND CREATING ECONOMIC VALUE.**

## CHAIRMAN'S MESSAGE

keeping with the primary goal of price stability, and that it might implement additional monetary tightening if need be.

The ongoing decline in current deficit was propped by the positive impact of increased exchange rates upon exports, the downtrend in foreign trade deficit stemming from the reduced imported input use and decreased imports of consumer goods, and the positive course of net tourism revenues.

In 2019, it is projected that the inflation will remain high, although some drop is anticipated in conjunction with the loss of momentum that will result from slumped growth rate, and unemployment will sustain its rise due to weaker growth. In return, the weak growth rate will result in further contraction of the current deficit. The extent of success to be achieved in the implementation of the New Economic Program and introduction of structural measures will be telling with respect to the period ahead. Our belief is that our national economy will also come through this trying stage with its robust foundations and growth potential.

### **Global catastrophe losses were lower in 2018 than they were in 2017.**

According to data released by Munich Re, a German insurance company, the

wildfire that was dubbed the "Camp fire" in California was the costliest natural disaster of 2018 with damages in the amount of USD 16.5 billion. It is reported that the portion of USD 12.5 billion of the material damage consisted of insured losses, which were caused by the wildfire that destroyed thousands of houses and claimed the lives of dozens of people.

The costliest hurricane in 2018 was Hurricane Michael that hit the Florida coast of the USA and was the strongest one that made landfall in this state in the past one hundred years. With estimated material damages of USD 16 billion, the hurricane was the second biggest ticket natural disaster of 2018.

Informing that combined damages from all catastrophes in 2018 amounted to USD 160 billion, Munich Re pointed out that the figure remained below the 2017 tally of USD 350 billion caused by natural disasters.

A look at the latest developments in the global insurance industry reveals that the industry is steered by technology. InsurTech, in other words, innovative technology startups in the insurance business, began to appear on the agenda more frequently. The insurance industry will inevitably get involved in these developments in today's world of

information and artificial intelligence. On the other hand, the interest of Big Data owners increasingly channeled toward the insurance business indicates at a different direction of events, given this power in their possession. It is considered that such practices will contribute positively to the industry's dynamics.

### **We continue to grow in parallel with the sector.**

The Turkish insurance industry expanded by 14.3% on average in the past 10 years. We foresee that as the number of people benefiting from insurance rises, so will awareness of the rest of the society; hence, insurance ownership ratios will increase gradually. The drivers behind this increase will include the products in auto, home and health branches, and particularly digital and creative insurance products, which represent the recent increased focus of our Company as well.

We are predicting that gaining the foreground in the future will be such products like complementary health insurance and cyber security insurance, parametric products diverting from the classic insurance notion and package insurance products that touch the daily lives of people at every moment and not just when the loss occurs.

**OUR COMPANY IS  
DETERMINED TO KEEP  
WORKING TOWARDS  
HEALTHY GROWTH.**

**growth**

**THE TURKISH  
INSURANCE  
INDUSTRY  
EXPANDED BY 14.3%**

**14.3%**

**ON AVERAGE IN THE  
PAST 10 YEARS.**

While continuing to fulfill its share of responsibility in respect of enhancing insurance awareness and expanding the insured base in keeping with the pioneering mission it has assumed since its inception, our Company will also manifest its distinction through its innovative products and customer access and service channels, making effective use of technological means.

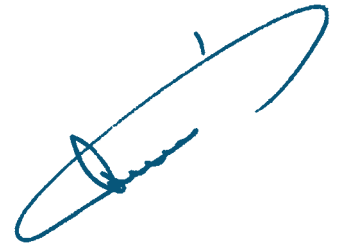
As the competition in the sector puts financial profit ahead, our Company is determined to keep working towards healthy growth, aware of the fact that true insurance business is measured by sustainable technical profitability.

Powered by its corporate tradition and mission identified with the values of our Republic, Anadolu Sigorta always gives the foreground to taking concrete steps to reinforce social values and carry them to the future, going beyond creating economic value. We believe that one of the best examples of this attitude is our project "One Master, Thousand Masters" which has reached its 10<sup>th</sup> year. We, as Anadolu Family, believe that our slogan "Never Lose" will come into being with all

the aspects entailed, if and only if we own and embrace our values.

We extend our thanks to our colleagues, business partners and delivery channels who have contributed to building our achievements, and to our policyholders and all our shareholders who stimulate us with their trust.

Sincerely,



Caner Çimenbiçer  
Chairman of the Board of Directors

**WE INTRODUCED THE CYBER SECURITY PACKAGE  
INSURANCE FOR INDIVIDUALS, A FIRST IN TURKEY.**

## **CEO'S MESSAGE**





**TOTAL PREMIUM PRODUCTION BY THE OVERALL SECTOR WAS UP 20.2%.**

**20.2%**

**Our sector continued to grow despite challenging macroeconomic conditions.**

Total premium production by the overall sector was up 20.2% year-over-year and reached TL 47.7 billion. We consider it as a positive indicator for the future that growth continued, although at a slower pace as compared with the previous years, in spite of the negative macroeconomic conditions that prevailed in 2018. More importantly, this growth came in an environment of declined sales in the automotive industry.

On the other hand, the technical profitability side remained inauspicious. Challenged in securing the loss/premium balance due to the increased costs in 2018, the insurance industry is unable to make money on basic insurance activities when we exclude financial income. We are unable to reflect the rise in loss costs to our premiums. In other words, we are sharing our financial income with our policyholders.

Excessive competition comes at the top of the factors affecting technical profitability. Being a country with a low penetration ratio and high percentage of young population, Turkey is a very attractive market from the standpoint of the insurance industry. With this characteristic, the industry attracts domestic and foreign new players. As companies focus on market share, technical profitability fades into background.

Another reason is the price cap implementation in traffic insurance, which is the largest branch. The cost of the price cap implementation that began in 2017 to insurance companies got even more burdensome in an economic environment where inflation exceeded 20%.

On the other hand, some steps were also taken, which will help our industry grow. The way was paved for fidelity insurance;

in addition, a new model was established, which will allow small and medium sized companies to take advantage of credit insurance.

Furthermore, the advancements in technology, new delivery channels and evolving customer behaviors compel the insurance business, like all the other sectors, to change. In parallel with the increased importance of digitalization, companies allocate more resources to keep pace with this change.

**Our Company sustained its strong performance also in 2018.**

From a financial point of view, we can say that companies have two primary objectives: growth and profitability. Usually, the two do not go hand in hand, and when determining their strategies, companies concentrate more on one of these two variables.

2018 has been a year when we captured the results we desired in terms of both growth and profitability. Our total premium production increased by 22% to TL 5.7 billion. In the reporting period, we outperformed the sector's average growth, and increased our market share from 11.76% to 11.94%. When we look on the basis of branches, we have further reinforced our leadership in fire and natural disasters, motor own damage, hull, marine cargo, general liability and aircraft branches.

The rates of increase we have achieved in profitability are far more remarkable. Our net profit augmented by 67% year-over-year and rose to TL 307.6 million.

**We are in a pioneering position also through our speed and competence in digitalization.**

The changes in the digital world are pushing the insurance industry to change as well. As Anadolu Sigorta, we have allocated significant resources to this area. A substantial portion of our human

**2018 HAS BEEN A YEAR WHEN WE CAPTURED THE RESULTS WE DESIRED IN TERMS OF BOTH GROWTH AND PROFITABILITY.**

**22%**

**OUR TOTAL PREMIUM PRODUCTION INCREASED BY 22% TO TL 5.7 BILLION.**

## AS INSURTECH TECHNOLOGIES GAIN PROMINENCE ACROSS THE WORLD, VENTURES AND INVESTMENTS MADE IN THIS AREA BEGAN TO CREATE AN ECOSYSTEM IN OUR COUNTRY AS WELL.

### CEO'S MESSAGE

resource and budget has been allotted to our activities associated with technology.

We consider ourselves as the insurance company that best uses technology in every field of insurance business from more effective use of our delivery channels to optimization of customer experience, and from enhancing the productivity of our business processes to supporting startups.

We keep improving the services we deliver to our clients on online and mobile platforms. Almost the full suite of our individual products can be purchased and sold on these platforms. In 2019, we will also enable tracking of the claims process of our clients on digital environments.

On the part of delivery channels, we are targeting to vest our agencies in the capability to make online sales within the scope of Digital Agency Project (DAP). The number of our agencies within the scope of DAP rose to 214. Moreover, we are also increasing the number of our products on digital channels.

Furthermore, we are striving to speed up the processes, secure cost advantages and acquire additional capabilities we did not previously have by effectively using artificial intelligence technology such as natural language processing (NLP) and machine learning in our daily life.

We believe that the companies making effective use of artificial intelligence technology will be differentiated from the others in the period ahead.

AS'li, one of our innovative practices, is an example of RPA, Robotic Process Automation. In 2018, we have upgraded a number of processes by using RPA technology, and began performing standard, time-consuming tasks taking up a large number of resources with AS'li.

We are employing robotic technology in more than 10 processes ranging from preliminary quotation operations to policy issuance, from claims processing to data entry, and we are constantly expanding their use through new projects.

In our opinion, robotic technology entails value proposal in the three main headings of automation, optimization and transformation. We take transactions of a linear nature that do not require creative decision making capability off the shoulders of our specialized employees, thus capturing the opportunity to allocate their precious time to tasks with higher added-value. What's more, since we have the possibility to get the robots to work 24 hours a day and 365 days a year, we increase our process maturity in respect of optimization and continuity.

In the short term, we will implement initiatives that can be referred to as "smart automations" by positioning robotic technology along with artificial intelligence, image processing and optical character recognition technologies.

In addition to these, we are also interested in InsurTech startups. As InsurTech technologies gain prominence across the world, ventures and investments made in this area began to create an ecosystem in our country as well. Through the program titled Astart launched in 2018 to support small ventures related to the sector, our Company intends to extend support to many ventures from early stage technology business ideas to business ideas that got funded with the aim of contributing to the "Digital Insurance" world. From amongst the applications received, we provided the opportunity to work in Kollektif House to support 2 InsurTechs.

Via Hackathon, our event we have been organizing for the past two years, we are trying to identify the ideas that will establish a sustainable link with insurance products and services, and will facilitate daily life. Our doors are always open to software developers and designers who enjoy developing digital projects and wish to put forth their innovative ideas.

## WE WILL REINFORCE OUR IDENTITY AS THE PIONEERING INSURANCE COMPANY.

**pioneering**

### **Our cyber security products are the first of their kind in our country.**

As technology develops and transforms at a head-spinning pace, the threats in the cyber world are increasing at the same speed and posing a risk element for individuals and organizations alike. Cyber insurance policies introduced by the insurance business against these risks draw the attention as a new and rapidly thriving area.

As a requisite of the pioneering role we undertake, we had introduced the cyber security package insurance for individuals in 2017, a first in Turkey. In 2018, we developed the Commercial Cyber Security Package Insurance, another first in our country. The Commercial Cyber Security Package Insurance put together for commercial establishments and SMEs is noted as a complete and comprehensive package cyber risk policy providing cover for all costs and losses from financial losses to loss of profit and business sustained by companies, from costs incurred due to loss of data to cyber ransom loss and services provided by cyber risk experts within standard limits and for affordable premiums.

### **We are holding a confident outlook for the future.**

As the New Economic Program also states, the year ahead will be a kind of stabilization period for the economy. We are anticipating inflation and interest rates to be pulled down gradually. We have also participated in the "All-out War on Inflation Program" to extend support to the fight against inflation.

In this period, economic growth is projected to be lower than it was in previous years. While we do not expect the growth of the insurance sector to differentiate significantly from the general economic developments, we anticipate our premium production to keep increasing.

We, too, have set our three-year strategic plan for the new period. As Anadolu Sigorta, we will remain adhered to our approach observing a balance between growth and profitability. We are determined to develop different products and services that will reinforce our identity as the pioneering insurance company, and to carry on with our digitalization investments, giving the top priority to artificial intelligence projects.

Ranking 37<sup>th</sup> in the List of Turkey's most valuable 100 brands, which was published in 2018 by Brand Finance, an international brand evaluation organization, Anadolu Sigorta has been the most valuable brand of the insurance sector with its value of USD 154 million. The brand equity of Anadolu Sigorta, which was placed in the list also in the previous year, increased by 15% over 2017.

The brand equity of Anadolu Sigorta surely rises upon the foundation of the constantly reinforced reliability factor. Our clients' faith and trust in our brand is much more valuable for us than many numeric indicators.

We are working with all our power and energy to be worthy of this trust. With our in-depth experience in the sector and our strong vision, we will be further expanding our set of achievements, guided in this journey by our corporate principles and values, and we will be carrying our industry and our Company into the future.

I would like to extend my heartfelt thanks to all our stakeholders who, I believe, will be standing by our side with their support and contributions as we work to build a more secure future.



İlhami Koç

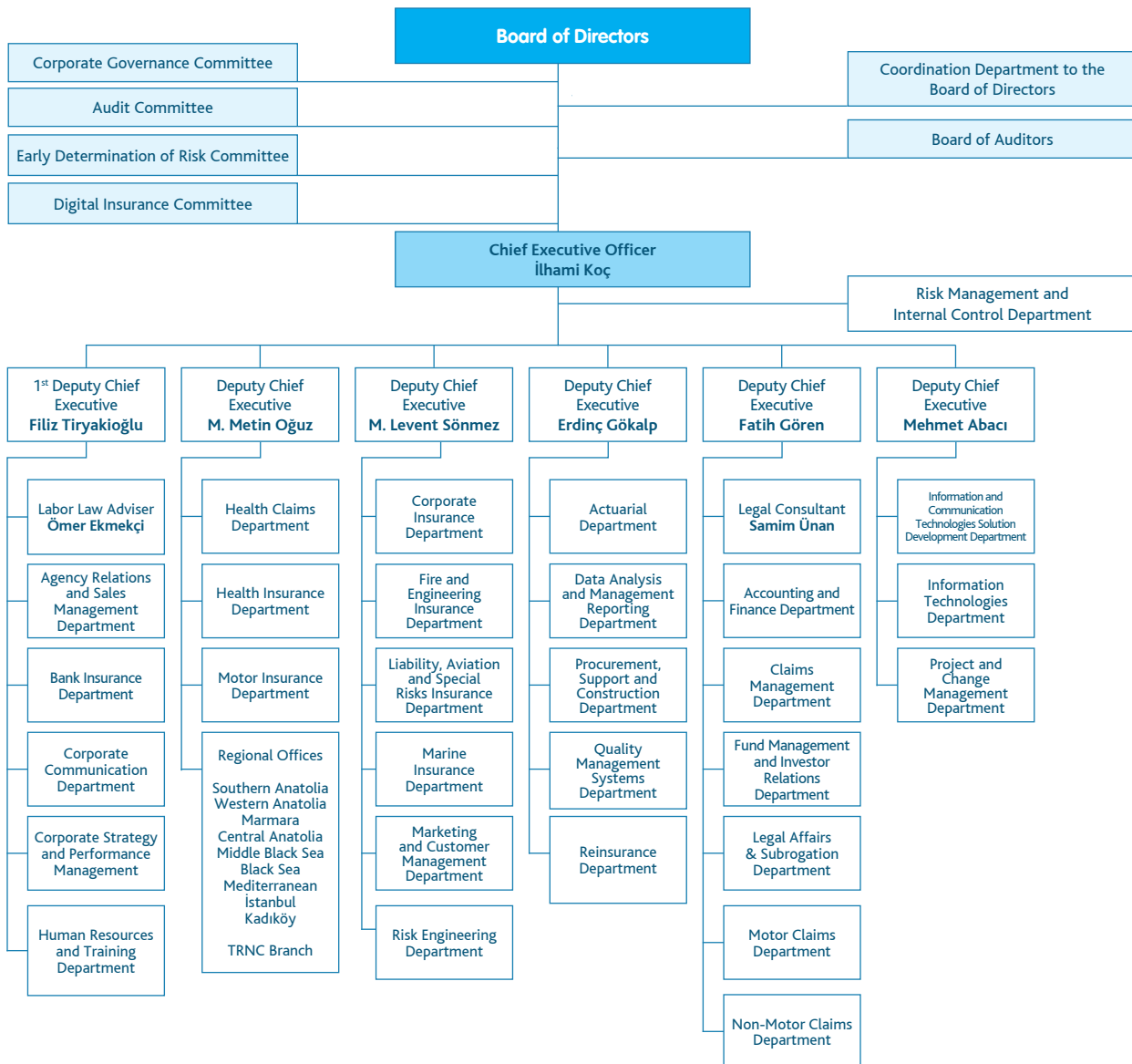
CEO

WITH ITS BRAND  
EQUITY THAT  
INCREASED BY 15%  
ANADOLU SIGORTA  
HAS BEEN SELECTED

15%

THE MOST VALUABLE  
BRAND OF THE  
INSURANCE SECTOR  
BY BRAND FINANCE.

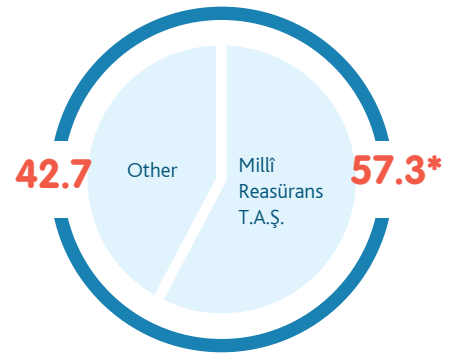
# ORGANIZATION CHART



**48% OF THE SHARES OF ANADOLU SIGORTA, A SUBSIDIARY OF İŞBANK, ARE QUOTED ON BORSA İSTANBUL (BIST) STAR MARKET.**

## CAPITAL AND SHAREHOLDER STRUCTURE

### Shareholder Structure (%)



\* 5.3% shares were acquired from Borsa İstanbul.

### Capital Increases and Their Sources

There were no capital increases in 2018.

### Disclosures on Preferred Shares

No more preferred shares remained following the amendment to the Articles of Incorporation registered by the Company on 11 April 2013.

### Changes in the Articles of Association during 2018

Related articles of the draft amendments to the Company's Articles of Incorporation which were approved by the T.R. Prime Ministry Capital Markets Board of Turkey (CMB) letter no. 29833736-110.04.04-E.15 dated 2 January 2018 and by the T.R. Ministry of Customs and Trade Directorate General of Domestic Trade letter no. 32108536 dated 16 February 2018 have been ratified at the Company's Annual

General Assembly Meeting held on 26 March 2018 with majority of votes. The said articles were registered on 11 April 2018 and promulgated in the Turkish Trade Registry Gazette issue 9560 dated 17 April 2018.

### Article 3 - The Company's Object and Scope

**e- The Company can make charitable donations within the scope of social responsibility and subject to the principles and procedures set out by the Capital Markets Board of Turkey.**

### Article 6 - Capital

The authorized capital permission granted by the Capital Markets Board is valid for 2018-2022 (5 years). At the end of 2022, even if the permitted authorized capital is not reached, in order for the

Board of Directors to pass a decision for a capital increase, it is compulsory to obtain authorization for a new period of time that will not exceed five years from the General Assembly after receiving a permission from the Capital Markets Board of Turkey for the previously permitted or a new authorized capital. In the absence of the said authorization, a capital increase cannot be realized by a Board of Directors decision.

In accordance with the provisions of the Capital Market Law and applicable legislation, the Board of Directors is authorized to increase the issued capital by issuing registered share certificates up to the Authorized Capital and to combine the share certificates in denominations representing several shares when it deems necessary between 2018 and 2022.

### Ratings

Credit Ratings	Note	Outlook
Fitch Ratings		
IFS	BB+	Negative
National IFS	AA+ (tur)	Stable
Corporate Governance Rating		
SAHA Kurumsal Derecelendirme Hizmetleri A.Ş.	Note	
Corporate Governance Rating Note	9.51	

## BOARD OF DIRECTORS



### Caner Çimenbiçer Chairman

Caner Çimenbiçer graduated from the Business Administration department of the Faculty of Administrative Sciences at Middle East Technical University in 1973. He started his professional career at Koç-Burroughs the same year. He joined İşbank in 1974 as an assistant inspector trainee on the Board of Inspectors. After holding various positions in the Bank, he was appointed as Senior Executive Vice President in 1998, and elected as Board of Directors member from 2005 to 2008 and the Chairman of the Board from 2008 to 2011. Appointed as the Chairman and Managing Director of Anadolu Sigorta on 1 April 2011, Çimenbiçer was afterwards elected as the Chairman, on 25 March 2014. Caner Çimenbiçer served in various companies in the past ten years. Mr. Çimenbiçer was the Chairman of the Board at İzmir Demir Çelik Sanayi A.Ş. (1999-2005), Petrol Ofisi A.Ş. (2000-2005) and Petrol Ofisi Alternatif Yakıtlar Tiptan Satış A.Ş. (2005). He was Deputy Chairman at Erk Petrol Yatırımları A.Ş. (2003-2005), and Petrol Ofisi Gaz İletim A.Ş. (2005), Board member at Avea İletişim Hizmetleri A.Ş. (2003-2005) and Chairman of the Board at Milli Reasürans T.A.Ş. (2008-2009). Mr. Çimenbiçer was elected the Chairman and Executive Board Director at Anadolu Sigorta on 1 April 2014, and then the Chairman on 25 March 2014.

### 2- Hasan Hulki Yalçın Deputy Chairman

Hasan Hulki Yalçın graduated from the Economics Department at the Middle East Technical University and then completed the master's program in International Banking and Finance at the University of Birmingham (UK). He began working at İşbank as Assistant

Auditor, where he later served in various positions and capacities for fourteen years. Having continued his professional life at Milli Re that he joined in 2003, Hasan Hulki Yalçın has been appointed as General Manager of Milli Re on 16 January 2009. Having attended various professional training programs abroad, Mr. Yalçın is also serving as a member of the Non-Life Executive Board at the Insurance Association of Turkey.

### 3- İlhami Koç CEO and Director

İlhami Koç graduated from Ankara University, Faculty of Political Sciences and started his career at İşbank as Assistant Auditor. After holding managerial positions in various units of the Bank, he was appointed as the Head of Capital Markets and Portfolio Management at İş Investment in 1997. In order, he served as Assistant General Manager of İş Investment, CEO of İş Private Equity, and CEO and Chairman of the Board of İş Investment. Mr. Koç was appointed as the Deputy Chief Executive of İşbank in 2013. He also served as the Chairman of the Turkish Capital Markets Association (TCMA) and a Board Member at Borsa İstanbul and İşbank Russia CJSC. Holding a seat as a member on the Boards of Directors of the Insurance Association of Turkey, Corporate Governance Association of Turkey, Association of Listed Companies' Executives, and Assurance Account, Mr. İlhami Koç has been the CEO of Anadolu Sigorta since 14 November 2016.

### 4- Dr. Fatih Anıl Director (Independent)

Dr. Fatih Anıl received a graduate degree in management from İstanbul Technical University, a graduate degree in economics from the University of Amsterdam, and a doctorate degree in production management and marketing from Marmara University. He then started his career as an economist/EU specialist at the Economic Development Foundation, before joining Beymen as Finance and Trade Manager. He worked as the General Manager of Elements Textile, an Orjin Holding company and later as COO of the C5 Mobile company, before working as the General Manager of Orka Holding (Damat&Tween- DS) between 2008-2011, where he currently holds a member's seat on the Executive Committee. He was a speaker in various organizations and university events abroad. He published two books: *Pazarlamadan Perakendeye, Perakende, Ekonomi, Yönetim, Hayata Dair* (From Marketing to Retailing: About Retailing, Economy, Management and Life) and *Sanayi Firmalarında Orta Ölçek Tuzağı* (Middle Scale Trap in Industrial Firms) that was published by the İstanbul Chamber of Industry. He also offers "Retailing Management" "Strategic Marketing" and "Management" courses in the graduate programs of Bahçeşehir and Nişantaşı universities.



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#### 5- Ömer Faruk Cengiz

Director

Ömer Faruk Cengiz graduated from the Public Administration Department of Faculty of Political Science at Ankara University in 1998. He started his career as an assistant credit specialist at Konya Branch of İşbank in 1999, where he later functioned as credit specialist at Büşan/Konya Branch, assistant regional director at Commercial Banking Sales Division of Kayseri Regional Directorate, manager of Kahramanmaraş Branch, Gaziantep District Sales Director, and manager of Konya Commercial Branch. Since 2017, he serves as the head of SME Banking Division.

#### 6- Prof. Dilek Demirbaş

Director (Independent)

Prof. Dilek Demirbaş graduated from İstanbul University, Faculty of Economics, Public Finance Department in 1985, and completed master's programs in the Department of Economics at İstanbul University, Faculty of Social Sciences and at the University of Rice in the U.S., followed by a doctorate program in economics at the University of Leicester in the U.K. The same year, she started her academic career at the Newcastle Business School where she later became an Assistant Professor, Associate Professor and Full Professor, in tandem with which she served in various administrative roles including the Head of Strategic Management and International Business Department, FT MBA program leadership. In 2011, she joined Yıldırım Beyazıt University as a Professor in

the Business School; she was a co-founder of the Department of International Trade and Business, which she headed. In 2016, she joined İstanbul University as a Professor in the Faculty of Economics, Department of Economic Theory. Ms. Dilek Demirbaş has academic publications in Turkish and English languages, conducts national and international projects, acts as an advisor to graduate and postgraduate students, and offers consultancy to various institutions including development agencies and The Scientific and Technological Research Council of Turkey (TÜBİTAK). In addition, she currently serves in a number of positions including member of the Board of Trustees of the International University of Sarajevo, a member of the Economic Research Foundation, and a member of the editorial board of the Journal of Economy, Culture and Society.



**Ayşen Aygül**

Board of Directors Reporter

#### Information on Board Meetings Held in 2018 Fiscal Year

During 2018, the Board of Directors of Anadolu Sigorta met 12 times and held its 1237<sup>th</sup> meeting at the end of the year. Six meetings were held with full participation, whereas six meetings were held with the absence of one member in each.

Reports by the Board of Directors Committees, monthly working reports of the Executive Committee, reports by the Board of Inspectors, proposals, and general agenda items dealing with informative memos are distributed to the members four days in advance of the meeting date on average.

## BOARD OF DIRECTORS

### 7- Hafız Ekrem Kürkçü

Director

1966, İstanbul. Ekrem Kürkçü graduated from Uludağ University/Education Faculty. He started his career as officer at İşbank Harbiye Branch. He was promoted to Section Head and Sub Manager between 1995-2005 at Beyoğlu Branch, Assistant Manager between 2005-2008 at Central Operations Division. He was promoted to Unit Manager the same year. Since 2008 he serves as Division Manager at Foreign Trade and Commercial Loans Operations Division.

### 8- Kemal Emre Sayar

Director

A graduate of Industrial Engineering Department of the Middle East Technical University, Kemal Emre Sayar completed the graduate programs on Information Technologies in Management (MS) at Sabancı University, and on Economics and Finance (MA) at Boğaziçi University. He started his career in 1999 as an assistant inspector for İşbank, where he held various managerial positions. He currently works as Unit Manager of the Subsidiaries Department. Serving as a member on the Boards of Directors of various group companies, Mr. Kemal Emre Sayar has been a Board Director at Anadolu Sigorta since 26 November 2015.

### 9- Prof. Ayşegül Toker

Director (Independent)

Ayşegül Toker graduated from Industrial Engineering at the Middle East Technical University and became a faculty member in the Business Administration Department at Boğaziçi University in 1997 where she has been researching in the fields of Internet and new technologies since then. Prof. Ayşegül Toker works on the adaptation of new technology by consumers and businesses. In connection with the advancements in information and communications technologies, she has a number of articles published in various academic journals, proceedings in national and international conferences, books and book chapters about social media, location-based marketing, mobile marketing, online marketing, virtual communities and customer relationship management. She is a co-author of the book *Mobile Marketing: Fundamentals and Strategy* printed by McGraw Hill. In recent years, she has been noted for her academic work and studies addressing the business world in relation to Digitization Strategies, Social Media, Digital Marketing and Corporate Entrepreneurship (Intrapreneurship). In addition to her academic work, Prof. Toker managed the University's presence and strategy on all social networks as the Social Media Coordinator. Having assumed the position of Boğaziçi University Entrepreneurship Center Director in 2016, Prof. Toker runs projects for improving the entrepreneurship ecosystem and culture. Prof. Ayşegül Toker has been serving as the Dean of the Faculty of Economics and Administrative Sciences at Boğaziçi University since 2012.



## DECLARATIONS OF INDEPENDENCE BY INDEPENDENT MEMBERS OF THE BOARD OF DIRECTORS

26 February 2018

To: Anadolu Anonim Türk Sigorta Şirketi

Corporate Governance Committee

I hereby declare that I satisfy the criteria of independence pursuant to applicable legislation within the framework of the criteria covered in the Communiqué on the Determination and Implementation of Corporate Governance Principles, and submit my candidacy as an independent member of the Board of Directors of Anadolu Anonim Türk Sigorta Şirketi.

Yours sincerely,



Prof. Ayşegül Toker

27 February 2018

To: Anadolu Anonim Türk Sigorta Şirketi

Corporate Governance Committee

I hereby declare that I satisfy the criteria of independence pursuant to applicable legislation within the framework of the criteria covered in the Communiqué on the Determination and Implementation of Corporate Governance Principles, and submit my candidacy as an independent member of the Board of Directors of Anadolu Anonim Türk Sigorta Şirketi.

Yours sincerely,



Prof. Dilek Demirbaş

26 February 2018

To: Anadolu Anonim Türk Sigorta Şirketi

Corporate Governance Committee

I hereby declare that I satisfy the criteria of independence pursuant to applicable legislation within the framework of the criteria covered in the Communiqué on the Determination and Implementation of Corporate Governance Principles, and submit my candidacy as an independent member of the Board of Directors of Anadolu Anonim Türk Sigorta Şirketi.

Yours sincerely,



Dr. Fatih Anıl

## EXECUTIVE COMMITTEE



### 1- İlhami Koç CEO

Mr. İlhami Koç graduated from Ankara University, Faculty of Political Sciences and started his career at İşbank as Assistant Auditor. After holding managerial positions in various units of the Bank, he was appointed as the Head of Capital Markets and Portfolio Management at İş Investment in 1997. In order, he served as Assistant General Manager of İş Investment, CEO of İş Private Equity, and CEO and Chairman of the Board of İş Investment. Mr. Koç was appointed as the Deputy Chief Executive of İşbank in 2013. He also served as the Chairman of the Turkish Capital Markets Association (TCMA) and a Board Member at Borsa İstanbul and İşbank Russia CJSC. Holding a seat as a member of the Board of Directors at the Insurance Association of Turkey, Corporate Governance Association of Turkey, Association of Listed Companies' Executives and Assurance Account, Mr. İlhami Koç has been the CEO of Anadolu Sigorta since 14 November 2016.

### 2- Filiz Tiryakioğlu

1<sup>st</sup> Deputy Chief Executive

Agency Relations and Sales Management  
Department

Bank Insurance Department

Human Resources and Training Department

Corporate Communication Department

Corporate Strategy and Performance  
Management

Filiz Tiryakioğlu graduated from Anadolu University, Faculty of Business Administration, Department of Business Administration. She started her career at Anadolu Sigorta as a Clerk in the Fire Department in 1985. After working in administrative positions in the Fire Insurance and Claims Departments, she became Training

Manager in 2000 and was appointed as the Human Resources and Training Manager in 2004. Appointed as Deputy Chief Executive Officer in 2008, Ms. Tiryakioğlu has been serving as 1<sup>st</sup> Deputy Chief Executive since 2013.

### 3- Mehmet Metin Oğuz

Deputy Chief Executive

Regional Offices

TRNC Branch

Motor Insurance Department

Health Insurance Department

Health Claims Department

M. Metin Oğuz graduated from the Middle East Technical University, Faculty of Arts and Sciences, Department of Physics and Mathematics, and began his career at Anadolu Sigorta as a Clerk in the Accident Department in 1985. In tandem, he graduated from the Turkish Insurance Institute at the top of his class in the 1987-1989 period. During his employment with the Company, he earned the Atatürk scholarship granted by the Association of Insurance and Reinsurance Companies of Turkey and received foreign language and training education abroad for six months. He earned his master's degree from Marmara University Institute of Banking and Insurance, Department of Insurance in 1992. He was appointed as Accident Insurance Manager in 1998, and Motor Insurance Manager in 2002. Serving as Deputy Chief Executive Officer since 2004, Mr. Oğuz was a member of the Board of Directors at Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş. between 2005 and 2012. Mr. Oğuz is also the Chairman of the Board at Turkish Motor Insurers' Bureau.

### 4- Mehmet Levent Sönmez

Deputy Chief Executive

Marketing and Customer Management  
Department

Corporate Insurance Department

Marine Insurance Department

Risk Engineering Department

Liability Aviation and Special Risks Insurance  
Department

Fire and Engineering Insurance Department

After graduating from İstanbul Technical University, Faculty of Maritime Studies, Department of Marine Engineering in 1985, M. Levent Sönmez got his master's degree in "Contemporary Management Techniques" from Marmara University and Maine University and completed the Swiss Re SITC Marine Insurance program. He started his career at Anadolu Sigorta as a Risk Management Assistant Specialist in the Marine Department in 1991 and rose to Manager position in 1999 after working in various levels in the Marine Department. M. Levent Sönmez was appointed as Bakırköy Regional Manager in 2002 and Kadıköy Regional Manager in 2004. He has become Deputy Chief Executive Officer on 1 February 2008. Holding "Chartered Insurance Institute/London Dip. CII" degree, Mr. Levent Sönmez has been serving as a Deputy Chief Executive of Anadolu Sigorta since 2008. He is also a member of the Board of Directors of TARSİM Agricultural Insurance Pool.



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#### **5- Erdinç Gökalp**

Deputy Chief Executive  
Actuarial Department  
Quality Management Systems Department  
Reinsurance Department  
Procurement and Construction Department  
Data Analysis and Management Reporting  
Department

After graduating from Kuleli Military High School and from the Turkish Military Academy, Department of Business Administration, Erdinç Gökalp got his master's degree in insurance from Marmara University, Institute of Banking and Insurance. Having started his career as a Risk Management Assistant Specialist in the Marketing Department in 1991, he worked in administrative levels in Marketing, Accident Insurance and Reinsurance Departments before rising to the Reinsurance Manager role in 2001. During his employment, he earned the Atatürk scholarship granted by the Association of Insurance and Reinsurance Companies of Turkey and received insurance education abroad for six months. A member of the Technical Committee of FAIR Nat Cat Pool since 2013 and a member of the Technical Committee of FAIR Oil and Energy Syndicate since 2018, Mr. Gökalp has been serving as a Deputy Chief Executive Officer of our Company since 2008.

#### **6- Fatih Gören**

Deputy Chief Executive  
Claims Management Department  
Legal Affairs & Subrogation Department  
Accounting and Finance Department  
Motor Claims Department  
Non-Motor Claims Department  
Fund Management and Investor Relations  
Department

Fatih Gören graduated from Ankara University, Faculty of Political Sciences, Department of International Relations in 1990. He completed the Chartered Insurance Institute (CII) certification program under the School of Banking and Insurance at Ziraat Bank in 1991. He worked as a Specialist in Retail Banking and Agricultural Loans Departments at Ziraat Bank between 1991 and 1994. Having joined Anadolu Sigorta as an Assistant Inspector on the Board of Inspectors in 1994, Mr. Fatih Gören was appointed as Accounting Manager in 2004. Holding Corporate Governance Rating License and Capital Market Activities Level 3 License, Mr. Gören is a member of the Corporate Governance Committee at our Company and a Member of the Board of Directors at the Insurance Arbitration Commission. Mr. Gören has been serving as Deputy Chief Executive Officer since 2008.

#### **7- Mehmet Abacı**

Deputy Chief Executive  
Information Technologies Department  
Information and Communication  
Technologies Software Development  
Department  
Project and Change Management  
Department

Having graduated from the Department of Metallurgical and Materials Engineering, Faculty of Engineering at the Middle East Technical University in 1991, Mehmet Abacı started his professional career in İşbank's IT Department as a Software Specialist the same year. He became a Unit Manager in 2004. Appointed as Deputy Chief Executive Officer at SoftTech A.Ş. in 2008, he was named the Solution Development Manager and Project & Change Manager at İşbank in 2010 and in 2011 respectively. Mr. Mehmet Abacı has been serving as a Deputy Chief Executive Officer of our Company since 2012.

## HEADS OF UNITS UNDER THE INTERNAL SYSTEMS



### Dr. İbrahim Erdem Esenkaya

Chairman of the Board of Inspectors

Born in 1969 in İstanbul. İbrahim Erdem Esenkaya graduated from İstanbul University, Faculty of Political Sciences, Department of Public Administration. He then completed a master's degree without dissertation in the graduate program for the Management of Financial Institutions at İstanbul University, Faculty of Business Administration, Institute of Business Administration. He earned his master's degree in Business Management and Organization, and his doctorate degree in Accounting and Auditing from the Institute of Social Sciences at the same university. He continues his academic career as doctor lecturer at İstanbul Esenyurt University. He started his career at Anadolu Sigorta as an Assistant Inspector at the Board of Inspectors on 1 May 1995 and continued till 31 May 2001. He was appointed to the Accounting and Finance Department on 1 June 2001 as an Assistant Manager and to Internal Audit Department on 1 January 2005 as a Manager. İbrahim Erdem Esenkaya has been appointed as the Chairman of the Board of Inspectors on 1 June 2007.

### Nurdan Türkdemir

Risk Management and Internal Control Manager

Nurdan Türkdemir received her bachelor's degree in Mathematics from Boğaziçi University, her MBA in finance from the SUNY Binghamton University in the US, and completed the Executive Development program at Koç University. She started her career at Anadolu Sigorta as an Assistant Inspector in 2004. She became Senior Assistant Inspector in 2007 and Inspector in 2008. She began working as an Assistant Manager in the Risk Management and Internal Control Department in 2011, where she has been serving with the title Manager since 2018. She is an actuary registered with the Undersecretariat of Treasury and a Certified Information Systems Auditor. She served on the Audit Committee of the Actuarial Association of Turkey between 2016 and 2018. She represents the Actuarial Association of Turkey as a member of the Risk Committee of the Actuarial Association of Europe.

## AVERAGE NUMBER OF EMPLOYEES BY CATEGORIES DURING THE REPORTING PERIOD

Average number of employees by categories during the reporting period is as follows:

	<b>2018</b>
Senior level managers	7
Managers	38
Consultants	2
Middle level managers	181
Specialists/Officers/Other employees	1,032
<b>Total</b>	<b>1,260</b>

## FINANCIAL AFFAIRS AND ACTUARIAL UNIT MANAGERS



### 1- Murat Tetik

Accounting and Financial Affairs Manager

Murat Tetik graduated from İstanbul University, Business Administration Department (English) and started his career in our Company on 1 May 1997 as an Assistant Inspector on the Board of Inspectors. He was promoted to Senior Assistant Inspector on 1 May 2000, to Class III Inspector on 1 June 2001, to Class II Inspector on 1 June 2003, and to Vice Chairman of the Board of Inspectors on 1 August 2004. He was appointed as an Assistant Manager to the Accounting and Financial Affairs Department on 1 January 2005, where he rose to the position of Manager on 1 February 2008. He is a member in the Insurance Association of Turkey Financial Accounting Inspection and Research Committee.

### 2- Taylan Matkap

Appointed Actuary/Manager

Taylan Matkap received his bachelor's degree from Ankara University, Department of Statistics and completed his master's degree in the Department of Actuarial Science and Finance at Boston University. He is currently pursuing his doctoral studies at İstanbul University, Department of Labor Economics and Industrial Relations. Having started his career at Anadolu Sigorta on 1 December 2008 in appointed actuary position, Mr. Taylan Matkap also serves as the President of the Actuarial Society of Turkey.

### 3- Barış Hüseyin Şafak

Fund Management and Investor Relations Manager

Barış Hüseyin Şafak graduated from İstanbul University, Faculty of Science, Department of Mathematics, and completed the Executive Development program at Koç University. He started his career at Anadolu Sigorta on 3 January 2005 as a Risk Management Assistant Specialist in the Accounting and Finance Department. He became a Senior Assistant Specialist in 2007 and Specialist in 2009 before rising to the position of Supervisor in the same Department in 2013. On 1 December 2018, he was appointed as Manager of the Fund Management and Investor Relations Department, which was set up on the same date. Mr. Şafak holds Level 3, Derivative Instruments and Corporate Governance Rating licenses issued by the Capital Markets Board of Turkey.

## FINANCIAL RIGHTS PROVIDED TO THE MEMBERS OF THE GOVERNING BODY AND EXECUTIVES

### Financial Rights

In the fiscal year ended on 31 December 2018, TL 8,481,328 in total has been provided in remunerations and similar benefits to the governing body and senior executives such as the Chief Executive Officer and Deputy Chief Executive Officers. Further details

are presented in the relevant section of financial notes.

### Other Means

The expenses incurred for the members of the Company's governing body and senior executives under other means such as business related entertainment and travels amounted to TL 341 thousand.





**WE ARE OWNING  
THE FUTURE**

## RESEARCH AND DEVELOPMENT PERTAINING TO NEW SERVICES AND BUSINESS ACTIVITIES

In a bid to increase product diversity and respond to demands for different assurance needs, "DEV Motor Own Damage Insurance" custom-tailored for handicapped individuals within the scope of our cooperation with the World Disability Foundation (in Turkish: DEV - Dünya Engelliler Vakfı), branded motor own damage insurance products including Audi, Skoda, Scania, and "Commercial Cyber Security Insurance", another first in the sector offering comprehensive standard protection against cyber security risks that commercial enterprises/SMEs may be confronted with, have been launched. Motor TPL Insurance products started to be issued from the new policy management platform, ASOS.

The Customer Care Center structure was revamped and related services began to be procured from Erişim Müşteri Hizmetleri A.Ş., a subsidiary of İşbank, for responding to the Company's all inbound calls, handling first-level demands, referring complex or specific requests to the relevant units, passing on assistance requests to suppliers, and placing outbound calls for information provision, organizations, campaigns and similar purposes.

In line with our ISO 9001 Quality Management System, ISO 10002 Customer Satisfaction Management System was established to enhance customer loyalty and satisfaction, to improve the quality of our products and services. Upon undergoing the necessary inspections, our Company was awarded yet another internationally recognized management system standard certification.

Initiatives are ongoing for supporting new business ideas and digital ventures that will contribute to the insurance industry. To be able to reach the ventures in this context, cooperation is established with incubators such as Kolektif House, İşbank Workup, and İTÜ (İstanbul Technical University) Çekirdek. Also, support has been extended to InsurTech ventures such as Petsurfer, Stuff Sigorta, E-kira.net.

With a view to improving agency and customer experiences, the number of our

products/services put on sale through "Bireysel Şube" (Personal Branch), "Mobil Şube" (Mobile Branch), "Poliçem Hazır" (My Policy is Ready), "Sigortam Cepte" (Insurance on My Mobile) and "Dijital Acente Platformu" (Digital Agency Platform) applications is being increased continuously.

The Asenta platform launched for enabling easy performance of a number of daily transactions by agencies from a single screen was expanded with the addition of new products, agency segmentation/performance data, various reports/lists and services integrated with the Company's other systems.

As an additional support to the Digital Agency Platform (DAP), which is designed to allow policy sales by agencies via their own web pages, customizable website content and design began to be developed for vesting the websites of the Company's exclusive agencies in a more institutionalized and more professional appearance.

A cooperation was established with Yandex Navigation app that guides the drivers through traffic, under which all users wishing to create a route or search for an address were shown our logo, the introduction to our home policy and the address information of our agencies along their route.

In a bid to enhance customer loyalty, a project was initiated, which is aimed at the development of the "Health Mobile Application" that uses value-added and telematics systems and that is designed with the vision of a healthy life and with the purpose of providing all our existing and potential customers with their current health conditions and health-related background.

ASMED, our new health provision and claims payment application went live. The new application introduced simplified approval processes, which are targeted to shorten provision times and increase the efficiency of claims payment processes.

The mobile app named "İş Ortağım" (My Business Partner) was put to use for surveyors working with our Company in order to speed up loss survey procedures

and processes. The app enables surveys to be performed on site using mobile devices (mobile phones, tablet PCs etc.) and the report can be brought to conclusion.

Work is being carried out to incorporate non-auto claims in addition to auto claims in the system infrastructure that scores instant claims file abuses using the data obtained at the time of the loss notification and upon closure of the surveyor report.

Paintless Repair / Glass Replacement Centers became operational in two locations in İstanbul, where car repairs are performed by experts using modern techniques.

The services rendered by AS'LI Robot are being increased within the scope of Robotic Process Automation (RPA). Spares supply, mini repairs and in-network glass payment control and approval processes have been automated.

Digital risk maps are being used to effectively manage flood and landslide risks.

PAS workflow application used for the operational processes between Regional Branches and agencies were expanded to cover the production processes that remain within the authority of Motor Insurance Department, Marketing and Customer Management Department, or Fire and Engineering Insurance Department.

Outgoing letters prepared on our corporate correspondence platform (Sinerji) began to be sent directly through this platform with e-signature or via Registered Electronic Mail (KEP), instead of being sent in hard copy bearing wet signatures. Besides shortening printing, signing and mailing steps, the new practice also provides saving from paper consumption and mailing expenses.

Within the frame of paperless insurance initiatives, the rate of electronic conveyance of policies and related documents to customers increased, and significant savings were achieved in paper consumption thanks to revised practices and information provided to our delivery channels.



## 2018-2019 PRIMARY GOALS, POLICIES

Being Turkey's deepest-rooted and most experienced insurance company, our vision is defined as being the brand preferred by everyone who needs insurance, and our mission is spelled out as helping create a broad awareness of insurance in our country, leading the sector, and enhancing the value of our Company.

In keeping with this vision and mission, securing a successful performance across the board that is also reflected on the financial results is an inevitable necessity in order to maintain our solid financial strength. To achieve this goal, sustainable performance is targeted to be attained in 2019 by establishing a delicate balance between growth and profitability.

In this context, productivity will be given the foreground while adhering to the growth targets identified despite the projected loss of pace in economic growth. The utmost sensitivity will be exercised in risk selection, while correct pricing will be strictly maintained. Our efforts for improving our business processes with the ultimate goal of achieving increased speed and efficiency in our operations will continue uninterrupted, while performance and budget management methods will be meticulously implemented within the frame of management by objectives approach.

One of our strategic goals is to quickly develop new products and services directed at fulfilling the changing needs of the insurable audience. Within this scope, we will be working on game changing, unprecedented products that are positioned at differentiated price and service levels for customers, paying regard

to current economic conditions and developments.

Digital insurance will remain as one of our key focal points. It will be among our priority goals to increase the share digital sales channel takes within total production and also to ensure more effective use of digital platforms to this end. We will keep investing in technology which will enhance the existing services on digital channels with a particular focus on mobile applications, will improve the user experience by all our customers and our business partners, and will facilitate their interaction.

Paper use will be reduced in our workflows in a bid to protect the nature and to contribute to a world that is greener; while paper consumption will be decreased through digital transformation and smart office structures, an approach will be supported to send the policies and accompanying documents digitally in lieu of hard copies.

In order to disseminate the InsurTech concept and to cater to evolving needs with fitting products and services, support will be given to business ideas that got funded, as well as to early stage technology business ideas related to the insurance business.

It is our most fundamental approach to keep our social relationships strong and to involve human touch for optimum management of customer experience and all our sales channels. For this reason, the tenets that will secure confidence are identified as determining the specific risks of each customer, suggesting the insurance covers that suit their respective needs, and making the claims payment as soon as possible, if the insured has

sustained a loss. In order to secure confidence, communication activities in relation to our products and services will be carried on without interruption, by employing the most suitable channels. In addition, our strong brand reputation will be maintained through media relations, risk communication, reputation management communication and social responsibility initiatives that will contribute value to the community.

Since it is one of the most critical success factors to possess a talented, highly motivated workforce that efficiently uses technology, proactive steps will be taken to attract highly qualified workforce aligned with our business strategies to our Company. Extensive efforts will be spent to improve the competencies and the skills sets of our human resource undertaking managerial and other roles.

## INFORMATION ON THE COMPANY'S INVESTMENTS

The Company's outlays in 2018 amounted to USD 46 million for projects carried out for revising basic insurance implementations, enhancing operational efficiency within the scope of the Company's information and communication technology investments. These projects are detailed under the heading "Research and Development Activities of the Company".

## AN ASSESSMENT OF 2018 BY THE BOARD OF INSPECTORS

Pursuant to the Regulation on the Internal Systems of Insurance and Reinsurance and Pension Companies, the internal audit activity at our Company is carried out by the Board of Inspectors reporting to our Company's Board of Directors. The Board of Directors reviewed and acquainted itself with the 2018 Activity Report of the Board of Inspectors.

In 2018, 28 headquarters units, 9 regional branches and 1 branch adding up to 38 units in total were audited and the resulting determinations and assessments were reported.

Initiated in order to monitor the extent at which the audited units fulfill the requirements of the reports resulting from the audits conducted, follow-up audits continued to be carried out in 2018. A total of 34 follow-up audits were conducted during 2018, 16 of which resulted from 2017 audits.

Auditing of agencies persisted pursuant to the Regulation on the Internal Systems of Insurance and Reinsurance and Pension Companies during 2018, and 664 agencies were audited, and the results were reported.

On the other hand, based on Articles 16/1 and 17/2 of the Regulation on the Internal Systems of Insurance and Reinsurance and Pension Companies, audits were conducted at all of the agencies that remain after eliminating those that were dissolved during the reporting period from the 2,468 agencies that were listed in the audit programs approved by the Board of Directors and planned to be audited in the 2016-2018 period.

In line with the experiences derived from agency audits, agencies were continued to be assessed through scoring based on the financial data for the past three years, within the frame of efforts to further expand and strengthen the central auditing of agencies and to create early warning systems that correctly identify and reveal the risk elements in advance.

In 2018, 42 studies were completed: 25 investigations, 6 examinations and 11 other studies.

As of year-end 2018, the Board of Inspectors was staffed by 14 board members consisting of inspectors and assistant inspectors. With the aim to support professional development of

the Board members and to expand their professional knowledge, their participation in various seminars, meetings and training programs in Turkey and abroad have been facilitated. In this frame, efforts were carried on also in 2018 so that the members of the Board of Inspectors obtain nationally and internationally recognized professional certificates.

Developments are carefully monitored to ensure that the audits conducted and the reports subsequently issued take account of the "International Standards for Internal Audit", are risk-focused, provide assurance for risk management and contribute added value to our Company and necessary revisions and changes are made accordingly.

The Board of Inspectors will keep carrying out the activities within the context of the internal audit program prepared, as well as other activities outside of this scope, based on the fundamental approach for maximizing the benefits expected from internal auditing.

## INTERNAL CONTROL SYSTEM AND AN ASSESSMENT BY THE GOVERNING BODY

Pursuant to the provisions of the "Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies" enforced upon its publication in the Official Gazette issue 26913 dated 21 June 2008, the Risk Management and Internal Control Department was set up in a structure so as to be conducted and administered directly by the CEO, and vested in the powers and responsibilities that will allow the Department to assess the risk exposure and internal control environment in an independent/impartial and effective fashion. The Board Director responsible for Internal Systems is also responsible toward the Board of Directors for the formation of the Department and ensuring, monitoring and coordinating its operability, adequacy and effectiveness.

The duties, powers and responsibilities of the individuals charged with the operation and activities of the Internal Control system, and for conducting the activities are defined in the relevant Operating Guidelines released. The internal control system is set up as a separate mechanism independent from the internal audit system, based on applicable legislation and numerous references available in national and international literature.

Centralized and on-site internal control activities do not eliminate or modify, in part or in whole, the relevant operational and supervisory responsibilities of the employees who are in charge of conducting and/or managing these activities. The Board of Inspectors separately oversees the effectiveness and adequacy of the internal control system.

Within the scope of establishing an effective internal control system that is aligned with the nature, complexity and risk structure of the Company's operations; duly and efficiently managing, mitigating and controlling the risks involved in the Company's operations;

and employing a risk-focused approach to the conduct and management of review, control, monitoring, assessment and reporting activities concerning the activities of the Company's units, all of the Company's key processes were schematized, and risk-control matrixes detailing the control points were prepared, thus completing the system documentation.

A Contingency Action and Funding Plan has been designed, which specifies the actions to be taken in the event of a liquidity crisis sustained by the Company due to negative market movements beyond its control, unexpected macroeconomic events, catastrophic or big-ticket claims payments and other reasons.

With the aim to prevent the Company's exposure to various perils of differing scales (machinery breakdown, human errors, theft, fire, explosion, state of war, sabotage, natural disasters, terrorist acts, power outages, etc.) and the losses resulting therefrom, the Business Continuity Management System has been set up to recover as quickly as possible from the interruption caused by such perils and to enable resumption of key activities.

Within the scope of the Business Continuity Management System, Business Continuity Management System Guidelines, Business Continuity Plan, Incident Management Plan, Emergency Response Plan, IT Continuity Plan and other documents were drawn up and published on the Electronic Document Management System. The operability of the said plans is tested at certain intervals.

It was targeted to secure alignment with COBIT (Control Objectives for Information and Related Technology) in the execution of information systems

processes and functions, and the relevant processes were updated in this respect. The following headings were addressed under the COBIT Alignment Project for Information Technology Governance and Information Technology Processes:

- Devising the Information Technology (IT) Governance Model
- Creating the Governance Processes
- Formulating the IT Service Development Processes
- Developing the IT Service Delivery and Operation Processes
- Creating the IT Support Processes
- IT Audit Management.

Accordingly, the Information Systems Management Committee was set up, which will report directly to the Executive Board and will be responsible for IT strategy and steering activities. The Information Systems Management Committee was established with the purpose of managing information systems in alignment with the Company's strategic goals, establishing the policies, procedures and processes for ensuring information security, and efficiently managing the risks arising from the use of information systems. Basically the Committee defines, assesses and reports on the risks arising from the use of information systems; creates the guidelines for the management of these risks, establishes and monitors relevant controls.

It has been considered that the internal control policies and procedures introduced and the internal control activities carried out are aligned with the Company's nature, the complexity of its operations and risk structure, and possesses the minimum elements of an efficient internal control system.

Information On Associates
Repurchased Own Shares by the Company
Disclosures Concerning Special Audit and Public Audit
Lawsuits Filed Against the Company and Potential Results
Disclosure of Administrative or Judicial Sanctions Against the Company and/or Board of Directors Members
Assessment of Prior Period Targets and General Assembly Decisions
Expenses Incurred in Relation to Donations and Grants and Social Responsibility Projects

## INFORMATION ON ASSOCIATES

The de facto scope of Anadolu Hayat Emeklilik A.Ş. covers engaging in individual or group private pension activities; setting up pension funds in this framework; creating fund bylaws for the funds to be set up; executing pension contracts, annuity contracts, portfolio management contracts, custody agreements with the custodian for safekeeping of fund assets; and offering individual or group life or whole life insurance policies and accident policies in connection therewith, as well as all sorts of life policies, and carrying out reinsurance operations in relation thereto.

The Company has 20% stakeholding in Anadolu Hayat Emeklilik A.Ş.

31 December 2018	Book Value (TL)	Shareholding (%)
Anadolu Hayat Emeklilik A.Ş.	516,860,000	20.0%

## REPURCHASED OWN SHARES BY THE COMPANY

None.

## DISCLOSURES CONCERNING SPECIAL AUDIT AND PUBLIC AUDIT

The Company undergoes independent audits conducted by the independent audit firm, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (Ernst&Young) on its semi-annual financial statements at six-month intervals and on its annual

financial statements annually, as well as consolidation audits performed by İşbank at the end of first and third quarters of the year. Due to being an associate of the Bank, the Company is also subject to the annual information systems audits banks conduct at their consolidated entities.

## LAWSUITS FILED AGAINST THE COMPANY AND POTENTIAL RESULTS

Lawsuits brought against the Company and their possible results are presented under the heading "42 - Risks" in the notes to the financial statements.

## DISCLOSURE OF ADMINISTRATIVE OR JUDICIAL SANCTIONS AGAINST THE COMPANY AND/OR BOARD OF DIRECTORS MEMBERS

During 2018, there were no penalties and/or sanctions of material nature imposed against the Company and/or Board of Directors members on account of acts in violation of the legislation.

## ASSESSMENT OF PRIOR PERIOD TARGETS AND GENERAL ASSEMBLY DECISIONS

All decisions adopted in the Annual General Assembly meeting held on 26 March 2018 have been carried out.

Our Company acts on the principle of providing quality service and it has preserved its leading position in terms of market share in line with its targets by furthering innovation and customer-orientation concepts.

## EXPENSES INCURRED IN RELATION TO DONATIONS AND GRANTS AND SOCIAL RESPONSIBILITY PROJECTS

Our Company acts in awareness of its social responsibility and spent TL 1,226 thousand during the reporting period. The activities carried out within the frame of social responsibility are detailed under the heading "Commitment to Social Responsibility".

## COMMITMENT TO SOCIAL RESPONSIBILITY

Offering service to its policyholders based on its vision summed up in the motto "Never Lose", Anadolu Sigorta launched "Bir Usta Bin Usta" (One Master, Thousand Masters), its long-lived social responsibility project, in 2010 that marked the Company's 85<sup>th</sup> anniversary. The objective of the project is to focus the public attention on vanishing crafts and local values, to help revive these crafts and let professional craftsmen and artisans pass on their experiences to the future.

During the course of the project, which is carried out under the technical advisory of the Ministry of Culture, Directorate General of Research and Training, the Ministry of Culture proposes cities and city-specific crafts that are about to vanish, identifies the nongovernmental organizations (NGOs) that will assist in successful management of the project in the related cities, and guides Provincial Directorates of Culture.

Vocational courses that last 3 to 6 months are organized in identified cities. During the training, all necessary technical and practical information are conveyed to participants.

Within the scope of the project, 15 to 20 prospective masters receive training for each craft. The project derives its name from the target of training a total of 1,000 prospective masters in 50 crafts over the course of 10 years. With the 9<sup>th</sup> year of courses completed in 2018, a total of 45 different courses were carried out and over 800 masters-to-be were trained since the launch of our project "Bir Usta Bin Usta".

While students, teachers, sculptors, painters, animators, researchers, officers, housewives, and retirees take place among the trainees, all participants who have successfully completed the courses received a certificate of attendance. From 2012 onwards, the trainees have also received a certificate approved by the Ministry of National Education.

The topics of the project's 2018 edition consisted of bagpipe making in Artvin, evil eye amulet making in İzmir, book binding in İstanbul, linen weaving in Kastamonu and tile making in Kütahya.

In 2019, that marks the final year of the project, courses will be offered in five more cities and a big closure event will be organized on April 4<sup>th</sup>.

A special collaboration is also carried out with İz TV, a documentary channel, within the scope of the project. Starting from 2010, İz TV has been producing the documentaries of project cities and photographing the course process in each city, which are built into an archive.

Accessible by visitors in the digital world on the website at [www.birustabinusta.com.tr](http://www.birustabinusta.com.tr), the project's website covers various information from course announcements to contact details for current programs, details about the master trainers and the monthly schedules of ongoing programs.



## COMMITMENT TO SOCIAL RESPONSIBILITY

The cities and crafts covered under the project "Bir Usta Bin Usta" since 2010:

<p><b>2010</b></p> <p>Karagöz (Turkish shadow play) Figuration / Bursa Meerschaum Carving / Eskişehir Edimekâri Art (traditional painting and varnishing of wood or leather) / Edirne Kutnu Weaving / Gaziantep Kazaziye (traditional jewelry made with threads of gold or silver) / Trabzon.</p>	<p><b>2011</b></p> <p>Kargı Cloth Weaving / Çorum Silk Weaving / Hatay Stone Working / Mardin Bone Combs / Sivas Savatlı Silver Work / Van.</p>	<p><b>2012</b></p> <p>Mother of Pearl Inlaying / Ankara Rug and Carpetbag Weaving / Kars Glassblowing / Muğla Earthenware Pottery / Nevşehir Woodblock Printing (on cotton or silk) / Tokat.</p>
<p><b>2013</b></p> <p>Wood Carving / Kahramanmaraş Traditional Carpet Weaving of Gördes / Manisa Needlepoint Art of Namrun / Mersin Hand Weaving of Karacakılavuz / Tekirdağ Basketry / Rize.</p>	<p><b>2014</b></p> <p>Tile Working / Çanakkale Oltu Stone Working / Erzurum Art of Leather-Made Accessories / Isparta Art of Felt-Made Accessories / İzmir Amber Working / Şanlıurfa.</p>	<p><b>2015</b></p> <p>Local Damal Doll Making / Ardahan Traditional Accordion Boot Making / Aydın Traditional Silver Threading / Bartın Stringed Puppet Making / İstanbul Wooden Walking Cane Making of Devrek / Zonguldak.</p>
<p><b>2016</b></p> <p>Wood Carving / Adana Kamancheh Making / Trabzon Felt-Making / Konya Hot Glass-making / İstanbul Weaving / Poyralı Village / Kırklareli.</p>	<p><b>2017</b></p> <p>Handmade Soap Making / Balıkesir Local Buldan Cloth Weaving / Denizli Local Şile Cloth Making / İstanbul Zili Handweaving / Taşkale - Karaman Model Ship Making / Sinop.</p>	<p><b>2018</b></p> <p>Artvin / Bagpipe Making İstanbul / Book Binding İzmir / Evil Eye Amulet Making Kastamonu / Linen Weaving Kütahya / Tile Making</p>

Under the project, informative trips are being organized for media members since 2010. Media trips to selected provinces covered the courses offered in Edirne in 2010, Mardin in 2011, Nevşehir in 2012, Rize in 2013, Şanlıurfa in 2014, Bartın in 2015, Adana in 2016, and Sinop in 2017.

Anadolu Sigorta collaborates with TURMEPA (Turkish Marine Environment Protection Association) to prevent marine pollution and to contribute to the combat against pollution. Based on the protocol with TURMEPA, the Association that spends efforts to clean the marine

environment in Turkey receives a share from the revenues generated by the insurance coverage sold to any type of vessel. The protocol for this cooperation was signed in 2010.



## THE COMPANY'S TRANSACTIONS WITH THE RISK GROUP

During 2018 fiscal year, within the framework of the applicable provisions of the Turkish Commercial Code (TCC), our Company is a subsidiary of İşbank Group. Pursuant to Article 199 of the TCC, the Company's Board of Directors presented the declaration below in the conclusion of the affiliation report issued in relation to its relations with the controlling company or an affiliate thereof:

between our Company and our principal shareholder Türkiye İş Bankası A.Ş. and/or other 'Group Companies', there is no;

- transfer of receivables, payables or assets,
- legal transaction that may result in an obligation, such as furnishing surety, guarantee or endorsement,
- legal transaction that may result in transfer of profit.

Commercial transactions the Company realized with its controlling shareholder and other Group Companies during 2018, which are detailed in the report, fall within the Company's field of activity and were carried out on an arm's length basis. In all of the transactions the Company realized in 2018 fiscal year with the controlling company and its affiliates, any and all legal acts carried out in favor of the controlling company or its affiliate with guidance from the controlling company, and any and all actions taken or avoided in favor of the controlling company or its affiliates in 2018 have been reviewed according to the conditions and circumstances known to us. We hereby declare that our Company did not sustain any such loss on account of any transaction arising according to conditions and circumstances known in relation to 2018 fiscal year.

The Company's transactions of a material nature with the related parties during 2018 are presented in Note no. 45 under the notes to the financial statements in the present report.







**WE ARE PIONEERING  
DIGITAL INSURANCE**

# SUMMARY REPORT BY THE BOARD OF DIRECTORS

Dear Shareholders,

Before presenting the 2018 financial statement figures for your approval and comments, we deem it useful to recap the changes and developments in economic life and the insurance sector.

The highlights of the global economic developments in 2018 can be listed as the rate hikes carried out throughout the reporting period by the US Federal Reserve (the Fed) and in turn, the depreciation of currencies of developing countries, aggravated concerns over trade wars around the world and particularly between the US and China, the increased uncertainty in the prolonged Brexit negotiations, and the government and budget crisis in Italy, one of the stronger economies of the European Union.

Having displayed a strong growth performance in 2017, the world economy started 2018 with optimistic expectations, and the growth-friendly public finance policy steps in the US had propped growth around the globe and particularly in developed economies. However, the positive growth performance displayed simultaneously by developed and developing economies was interrupted by the uncertainties resulting from the protectionism steps in global trade from the second half of the year. During the course of the year, while the Fed's continued rate hikes not only pushed the borrowing costs of developing economies higher, geopolitical tensions and the vagueness surrounding the UK's withdrawal from the EU kept the volatility in financial markets at high levels and led to downward revision of global growth projections.

Following its high growth performance in 2017, the Turkish economy made a strong start to 2018 with the additional support of global demand, and succeeded in being the second fastest grower among developing countries with a 7.2% performance in the first quarter. From the second quarter, however, the effects of the Fed's continued rate hikes in 2018 began to be felt. Amid this environment where global financial conditions tightened, economy gave signals of extreme warming, and concerns over the expansion in current deficit and the rise in inflation, coupled with the global developments, put upward pressure on domestic exchange and interest rates. As a result of the high volatility in exchange rates in the third quarter, the CBRT switched to tight monetary policy this time, and increased the policy rate to 24%, as opposed to the simplification and rate increase of the second quarter that had generated only a limited impact. Through this move, the CBRT precluded the volatility and soaring especially in exchange rates. In the last quarter, the measures adopted by the government and loosened oil prices produced a limited improvement in exchange and inflation rates.

Parallel to these developments, the Turkish economy registered 4.5% growth in the first nine months of 2018 year-over-year. While the New Economic Program prepared by the Ministry of Treasury and Finance estimated the year-end growth at 3.8%, the IMF projection for the same was 3.5%. Consumer Price Index (CPI), which floated around 10% in the first quarter of 2018, took an upturn from the second quarter of the year, reaching

25.24% in October, the peak of the past fifteen years. Having started to decline in the last two months of the year, the headline inflation ended the year at the order of 20.30%.

In terms of natural disasters around the world and individual risk damages, 2018 has been a calmer year as compared to 2017, which had seen major hurricanes. As of September, insured losses were below the average of the past 10 years.

Insured losses caused by hurricane Michael in October, which went into the records as the fourth strongest hurricane since 1851 in the United States, is estimated in the region of USD 8 billion. Other than that, various medium-scale losses occurred in the Far East and Europe. Among these was a rare medicane in the Mediterranean (hurricane) that hit the Sicilian coastline and Greece at the end of September. Remarkably, weather events that are rarely seen normally occurred within the same year. Despite the major hurricanes that occurred in 2017, price increases in 2018 renewals of policies remained limited, e.g. below 3% on average, thanks to the high capital level of the global insurance industry.

The Turkish insurance industry, on the other hand, increased its total premium production in 2018 by 17.4% year-over-year to TL 54,653 million. However, in real terms, the industry shrank by 2.4% due to the high inflation. In this period, non-life branches got 87.3% share out of the total production with TL 47.7 billion, whereas life insurance had 12.7% share with TL 6.9 billion. 20.2% nominal growth captured in non-life branches at year-end is anticipated to be registered

in the order of 17.9% in 2019, although the year ahead entails a number of economic unknowns.

Based on non-life segment data for the first nine months of 2018, motor vehicle liability branch that controls the highest production share posted TL 179.5 million in technical profit. Motor vehicles (own damage) branch, i.e. the other motor vehicle insurance branch, registered a technical profit of TL 216.5 million. The highest profit generator of the non-life segment was the accident branch with TL 613.4 million, followed by health with TL 535.6 million, fire with TL 533.7 million, general losses with TL 308 million and marine with TL 235.9 million. While technical profit figure for all branches combined reached TL 2.8 billion, investment income in the amount of TL 4.1 billion within the said technical profit figure, which was transferred from non-technical accounts, has been the most important factor in producing the technical profit. At the end of the third quarter of 2018, the industry booked a total profit of TL 3.2 billion gross and TL 2.6 billion net.

Looking at our Company's financial standing and operating results, 2018 has been a successful year during which our Company achieved its targets.

According to unconsolidated results, our total assets grew by 12.4% year-over-year to TL 7.9 billion, while premium production went up by 22% in the same period to TL 5.7 billion. Our Company succeeded in increasing its net profit by 67% on an annual basis to TL 307.6 billion, thereby capturing 18.7% and 24.6% RoE, on stand-alone and consolidated bases, respectively. Additionally, our Company also preserved its second place in terms of market share in the non-life segment on the back of the premium increase it has carried out in 2018.

On the basis of technical branches, motor vehicle liability branch claimed the biggest share of our total premium production with 27%. This was followed, in order, by motor vehicles branch with 19%, fire and natural disasters branch with 18%, and health branch with 12%. In 2018, although its technical profitability was somewhat affected by the soaring inflation and exchange rates, our Company ended the year with a technical profitability of nearly 9% and a technical profit figure of TL 502 million.

In 2019, our Company targets to maintain and further improve its production and profitability performance, remaining strictly adhered to leadership, innovation and customer-focus concepts.

Dear Shareholders,

We hereby present the Annual Report and our financial statements reflecting our 2018 activities for your review and comments. We would like to thank our customers for their trust in our Company, our delivery channels and all other stakeholders, and our employees for their commitment and contributions.

## ANADOLU SIGORTA POSTED A NET PROFIT OF TL 308 MILLION ON ITS 2018 OPERATIONS, UP BY 67% YEAR-TO- YEAR.

# FINANCIAL INFORMATION AND INDICATORS

Financial Highlights (TL thousand)	2018	2017
Total Premium Production	5,701,355	4,671,410
Total Assets	7,904,032	7,032,315
Claims Paid	3,373,959	2,755,951
Paid-in Capital	500,000	500,000
Shareholders' Equity	1,646,206	1,639,021
Pretax Profit/Loss	386,888	236,833
Net Profit/Loss	307,574	184,197
Capital Adequacy Ratios	2018	2017
Premiums Received/Shareholders' Equity	3.46	2.85
Shareholders' Equity/Total Assets	0.21	0.23
Shareholders' Equity/Technical Provisions	0.32	0.37
Asset Quality and Liquidity Ratios	2018	2017
Liquid Assets/Total Assets	0.65	0.66
Current Ratio	1.18	1.18
Liquidity Ratio	1.24	1.31
Premium and Reinsurance Receivables/Total Assets	0.19	0.16
Receivables from Agencies/Shareholders' Equity	0.66	0.54
Operational Ratios	2018	2017
Retention Ratio (*)	0.67	0.70
Claims Payment Ratio	0.44	0.46
Profitability Ratios	2018	2017
Loss/Premium Ratio	0.90	0.85
Cost Ratio	0.23	0.23
Combined Ratio (Loss/Premium Ratio+Cost Ratio)	1.13	1.08
Pretax Profit/Premiums Received	0.07	0.05
Financial Profit (Gross) (**)/Premiums Received (*)	0.15	0.10
Technical Profit/Premiums Received	0.09	0.06

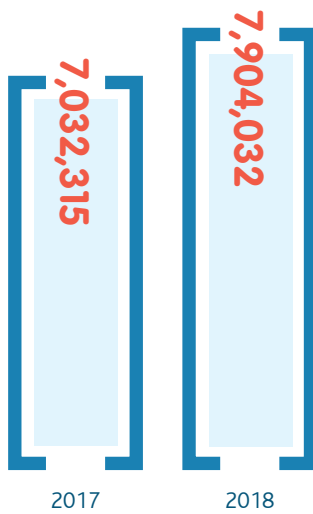
(\*) Including premiums transferred to the Social Security Institution

(\*\*) In the calculation of the financial profit, investment income that has been transferred from the non-technical division to the technical division was excluded.

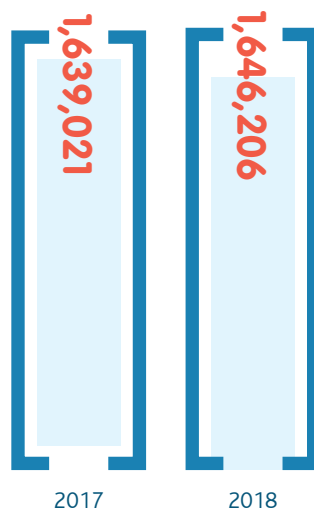
TOTAL  
SHAREHOLDERS'  
EQUITY WAS  
REGISTERED AS  
TL 1,646 MILLION AT  
YEAR-END 2018.

**1,646**

Total Assets (TL thousand)



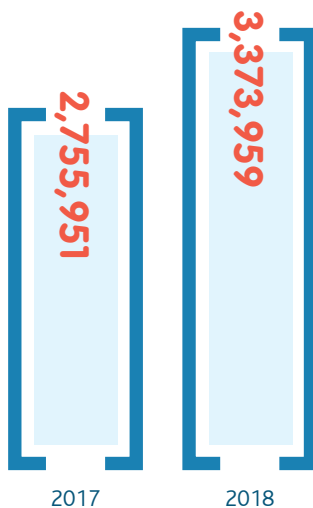
Shareholders' Equity (TL thousand)



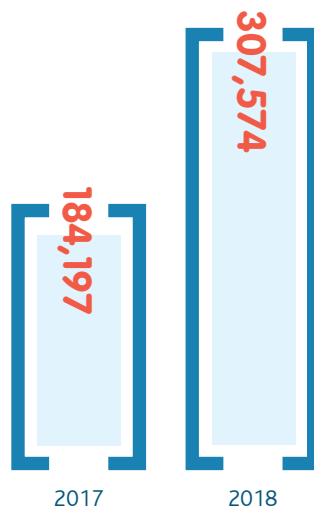
TOTAL ASSETS  
INCREASED TO  
TL 7,904 MILLION AT  
THE END OF 2018.

**+12.4%**

Claims Paid (TL thousand)



Net Profit/Loss (TL thousand)



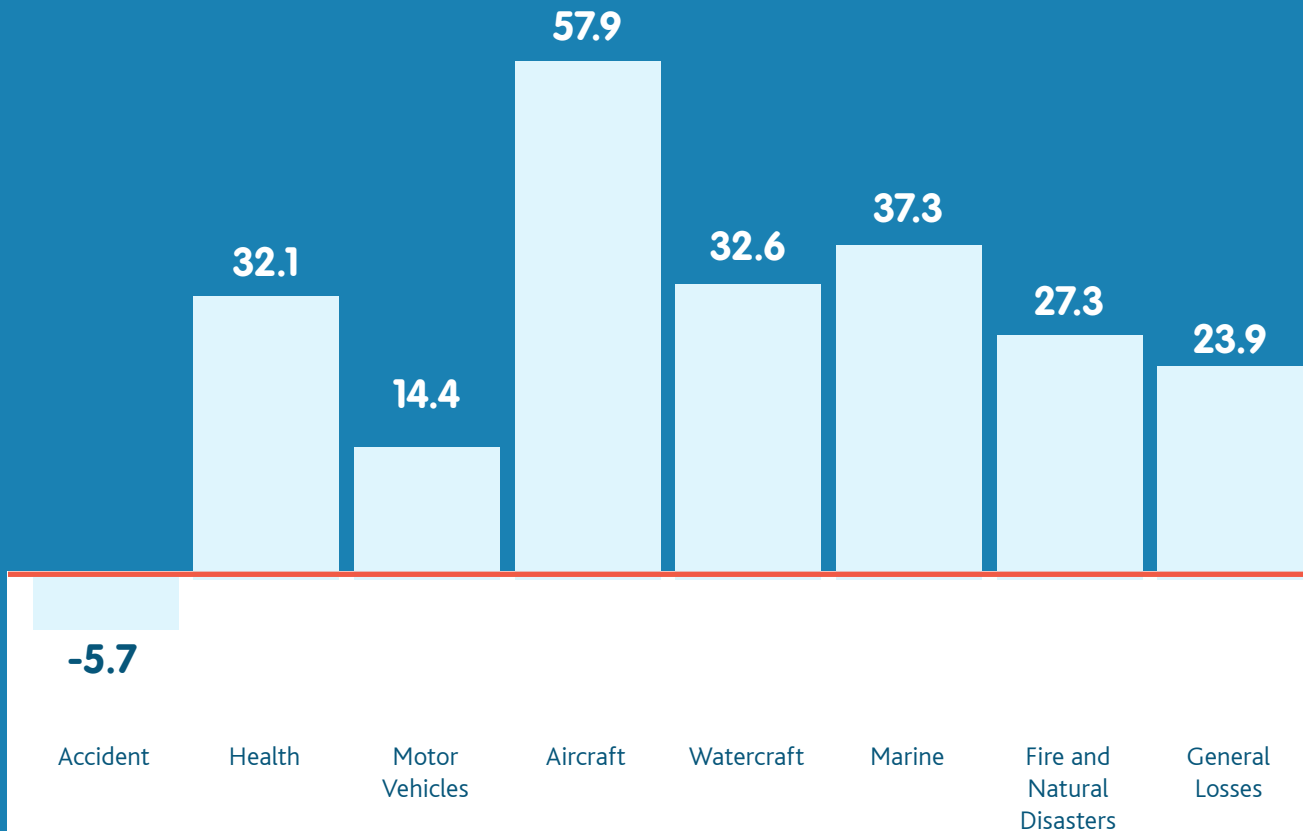
CLAIMS PAID  
AMOUNTED TO  
TL 3,374 MILLION.

**+22.4%**

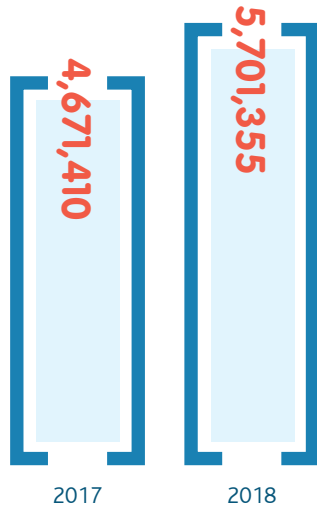
TOTAL PREMIUM PRODUCTION OF ANADOLU SİGORTA REACHED TL 5,701 MILLION IN 2018, UP 22%.

## FINANCIAL INFORMATION AND INDICATORS

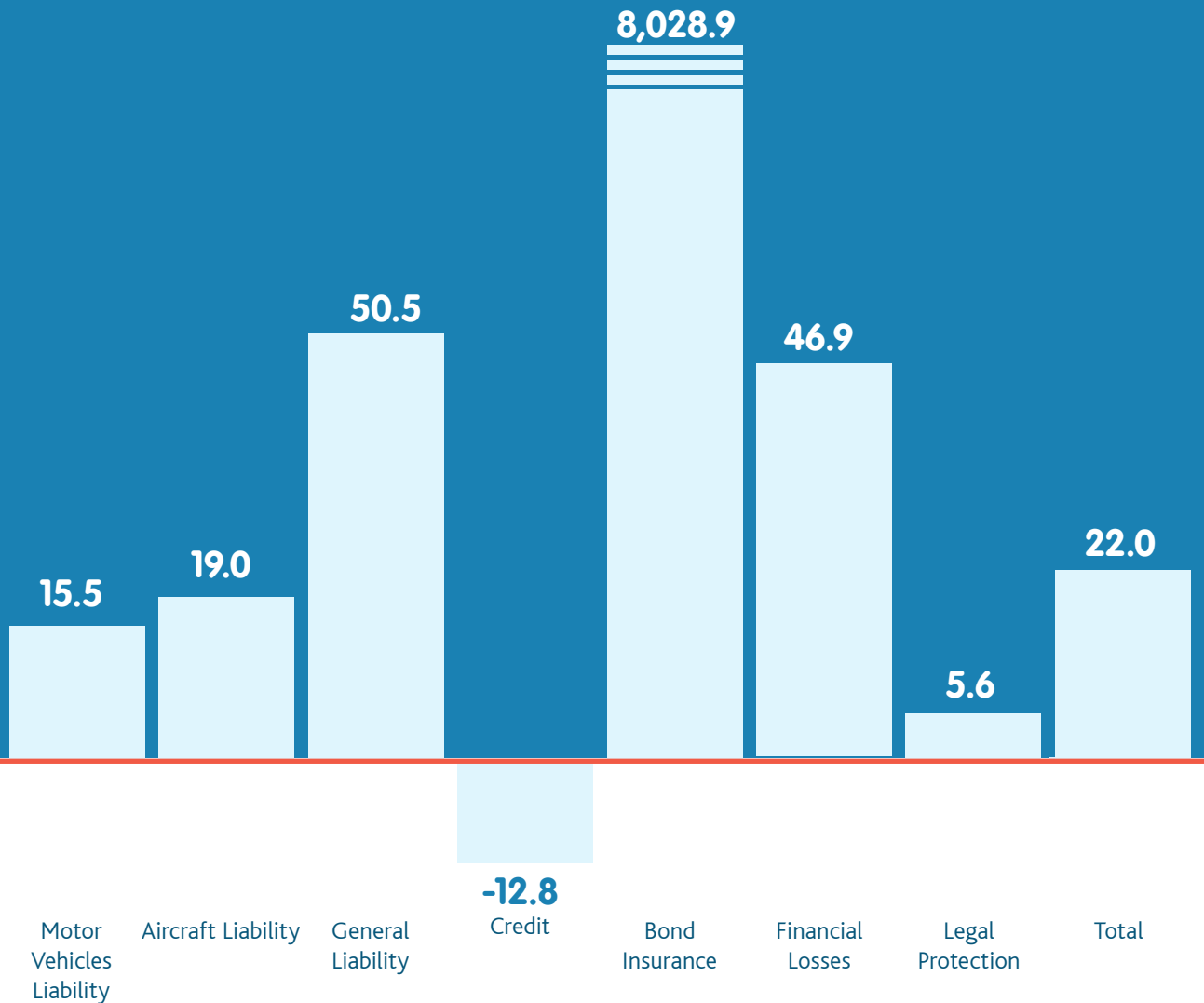
### Premium Growth Rate (%)



Premium Production (TL thousand)



Premium Production (TL thousand)	2018	2017
Accident	144,366	153,170
Health	710,922	538,272
Motor Vehicles	1,090,083	953,043
Aircraft	42,567	26,964
Watercraft	117,804	88,823
Marine	118,651	86,394
Fire and Natural Disasters	1,035,425	813,574
General Losses	512,653	413,927
Motor Vehicles Liability	1,550,530	1,342,497
Aircraft Liability	42,427	35,655
General Liability	272,351	181,015
Credit	2,329	2,671
Bond Insurance	13,494	166
Financial Losses	37,455	25,490
Legal Protection	10,300	9,750
<b>Total</b>	<b>5,701,355</b>	<b>4,671,410</b>



**THE TRADE WARS BETWEEN THE US AND CHINA, IMPLEMENTATION OF PROTECTIONIST TENDENCIES IN GLOBAL TRADE, DECLINED VOLUME OF GLOBAL COMMODITY TRADE AND THE FED'S RATE HIKE HAVE BEEN THE HIGHLIGHTS OF THE WORLD ECONOMY IN 2018.**

## 2018 ECONOMIC OVERVIEW

### THE WORLD ECONOMY

Growth (%)	2017	2018(E)	2019(P)
Global	3.7	3.7	3.5
Developed Economies	2.4	2.3	2.0
USA	2.2	2.9	2.5
Eurozone	2.4	1.8	1.6
Japan	1.9	0.9	1.1
Developing Countries	4.7	4.6	4.5
China	6.9	6.6	6.2
Brazil	1.1	1.3	2.5
Turkey	7.4	3.5	0.4

Source: IMF World Economic Outlook Update, January 2019  
(T): Estimated, (P): Projected

The trade wars that cropped up in the first half of 2018 between the US and China, the two giant economies of the world, implementation of protectionist tendencies in global trade, declined volume of global commodity trade and the Fed's rate hikes have been the highlights of the world economy in 2018. October 2018 World Economic Outlook released by the IMF reminded that the vulnerabilities persisted in global financial markets in the past decade that passed since the global crisis, and noted that tensions involving global trade are the main risks hovering over growth projections.

Having ended 2017 with a growth rate of 2.2%, the US is estimated to register 2.9% and 2.5% growth rates in 2018 and 2019, respectively, according to the IMF World Economic Outlook updated in January. The Fed is anticipated to make three more rate hikes in 2019 subject to the continued strong course of US growth and the ongoing gradual recovery in inflation. However, a potential deceleration in global economy in the medium term is considered as a factor that might possibly lead the Fed to slow down its tightening steps.

The protectionist tendencies in global trade caused deceleration in exporter countries, which negatively affected the



## THE NEW ECONOMIC PROGRAM ESTIMATED THE ANNUAL GROWTH FOR 2018 AS 3.8%.

# 3.8%

## THE TURKISH ECONOMY

The Turkish economy expanded by 7.4% in 2017, exceeding its MTP target by 1.9 points, and became one of the world's fastest growing economies. After preserving its rate of growth at 7.2% in the first quarter, the national economy, following suit of many other developing economies, cut pace in the second quarter and decreased its rate of growth to 5.2%. While the New Economic Program (NEP) prepared by the Ministry of Treasury and Finance and the Strategy and Budget Office estimated the annual growth for 2018 as 3.8%, 2019 growth was projected to decline to 2.3%.

confidence indices and financial markets in the Eurozone. According to the IMF World Economic Outlook dated January 2019, Eurozone growth is projected to lose pace this year. Growth in Eurozone is estimated as 1.8% for 2018 and projected as 1.6% for 2019. While the overall inflation floats around the 2% target, core inflation is expected to spread over time and to potentially increase. The ECB kept its external policy rates constant in the third quarter. In keeping with the pre-announced plan, the ECB will gradually cut back its asset-buying program, and completely terminate it by the end of December.

External financing costs that increased as a result of the Fed's tightened monetary policy and protectionist tendencies in global trade keep developing countries under pressure. Therefore, the Chinese Central Bank (PBoC) targeted to alleviate the negative effect the trade wars had on the Chinese economy through reducing borrowing costs by way of a 100 bps decrease in required reserve ratios in October and through supporting growth.

NEP & PROJECTIONS OF INTERNATIONAL FINANCIAL INSTITUTIONS FOR TURKEY FOR THE PERIOD 2018-2020													
YEARS	Growth GDP (%)			Inflation Rate (%)			Current Deficit (%)			Unemployment (%)			
	NEP*	IMF	OECD	NEP	IMF	OECD	NEP	IMF	OECD	NEP	IMF	OECD	
2018	3.8	3.5	3.3	20.8	15	16.8	-4.7	-5.7	-4.5	11.3	11.0	11.1	
2019	2.3	0.4	-0.4	15.9	16.7	19.5	-3.3	-1.4	-3.9	12.1	12.3	11.0	
2020	3.5	2.6	2.7	9.8	13	10.7	-2.7	-2.4	-5.4	11.9	-	11.3	

\* The New Economic Program (NEP)

In the World Economic Outlook released in October, the IMF stated that the volatility in financial markets, sharp devaluation of the Turkish currency, and escalating uncertainty negatively affected the Turkish economy with respect to investment and consumer demands. For this reason, the IMF revised its growth projections for Turkey in its April 2018 report downward from 4.4% to 3.5% for 2018 and from 4% to 0.5% for 2019. In particular, 3.5 points reduction in the 2019 growth projection is noted as one of the most significant negative revisions in the report. The January 2019 update of the IMF report did not include the revision regarding Turkey's growth rates.

The CPI, which was 11.92% in 2017, soared to 25.24% in October 2018, the highest level of the past 15 years. January 2019 CPI figure was announced as 20.35%. The World Economic Outlook published in October stated its estimates for Turkey's inflation as 15% for 2018 and 16.7% for 2019. Having reported that the rise in inflation stemmed from

the devaluated Turkish lira in its October 2018 report, the IMF suggested a more positive picture for 2018 as compared with the NEP, while making a projection that was more aligned with that in NEP for 2019.

The negative situation in the current accounts balance persisted due to the foreign trade deficit, the negative impact of terrorism and geopolitical events on our fragile economy, external dependence in energy consumption, and volatility in exchange rates. Having produced a deficit of USD 4,441 million in September 2017, the current accounts gave a surplus of USD 1,830 million in the same month of 2018. As a result, the current deficit went down from USD 31,291 million in the January-September 2017 period to USD 29,992 million in the same period of 2018. According to the NEP released by the government, the ratio of current deficit to national income is anticipated to materialize as 4.7% and 3.3% in 2018 and 2019, respectively. In January-September 2018 period, imports

were worth USD 169.1 billion while exports amounted to USD 128.2 billion. The greatest contributors to the exports figure in the said period have been the automotive industry and machinery, as they have in previous periods. While the IMF estimated the ratio of current deficit to GDP as 5.7% and 1.4% for 2017 and 2018, respectively, the OECD's presumptions for the same periods were 4.5% and 3.9%.

Seasonally adjusted unemployment rate increased in connection with the contracted economy in the first half of 2018. Based on TurkStat's data published in October 2018, rate of unemployment was up by 1.3 points as compared with October 2017 and reached 11.5%. In the same period, the rate of employment slimmed down by 0.2 points to 47.4% while the youth unemployment rate was 21.2%. IMF and OECD estimates for the 2018 ratio of unemployment to labor force were 11% and 11.1%, respectively.

**HAVING BEEN REGISTERED AS USD 2.1 TRILLION IN NON-LIFE INSURANCE INDUSTRY IN 2017, PREMIUM PRODUCTION IS PROJECTED TO INCREASE BY 3.3% EACH IN 2018 AND 2019.**

## OVERVIEW OF THE WORLD AND TURKISH INSURANCE INDUSTRIES AND FUTURE OUTLOOK

### THE WORLD INSURANCE INDUSTRY

Global insurance industry is anticipated to outpace the world economy in terms of growth in 2018 and 2019. Having been registered as USD 2.1 trillion in non-life insurance industry in 2017, premium production is projected to increase by 3.3% each in 2018 and 2019. While mostly developing countries took the lead in growth rates, high-volume industrialized countries contribute positively to this growth. Rates of premium increase on the basis of geographical areas are shown in the table across, providing the actuals for 2017, estimated figures for 2018 and projected figures for 2019.

While catastrophe losses around the world in the first six months of 2018 were below the average of the past 10 years, the loss activity in the second half of the year drove the 2018 figure above the past 10 year's average. The catastrophe losses that caused to death of more than eleven thousand people in 2018 had an impact of USD 79 billion on the insurance industry. Total amount of insured losses in 2018 was the cumulative of small and

Premium Production (%)	2017	2018(E)	2019(P)
North America	1.9	2.1	2.1
Western Europe	1.7	1.9	1.8
Eastern Europe	4.9	4.1	3.6
Latin America	2.3	3.7	4.1
Emerging Asia	11.7	11.0	10.1
Developed Asia/Pacific	2.5	2.6	2.1
Sub-Saharan Africa	4.5	3.4	3.5
Middle East and North Africa	4.5	4.5	5.0
World Average	3.2	3.3	3.3

Source: Swiss Re Institute, Sigma 5/2018  
(E): Estimated  
(P): Projected

## SCIENTISTS NOTE THAT THE INCREASED FREQUENCY OF SUCH EXTRAORDINARY WEATHER PHENOMENA WITH RECORD FORCE MIGHT BE ASSOCIATED WITH THE GLOBAL CLIMATE CHANGE.

medium-scale damages in various parts of the world rather than individual incidents making a big impact. The examples of these incidents were hurricanes Michael and Florence in the US, typhoons Jebi and Mangkhut in Asia, wildfires in Sweden and California, flood and earthquake in Japan, and volcanic eruption in Indonesia. Moreover, a tropical cyclone (medicane), which is a rare phenomenon in the Mediterranean, affected the Sicilian coastline and Greece at the end of September. Anticipated to hit Turkey after Greece, the hurricane lost force and dispersed above the Aegean Sea. Remarkably, normally rare weather events occurred within the same year.

Scientists note that the increased frequency of such extraordinary weather phenomena with record force might be associated with the global climate change. Similarly, 2018 has been the fourth hottest year on record since record keeping began in late 19<sup>th</sup> century. This situation is not an exception peculiar to 2018 but it is a result of a tendency. 18 of the 19 hottest years on record have all occurred between 2001 and 2018. The warming in the atmosphere increases sea surface temperature, which leads to more powerful hurricanes and floods. The irregularity in precipitation regime and increased floods are expected to be even more forceful than the wind speed.

Despite the major hurricanes that occurred in 2017, price increases in 2018 renewals of policies remained **limited**, limited to around 3% on average, thanks to the high capital level of the global insurance industry.

The capital available to the insurance business is also backed by the increased reinsurance capital and adds to the downward pressure upon prices. Price

increases in 2018 renewals were confined to the 0%-5% interval despite the catastrophe losses in 2017. Due to the quite high level of traditional and alternative capital level in the industry coupled with intense competition, prices are anticipated to lose their uptrend and to remain constant to a large extent in 2019 renewals. However, 10-15% price increases are anticipated to occur on a regional basis due to the catastrophe losses that took place in 2018. Following Typhoon Jebi and the California wildfire, price increases are predicted for Japan and the US in April and June renewals, respectively.

Known as one of the most important pivots of the insurance business, Lloyd's began taking serious steps to improve the results due to the fact that many of its syndicates either posted losses or scant profits even in years with limited cat losses, with the added pressure from rating companies as well. Lloyd's intervened with the business plans of many syndicates under its roof, disallowing the syndicates to write 10% of the worst performers on their portfolios and canceled the licenses of some syndicates in branches posting losses. This development is expected to cause an approximately GBP 3 billion decline in the Lloyd's market that registered a premium production of GBP 30 billion in total in 2017, and will lead to a decrease in the insurance and reinsurance capacity supplied by the Lloyd's. On the other hand, confronted with the risk of losing the businesses it writes in Europe due to the Brexit, Lloyd's set up a subsidiary in Brussels to avert this possibility. Lloyd's Brussels began operations to provide cover to the countries in the European Economic Area (EEA) in January 2019.

Merger or acquisition activity in the insurance and reinsurance market reached its highest point in the first half of the year since the financial crisis that started off in 2007. While 44 non-life, 22 life insurance companies and 11 others operating in both businesses were involved in these deals all over the world, seven reinsurance companies have become subject to a merger or acquisition. The total volume of these M&A activities amounted to USD 43 billion. While the effects of the political tensions across the world aggravated and those of Brexit were restricted, increased profitability of companies as a result of the US tax reform incited M&A activity. Additionally excess capital and relatively lower cost of lending in the industry created more appetite for M&As. In general, and looking at it from a medium-term point of view, mergers and acquisitions might be expected to drive the competition in the insurance industry, the service quality and in particular, investments in technology.

Investments in technology gradually increase in the insurance business, as is the case in other sectors, and many tasks increasingly become computerized. Processes such as claims settlement, sales, policy operations, accounting, which used to involve intensive human labor, will gradually become automated.

Investments made in insurance technology ventures soared by 155% year-over-year and reached USD 724 million in the first quarter of 2018. Occupying an important place within these investments, Blockchain and Internet of Things are regarded as significant technologies that will affect the future of the insurance business.

## TOTAL PREMIUM PRODUCTION BY THE OVERALL SECTOR AT YEAR-END 2018 WENT UP 17.4% YEAR-OVER-YEAR TO TL 54,653 MILLION.

# OVERVIEW OF THE WORLD AND TURKISH INSURANCE INDUSTRIES AND FUTURE OUTLOOK

Blockchain comes to the fore as a technology that will ensure automated, swift and secure execution of insurance and reinsurance contracts throughout their lifecycles. The target of the Company named B3i, which is established as a joint initiative by a group of world's leading insurance and reinsurance companies, is to conclude its first reinsurance agreement using Blockchain in 2019.

Gradually increasing climate-related events combined with the advancing technology pave the way for parametric insurance products that entitle policyholders to compensation upon occurrence of certain parameters without a claims survey. For example, agricultural insurance is one of the parametric insurance products that makes a compensation payment using meteorological data in case of farmers affected by bad weather conditions.

As technology penetrates more and more into every part of life, cyber risks increasingly diversify and their impacts grow. Today, the cost of an average data leakage is 60% higher than it was in 2006. As a result of these developments, cyber risk insurance emerges as an important risk management tool. Having generated its initial products by the end of 1990s, Cyber insurance has been thriving rapidly in recent years. Having registered 23% growth on average annually in premium production over the past five years and having currently reached USD 3-4 billion, cyber risk insurance is expected to reach its highest-growth phase in 2021 and come to a premium volume of USD 20 billion in 2025.

### THE TURKISH INSURANCE INDUSTRY

Total premium production by the overall sector at year-end 2018 went up 17.4% year-over-year to TL 54,653 million. According to year-end 2018 data, the industry's real growth declined by 2.4%. In this period, non-life branches got 87.3% share out of the total production with TL 47,732 million, whereas life insurance had 12.7% share with TL 6,920 million. As at end-December, nominal growth in non-life branches was 20.2%. Despite entailing a number of unknowns, 2019 is anticipated to see insurance industry grow around 17.9%.

## ACCORDING TO THE DATA OF THE FIRST NINE MONTHS TECHNICAL PROFIT FIGURE FOR ALL BRANCHES COMBINED WAS TL 2,816 MILLION.

Branch	2018		2017		Change (%)
	Total Production (TL)	Market Share (%)	Total Production (TL)	Market Share (%)	
Accident	1,812,335,726	3.8	1,682,318,452	4.2	7.7
Health	6,244,361,483	13.1	5,026,464,106	12.7	24.2
Motor Vehicles	7,842,907,976	16.4	6,916,180,532	17.4	13.4
Motor Own Damage	7,842,907,976	16.4	6,916,180,532	17.4	13.4
Rail Vehicles	0	0.0	11,068	0.0	-100.0
Aircraft	179,857,508	0.4	114,153,481	0.3	57.6
Watercraft	300,257,212	0.6	218,148,439	0.5	37.6
Marine	829,833,718	1.7	651,957,892	1.6	27.3
Fire and Natural Disasters	6,972,575,466	14.6	5,745,990,852	14.5	21.3
General Losses	5,247,013,900	11.0	4,355,445,077	11.0	20.5
Motor Vehicles Liability	15,853,655,606	33.2	13,042,053,210	32.8	21.6
Motor Vehicles TPL	15,295,209,106	32.0	12,475,773,706	31.4	22.6
Aircraft Liability	194,377,729	0.4	131,775,217	0.3	47.5
Watercraft Liability	31,336,619	0.1	26,402,168	0.1	18.7
General Liability	1,390,294,069	2.9	1,023,855,057	2.6	35.8
Credit	248,338,460	0.5	173,718,087	0.4	43.0
Fidelity	71,788,694	0.2	50,021,130	0.1	43.5
Financial Losses	345,630,885	0.7	325,760,102	0.8	6.1
Legal Protection	168,125,712	0.4	225,033,131	0.6	-25.3
Support	122,350	0.0	1,318,624	0.0	-90.7
<b>Total Non-Life</b>	<b>47,732,813,112</b>	<b>87.3</b>	<b>39,710,606,624</b>	<b>85.3</b>	<b>20.2</b>
<b>Total Life</b>	<b>6,920,767,257</b>	<b>12.7</b>	<b>6,844,082,921</b>	<b>14.7</b>	<b>1.1</b>
<b>Grand Total</b>	<b>54,653,580,369</b>	<b>100.0</b>	<b>46,554,689,545</b>	<b>100.0</b>	<b>17.4</b>

Source: Based on the Insurance Association of Turkey data dated 6 February 2019.

Based on non-life segment data for the first nine months of 2018, motor vehicle liability branch that represents the largest portion of the industry's market share posted TL 169 million in technical profit. In the motor TPL segment that makes up a substantial portion of this branch, the technical loss figure was TL 85 million. Motor vehicles (own damage) branch, i.e. the other motor vehicle insurance branch, registered a technical profit of TL 219 million. Following motor own damage, the highest profit generators in the industry were, in order, accident with TL 614 million, and health with TL 538 million.

Technical profit figure for all branches combined was TL 2,816 million. Nonetheless, the effect of the amount of TL 4,100 million needs to be taken into account, which was transferred from financial accounts to the industry's financial statements. At the bottom line, non-life companies booked a profit of

TL 2,624 million net after taxes and other liabilities in its financial statements for the first nine months of 2018.

The Strategy and Budget Office under the Ministry of Treasury and Finance prepared the 2019 Annual Program for the President's Office and published it on 27 October 2018. The primary goal of the program is to improve current account balance by ensuring economic stabilization and reconstituting the price stability. This program intends to implement the policies it entails via concrete and measurable actions.

One of the measures aimed at supporting the expansion of fiscal markets is the establishment of the Turkish Reinsurance Pool. The target is to determine the model for the Turkish Reinsurance Pool and to work for putting the said pool into operation until end-December 2019.

2019 Annual Program for the President's Office addresses two more topics that closely concern the insurance industry. The first one of these is continuing with the geographical address data production in line with the Location-based Address Registry System (MAKS) data model, and integrating these data with the National Address Database and carrying on with the work to expand it across the country.

The second topic addressed is the creation of the national geographical information strategy and data generation, alignment and sharing standard that will be used nationwide within the scope of the establishment and maintenance of the Turkish National Geographical Information System Infrastructure. In this context, it is targeted to determine eight geographical data theme standards and improve interorganizational geographical data service processes.

## DEVELOPMENTS AND CHANGES IN LEGISLATION

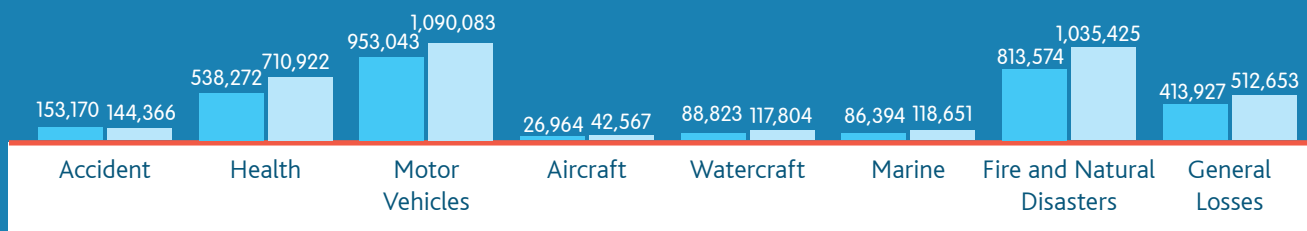
Council of Ministers Decrees		
Legislation	Publication Date	Content
Decree concerning the Risks, Products and Regions to be Covered by the Agricultural Insurance Pool, and Premium Support Rates in 2018	05.01.2018	Under the decree, the additional risks of hurricane, cyclone, fire, landslide, earthquake, flood and inundation are given in the form of hail package together with the principal risk of hail for crops. In addition to the risks named above, agricultural insurance provides cover for the below risks upon request within the scope of related general conditions, tariffs and instructions, taking into consideration the personal, product and land information of the farmers registered with the Farmers Registration System:  a) risk of frost for fruits grown outdoors; b) hail nets, covers and support systems for orchards and vineyards, and risks of hail weight and vehicle collision for the produce, fruit trees, grapevines and saplings under these systems; c) damages caused by wild boar attack to field crops, fruits and strawberry produce; d) risk of rainfall for cherry.
Council of Ministers Decree concerning Excess of Loss Support Committed to Agricultural Insurance Pool for the District-Based Drought Yield Insurance by the Government  (12.03.2018)	17.04.2018	According to the Risk Sharing and Reinsurance Plan approved by the Board of Directors of the Agricultural Insurance Pool for the District Based Drought Yield Insurance; excess of loss support has been committed for the portion of the loss premium ratio exceeding 150% in district-based drought yield insurance which cannot be ceded through reinsurance and retrocession arising out of insurance agreements concluded between 1 January 2018 and 31 December 2018. In the event a need arises for excess of loss support under Article 1, the relevant amount will be transferred to the Agricultural Insurance Pool from the related account in the Ministry of Food, Agriculture and Livestock budget.
Decree Concerning the Risks, Products, Regions to be Covered by the Agricultural Insurance Pool and Premium Support Rates in 2019	27.11.2018	Under the decree, the additional risks of hurricane, cyclone, fire, landslide, earthquake, flood and inundation are given in the form of hail package together with the principal risk of hail for crops. In addition to the risks named above, agricultural insurance pool provides cover for the below risks upon request within the scope of related general conditions, tariffs and instructions, taking into consideration the personal, product and land information of the farmers registered with the Farmers Registration System:  a) risk of frost for fruits grown outdoors; b) hail nets, covers and support systems for orchards and vineyards, and risks of hail weight and vehicle collision for the produce, fruit trees, grapevines and saplings under these systems; c) damages caused by wild boar attack to field crops, fruits and strawberry produce; d) risk of rainfall for cherry, fig and grape produce.
Presidential Decrees		
Presidential Decree concerning the Presidential Organization	10.07.2018	The Presidential Decree set out the organizational structure, duties and powers of the newly established Ministry of Treasury and Finance. Certain institutions covered under the Undersecretariat of Treasury and the Ministry of Finance were merged under the name Ministry of Treasury and Finance (Decree No. 1)

<b>Directives</b>		
Communiqué on Compulsory Earthquake Insurance Tariff and Directive	17.01.2018	Covers information about the tariffs and directives subject to the Compulsory Earthquake Insurance.
Tariff and Directive Amending the Tariff and Directive for Compulsory Liability Insurance to be Obtained for Hazardous Materials	21.12.2018	The communiqué made amendments to the tariff and directive concerning the compulsory liability insurance to be obtained for hazardous materials.
<b>Circulars</b>		
Circular Amending the Circular on the Principles of Documenting Equivalent Parts in Motor Vehicle Insurance (2018/1)	01.02.2018	Documentation issued exclusively by the Turkish Standards Institution (TSI) from 1 January 2018 until 1 August 2018 is taken as the basis of the implementation. Certificates issued by certification institutions that are accredited according to the ISO/IEC 17065 standard from among the accreditation agencies that concluded mutual recognition agreement in related standards under LAF (International Accreditation Forum) are reserved. Under this Circular, the fees for documentation to be issued exclusively by the TSI are determined by the Undersecretariat of Treasury.
Circular Amending the Survey Fees Tariff no. 2015/34 and the Circular no. 2017/3 on Minimum Survey Fees Tariff Applicable for Insurance other than Motor Vehicle Insurance (2018/8)	31.12.2018	According to the circular, the fees tariff is increased at the rate of increase that occurs in the consumer prices index as determined by TurkStat at the start of every calendar year.
<b>Sector Announcements</b>		
Communiqué on Principles and Procedures for Company Contribution in Compulsory Liability Insurance of Medical Malpractice (2018/1)	18.06.2018	In the said communiqué, "Article A.2 - Territorial Limits of the Insurance" of the General Conditions appended to the Communiqué (2010/1) on Principles and Procedures for Company Contribution in Compulsory Liability Insurance of Medical Malpractice published in the Official Gazette issue 27648 dated 21 July 2010 was revised..

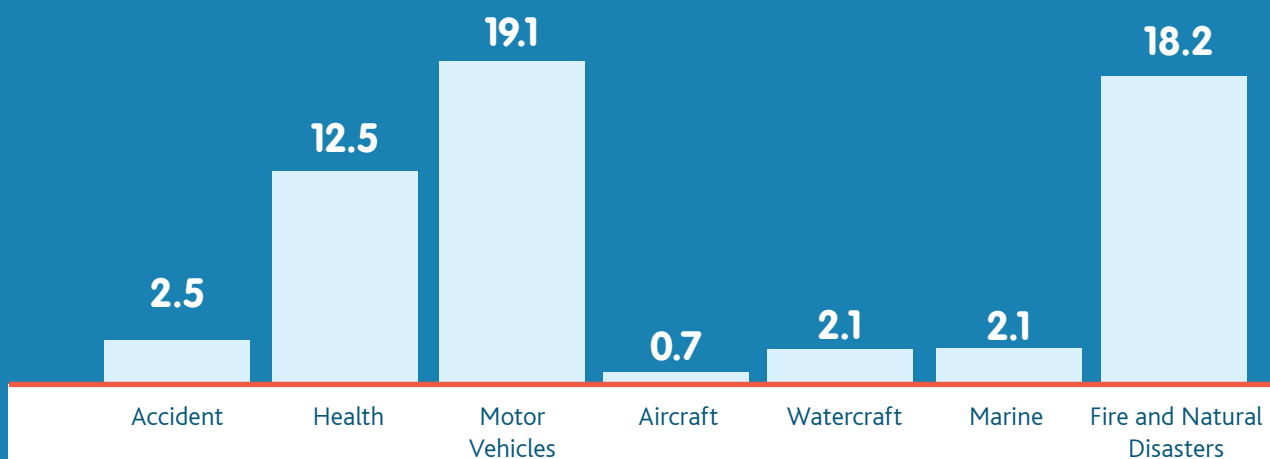
**WITH 27.2%, MOTOR VEHICLES LIABILITY BRANCH HAS THE HIGHEST SHARE WITHIN THE TOTAL PORTFOLIO.**

## AN ASSESSMENT OF ANADOLU SIGORTA IN 2018

### Premium Production (TL thousand)



### Breakdown of Premium Production by Branches (%)





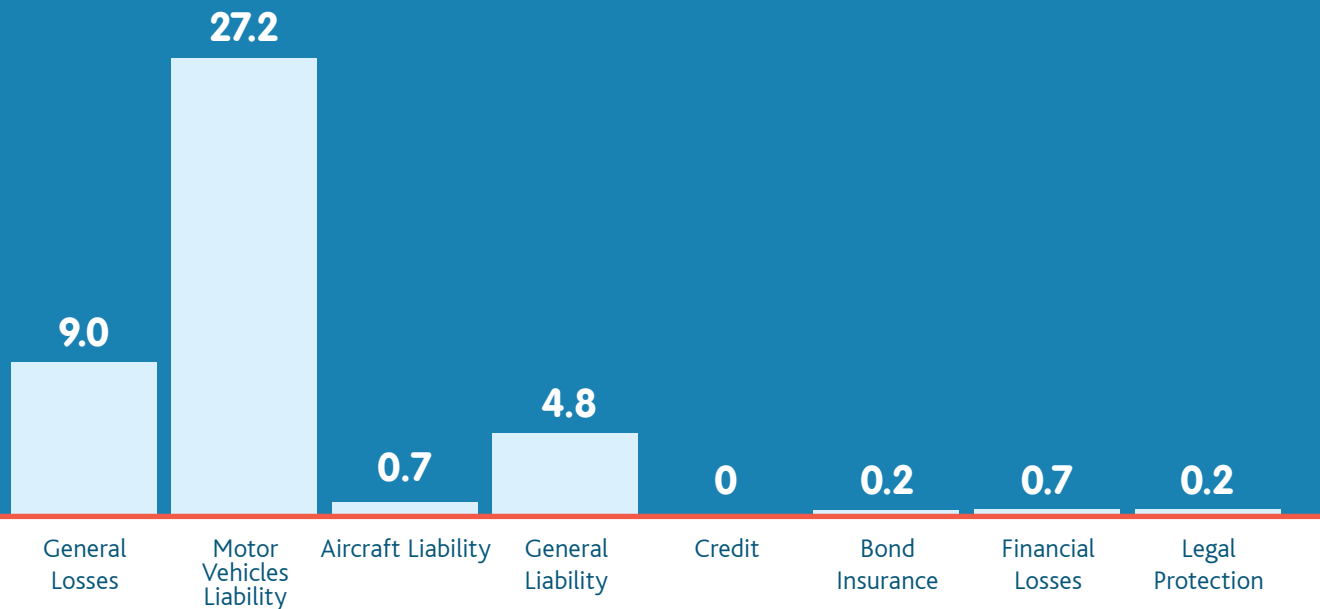
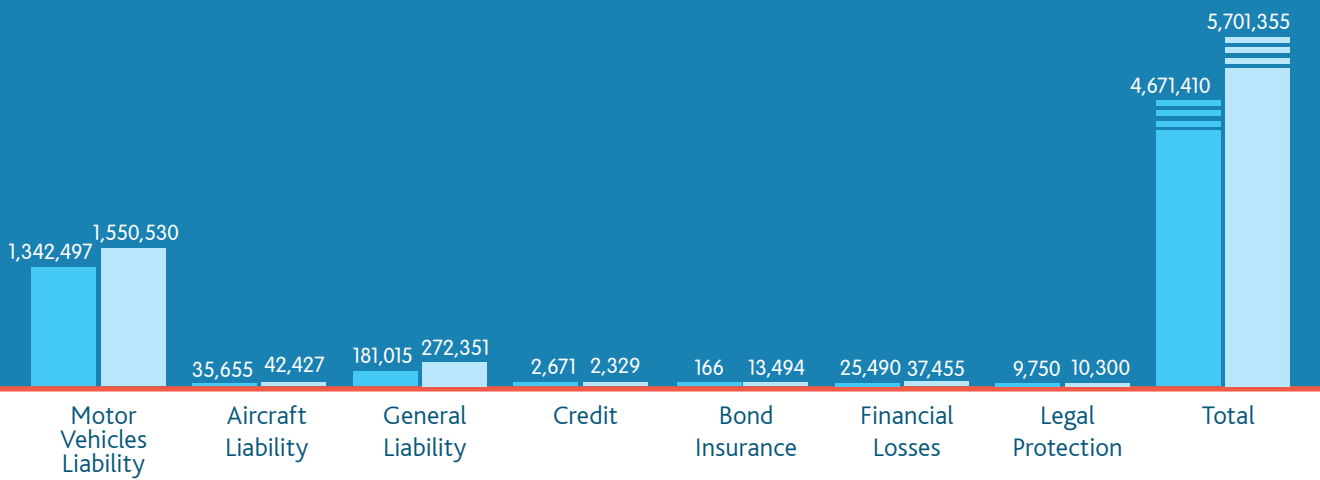
### An Assessment of Anadolu Sigorta in 2018

Anadolu Sigorta is an insurer active in non-life branches, which include accident, health, motor vehicles, aircraft, watercraft, marine, fire and natural disasters, general losses, motor vehicle liability, aircraft liability, general liability, credit, bond insurance, financial losses and legal protection.

### Premium Production and Technical Results

In 2018, direct premium production of Anadolu Sigorta reached TL 4,989 million; including the reinsurance premiums (Risky Insureds Pool, Medical Insurance Pool, Claims of Treaty Activities) received in the amount of TL 712 million, total premium production came to TL 5,701 million.

With 27.2%, motor vehicle liability branch commands the biggest share of the total portfolio. This is followed by motor vehicle, fire and natural disasters, and health branches.

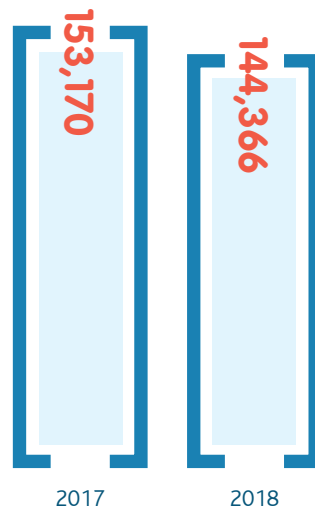


# AN ASSESSMENT OF ANADOLU SIGORTA IN 2018

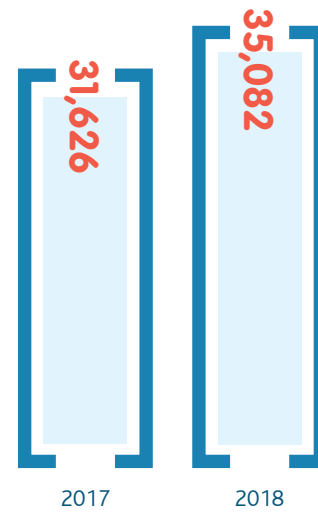
## Accident

Premium production in the accident branch was down 5.7% year-on-year and amounted to TL 144,366 thousand in 2018. Despite declined premiums, the loss/premium ratio that came to 26.8% helped the accident branch book a technical profit that augmented by 18.7% annually to TL 114,047 thousand in 2018.

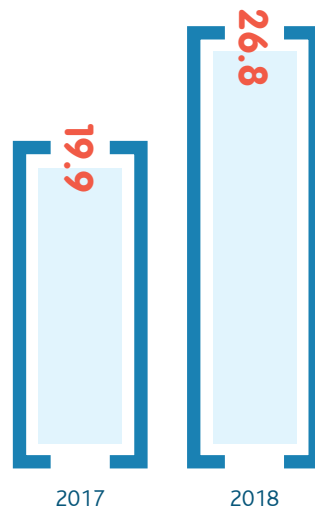
Premium Production (TL thousand)



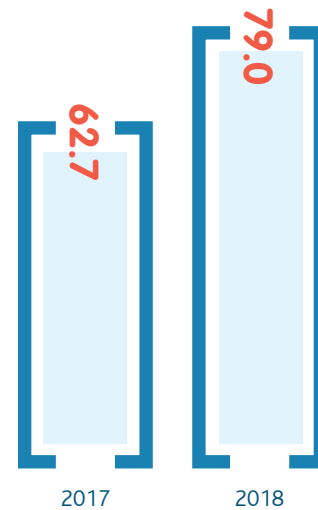
Claims Paid (TL thousand)



Claims Ratio (%)



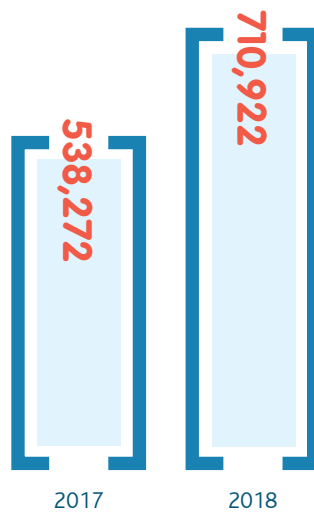
Technical Profitability Ratio (%)



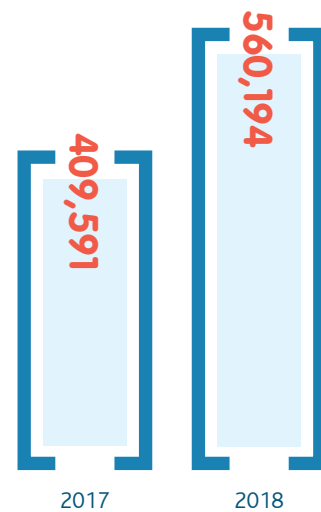
## Health

In 2018, premium production in the health branch grew 32.1% year- on-year and amounted to TL 710,922 thousand, while claims paid totaled TL 560,194 thousand. After posting a technical profit of TL 9,183 thousand in 2017, the health branch carried on with its positive performance in 2018 and ended the year with a technical profit of TL 22,167 thousand.

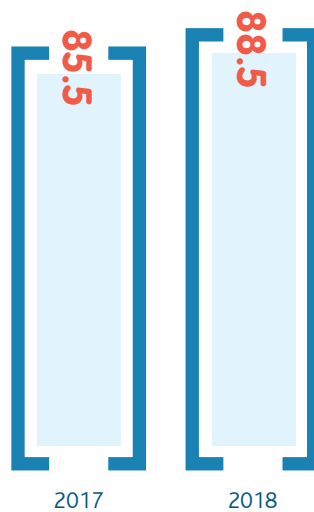
Premium Production (TL thousand)



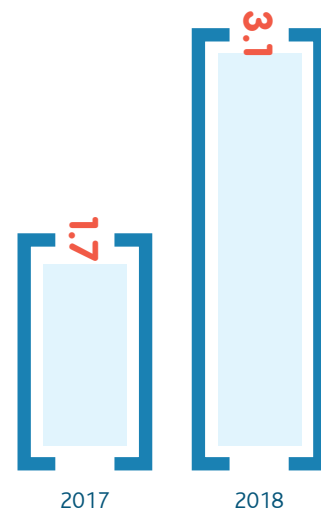
Claims Paid (TL thousand)



Claims Ratio (%)



Technical Profitability Ratio (%)

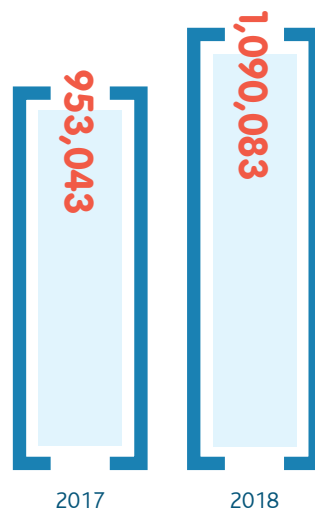


# AN ASSESSMENT OF ANADOLU SIGORTA IN 2018

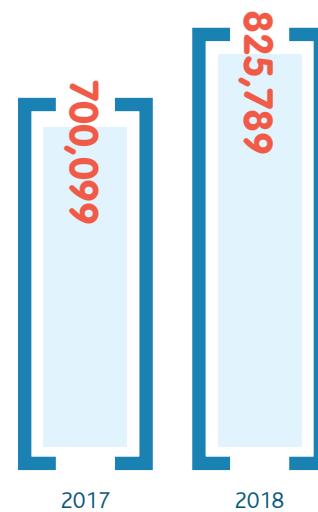
## Motor Vehicles

Premium production on motor vehicles insurance went up by 14.4% year-on-year, amounting to TL 1,090,083 thousand in 2018. Claims paid in this branch in the same period went up by 18.0% to TL 825,789 thousand. After posting a technical profit of TL 73,009 thousand in 2017, the branch registered a technical profit of TL 94,659 thousand in 2018, up by 29.7% annually.

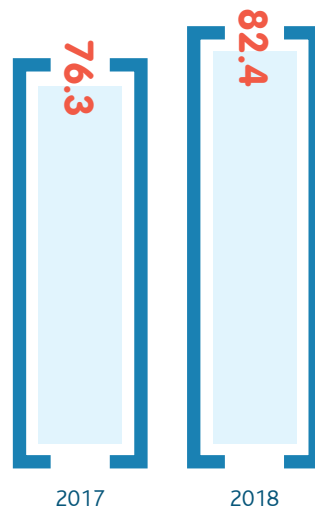
Premium Production (TL thousand)



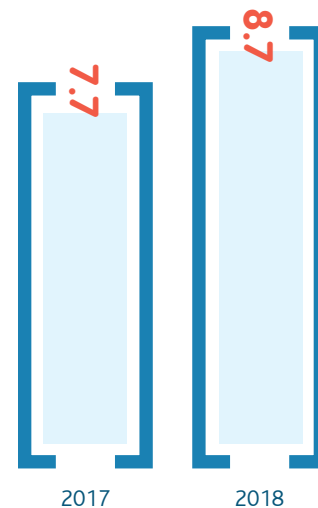
Claims Paid (TL thousand)



Claims Ratio (%)



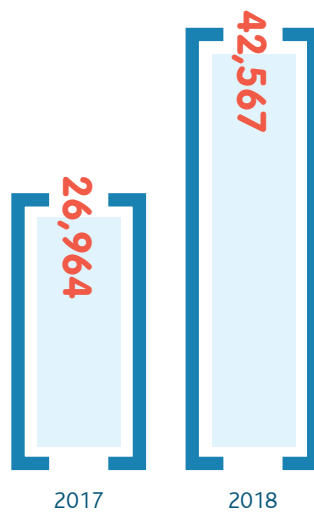
Technical Profitability Ratio (%)



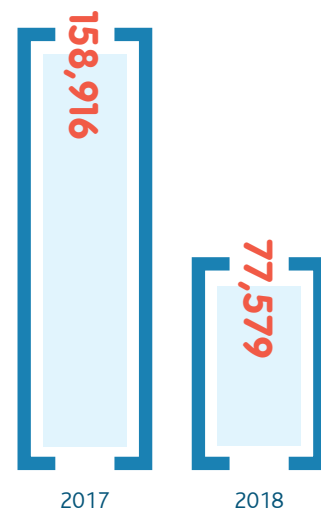
## Aircraft

Premium production on aircraft was worth TL 42,567 thousand while claims paid amounted to TL 77,579 thousand. After posting a technical loss of TL 4,774 thousand in 2017, the technical loss figure was registered as TL 12,656 thousand in 2018.

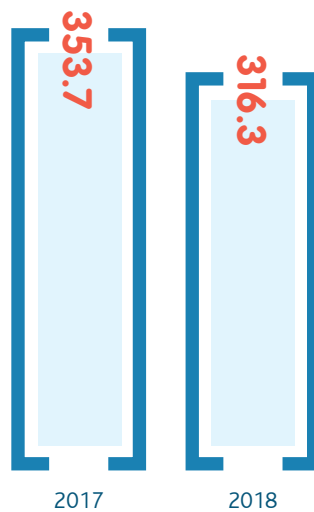
Premium Production (TL thousand)



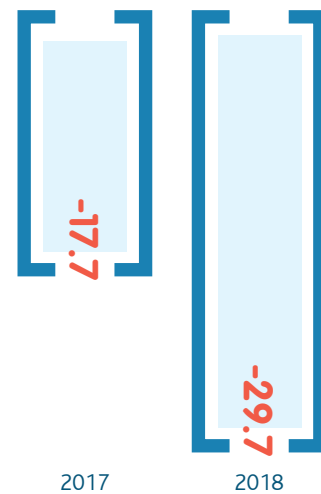
Claims Paid (TL thousand)



Claims Ratio (%)



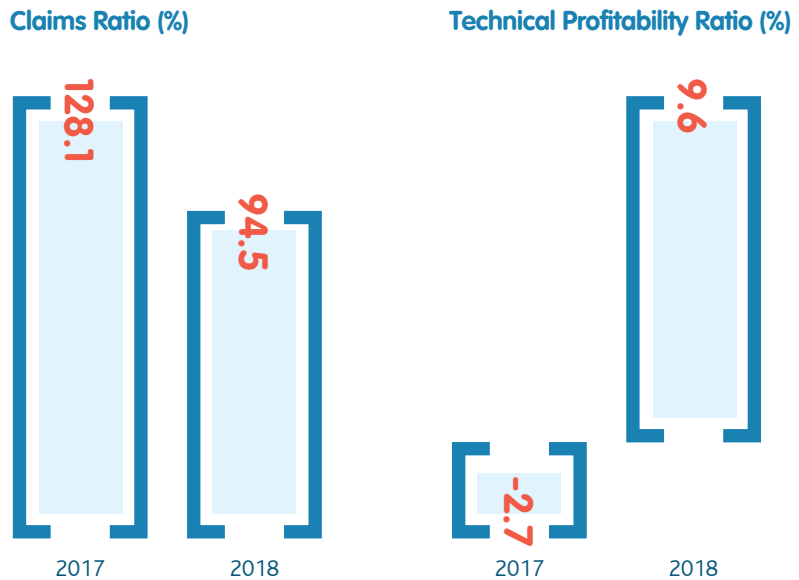
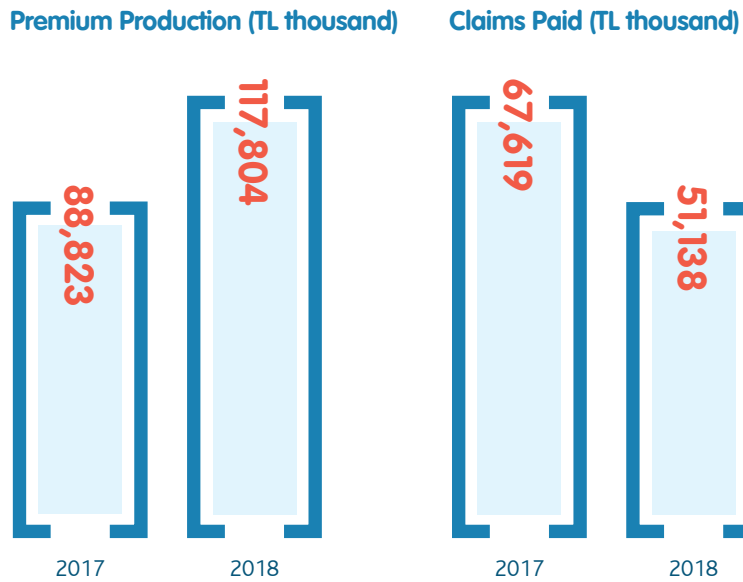
Technical Profitability Ratio (%)



# AN ASSESSMENT OF ANADOLU SIGORTA IN 2018

## Watercraft

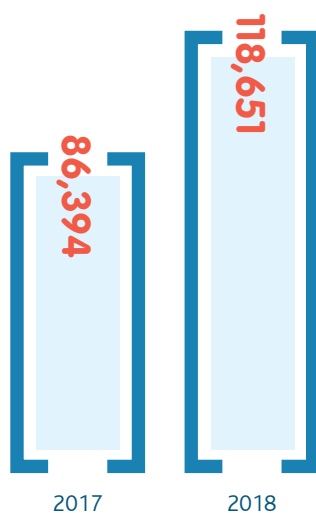
In 2018, watercraft insurance premium production picked up by 32.6% year- on-year and amounted to TL 117,804 thousand. Claims paid in this branch went down by 24.4% from TL 67,619 thousand in 2017 to TL 51,138 thousand in 2018. After posting a technical loss of TL 2,368 thousand in 2017, the watercraft branch booked a technical profit of TL 11,262 thousand in the reporting period due to the decreased claims paid figure.



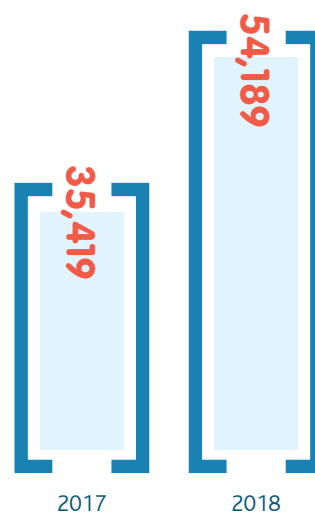
## Marine

During 2018, premium production in the marine branch rose by 37.3% to TL 118,651 thousand while claims paid amounted to TL 54,189 thousand. Technical profit was TL 55,865 thousand in 2018, which is 90.9% higher than it was in 2017.

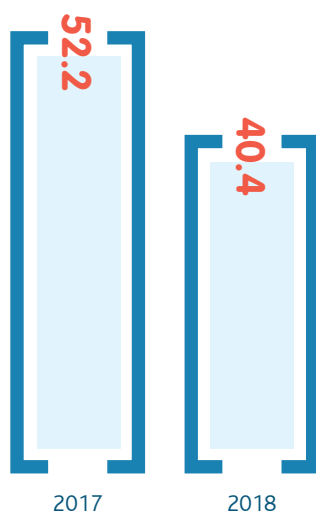
Premium Production (TL thousand)



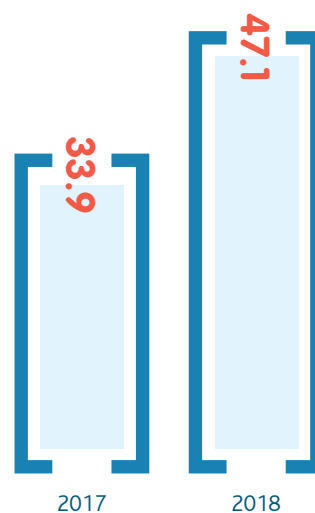
Claims Paid (TL thousand)



Claims Ratio (%)



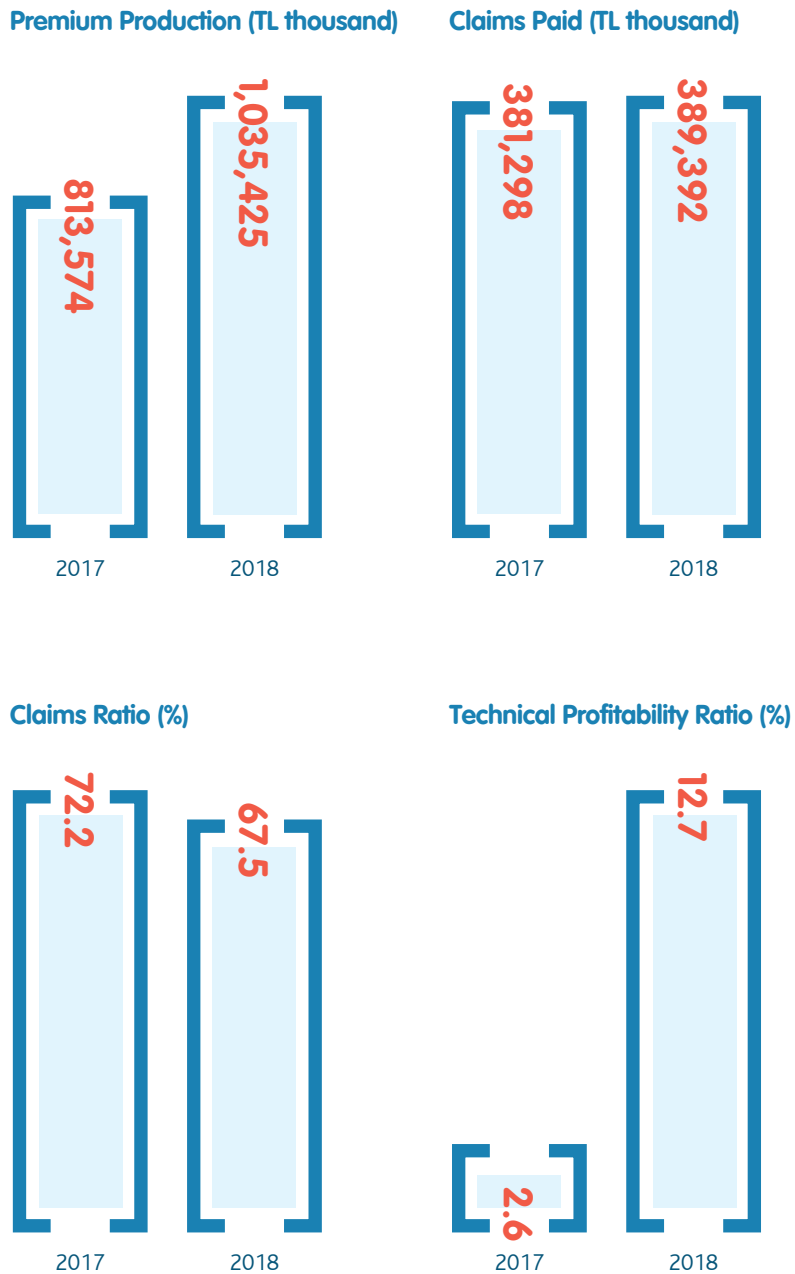
Technical Profitability Ratio (%)



# AN ASSESSMENT OF ANADOLU SIGORTA IN 2018

## Fire and Natural Disasters

Premium production on fire and natural disasters insurance policies was up 27.3% in 2018 and reached TL 1,035,425 thousand while claims paid amounted to TL 389,392 thousand. Having posted a technical loss of TL 20,915 thousand in 2017, fire and natural disasters branch displayed an even more positive performance in 2018 and booked a technical profit of TL 131,395 thousand.

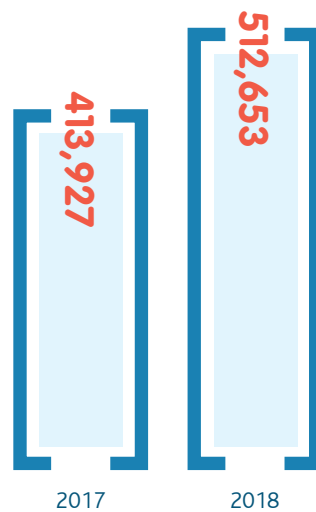




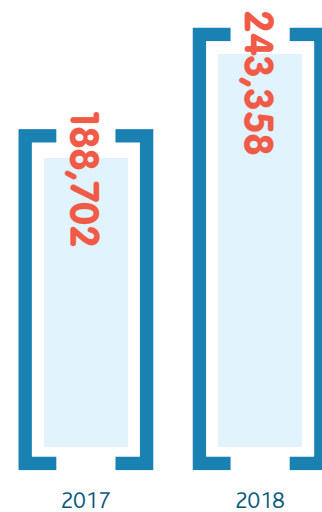
## General Losses

During 2018, premium production in general losses branch was up by 23.9% and amounted to TL 512,653 thousand. While claims paid amounted to TL 243,358 thousand, technical profit was down by 24.5% as compared with 2017 and registered as TL 22,661 thousand in the reporting period.

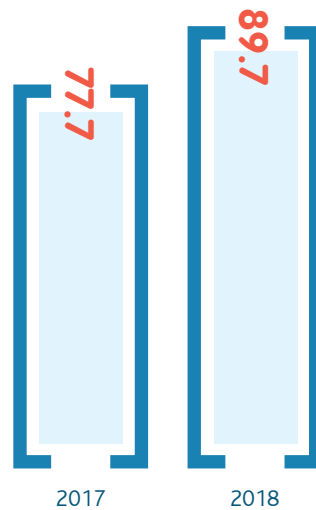
Premium Production (TL thousand)



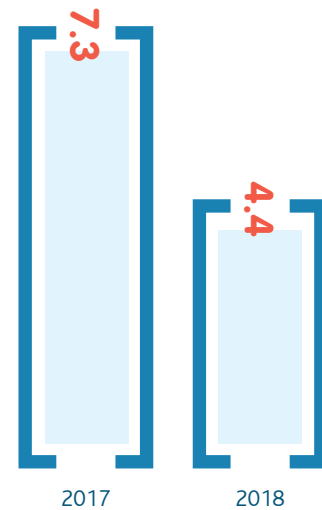
Claims Paid (TL thousand)



Claims Ratio (%)



Technical Profitability Ratio (%)

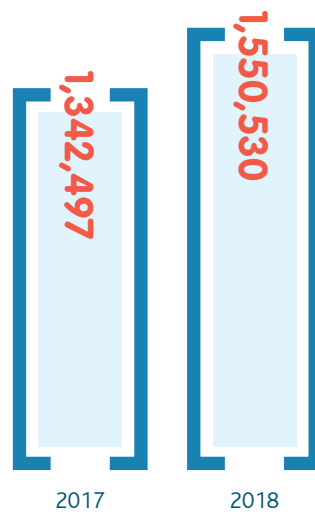


## AN ASSESSMENT OF ANADOLU SIGORTA IN 2018

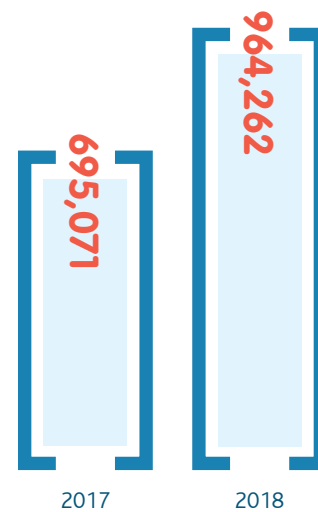
### Motor Vehicles Liability

Premium production on motor vehicle liability insurance, which is responsible for the highest share in the Company's total premium production, grew by 15.5% in 2018 to TL 1,550,530 thousand, while claims paid amounted to TL 964,262 thousand. While the Company registered a technical profit of TL 58,034 thousand at year-end 2017, the rise in the Loss/Premium ratio led to a technical loss of TL 30,862 thousand in 2018. The branch ceded premiums in the amount of TL 426,617 thousand to the Risky Insureds Pool in 2018, while the premiums taken over from the Pool amounted to TL 166,757 thousand.

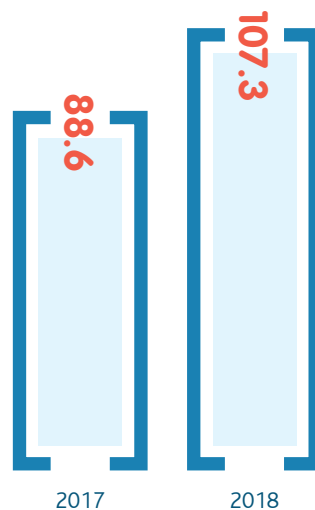
Premium Production (TL thousand)



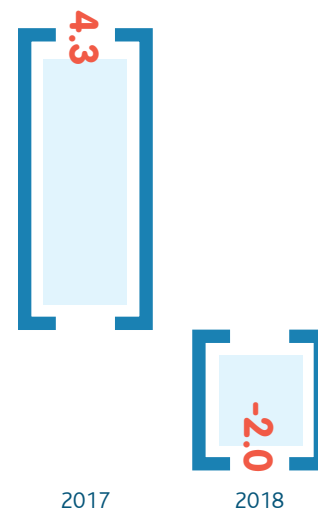
Claims Paid (TL thousand)



Claims Ratio (%)



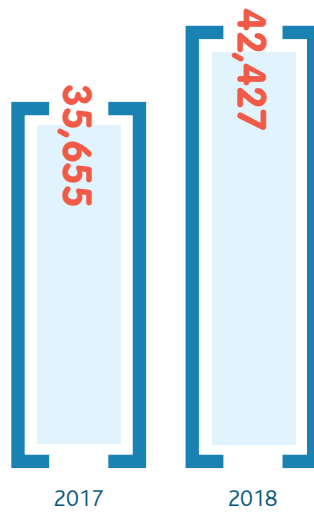
Technical Profitability Ratio (%)



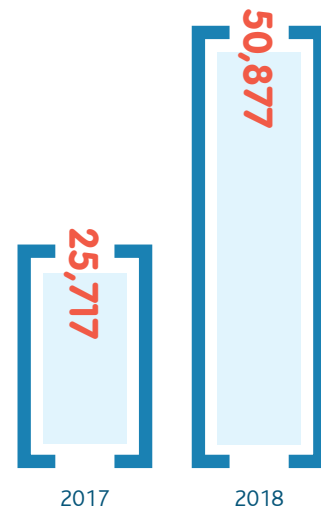
## Aircraft Liability

Premium production in the aircraft liability branch was TL 42,427 thousand in 2018, up by 19.0%. The technical profit in this branch amounted to TL 4,960 thousand corresponding to a technical profitability of 11.7%.

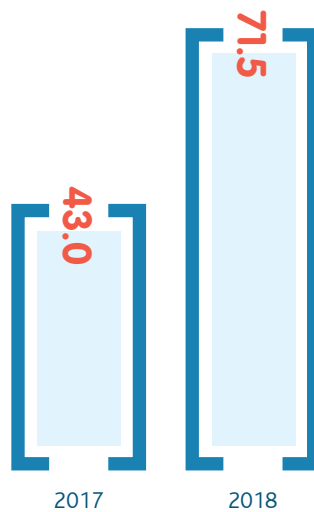
Premium Production (TL thousand)



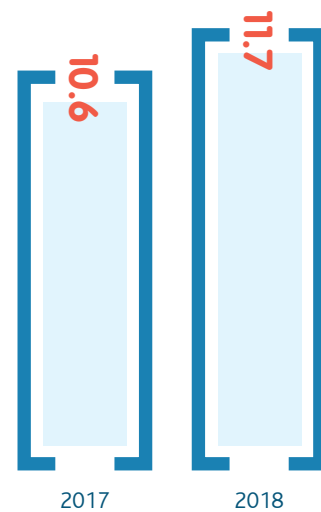
Claims Paid (TL thousand)



Claims Ratio (%)



Technical Profitability Ratio (%)

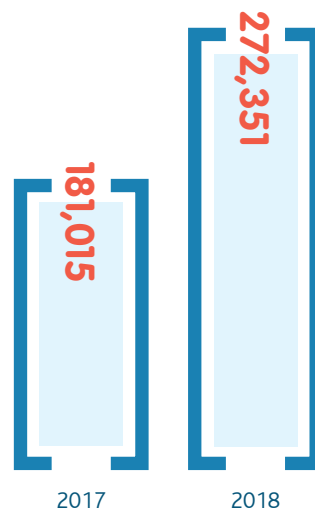


# AN ASSESSMENT OF ANADOLU SIGORTA IN 2018

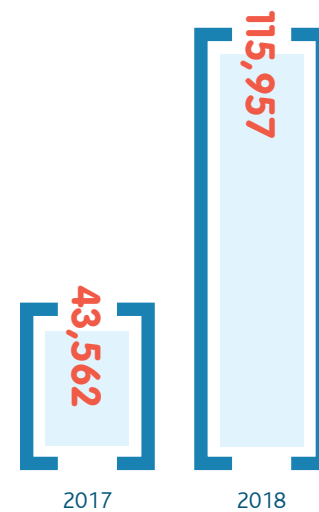
## General Liability

During 2018, general liability insurance premium production grew 50.5% and amounted to TL 272,351 thousand. While claims paid soared by 166.2% year-on-year to TL 115,957 thousand, the branch closed the year with a technical loss of TL 67,663 thousand. While the branch ceded premiums in the amount of TL 16,365 thousand to the Medical Insurance Pool in 2018, the premiums taken over from the Pool amounted to TL 8,488 thousand.

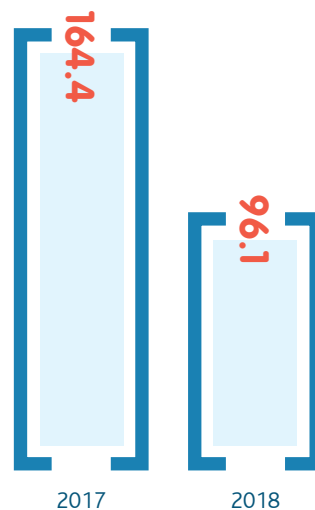
Premium Production (TL thousand)



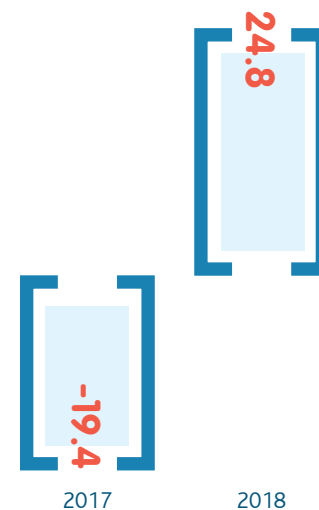
Claims Paid (TL thousand)



Claims Ratio (%)



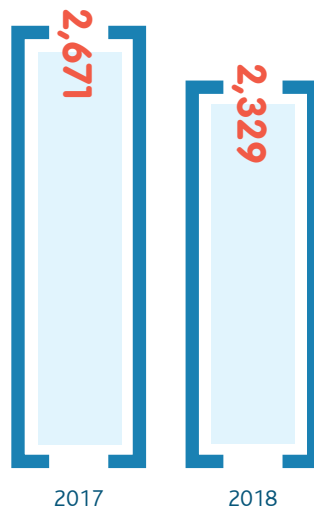
Technical Profitability Ratio (%)



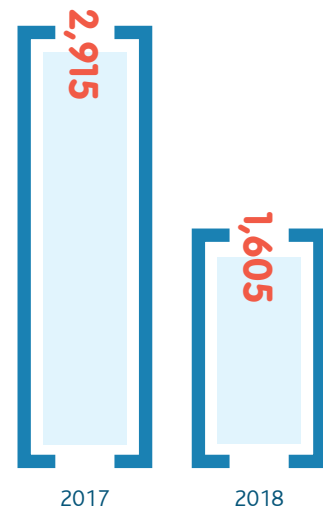
## Credit

The credit insurance branch realized a premium production of TL 2,329 thousand in 2018, and booked a technical profitability of 20.0%, translating into a technical profit figure of TL 467 thousand on its 2018 operations.

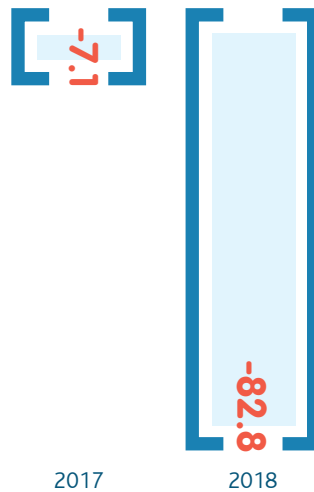
Premium Production (TL thousand)



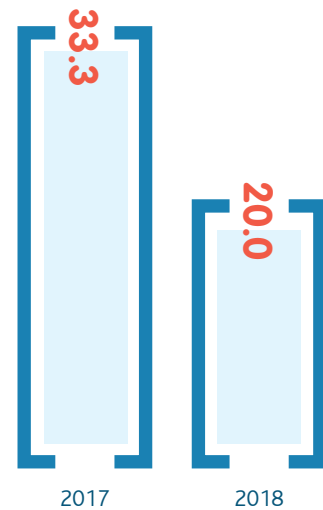
Claims Paid (TL thousand)



Claims Ratio (%)



Technical Profitability Ratio (%)

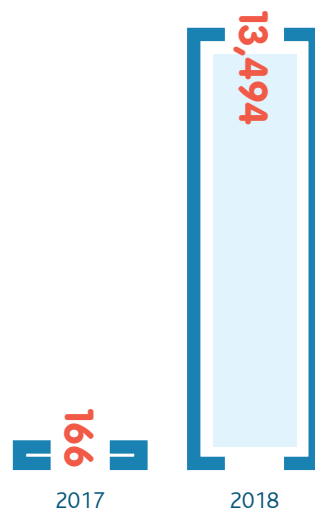


# AN ASSESSMENT OF ANADOLU SIGORTA IN 2018

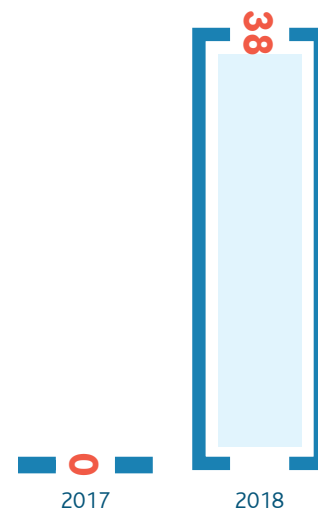
## Bond Insurance

Premium production in the bond insurance branch, where production started during 2017, was worth TL 13,494 thousand in 2018, while claims paid amounted to TL 38 thousand. The technical profit in this branch was TL 1,820 thousand in 2018, which corresponded to a technical profitability of 13.5%.

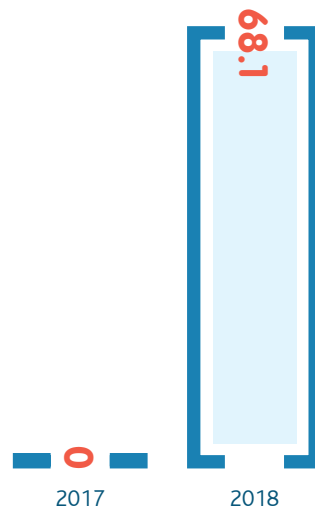
Premium Production (TL thousand)



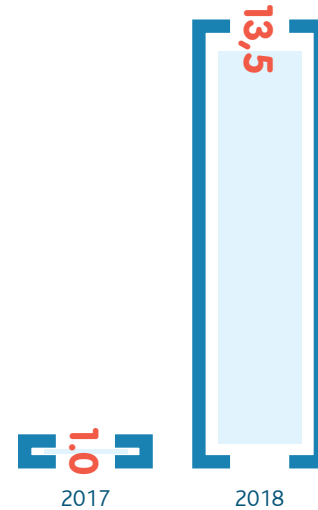
Claims Paid (TL thousand)



Claims Ratio (%)



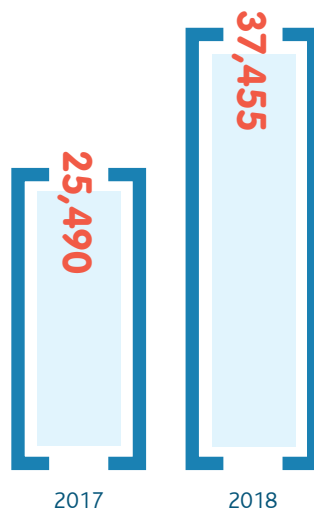
Technical Profitability Ratio (%)



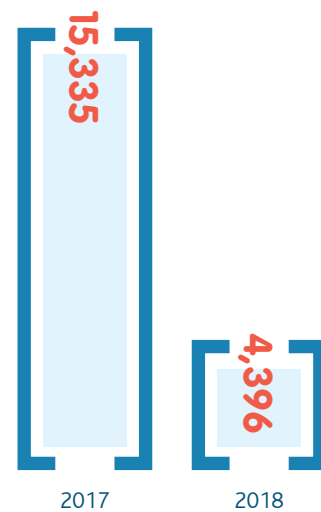
## Financial Losses

Premium production in the financial losses branch totaled TL 37,455 thousand in 2018 and claims paid were worth TL 4,396 thousand. The financial losses branch posted a technical profit of TL 4,026 thousand in the reporting period, up by 43.7% year-on-year.

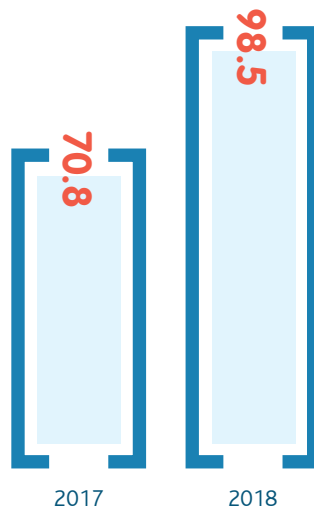
Premium Production (TL thousand)



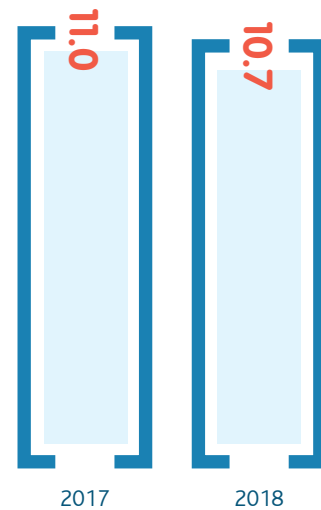
Claims Paid (TL thousand)



Claims Ratio (%)



Technical Profitability Ratio (%)

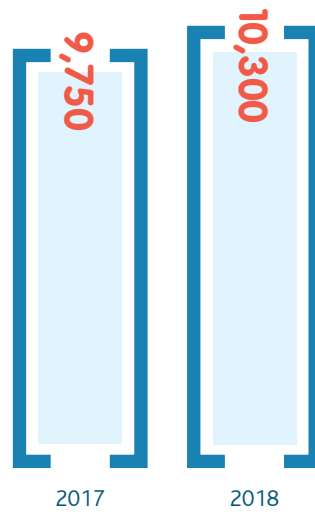


# AN ASSESSMENT OF ANADOLU SIGORTA IN 2018

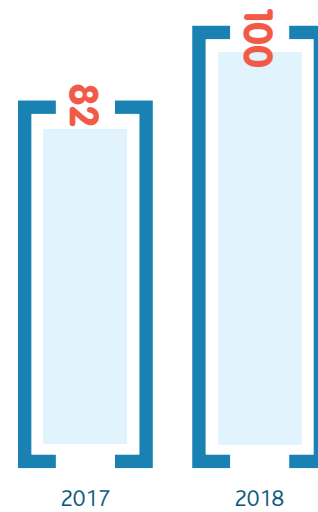
## Legal Protection

Premium production in the legal protection branch stood at TL 10,300 thousand in 2018. The branch attained a profitability of 141.7% in 2018 for a technical profit of TL 14,595 thousand.

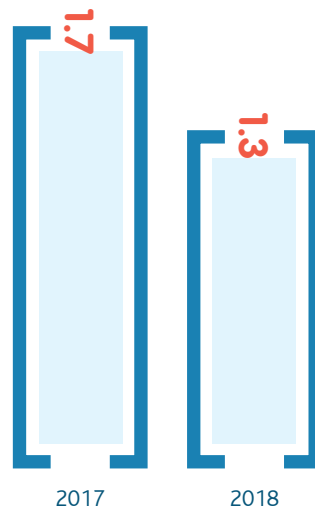
Premium Production (TL thousand)



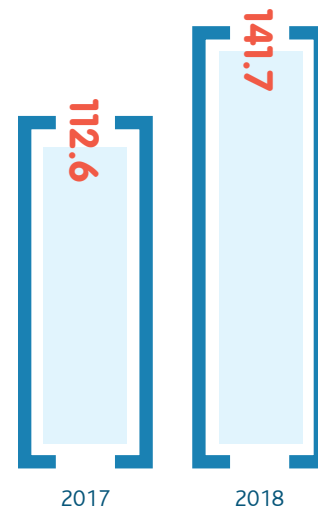
Claims Paid (TL thousand)



Claims Ratio (%)



Technical Profitability Ratio (%)

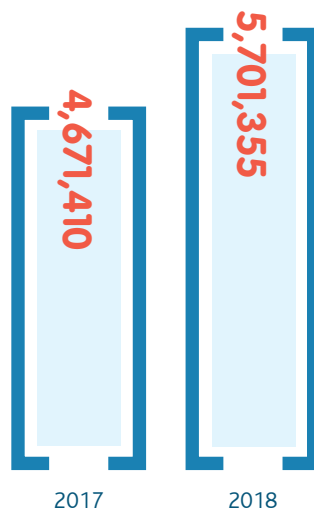




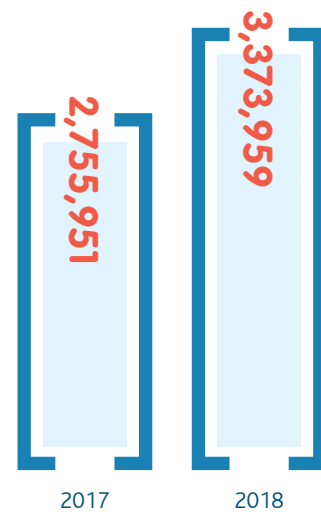
## Total

Anadolu Sigorta's total premium production in 2018 was up 22.0% and reached TL 5,701,355 thousand, while claims paid grew by 22.4% to TL 3,373,959 thousand. Despite the negative effect of the 5-point rise in loss/premium ratio, the technical profit figure surged by 71.6% to TL 502,067 thousand with the help of the strong impact of the income transferred from the financial division.

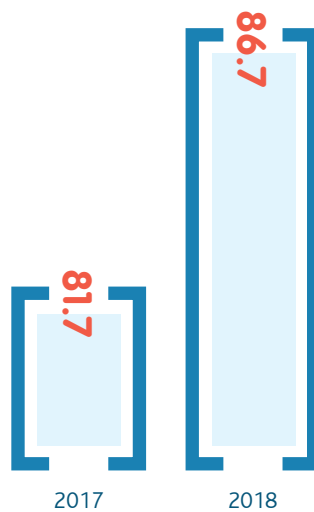
Premium Production (TL thousand)



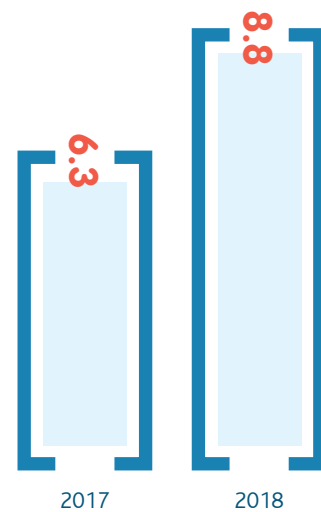
Claims Paid (TL thousand)



Claims Ratio (%)



Technical Profitability Ratio (%)



## AN ASSESSMENT OF ANADOLU SIGORTA IN 2018

### Investment Income

Investment income grew by 75.5% to reach TL 1,508,905 thousand in 2018.

The Company, in 2018, derived TL 224,243 thousand as interest income on time deposits, TL 46,021 thousand from the matured government securities and private sector bonds, and TL 7,882 thousand in dividend income from equities.

A total of TL 83,433 thousand was booked as income on sales of financial

investments during the reporting period. TL 1,295 thousand of this was from the sale of bills and bonds, while TL 21,260 thousand was from the sale of equities, and TL 57,970 thousand was from the sale of mutual funds. The portion of TL 2,908 thousand remaining outside these amounts consists of income generated by the sale of financial assets subject to repo trading.

The "financial investments valuation account", which consists of valuation income derived from all equities, bills and

bonds, mutual fund shares, repo trading, and fixed-term deposits, amounted to TL 52,450 thousand.

The Company booked currency translation gains in the amount of TL 761,764 thousand, while income from derivatives were worth TL 297,457 thousand in 2018. Income from Anadolu Sigorta's equity participations amounted to TL 34,000 thousand.

Investment Income (TL thousand)	2018	2017	Change (%)
Income from Financial Investments	278,147	228,602	21.7
Revenues from the Sales of Financial Investments	83,433	26,474	215.2
Valuation of Financial Investments	52,450	52,103	0.7
FX Gains	761,764	430,646	76.9
Dividend from Affiliates	34,000	28,000	21.4
Income from Real Estate	1,654	3,867	-57.2
Income from Derivatives	297,457	90,116	230.1
Other Investments	0	0	--
<b>Total</b>	<b>1,508,905</b>	<b>859,808</b>	<b>75.5</b>

### Investment Expenses

Anadolu Sigorta's investment expenses increased by 74.8% to TL 1,537,912 thousand in 2018. The biggest component of this figure consisted of TL 965,879 thousand in investment income that

was transferred to the technical division, which was calculated based on the Undersecretariat of Treasury Circular on the Procedures and Principles of Keys Used in Financial Statements that went into effect on 1 January 2008. Other significant amounts apart from this item

within investment expenses included FX losses in the amount of TL 430,648 thousand, losses from derivatives in the amount of TL 66,177 thousand, and losses from liquidation of investments in the amount of TL 35,681 thousand.

Investments Expenses (TL thousand)	2018	2017	Change (%)
Investment Management Expenses (incl. interests)	-1,501	-385	289.5
Devaluation of Investments	-8,865	-1,118	692.9
Loss from the Sales of Financial Investments	-35,682	-16,138	121.1
Investment Expenses Transferred to the Technical Division	-965,879	-542,115	78.2
Loss from Derivative Products	-66,177	-179,274	-63.1
FX Losses	-430,648	-112,535	282.7
Depreciation Expenses	-29,160	-28,081	3.8
<b>Total</b>	<b>-1,537,912</b>	<b>-879,646</b>	<b>74.8</b>

### Revenues, Income, Expenses and Losses from Other Operations

The "revenues, income, expenses and losses from other operations" account

stood at TL 86,172 thousand at year-end 2018. A major contributor to this account balance stems from a TL 71,029 thousand charge against the reserves account, which was followed by rediscounts of

receivables and payables in the amount of TL -9,677 thousand and deferred tax liabilities in the amount of TL -6,652 thousand.

Revenues, Income, Expenses and Losses from Other Operations	2018	2017	Change (%)
Provisions	-71,029	-32,319	119.8
Rediscounts	-9,677	-11,903	-18.7
Deferred Tax Asset Income	0	5,702	-100.0
Deferred Tax Asset Liabilities Loss	-6,652	0	--
Other Revenues and Income	1,635	2,772	-41.0
Other Expenses and Losses	-449	-210	113.2
<b>Total</b>	<b>-86,172</b>	<b>-35,958</b>	<b>139.6</b>

### Operating Results

Key ratios concerning the Company's performance are shown in the chart below along with prior-year results for comparison.

	2018	2017
Technical Profitability Ratio	8.8%	6.3%
Claims Ratio	86.7%	81.7%
Return on Equity	18.7%	11.2%
Return on Assets	3.9%	2.6%

	2018	2017	Change (%)
Technical Division Balance	502,067	292,629	71.6
Investment Income	1,508,905	859,808	75.5
Investment Expenses	-1,537,912	-879,646	74.8
Revenues, Income, Expenses and Losses from Other Operations	-86,172	-35,958	139.6
<b>Total</b>	<b>386,888</b>	<b>236,833</b>	<b>63.4</b>
<b>Income/Loss (Gross)</b>	<b>386,888</b>	<b>236,833</b>	<b>63.4</b>
Tax Provisions	-79,314	-52,636	
<b>Income/Loss (Net)</b>	<b>307,574</b>	<b>184,197</b>	<b>67.0</b>

In 2019, the insurance industry is anticipated to keep growing, even though the rate of growth will be below the projections depending on the implications of the geopolitical developments that took place during 2018 in the world and in our country upon the economy. The Company's goal will be to secure increased production in real terms and attain a sustainable profit, by further leveraging the concepts of quality service, leadership, innovation and customer focus. Technical results will be monitored closely, targeting to increase technical profitability through

improving loss premium ratios particularly in unprofitable branches. In striving to achieve its strategic goals, the Company aims to further increase its brand equity while continuing to offer its services to the policyholders with strict adherence to its quality service concept as it has always done.

### ASSESSMENT OF THE COMPANY CAPITAL AND COMMENTS

The key considerations that the companies in the insurance sector

will face in the years ahead will be the satisfaction of potential capital requirements that might arise in line with growth, and due management of the capital.

When planning for growth and profitability targets, Anadolu Sigorta observes capital needs as well. Attention is paid to ensure that the Company capital is at adequate level, taking into consideration the regulatory requirements. Information on capital adequacy is presented in the relevant section of the notes to the financial statements.

# PROFIT DISTRIBUTION POLICY

- The Company's profit distribution principles for shareholders and other people participating in the profit are governed by the applicable requirements of the Turkish Commercial Code, Capital Market legislation and our Articles of Incorporation.
- The dividend distribution proposals presented by the Board of Directors for the approval of the General Assembly are prepared in a manner to preserve the delicate balance between the expectations of our shareholders and the Company's need to grow, and taking into consideration future expectations regarding the Company's operations, capital adequacy targets and the conditions prevailing in capital markets, as well as the profitability of the Company.
- The profit distribution policy espoused by the Board of Directors is based on the principle of proposing to the General Assembly the distribution of at least 30% of the net distributable profit for the period as bonus shares and/or in cash.
- In the event that the net distributable profit for the period calculated based on the legal records remains below 5% of the Company's paid-in capital, the Board of Directors may propose to the General Assembly that no dividends be distributed.
- Dividend distribution formalities and processes are carried out so as to be completed by no later than the end of the fiscal year in which the General Assembly Meeting is convened.
- Pursuant to the Company's Articles of Incorporation, our employees are paid dividends up to three times of their salaries, which, in the aggregate, must not be in excess of 3% of the amount remaining after the first dividend is set aside.
- The Company may distribute advances on dividends in accordance with the principles and procedures set forth in the Capital Market legislation.
- There are no preference shares in the Company.
- No founder's bonus certificates are given, nor are dividends paid to the members of the Board Directors.

## RISK MANAGEMENT POLICIES ADHERED TO BY TYPES OF RISKS

The Company's risk policies and related implementation procedures include written standards devised and enforced by the Board of Directors and implemented by senior management.

Determined and enforced by the Board of Directors in parallel with international practices on the basis of insurance underwriting risk, credit risk, market risk, operational risk and the risk of use of the Company's services for laundering proceeds from crime and for financing terrorism, these are general standards that define the organization and scope of the risk management function, risk measurement procedures, the duties and responsibilities of the Company's Risk Management Committee, as well as the procedures for determining risk limits, actions to be taken in possible limit violations, and the compulsory approvals and confirmations that are required to be given in various cases and circumstances.

Besides insurance underwriting, credit, market and operational risks, other risks can result from the reciprocal and successive interaction of these risks. Therefore, an integrated consideration should be adopted for all risk elements stemming from assets and liabilities positions. The Company's basic strategy with respect to the distribution of long-term assets and liabilities is to ensure consistency between assets and liabilities at optimum liquidity risk level so as to support the objective of maximizing returns. Accordingly, utmost importance is given to the following points:

The basic objective of the Company's activity in the money and capital markets is to generate maximum possible return at a specified risk level. The priorities in asset investments are, in order of precedence, safe investment, liquidity and return.

When investing assets, the Company takes into account market and liquidity

risks, portfolio concentration risk, payables in high amounts such as known or foreseeable advance taxes, corporate taxes, reinsurer payments and claims payments, as well as receivables from insurance activity.

Through scenario analyses and stress tests, the assets portfolio is exposed to various shocks and tested with respect to interest rates, exchange rates and share certificate prices. These tests are conducted at quarterly intervals at a minimum.

Utmost attention is paid to maintaining a cash position in foreign currency for potential catastrophic risks equivalent to the lower limit of excess of loss agreements, as well as known liabilities for any given period.

The Board of Directors, taking into account long-term strategies, equity capabilities, returns to be derived and general economic expectations, sets the Company's risk tolerance, which is then expressed in terms of risk limits. In line with the procedures set in the Policies and in view of the market conditions in the relevant period, the Risk Management and Internal Control Department reports violations of limits submitted to the CEO and the Board of Directors.

Senior Management is responsible for implementation of Risk Management Policies. For purposes of ensuring compliance with policies, Senior Management means the CEO, Deputy Chief Executive Officers, and relevant Unit Managers and Regional Managers. On the other hand, all authorized employees performing the transactions regarded as a part of risk management processes are individually responsible for the accuracy and reliability of all kinds of data and information they provide in relation to their respective jobs within the process, which form the basis of the making of decisions.

### 1- Insurance Underwriting Risk Policy

Insurance underwriting risk is defined as a risk that might arise from failure to correctly and effectively implement the insurance technique within the process of turning coverage provision for natural risks which are not known certainly if they will occur and for risks which are known for sure to occur but are unknown time-wise into sustainable commercial earnings. The scope of Insurance Underwriting Risk Policies consists of the conditions and price of the coverage to be provided for the risk; the principles applied in determining which of the coverages provided will be ceded up to what amounts and to whom in the case of risks decided to be transferred; conducting effective monitoring of risk portfolio loss frequency so as to allow formulation of fitting reinsurance strategies at sufficient frequency, and related monitoring and reporting system.

Management of insurance underwriting risk is based on the principle of forming the risk portfolio with risks that represent a low potential to cause loss. In order to avoid poor risk selection and incorrect pricing of insurance policies and to create accurate reinsurance policies, effective monitoring is carried out on loss frequency and loss severity of the risk portfolio. The risk portfolio is separately overseen on the basis of agents, industry, branches, regions, brands, models, tariffs, products, customers and other parameters.

A comprehensive insurance underwriting risk reporting system is used to ensure measurement of loss performance, oversee compliance with applicable legislation and ensure reporting on the effectiveness of insurance underwriting risk controls. The risk of the portfolio is regularly reported by executive departments and the Risk Management and Internal Control Department to the CEO and the Board of Directors.

## RISK MANAGEMENT POLICIES ADHERED TO BY TYPES OF RISKS

### 2- Credit Risk Policy

Credit risk means the possibility of the Company's sustaining loss due to failure on the part of policyholders, agents, reinsurers, fronting companies, coinsurers, and other parties to partially or totally fulfill their obligations towards the Company. It also indicates to the loss of market capitalization caused by the deterioration in the financial standing of companies with which there are subsidiary or affiliate relationships. The Credit Risk Policy sets out the procedures and responsibilities related to the management, control and monitoring of credit risk, as well as matters in relation to credit risk limits.

Early identification and definition of issues are of the essence for effective management of credit risk. For this purpose early warning signals are determined; these are indicators pointing at cases that will adversely influence the credit risk and lead to a credit risk that is above the Company's risk tolerance. For insurance brokers, these are declined collection ratios, reduced production performances, slackened discipline in conforming to company guidelines, and other data from intelligence. For Reinsurance companies and counterparties, these cover all kinds of data and information obtained in relation to negative ratings and developments. It is the duty and responsibility of executive units to obtain data and information in relation to credit risk. All kinds of information obtained are urgently considered within the frame of decision-making, monitoring, reporting and auditing processes.

A credit risk scoring system used, which has the capability to be made use of in the management of credit risk and decision-making, to enable monitoring risk on the basis of counterparties, to take notice of expected and unexpected losses, and to allow for making the decisions based not only on the return derived or anticipated to be derived from the counterparty at any time, but also on the risk underwritten. The risks of counterparties are regularly reported by the Risk Management and Internal Control Department to the CEO and the Board of Directors. The Risk Management and Internal Control Department is also responsible for undertaking daily follow-up of regional, sectoral and market trends that have an actual or possible impact on the Company's credit risk, and for reporting the results to the CEO and the Board of Directors.

### 3- Market Risk Policy

Market Risk means the risk of loss in the value of the Company's placements in financial borrowing instruments whose return is linked to interest rate; stock, other investment securities, all FX or FX-indexed assets and liabilities in or off the balance sheet, derivative agreements based on the said instruments, which loss might result from the volatilities in interest rates, stock prices and exchange rates.

The basic and ultimate purpose of the Company's activities in money and capital markets is to generate returns. The basis of Market Risk policies is to measure, report and keep under control the risk that the Company is exposed to by reason of such activity. The top priority is to ensure that the Company's Market Risk

exposure is within the limits stipulated by applicable legislation and is compliant with the Company's risk appetite. In market risk management, risk appetite is expressed in terms of market risk limits assigned to the Fund Management and Investor Relations Department and the contracted asset management companies. Market risk limits are categorized into two groups: limits set employing the value at risk method, and limits determined based on the ratio of each group of investment securities to the total portfolio and shareholders' equity. The Risk Management and Internal Control Department and the Fund Management and Investor Relations Department closely and constantly monitor limit violations. In case limits are exceeded, the amount at which a limit is exceeded and its reasons are reported to the CEO and the Board of Directors, along with the assessments of the executive body. If limit violations are above the ratios or durations set by the Board of Directors, necessary action is determined by the Board of Directors.

Market risk is calculated employing internationally accepted statistical methods. Since these calculations cover risk prediction for the following days, the accuracy of predictions are compared subsequently with actual values and monitored on a daily basis. On the other hand, the portfolio is tested under different scenarios for determining the effects of occurrences, which pose a low probability in terms of occurrence, but big volume in terms of loss. The assessments, which include the possible mismatches among types and maturities of the Company's assets and liabilities, are regularly reported in detail to the CEO and the Board of Directors.

#### 4- Operational Risk Policy

Operational risk is defined as any risk other than absolute insurance underwriting, credit and market risks which might occur in the organization, business continuity, insufficient or inoperative business processes, technology, human resource, underperformance by individuals, administrative mistakes, unfortunate events, misconduct, accident and fraud, systems or external factors, legislation, management and business environment, and which might cause physical or reputational loss to the Company.

Limits are introduced for potential operational risks that might arise during the activities based on the "Company Risk Catalogue," which is the basic document used in defining and classifying all risks that may be faced with. The Risk Catalogue is updated in parallel with the changing conditions. "Self-Assessment Methodology" is used in the identification of operational risks. In this method, the risks in relation to activities conducted are exposed with the involvement of the personnel performing the job.

Qualitative and quantitative methods are used jointly in the measurement and evaluation of operational risk. The measurement process uses data obtained from "impact - likelihood analysis" and internal and external "loss database."

When managing operational risk, efforts are spent to develop controls to eliminate or mitigate the possibility of sustaining loss due to risks that the Company may be exposed to in relation to its activities. Effectiveness and adequacy of existing or subsequently developed controls, and the implementation of action plans adopted in this regard are evaluated in coordination with the Risk Management and Internal Control Department and the Board of Inspectors. The Risk Management and Internal Control Department monitors all operational risks that the Company may be exposed to during the course of its activities, and regularly reports on the same to the CEO and the Board of Directors.

#### 5- Policy for Combating the Legalization (Laundering) of Proceeds from Crime and Financing of Terrorism

This policy is intended to define, rate, monitor, assess and mitigate the risks the Company is exposed to with respect to the use of the insurance service offered by the Company in laundering proceeds from crime or financing of terrorism. The ultimate goal can be achieved by effectively monitoring and supervising customers and transactions in full compliance with the applicable legislation and regulations.

The overall scope of the policy covers the activities centrally executed for defining, measuring, monitoring, controlling and reporting the risks that the Company is exposed to for reasons of the use of the insurance service offered by the Company in laundering proceeds from crime or in financing of terrorism, or the Company's failure to fully comply with the liabilities imposed by the Law no 5549 on Prevention of Laundering Proceeds from Crime and by related regulations and communiqués.

The basic strategy of the Company to achieve the ultimate goal is to carefully plan, conduct and manage risk management activities independently, impartially, purposefully, productively and efficiently, employing a risk-focused approach and in line with applicable legislation and internationally accepted principles and standards. The basic principle in achieving this goal is to employ the most advanced tools and methods that are available and possible to be used. Findings from risk management, monitoring and control activities are regularly reported to the Board of Directors by the Board Director who is delegated by the Board of Directors in respect of this matter.

## ACTIVITIES OF THE COMMITTEE OF EARLY DETERMINATION OF RISK

Pursuant to the provisions of the Communiqué Serial: IV No: 56 on the Determination and Implementation of Corporate Governance Principles enforced upon its publication in the Official Gazette issue 28158 dated 30 December 2011, it has been decided to set up a Committee of Early Determination of Risk as of 27 February 2012. The committee will be responsible for carrying out all relevant works and efforts for the early determination of risks that might endanger the existence, progress and survival of the Company, implementation of measures and remedies against identified risks, and management of the risk.

The committee makes an assessment of the situation in its bimonthly reports submitted to the Board of Directors; the said report is also shared with the statutory auditor.

### Risk Management Activities and Risk Assessment

The Company's risk exposure is monitored, assessed and controlled individually under the categories of insurance underwriting risk, credit risk, market risk and operational risk. The risk exposure arising out of the use of the Company's insurance services for laundering proceeds from crime or for financing terrorism, or out of failure to achieve full compliance with the obligations imposed by the Law no 5549 on Prevention of Laundering Proceeds from Crime and by related regulations and communiqués is addressed independently from other types of risks as per the applicable legislation.

When the Company's risk exposure is assessed with respect to the magnitude of potential impact of those risks; the effects of global, national and near geography developments upon the technical and financial performance, the potential earthquake in İstanbul, and low technical profitability gain the foreground.

When the Company's risk exposure is assessed with respect to the magnitude of potential impact of those risks, the effects of developments in global and national economy upon the technical and financial performance, the potential earthquake in İstanbul, and low technical profitability come to the fore.

A look at global economic outlook reveals that growth remains under pressure, exerted particularly by geopolitical and political risks. In this respect, the risks and uncertainties facing the growth of all developing economies in general can be listed as follows:

- Commercial tensions between the main actors of global economy,
- Effects of the US Fed's monetary policy decisions upon global economic activity,
- Geopolitical tensions going on in different regions of the world,
- Increased fragility in the Eurozone stemming from various factors including the budget deficit in Italy and the Brexit process,
- Continued government protectionism approaches on a global scale.

In the reporting period, the Turkish economy displayed decelerated economic activity, which was manifested in the form of declined growth rates. In addition, the shocks that hit in May and August and dominated the financial markets, combined with the hikes in inflation and interest rates offer an explanation for the negative economic outlook.

In spite of the steps taken to boost internal demand, it is a known fact that the Turkish economy suffers from an economic stability problem in general terms, which stems from its structure that is unable to attain growth without producing current deficit, and from its fragile nature in the face of interrupted capital inflows. The financing of growth will continue to constitute a critical agenda item for the Turkish economy. During 2018, trade wars between the USA and China, the Fed's decisions, geopolitical concerns, domestic political agenda and the war and armed conflict in our near geography might obviously lead to volatile periods in economy. Such a conjuncture might easily pave the way for potentially significant deviations in various economic parameters, including credit rates, loan utilization, housing and car sales, which are interrelated with the production performance of the insurance industry. The compensation amounts that might result from earthquakes and other catastrophe risks that exceed the upper limits of various existing agreements

are of a nature that might lead the Company to suffer losses of a magnitude that cannot be made up for in a typical operating year. Modeling software is used to determine the magnitude of an earthquake in İstanbul and the potential losses that would arise therefrom, and the potential margin of error incorporated in such software is also taken into consideration when determining the final protection level.

On the other hand, scenario analysis are employed to establish some uncertainties that cannot be calculated by modeling programs, such as personal injury, motor own damage claims, tsunami, post-earthquake fire, changes in our protection level due to volatile exchange rates, inflation, high level coverage in conjunction with loss of profit, and a portfolio that expands during the course of the year, whereas a certain safety margin is allowed for some other uncertainties.

Although it is not deemed vital when a potential earthquake in İstanbul is considered individually, a Contingency Action and Funding Plan and a Business Continuity Plan have been formulated for the management of potential market, credit and operational risks that might be triggered simultaneously by such an earthquake and are likely to increase substantially. The operability of these plans is tested at regular intervals.

Low operating profitability is at the top of the risk elements that are critical for the Company, which is the case also for all companies in the sector that are engaged in non-life branches. This predicament that results from excessive price competition and prevents accumulation of capital is anticipated to disappear gradually, in parallel with the future depth to be achieved by the Turkish insurance industry. In 2018, the soaring exchange rates proved to be a factor that increased claims costs in many branches, which negatively reflected on combined ratios. Last but not least, the latest developments in the foreign currency and interest rate fronts in the financial markets served as additional elements that restrained the profitability of the insurance industry.



# INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS



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Mersis No: 0-4350-3032-6000017

(Convenience translation of a report originally issued in Turkish)

## To the Shareholders of Anadolu Anonim Türk Sigorta Şirketi

### 1) Opinion

We have audited the annual report of Anadolu Anonim Türk Sigorta Şirketi ("the Company") for the period of January 1 - December 31, 2018.

In our opinion, the consolidated and unconsolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Company are presented fairly and consistent, in all material respects, with the audited full set consolidated and unconsolidated financial statements and the information we obtained during the audit.

### 2) Basis for Opinion

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

### 3) Our Auditor's Opinion on the Full Set Financial Statements

We have expressed an unqualified opinion in our auditor's report dated February 1, 2019 on the full set consolidated and unconsolidated financial statements of the Company for the period of January 1 - December 31, 2018.

### 4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC"), the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB") and the Communiqué on Individual Retirement Saving and Investment System" ("Communiqué") issued on 7 August 2007 dated and 26606 numbered, the management of the Company is responsible for the following items:

a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.

b) Preparation and fair presentation of the annual report; reflecting the operations of the Company for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated and unconsolidated financial statements. The development of the Company and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

# INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Company,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.


When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

## 5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the consolidated and unconsolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Company's audited consolidated and unconsolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated and unconsolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated and unconsolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Seda Akkuş Tecer.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited  
  
Seda Akkuş Tecer, SMMM  
Partner

February 25, 2019

İstanbul, Turkey

## AN ASSESSMENT OF THE BOARD DIRECTORS BY THE CORPORATE GOVERNANCE COMMITTEE

Apart from the CEO, the Board of Directors consists of non-executive members.

Chairman of the Board and CEO functions are carried out by different individuals.

Taking into consideration that there are no non-corporate ultimate shareholders with a controlling interest in our Company, it is thought that the Board Directors naturally possess the advantage to act independently and therefore, to be impartial in their decisions, upholding the interests of our Company and stakeholders above everything else.

The Board of Directors meets regularly and at least monthly as pre-scheduled, and at any time as and when deemed necessary. The Board of Directors met 12 times in 2018. The Board Directors, in principle, attend every meeting.

Care is paid to determine the Board meeting date during the immediately preceding meeting, followed by written invitation. It is intended to set the meeting date so as to allow all Directors to participate, and save for unforeseeable exceptional events, the Board meetings are held with the participation of all Directors.

The Board meeting agenda is determined by the Chairman of the Board of Directors in line with the proposals of the CEO and the Board Directors.

Utmost care is paid to ensure that the information and documents about the topics covered in the Board meeting agenda are made available for the examination of the Directors at least five days in advance, and when such timing cannot be met, efforts are spent to ensure equal flow of information to the Board Directors.

Each Director is entitled to one vote and none has weighted vote or affirmative/negative vetoing rights.

Pursuant to the Articles of Incorporation, the Board of Directors convenes on the

basis of absolute majority and makes decisions with the absolute majority of Directors present in the meeting.

Pursuant to the Company's Articles of Incorporation;

The Board of Directors is authorized to pass decisions on any and all acts and transactions that are necessary for the achievement of the Company's operating scope, save for those for which the General Assembly is authorized as per the law and the Articles of Incorporation.

Without prejudice to the duties and powers that cannot be delegated as set out in Article 375 of the Turkish Commercial Code and in other articles, the Board of Directors may delegate management, in part or in whole, by way of an internal bylaws in accordance with Article 367 of the Turkish Commercial Code.

The Board of Directors fulfills its responsibilities remaining outside the scope of its basic functions taking into consideration the opinions and recommendations of executive bodies and committees. Such responsibilities include, but are not limited to the following:

- Approving the Company's annual budget and business plans,
- Preparing the Company's annual reports and finalizing the same to be presented to the General Assembly,
- Ensuring that the General Assemblies are held in compliance with the legislation and the Company's Articles of Incorporation,
- Taking necessary action in relation to General Assembly decisions,
- Approving the executives' career plans and rewarding provided to them,
- Determining the Company's policies about Shareholders, stakeholders and Public Relations,
- Determining the Company's disclosure policy,

- Setting the codes of ethics for the Company and its employees,
- Establishing the operating principles of committees; ensuring their efficient and productive functioning,
- Taking necessary action so as to ensure the Company's organizational structure responds to current circumstances,
- Examining the activities of former boards of directors.

The Board of Directors consists of eleven Directors, which number enables efficient organization of the activities of the Board. Three independent Directors serve on the Company's Board of Directors.

Although there are no set rules on non-independent Directors' undertaking other duties outside the Company, the Directors do not have any other duties apart from their natural duties in the entities they represent and from those in the establishments owned by the entities they represent. Yet, Board Directors devote sufficient amount of time for company affairs, and exercise their powers prudently and within the frame of good faith, possessing all necessary knowledge to ensure full performance of the duty.

Past experiences, and outside positions held, if any, of the independent Board Directors are disclosed in their résumés and presented on our website and in our annual report.

## AN ASSESSMENT OF THE BOARD DIRECTORS BY THE CORPORATE GOVERNANCE COMMITTEE

When fulfilling its decision-making function, the Board of Directors acts on the basic consideration of:

- Maximizing the fair value of the Company,
- Pursuing the Company operations so as to ensure long-term and stable earnings for our Shareholders,
- Maintaining the delicate balance between the Shareholders and the Company's need to grow.

In the formation of the Board of Directors, care is given to;

- Ensure that the nominees are present in the meeting at the time of election to the seats on the Board of Directors,
- Inform the Shareholders about the nominees,
- Allow Shareholders to ask questions to the nominees,
- Inform the Shareholders, during the General Assemblies, on other companies on the boards of which Director nominees serve and on the compliance or non-compliance to internal regulations set exclusively on this topic.

Directors just starting to serve on the Board are offered an orientation program covering the following at a minimum:

- Introduction with our executives and visits to the Company's units,
- The CVs and performance assessments of our executives,
- Strategic goals, current status and issues of the Company,
- Market share, financial structure and performance indicators of the Company.

Pursuant to legislation, general managers of insurance companies must have graduated from a four-year university minimum, and have at least ten years experience in any one of insurance, banking, economy, business management, accounting, law, finance, mathematics, statistics or engineering fields. More than half of the Board Directors must have graduated from a four-year university minimum, and have knowledge and experience in at least one of the fields mentioned above.

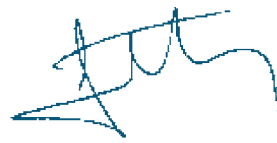
The Directors possess these qualifications and have;

- Satisfactory knowledge and skills in banking and insurance business,
- The skill to read and analyze financial statements and reports,
- Basic knowledge about the legal regulations governing our Company, and about general market circumstances,
- The will and the opportunity to regularly attend the Board meetings for the period of time for which they are elected to serve.

The Board of Directors adopted the necessary measures for preventing undisclosed information and/or trade secrets from being disseminated out of the Company.



Dr. Fatih Anıl  
Board Director and Head of the  
Corporate Governance Committee  
25 February 2019



Fatih Gören  
Deputy Chief Executive and Member of the  
Corporate Governance Committee  
25 February 2019



Kemal Emre Sayar  
Board Director and Member of the  
Corporate Governance Committee  
25 February 2019



Hasan Hulki Yalçın  
Vice Chairman and Member of the  
Corporate Governance Committee  
25 February 2019

# DISCLOSURE POLICY

Disclosure policy of our Company, approved by the Board of Directors, is described herein.

Any modification thereto, including the justification will also be disclosed to public after it is approved by the Board of Directors.

## General Framework

Anadolu Anonim Türk Sigorta Şirketi fulfills its obligations of public disclosure of financial and other type of information as required mainly by the Law on Insurances and relevant regulations hereunder and Capital Markets Legislation, Turkish Commercial Code and the legislation governing the Istanbul Stock Exchange (BIST), through which our shares were listed and exchanged, in line with the generally accepted accounting principles and corporate governance principles; therefore, it follows a detailed public disclosure policy.

Main purpose of the disclosure policy is to ensure true, complete, convenient, less costly, understandable and fair conveyance of necessary information and disclosures, other than those classified as trade secret, to shareholders, investors, employees, clients, creditors, reinsurers and other concerned parties.

Having an active approach for the adoption and implementation of Corporate Governance Principles, our Company attaches utmost care for compliance with the requirements of the relevant legislation and best international practices with respect to public disclosure. Anadolu Anonim Türk Sigorta Şirketi Disclosure Policy has been prepared within the scope of above principles and put into practice after its approval by the Board of Directors.

Anadolu Anonim Türk Sigorta Şirketi uses Public Disclosure Platform (PDP), Central Registry Institution (E-Company), Electronic General Assembly System (EGAS), national/local newspapers, Turkey's Trade Registry Journal and

company's official website for informing the public.

## Authorization and Responsibility

The Board of Directors is responsible and authorized for preparation, monitoring, auditing and improvement of public disclosure policy of our Company. Directors in charge of financial management and reporting and Investor Relations Department have been appointed for the responsibility of conducting and coordination of disclosure function under the policy. The officials of the mentioned department perform their duties in coordination with the Audit Committee, Corporate Governance Committee and the Board of Directors.

## Public Disclosure Operations and Methods and Instruments Used

Public Disclosure operations and methods and instruments used for these operations under the legislation on insurances, Capital Markets Legislation, Turkish Commercial Code and other relevant legislation are described below:

Financial statements and notes and explanations thereof for each quarter, which are Prepared in accordance with the legislation issued by the Undersecretary of Treasury, Directorate General of Insurance and Capital Markets Board and signed with an attestation by the Committee Members in charge of Audit and the Director General or Directors in charge of financial reporting, and external audit reports, issued annually semi-annually are published on our website and reported to the Public Disclosure Platform (PDP) within its legal deadline. Furthermore, our Company issues financial statements for each quarter and upload them to the portal managed by the Undersecretary of Treasury and convey most of these statements also to the Turkish Insurers Union (TIU) for informative reasons.

Disclosures for special cases, which must be notified pursuant to the Capital Markets Board (CMB) legislation, are

notified to PDP within its legal deadline. Disclosures for special cases are published on the corporate website of Anadolu Sigorta on the next business day at the latest following the public disclosure and stays on the website for a duration of 5 years.

For the purpose of ensuring the confidentiality during the time until the public disclosure of special cases, persons who have access to insider information are informed about the requirements stemming from the relevant legislation. As for those who may have access to insider information through the service supplied from them, their contracts include a clause of confidentiality. On the other hand, Anadolu Sigorta carefully complies with the legislative requirements imposed by the Law on Insurance No. 5684 and relevant legislation requiring the safekeeping the customers' secrets and not disclosing them to parties other than those who are explicitly authorized by the law. This requirement binds not only the Anadolu Sigorta employees but also the employees of the companies through which the Company gets support services.

In accordance with the legislation and the provisions of the Company Charter, announcements and notifications for changes to the Company Charter, General Assembly meetings, capital raise, reporting of year-end financial statements are given on the TTRJ and national newspapers. Documents and information about the General Assembly are delivered to shareholders through Electronic General Assembly System in line with the provisions of the Turkish Commercial Code.

Each year before the General Assembly meeting, annual activity report, in line with the relevant legislation, is presented for the examination of shareholders with a view too include all necessary information and descriptions and is published on our website (Both in Turkish and in English) and reported to PDP. When requested, this

# DISCLOSURE POLICY

report may be obtained in print from our Investor Relations Department.

Regular meetings and briefings are not part of our policy. Instead, where requested or needed to respond to questions raised by the press members, press releases are made on the printed and visual media.

Press statements to printed and visual media may be made by the Chairman of the Board, the Director General or its Deputy or other officials assigned by them. News about our Company published on national or international media are followed by a professional media monitoring agency. Therefore, in case of a necessity of a disclosure for special case, which must be notified pursuant to the relevant legislation, necessary briefing is made on the subject gathering the departmental information from concerned departments.

When making a statement to press on news and talks, which are not classified as a special case disclosure by a legislation, type and content of the statement are defined according to certain factors such as the news' feature, size of the target audience of the media, whether the news affect the Company reputation. If these news and rumors inherit a matter which requires the Company to make a public disclosure, a special case disclosure is then made in line with the provisions of relevant legislation.

International and national investor meetings and road-shows are used to convey information to shareholders and to other concerned parties. These meetings and visits which were organized and managed by Investor Relations Department are sometimes attended by Director General, Directors in charge of financial management and reporting and the personnel of the Investor Relations Department. Where needed, the size of these contact teams may be enlarged. To ensure that all market participants

are simultaneously and equally informed, the reports and presentations disclosed during the introductory and information meetings held with investors are published on the corporate website under the Investor Relations Section.

Investor Relations Department delivers via e-mail necessary information, mainly financial statements, to shareholders, national and international investors and to those companies which releases research reports on our Company.

Investor Relations Section of the official website of our Company ([www.anadolusigorta.com.tr](http://www.anadolusigorta.com.tr)) includes detailed information and data on our Company. This section is managed and kept up-to-date by the Investor Relations Department. All questions sent by all stakeholders via e-mail, regular mail, phone, etc. are answered at the shortest delay under the coordination of the Investor Relations Department.

## Other Notifications

Notifications other than above are disclosed to public with signature of the officials whose power of signature was indicated in the Company's certificate of signature.

## Forecasts

In case of disclosure of forecasts for the Company, which may affect the investor decisions, the Board of Directors, Director General or other officials assigned by the latter make necessary disclosures via Public Disclosure Platform, activity reports or other means defined by the legislation. In case of a significant difference between the issues disclosed earlier and realizations, a statement may be released according to relevant legislation.

## Defining the Persons with Administrative Responsibility

Persons with administrative responsibility are the members of the Board of Directors and those, who are not a member of the

Board, yet, have regular access to internal information of our Company, directly or indirectly, and who are entitled to take administrative decisions which may affect the future development and commercial ends of our Company.

Therefore, in defining the persons with administrative responsibility, the duties of the persons in the Company organization and the nature of the information which may be accessed by these persons are taken into account.

In addition to Members of the Board, Director General and Deputy Director Generals, managers of certain departments, who have access to all information regarding the Company and who are entitled to take administrative decisions on matters such as active-passive structure, profit-loss, cash-flow, strategic targets, (decisions, which may affect these matters at macro level) have also been determined as persons with administrative responsibility.

## Official Website of Anadolu Sigorta: [www.anadolusigorta.com.tr](http://www.anadolusigorta.com.tr)

Our Company's official website is actively used for informing the public and disclosure. The website includes all information and data envisaged by the Corporate Governance Principles and Regulatory Authorities in Turkish and English. This website is always kept updated with due care.

E-Company platform may also be used in communication with shareholders, a platform which was established within Central Registry Institution in accordance with pursuant to the provisions of Turkish Commercial Code on websites, which can be accessed through "Bilgi Toplum Hizmetleri" link. Documents indicated in the relevant legislation can be accessed through this platform.

# STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

## STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

CRF, which is used to report compliance with voluntary principles, and CGIF templates, which are used to provide information about the existing corporate governance practices, have been prepared in accordance with the formats set out in the Corporate Governance Communiqué no. II-17.1 based on the Capital Markets Board of Turkey (CMB) decision no. 2/49 dated 10 January 2019. The same are disclosed on the Public Disclosure Platform and in our Annual Report.

We deem extreme benefit in the implementation of the Corporate Governance Principles, which we consider to be as important as financial performance, for the thriving of the national and international capital markets and for the interests of our Company.

Our Company is subjected to corporate governance rating by SAHA Kurumsal Yönetim ve Kredi Derecelendirme A.Ş., a rating agency that holds an activity license to carry out rating under the applicable legislation. Corporate Governance Rating Reports and information about our scores are disclosed on the Public Disclosure Platform, and also presented for the information of our investors under the Investor Relations tab of our corporate website.

Our Company implements the principles that are defined as compulsory principles in the Corporate Governance Communiqué Serial: II-17.1.

In this context, our articles of incorporation do not contain any provisions stipulating stakeholder participation in the Company's management and expanding the scope of minority rights beyond the provisions of applicable legislation; minority shares are not represented on our Board of Directors.

While our Company has Charitable Donations Guidelines, we do not have a Donations and Grants Policy, nor a section on our corporate website where the said is posted.

Two women members serve on our Board of Directors; a Company policy has not been created governing the number of women members on the Board of Directors.

Necessary succession planning is made within the scope of the Company's HR Policy.

While there are no rules governing outside positions held by our non-independent Board directors, they do not have any roles apart from their natural duties at the organizations they work for and apart from their natural duties at the establishments owned by the organizations they work for. As a matter of principle, care is taken to guarantee that the said situation does not lead to any conflicts of interest and does not disrupt the member's duties at the Company. External positions held by our Board directors are presented for the information of our shareholders and stakeholders in our annual report and on our website.

In principle, our Board directors do not serve on more than one committee. Notwithstanding, since the entire Audit Committee and the heads of the Corporate Governance Committee and Early Detection of Risk Committee must be elected from amongst independent Board directors, one independent Board director serves on two different committees. In addition, one non-independent Board director serves on three different committees.

The Company's annual and medium-term goals are not publicly disclosed; the Board of Directors evaluates financial performance on a monthly basis.

The remunerations and similar benefits provided to the Board directors and senior management are disclosed cumulatively in the footnotes of our financial statements and in our annual report.

While there are no provisions stipulating stakeholder participation in the General Assembly meetings in our articles of incorporation, stakeholders wishing to participate as observers in those meetings may do so provided that they inform the Company of their such desire prior to the General Assembly meeting. Hence, some stakeholders such as the audit firm representative, rating company specialist and some Company employees have participated in the General Assembly meeting as observers within the knowledge of the Company.

An insurance policy has been issued to cover the risk of damage that our Board directors and executives may cause to the Company as a result of their fault in the discharge of their duties within the scope of İşbank Group's (İşbank and its Subsidiaries) liability policy. However, no disclosure was made about the subject on the Public Disclosure Platform.

Principles that are not yet implemented as an exception have not caused any conflicts of interest between stakeholders to date.

# CORPORATE GOVERNANCE COMPLIANCE REPORT

1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS	Compliance Level					Remarks
	Yes	Partial	No	Exempted	Not Applicable	
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
<b>1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION</b>						
1.2.1- Management did not enter into any transaction that would complicate the conduct of special audit.	X					
<b>1.3. GENERAL ASSEMBLY</b>						
1.3.2 -The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	Insiders with privileged information about the Company did not engage in any transactions within the scope of the Company's activities, which might lead to conflicts of interest.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.		X				Stakeholders wishing to participate in the meeting as observers may do so provided that they inform the Company of their such desire in advance of the meeting.
<b>1.4. VOTING RIGHTS</b>						
1.4.1-There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2-The company does not have shares that carry privileged voting rights.	X					
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.	X					



	Compliance Level					Remarks
	Yes	Partial	No	Exempted	Not Applicable	
<b>1.5. MINORITY RIGHTS</b>						
1.5.1- The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2-The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			The Company's articles of association do not define minority rights as those who own less than one twentieth of the capital and care is taken to inform all shareholders equally.
<b>1.6. DIVIDEND RIGHT</b>						
1.6.1 -The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2-The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.					X	No dividends were distributed in 2018.
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
<b>1.7. TRANSFER OF SHARES</b>						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
<b>2.1. CORPORATE WEBSITE</b>						
2.1.1.-The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2-The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 -The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.		X				A substantial portion of the information available on our website is also presented in English so that international investors may make use of them.
<b>2.2. ANNUAL REPORT</b>						
2.2.1-The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					

# CORPORATE GOVERNANCE COMPLIANCE REPORT

	Compliance Level					Remarks
	Yes	Partial	No	Exempted	Not Applicable	
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
<b>3.1. CORPORATION'S POLICY ON STAKEHOLDERS</b>						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3-Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5-The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
<b>3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT</b>						
3.2.1-The Articles of Association, or the internal regulations (terms of reference/ manuals), regulate the participation of employees in management.	X					
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
<b>3.3. HUMAN RESOURCES POLICY</b>						
3.3.1- The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2-Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					
3.3.4-Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					

	Compliance Level					Remarks
	Yes	Partial	No	Exempted	Not Applicable	
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
<b>3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS</b>						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2-Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
<b>3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY</b>						
3.5.1-The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
<b>4.1. ROLE OF THE BOARD OF DIRECTORS</b>						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
<b>4.2. ACTIVITIES OF THE BOARD OF DIRECTORS</b>						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	X					

## CORPORATE GOVERNANCE COMPLIANCE REPORT

	Compliance Level					Remarks
	Yes	Partial	No	Exempted	Not Applicable	
4.2.2-Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4-Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.	X					
<b>4.3. STRUCTURE OF THE BOARD OF DIRECTORS</b>						
4.3.9-The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			While we do not have a dedicated policy about this matter, women members serve on our Board of Directors.
4.3.10-At least one member of the audit committee has 5 years of experience in audit/ accounting and finance.	X					
<b>4.4. BOARD MEETING PROCEDURES</b>						
4.4.1-Each board member attended the majority of the board meetings in person.	X					
4.4.2-The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.					X	In principle, our Board of Directors members take care to attend each meeting; during the reporting period, there were no members who were unable to attend a meeting, but submitted their opinions to the Board of Directors in writing.
4.4.4-Each member of the board has one vote.	X					

	Compliance Level					Remarks
	Yes	Partial	No	Exempted	Not Applicable	
4.4.5-The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6-Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.			X			While there are no explicit limits in this respect, as a matter of principle, care is taken to guarantee that the said situation does not lead to any conflicts of interest and does not disrupt the member's duties at the Company. Outside positions held by our Board members are presented for the information of our shareholders and stakeholders on the Public Disclosure Platform and in our annual report.
<b>4.5. BOARD COMMITTEES</b>						
4.5.5-Board members serve in only one of the Board's committees.		X				In principle, our Board members do not serve on more than one committee. Notwithstanding, since the entire Audit Committee and the heads of the Corporate Governance Committee and Early Detection of Risk Committee must be elected from amongst independent Board directors, one independent Board member serves on two different committees. In addition, one non-independent Board member serves on three different committees.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7-If external consultancy services are used, the independence of the provider is stated in the annual report.					X	No need arose for the use of external consultancy services within the scope of the committee's activities.

## CORPORATE GOVERNANCE COMPLIANCE REPORT

	Compliance Level					Remarks
	Yes	Partial	No	Exempted	Not Applicable	
4.5.8-Minutes of all committee meetings are kept and reported to board members.	X					
<b>4.6. FINANCIAL RIGHTS</b>						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.		X				The Company's annual and medium-term goals are not publicly disclosed; the Board of Directors evaluates financial performance on a monthly basis. Moreover, the Board of Directors is not evaluated on the basis of individual members.
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X					
4.6.5-The individual remuneration of board members and executives is disclosed in the annual report.		X				Remunerations were disclosed cumulatively divided into two categories as remunerations of Board members and benefits provided to the senior management.

# CORPORATE GOVERNANCE INFORMATION FORM

<b>1. SHAREHOLDERS</b>	
<b>1.1. Facilitating the Exercise of Shareholders Rights</b>	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	40
<b>1.2. Right to Obtain and Examine Information</b>	
The number of special audit request(s)	0
The number of special audit requests that were accepted at the General Shareholders' Meeting	0
<b>1.3. General Assembly</b>	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	<a href="https://www.kap.org.tr/tr/Bildirim/664096">https://www.kap.org.tr/tr/Bildirim/664096</a>
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Provided.
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There were no transactions that are not approved by the majority of independent directors or by unanimous votes of present Board members in the context of Principle 1.3.9.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)	There are no related party transactions in the context of Article 9 of the Communiqué on Corporate Governance.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)	There are no common and continuous transactions to be publicly disclosed in the context of Article 10 of the Communiqué on Corporate Governance.
The name of the section on the corporate website that demonstrates the donation policy of the company	While our Company has Charitable Donations Guidelines, we do not have a Donations and Grants Policy, nor a section on our corporate website where the said is posted.
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	There is no PDP disclosure about the subject.
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	There are no provisions stipulating stakeholder participation in the General Assembly meetings in our articles of association.
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	Some stakeholders such as the audit firm representative, rating company specialist and some company employees participated in the General Assembly meeting as observers within the knowledge of the Company.
<b>1.4. Voting Rights</b>	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	There are no privileged shares.
The percentage of ownership of the largest shareholder	57.31%
<b>1.5. Minority Rights</b>	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association	-
<b>1.6. Dividend Right</b>	
The name of the section on the corporate website that describes the dividend distribution policy	<a href="https://www.anadolusigorta.com.tr/en/investor-relations/corporate-governance">https://www.anadolusigorta.com.tr/en/investor-relations/corporate-governance</a>
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend	The Board of Directors did not propose against distribution of profit.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	-

# CORPORATE GOVERNANCE INFORMATION FORM

General Assembly Meetings									
General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
26.03.2018	0	75.49%	0.14%	99.86%	<a href="https://www.anadolusigorta.com.tr/en/investor-relations/general-assembly-agenda-minutes-of-general-assembly-meetings-and-additional-information">https://www.anadolusigorta.com.tr/en/investor-relations/general-assembly-agenda-minutes-of-general-assembly-meetings-and-additional-information</a>	<a href="https://www.anadolusigorta.com.tr/en/investor-relations/general-assembly-agenda-minutes-of-general-assembly-meetings-and-additional-information">https://www.anadolusigorta.com.tr/en/investor-relations/general-assembly-agenda-minutes-of-general-assembly-meetings-and-additional-information</a>	None	0	<a href="https://www.kap.org.tr/tr/Bildirim/664096">https://www.kap.org.tr/tr/Bildirim/664096</a>

2. DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	<a href="https://www.anadolusigorta.com.tr/en/investor-relations">https://www.anadolusigorta.com.tr/en/investor-relations</a>
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	<a href="https://www.anadolusigorta.com.tr/en/about-us/company-profile">https://www.anadolusigorta.com.tr/en/about-us/company-profile</a>
List of languages for which the website is available	Turkish, English
2.2. Annual Report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Board of Directors - Corporate Governance Compliance Report - Declarations of Independence by Independent Members of the Board of Directors
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Committees Operating Within Anadolu Sigorta and an Assessment by the Board of Directors
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Information on Board Meetings Held in 2018 Fiscal Year An Assessment of the Board Directors by the Corporate Governance Committee



c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Developments and Changes in Legislation
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Financial Statements and Independent Auditor's Report / 42 - Risks
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	An Assessment of the Board Directors by the Corporate Governance Committee - An Assessment of the Operation of the Independent Audit Firm in 2018 Activity Period via the Audit Committee
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	There are no cross-ownership relations.
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Human Resources Practices at Anadolu Sigorta - Commitment to Social Responsibility
<b>3. STAKEHOLDERS</b>	
3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	<a href="https://www.anadolusigorta.com.tr/en/investor-relations/corporate-governance">https://www.anadolusigorta.com.tr/en/investor-relations/corporate-governance</a>
The number of definitive convictions the company was subject to in relation to breach of employee rights	There were three definitive convictions in 2018.
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Audit Committee
The contact detail of the company alert mechanism.	Notifications received via <a href="mailto:bilgi@anadolusigorta.com.tr">bilgi@anadolusigorta.com.tr</a> are referred to the Audit Committee and the Internal Audit Department for investigation.
3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies.	<a href="https://www.anadolusigorta.com.tr/en/hr/hr-policies-and-practices">https://www.anadolusigorta.com.tr/en/hr/hr-policies-and-practices</a>
Corporate bodies where employees are actually represented	The employees of our Company are members of the Bank, Finance and Insurance Workers Union (Basisen) and there are union representative employees at the Head Office and Regional Branches. Our union representative employees play an important role in the handling of relations between our Company and our employees.
3.3. Human Resources Policy	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	The Board of Directors is authorized to make appointments to key managerial positions. Additional work is undertaken by the Corporate Governance Committee.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	<a href="https://www.anadolusigorta.com.tr/en/investor-relations/corporate-governance">https://www.anadolusigorta.com.tr/en/investor-relations/corporate-governance</a>

## CORPORATE GOVERNANCE INFORMATION FORM

Whether the company provides an employee stock ownership programme	None
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	<a href="https://www.anadolusigorta.com.tr/en/investor-relations/corporate-governance">https://www.anadolusigorta.com.tr/en/investor-relations/corporate-governance</a> Measures are taken to prevent discrimination among our employees on the basis of race, religion, language or sex, to ensure that human rights are respected, and to safeguard the employees from internal physical, mental and/or emotional abuse.
The number of definitive convictions the company is subject to in relation to health and safety measures	None
<b>3.5. Ethical Rules and Social Responsibility</b>	
The name of the section on the corporate website that demonstrates the code of ethics	<a href="https://www.anadolusigorta.com.tr/en/investor-relations/corporate-governance">https://www.anadolusigorta.com.tr/en/investor-relations/corporate-governance</a>
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	<a href="https://www.anadolusigorta.com.tr/en/media/social-responsibilities">https://www.anadolusigorta.com.tr/en/media/social-responsibilities</a>
Any measures combating any kind of corruption including embezzlement and bribery	Audit Committee, Internal Audit Department and Risk Management and Internal Control Department actively work on these matters.
<b>4. BOARD OF DIRECTORS-I</b>	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	25.12.2018
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Caner Çimenbiçer (Chairman of the Board of Directors), Hasan Hulki Yalçın (Vice Chairman of the Board of Directors), Kemal Emre Sayar (Board Director responsible for Internal Systems)
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	In 2018, the Internal Audit Department presented 42 reports and the Internal Control presented 2 reports.
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Internal Control System and Internal Audit Activities
Name of the Chairman	Caner Çimenbiçer
Name of the CEO	İlhami Koç
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	The functions of Chairman of the Board and the General Manager who is the chief executive officer are fulfilled by different individuals.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	While there is an insurance policy for the group to which our Company belongs, no PDP notification was made about the same.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	None
The number and ratio of female directors within the Board of Directors	2 female directors / 22.2%

Composition of Board of Directors							
Name, Surname of Board Member	Whether Executive Director Or Not	Whether Independent Director Or Not	The First Election Date To Board	Link to PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/ He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not
Caner Çimenbiçer	Non-Executive	Not an Independent Director	01.04.2011			No	Yes
Hasan Hulki Yalçın	Non-Executive	Not an Independent Director	29.03.2011			No	Yes
İlhami Koç	Executive	Not an Independent Director	16.11.2016			No	Yes
Ömer Faruk Cengiz	Non-Executive	Not an Independent Director	12.06.2017			No	Yes
Hafız Ekrem Kürkçü	Non-Executive	Not an Independent Director	24.03.2015			No	Yes
Kemal Emre Sayar	Non-Executive	Not an Independent Director	26.11.2015			No	Yes
Dilek Demirbaş	Non-Executive	Independent Director	26.03.2018	Specified in the Annual Report.	Considered	No	Yes
Ayşegül Toker	Non-Executive	Independent Director	26.03.2018	Specified in the Annual Report.	Considered	No	Yes
Fatih Anıl	Non-Executive	Independent Director	26.03.2018	Specified in the Annual Report.	Considered	No	Yes

## CORPORATE GOVERNANCE INFORMATION FORM

4. BOARD OF DIRECTORS-II	
4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	12
Director average attendance rate at board meetings	94%
Whether the board uses an electronic portal to support its work or not	Yes
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	4
The name of the section on the corporate website that demonstrates information about the board charter	<a href="https://www.anadolusigorta.com.tr/i/assets/images/documan/ARTICLES%20OF%20INCORPORATION-26_03_2018.pdf">https://www.anadolusigorta.com.tr/i/assets/images/documan/ARTICLES%20OF%20INCORPORATION-26_03_2018.pdf</a>
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	None
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented.	Committees Operating Within Anadolu Sigorta and an Assessment by the Board of Directors
Link(s) to the PDP announcement(s) with the board committee charters	<a href="https://www.kap.org.tr/tr/Bildirim/187240">https://www.kap.org.tr/tr/Bildirim/187240</a> <a href="https://www.kap.org.tr/tr/Bildirim/670655">https://www.kap.org.tr/tr/Bildirim/670655</a>

Composition of Board Committees-I				
Names of The Board Committees	Name of Committees Defined as "Other" in the First Column	Name-Surname of Committee Members	Whether Committee Chair or Not	Whether Board Member or Not
Audit Committee		Ayşegül Toker	Yes	Director
Audit Committee		Dilek Demirbaş	No	Director
Corporate Governance Committee		Fatih Anıl	Yes	Director
Corporate Governance Committee		Hasan Hulki Yalçın	No	Director
Corporate Governance Committee		Fatih Gören	No	Director
Corporate Governance Committee		Kemal Emre Sayar	No	Director
Early Detection of Risk Committee		Dilek Demirbaş	Yes	Director
Early Detection of Risk Committee		Kemal Emre Sayar	No	Director
Other	Digital Insurance Committee	Ayşegül Toker	Yes	Director
Other	Digital Insurance Committee	Kemal Emre Sayar	No	Director
Other	Digital Insurance Committee	Levent Sönmez	No	Not a Director

<b>4. BOARD OF DIRECTORS-III</b>	
4.5. Board Committees-II	
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	<a href="https://www.anadolusigorta.com.tr/en/investor-relations/corporate-governance">https://www.anadolusigorta.com.tr/en/investor-relations/corporate-governance</a>
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	<a href="https://www.anadolusigorta.com.tr/en/investor-relations/corporate-governance">https://www.anadolusigorta.com.tr/en/investor-relations/corporate-governance</a>
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	<a href="https://www.anadolusigorta.com.tr/en/investor-relations/corporate-governance">https://www.anadolusigorta.com.tr/en/investor-relations/corporate-governance</a>
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	<a href="https://www.anadolusigorta.com.tr/en/investor-relations/corporate-governance">https://www.anadolusigorta.com.tr/en/investor-relations/corporate-governance</a>
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	<a href="https://www.anadolusigorta.com.tr/en/investor-relations/corporate-governance">https://www.anadolusigorta.com.tr/en/investor-relations/corporate-governance</a>
4.6. Financial Rights	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Summary Report by the Board of Directors / Message from the Chairman / Message from the CEO
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Investor Relations/Corporate Governance/Remuneration Policy
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Financial Statements and Independent Auditor's Report / 1.6 - Wages and similar benefits provided to the senior management

<b>Composition of Board Committees-II</b>					
<b>Names of the Board Committees</b>	<b>Name of Committees Defined As "Other" in the First Column</b>	<b>The Percentage of Non-executive Directors</b>	<b>The Percentage of Independent Directors in the Committee</b>	<b>The Number of Meetings Held in Person</b>	<b>The Number of Reports on its Activities Submitted to the Board</b>
Audit Committee		100%	100%	6	6
Corporate Governance Committee		75%	25%	4	8
Early Detection of Risk Committee		100%	50%	6	6
Digital Insurance Committee		67%	33%	1	1

## ADDITIONAL INFORMATION ABOUT CORPORATE GOVERNANCE

### Outside Positions Held by the Members of the Board of Directors

Name	Position	Outside Positions Currently Held	In- or Out-Group	Professional Experience (Years)
CANER ÇİMENBİÇER	Chairman	--	In-Group	44
HASAN HULKİ YALÇIN	Vice Chairman	Board Member and General Manager at Milli Re / Member of the Non-Life Executive Board at the Insurance Association of Turkey	In-Group	29
İLHAMİ KOÇ	Director and CEO	Non-Life Executive Board at the Insurance Association of Turkey / Member of the Board of Directors at Corporate Governance Association of Turkey / Member of the Board of Directors at Assurance Account	In-Group	32
ÖMER FARUK CENGİZ	Director	Division Manager at İşbank	In-Group	19
HAFİZ EKREM KÜRKCÜ	Director	Division Manager at İşbank	In-Group	25
KEMAL EMRE SAYAR	Director	Unit Manager at İşbank / Member of the Board of Directors at Anadolu Hayat Emeklilik / Member of the Board of Directors at Milli Re / Member of the Board of Directors at Topkapı Yatırım Holding / Member of the Board of Directors at Batı Karadeniz Electricity Distribution Co.	In-Group	19
DİLEK DEMİRBAŞ	Director	Faculty Member in İstanbul University Faculty of Economics / Member of the Board of Trustees at the International University of Sarajevo / Member of the Economic Research Foundation / Member of the Editorial Board of the Journal of Economy / Member of the Editorial Board of the Journal of Culture and Society	Out-Group	35
AYŞEGÜL TOKER	Independent Director	Dean of the Faculty of Economics and Administrative Sciences at Boğaziçi University / Director of Entrepreneurship Center at Boğaziçi University	Out-Group	31
FATİH ANIL	Independent Director	Faculty Member at Nişantaşı University / Lecturer at Bahçeşehir University / Management Consultant at Orka Holding	Out-Group	33

### Shareholders

#### Shareholder Relations Department

An Investor Relations Unit has been set up in the Company in 2005. Messrs. Fatih Gören, Barış Hüseyin Şafak, and Serkan Ayvaz have been serving in the Investor Relations Unit. The head of the unit is Mr. Fatih Gören, Deputy Chief Executive, who also serves as a member of the Corporate Governance Committee. Contact information for our employees working in this unit is as follows.

Name	Title	Phone No	E-Mail
Mr. Fatih Gören	Deputy Chief Executive	+90 850 744 00 55	fgoren@anadolusigorta.com.tr
Mr. Barış H. Şafak	Supervisor	+90 850 744 02 54	bsafak@anadolusigorta.com.tr
Mr. Serkan Ayvaz	Specialist	+90 850 744 03 59	sayvaz@anadolusigorta.com.tr

This unit plays an active part in the protection of shareholding rights and facilitates their exercise, mainly regarding the right to obtain and review information, and establishes the communication between the Board of Directors and shareholders. All of the employees serving in the Investor Relations Department possess the required licenses.

The Investor Relations Department reports its activities to the Board of Directors four times a year, on a quarterly basis.

In essence, the Investor Relations Department works to;

- Ensure maintenance of the records about Shareholders in a healthy, secure and up-to-date manner,
- Respond to the Shareholders' and potential investors' written information

requests about the Company, apart from those that are not publicly disclosed, are of a confidential and/or commercial secret nature,

- Make available to the shareholders such information and disclosures that may have an effect on the exercise of shareholding rights on the corporate website in an up-to-date manner

Ensure that the General Assembly Meetings are convened in accordance with the applicable legislation, the Articles of Incorporation and other internal regulations,

Prepare the documents the Shareholders could make use of in the General Assembly,

- Ensure that the results of the voting are recorded and the reports thereon are communicated to the Shareholders,
- Observe and monitor the fulfillment of all liabilities arising from the capital market legislation, including all requirements in relation to corporate governance and public disclosure,
- Ensure representation of our Company in investor relations meetings organized in Turkey or abroad by international establishments through participation in such events,
- Prepare the presentation materials to be used in meetings.

#### **General Assembly Meetings**

For Shareholders who will have themselves represented in the General Assemblies in proxy, a specimen of a proxy statement is publicized along with the meeting announcements, and is also made available to Shareholders on the electronic medium.

In line with our Articles of Incorporation, General Assemblies are held in the place where our Company headquarters is located and at a venue that will enable participation by all our Shareholders.

#### **Voting Rights and Minority Rights**

There are no cross-shareholding interests between any Shareholder and the Company.

There are no upper limits with regard to the number of votes that our Shareholders are allowed to cast in the General Assemblies.

Cash dividends in the amount of TL 60 million were paid out to shareholders in 2018.

#### **Stakeholders**

##### **Keeping Stakeholders Informed**

In cases where the rights of stakeholders are not regulated by the legislation or contractually, the interests of the stakeholders are protected within the framework of the rules of good faith and to the extent permitted by the Company's facilities, observing the Company's credibility at the same time. The necessary structure is in place to enable stakeholders to report such transactions of the Company that are contradictory to the legislation or are unethical.

##### **Stakeholder Participation in Management**

While the Articles of Incorporation contain no provisions on stakeholder participation in the Company's management, the Company's internal regulations cover practices to this end.

An employee proposal guideline has been formulated. Proposals that are innovative and aimed at improvement are assessed within the framework of this guideline and put into life across the Company.

Stakeholders' opinions and complaints are followed up on by the Audit Committee.

Agencies Meetings, İşbank Branches Meetings and Managers Meetings are held, where the stakeholders, i.e. employees and suppliers, share their opinions.

##### **Human Resources Policy**

Succession planning is made to identify the new managers to be appointed in cases where it is predicted that changes in a managerial position will cause hitches in the management of the Company.

##### **Board of Directors**

##### **Structure and Formation of the Board of Directors**

Taking into consideration that there are no non-corporate ultimate Shareholders with a controlling interest in the Company, it is thought that the Board Directors all naturally possess the advantage to act independently,

and therefore, to be impartial in their decisions, upholding the interests of our Company and the stakeholders above everything else.

The independent Board Directors have not served as members for more than six years in the past ten years. Term of office for all Board Directors is one year.

##### **Operating Principles of the Board of Directors**

The Board meeting agenda is determined by the Chairman of the Board of Directors in line with the proposals of the CEO and the Board Directors.

The Board of Directors decisions passed in 2018 were adopted with the unanimous votes of the members present in those meetings.

##### **Strategic Goals of the Company**

Our strategic goals are set by our executives with a keen eye on competitive conditions, general economic conjuncture, overall expectations in national and international financial markets, and the Company's medium and long-term targets and they are presented to the approval of the Board of Directors. Strategies and targets proposed are negotiated comprehensively by the Board of Directors on a broad perspective. Actualizations in relation to approved strategies and targets are reviewed during Board meetings and monthly within the scope of the assessment of company operations, financial structure and performance level. In principle, the Board of Directors meets monthly in order to efficiently and continuously fulfill its monitoring and supervision function. In the meetings, the basic topics of assessment are the Company activities, approved annual budget and target realizations, the Company's place in the sector, financial structure and performance level, reporting, and compliance of operations to international standards.

# COMMITTEES OPERATING WITHIN ANADOLU SIGORTA AND AN ASSESSMENT BY THE BOARD OF DIRECTORS

In order to ensure that the Board of Directors duly performs its duties and responsibilities, an Audit Committee, Committee of Early Determination of Risk, Corporate Governance Committee and Digital Insurance Committee were set up at the Company. The Corporate Governance Committee also fulfills the functions of the Nomination Committee and Remuneration Committee.

The Board of Directors makes all kinds of resources and support available necessary for the performance of their duties by the committees. The committees hold meetings at the frequency deemed necessary for ensuring efficiency of their activities and specified in their respective operating principles, and submit the reports covering information about their activities and meeting outcomes to the Board of Directors.

The objectives, formations, operating principles and procedures, and activities of our committees are described below.

## CORPORATE GOVERNANCE COMMITTEE

Head of Committee: Dr. Fatih Anıl

Member: Hasan Hulki Yalçın

Member: Fatih Gören

Member: Kemal Emre Sayar

### Objective

Overseeing compliance of the Company with corporate governance principles, undertaking improvement efforts thereon, and submitting proposals to the Board of Directors.

### Formation

The Corporate Governance Committee was set up upon approval by the Board of Directors' decision no. 5508 dated 10 March 2005. The provisions governing the formation, principles and procedures and activities of the committee have been based on the Corporate Governance Communiqué issued by the Capital Markets Board of Turkey (CMB) and put into force with the Board of Directors decision no. 06838 dated 26 June 2014. These provisions are carried out by the Board of Directors.

The committee consists of a minimum of two members to be elected from among directors and the Investor Relations Manager.

The members will elect the head of the committee from among themselves. The head of the committee is elected from among independent directors. Non-director individuals, who have expertise in their respective fields, can be members of the committee.

If the number of committee members elected from among Board Directors is two, then both of them must be non-executive directors; if such number is greater than two, then the majority of the members must be non-executive directors. The CEO may not serve on this committee.

The Investor Relations Managers must be a full-time employee of the Company and must be assigned as a member of the Corporate Governance Committee.

A member's term of office on the Corporate Governance Committee is terminated when his/her term of office on the Board of Directors expires or upon a decision to such effect by the Board of Directors.

### Operating Procedures and Principles

- The Corporate Governance Committee holds at least four meetings a year, which must take place at least on a quarterly basis.
- Committee meetings are held with the attendance of all its members and decisions are passed with the votes of the majority of members in attendance.
- The committee shall keep a resolution book, in which the decisions, assigned a sequence number, will be entered.
- The committee shall enter the conclusions reached in a meeting in the minutes, and submit the assessments made and decisions passed, along with the grounds therefor, in a written report to the Board of Directors within no later than one month following the relevant committee meeting.
- Committee decisions shall take effect upon approval of the Board of Directors.

- The committee shall forthwith present its determinations, assessments and suggestions in relation to its duties and scope of responsibilities in writing to the Board of Directors.
- The committee may invite the individuals it deems necessary to its meetings and seek their opinions.
- Investor Relations Unit/Department shall determine the meeting agenda of the committee, make the invitations to the meeting, establish communication with committee members, keep the book of resolutions, and handle other secretarial tasks for the committee.
- As the committee fulfills its functions, the Board of Directors shall make all necessary resources and support available.
- The committee may seek independent expert opinion upon approval of the Board of Directors on matters that call for expertise and the committee deems necessary in relation to its activities. The cost of the consultancy service needed by the committee shall be borne by the Company.
- Committee members shall observe the principles of independence and impartiality when performing their duties.

### Activities

- The committee carries out the following activities with respect to corporate governance:
- Establishes whether the corporate governance principles are implemented in the Company, as well as the grounds for non-implementation, if applicable; identifies conflicts of interest, if any, arising from failure to fully comply with these principles, and presents proposals to the Board of Directors for the improvement of corporate governance practices;
- Oversees the activities of the Company's Investor Relations Department. Within this context, the committee sets and regularly reviews the basic principles for the Company's communication with investors;
- Works in cooperation with the Investor Relations Department to present



suggested improvements for ensuring efficient communication between the Company and investors, and elimination and resolution of potential conflicts to the Board of Directors;

- Reviews the Company's Corporate Governance Compliance Report before it is published within the Company's Annual Report, and presents its comments to the Board of Directors;
- Makes proposals and assessments regarding the determination or revision of the Company's disclosure policy, and presents the same to the Board of Directors. The committee reviews that the Disclosure Policy covers the minimum content as stipulated by the legislation with respect to the Company's communication with stakeholders, as well as the scope, quality, consistency and accuracy of documents, presentations and explanations prepared by the Company for informative purposes, and oversees that the same are developed in accordance with the Disclosure Policy;
- Carries out activities to ensure that the corporate governance culture is established within the Company, and is espoused by managers and employees working at any level. The committee follows up the developments related to corporate governance in and out of Turkey and examines their possible implications for the Company.

The duties of the Nomination and Remuneration Committees shall be fulfilled by the Corporate Governance Committee, until these committees shall have been set up.

The committee's duties and responsibilities with respect to nomination are presented below:

- Works to create a transparent system regarding identification, assessment, training and rewarding of nominees eligible for the Board of Directors and managerial positions with administrative responsibility, and establishes related policies and strategies;
- Regularly evaluates the structure and efficiency of the Board of Directors and

presents its suggestions for possible revisions to the Board of Directors;

- The committee is charged with performing the duties set out in the legislation concerning the nomination of independent members to the Board of Directors, which are announced every year by the Board and which are compulsory to be implemented by the group to which the Company is affiliated.
- The committee's duties and responsibilities with respect to remuneration are presented below:
  - Setting and overseeing the principles, criteria and practices applicable for the remuneration of Board directors and executives with administrative responsibility, taking into consideration the Company's long-term targets;
  - Presenting its suggestions regarding the remuneration to be paid to Board directors and executives with administrative responsibility, which will be determined in view of the extent the remuneration criteria have been achieved;
  - Developing suggestions and assessments for the formulation and revision of the Company's remuneration policy, which sets out the remuneration principles for the Board directors and executives with administrative responsibility, and presenting its opinions to the Board of Directors.

The Corporate Governance Committee shall fulfill other duties and responsibilities to be assigned to it by the Board of Directors in relation to its field of activity.

#### **AUDIT COMMITTEE**

Head of Committee: Prof. Ayşegül Toker

Member: Prof. Dilek Demirbaş

#### **Objective**

Overseeing the operation and efficiency of the Company's accounting system, public disclosure of financial information, independent auditing of the Company and internal control system.

#### **Formation**

The Audit Committee was set up upon approval by the Board of Directors'

decision no. 5317 dated 26 June 2003. The provisions governing the principles and procedures and activities of the committee have been based on the Corporate Governance Communiqué issued by the Capital Markets Board of Turkey (CMB) and put into force with the Board of Directors decision no. 06839 dated 26 June 2014. These provisions are carried out by the Board of Directors.

The committee consists of a minimum of two members to be elected from among the Board of Directors members.

The members will elect the head of the committee from among themselves.

All members of the committee are elected from among independent directors.

To the extent possible, at least one member of the Audit Committee should preferably have minimum five years of experience in audit/accounting and finance.

A member's term of office on the Audit Committee is terminated when his/her term of office on the Board of Directors expires or upon a decision to such effect by the Board of Directors.

#### **Operating Procedures and Principles**

- The committee holds at least four meetings a year, which must take place at least on a quarterly basis.
- Committee meetings are held with the attendance of all its members and decisions are passed with the votes of the majority of members in attendance.
- The committee shall keep a resolution book, in which the decisions, assigned a sequence number, will be entered.
- The committee shall enter the conclusions reached in a meeting in the minutes, and submit the assessments made and decisions passed, along with the grounds therefor, in a written report to the Board of Directors within no later than one month following the relevant committee meeting.
- Committee decisions shall take effect upon approval of the Board of Directors.
- The committee shall forthwith present its determinations, assessments and

## COMMITTEES OPERATING WITHIN ANADOLU SIGORTA AND AN ASSESSMENT BY THE BOARD OF DIRECTORS

suggestions in relation to its duties and scope of responsibilities in writing to the Board of Directors.

- The committee's activities and meeting results shall be described in the annual report. The annual report shall also specify the number of written reports the committee submitted to the Board of Directors during the fiscal year.
- The committee may invite the individuals it deems necessary to its meetings and seek their opinions.
- Board of Inspectors/Audit Department shall determine the meeting agenda of the committee, make the invitations to the meeting, establish communication with committee members, keep the book of resolutions, and handle other secretarial tasks for the committee.
- As the committee fulfills its functions, the Board of Directors shall make all necessary resources and support available.
- The committee may seek independent expert opinion upon approval of the Board of Directors on matters that call for expertise and the committee deems necessary in relation to its activities. The cost of the consultancy service needed by the committee shall be borne by the Company.
- Committee members shall observe the principles of independence and impartiality when performing their duties.

### Activities

In essence, the Audit Committee;

- Oversees the operation and efficiency of the Company's accounting system, public disclosure of financial information, independent auditing, internal control and internal audit systems;
- Supervises the selection of the independent audit firm, preparation of independent audit contracts and initiation of independent audit process, and every phase of the work carried out by the independent audit firm;
- Determines the independent audit firm from which the Company will procure services and the services to be supplied

therefrom, and submits the same for the approval of the Board of Directors;

- Establishes the methods and criteria for the handling and resolution of complaints received by the Company in relation to the Company's accounting, internal control and internal audit systems and its independent audit; and for addressing the Company employees' notifications about the Company's accounting and independent audit within the frame of confidentiality principle;
- Assesses the conformity of annual and interim financial statements to be publicly disclosed to the accounting principles pursued by the Company, as well as their accuracy and fairness, and reports its written assessments to the Board of Directors, by incorporating the opinions of the Company's responsible managers and of the independent audit firm.

The Audit Committee shall fulfill other duties and responsibilities to be assigned to it by the Board of Directors in relation to its field of activity.

### COMMITTEE OF EARLY DETERMINATION OF RISK

Head of Committee: Prof. Dilek Demirbaş

Member: Kemal Emre Sayar

#### Objective

Managing the risks that might threaten the existence, progress and survival of the Company.

#### Formation

The Committee of Early Determination of Risk was set up as a result of the discussion of the General Directorate proposal no. 3550 dated 24 February 2012, pursuant to Article 4.5.1 of the Communiqué Serial:IV-56 on Determination and Implementation of Corporate Governance Principles enforced upon its publication in the Official Gazette issue 28158, dated 30 December 2011. The provisions governing the formation, principles and procedures and activities of the committee have been based on Article 378 of the Turkish Commercial Code and the Corporate Governance Communiqué issued by the Capital Markets Board of

Turkey (CMB) and put into force with the Board of Directors decision no. 06840 dated 26 June 2014. They are carried out by the Board of Directors.

The committee consists of a minimum of two members to be elected from among the Board directors.

The members shall elect the head of the committee from among themselves. The head of the committee shall be elected from among independent directors. Non-director individuals, who have expertise in their respective fields, can be members of the committee.

If the committee is formed of two members, then both of them must be non-executive directors; if such number is greater than two, then the majority of the members must be non-executive directors. The CEO may not serve on this committee.

A member's term of office on the committee is terminated when his/her term of office on the Board of Directors expires or upon a decision to such effect by the Board of Directors.

### Operating Procedures and Principles

- The committee holds at least four meetings a year, which must take place at least on a quarterly basis.
- Committee meetings are held with the attendance of all its members and decisions are passed with the votes of the majority of members in attendance.
- The committee shall keep a resolution book, in which the decisions, assigned a sequence number, will be entered.
- The committee shall enter the conclusions reached in a meeting in the minutes, and submit the assessments made and decisions passed, along with the grounds therefor, in a written report to the Board of Directors within no later than one month following the relevant committee meeting.
- Committee decisions shall take effect upon approval of the Board of Directors.
- The committee shall forthwith present its determinations, assessments and suggestions in relation to its duties and

scope of responsibilities in writing to the Board of Directors.

- The committee may invite the individuals it deems necessary to its meetings and seek their opinions.
- Risk Management Unit/Department shall determine the meeting agenda of the committee, make the invitations to the meeting, establish communication with committee members, keep the book of resolutions, and handle other secretarial tasks for the committee.
- As the committee fulfills its functions, the Board of Directors shall make all necessary resources and support available.
- The committee may seek independent expert opinion upon approval of the Board of Directors on matters that call for expertise and the committee deems necessary in relation to its activities. The cost of the consultancy service needed by the committee shall be borne by the Company.

Committee members shall observe the principles of independence and impartiality when performing their duties.

#### Activities

The Committee of Early Determination of Risk:

- Works to early detect the risks that might endanger the existence, progress and survival of the Company, to ensure necessary measures are adopted in relation to the identified risks, and to manage the risk;
- Informs the Board of Directors of its opinions and comments in writing regarding the creation and development of the Company's risk management system which will be aimed at minimizing the impact of risks that might affect the shareholders in particular and all stakeholders in general;
- Reviews the Company's risk management systems at least on an annual basis;
- Oversees that risk management practices are carried out in accordance with the decisions of the Board of Directors and the committee;

- Reviews the determinations and assessments about risk management that will be incorporated in the Company's annual report.

The Committee of Early Determination of Risk fulfills other duties and responsibilities to be assigned to it by the Board of Directors in relation to its field of activity.

#### DIGITAL INSURANCE COMMITTEE

Head of Committee: Prof. Ayşegül Toker

Member: M. Levent Sönmez

Member: Kemal Emre Sayar

#### Objective

Monitoring the Company's digital insurance activities, submitting improvement suggestions to the Board of Directors, ensuring the implementation of approved suggestions and following up the outcomes to take additional steps as necessary.

#### Formation

Digital Insurance Committee was set up upon the approval of the Board of Directors granted by its decision no. 7508 dated 26 November 2018.

The Committee consists of at least two Board directors and the Digital Channels Manager. The committee members shall elect the head of the committee from among themselves.

#### Operating Procedures and Principles

Digital Insurance Committee holds at least four meetings a year, which must take place at least on a quarterly basis.

- The committee shall present its assessments, decisions, activities during the year and their outcomes to the Board of Directors on a quarterly basis.
- The Board of Directors Reporter shall determine the meeting agenda of the committee, make the invitations to the meeting, establish communication with the committee members, keep record of the decisions passed, and handle other secretarial tasks for the committee.
- The committee may seek independent expert opinion on matters that call for expertise and the committee deems necessary in relation to its activities.

#### Activities

Anadolu Sigorta Board of Directors approved the "Digitalization Strategy" on 22 December 2015, devised its formal intent and goals in relation to the ongoing technological change and put its roadmap into writing. The roadmap was designed to identify the points that will secure added value along the value chain by making use of the possibilities offered by technology and to drive our Company forward and ahead of competition by taking the necessary steps.

To achieve this goal, the Committee carries out the following activities:

- Identifies the digital insurance topics that will put our Company ahead of the competition;
- Oversees the implementation of annual plans presented by the Digital Channel Management Unit;
- Defines, evaluates and reports the opportunities and risks involved in digital insurance. Ensures the creation of procedures for the management of those opportunities and risks;
- Follows up the current digital insurance models and trends in our country and around the world, and explores their applicability to our Company; Assesses and supports InsurTech ventures and initiatives;
- Determines internal resource and outsourcing requirements that may be needed in the implementation of the digital insurance process; Fulfills other duties and responsibilities to be assigned to it by the Board of Directors in relation to its field of activity.

## AN ASSESSMENT OF THE OPERATION OF THE INDEPENDENT AUDIT FIRM IN 2018 ACTIVITY PERIOD VIA THE AUDIT COMMITTEE

### Formation and Independence of the Independent (External) Audit Firm

Periodic financial statements and their footnotes are prepared in a manner to represent the actual financial status and within the framework of existing legislation and insurance business accounting standards. They are subjected to independent auditing and publicly disclosed at time intervals stipulated by the legislation.

The independent audit firm we work with is alternated at certain intervals, and an independent audit firm is selected for a maximum of 7 fiscal years for regular and/or special audit. At least two years are allowed to pass before re-signing a regular and/or special audit contract with the same independent audit firm.

External auditing of our Company is conducted in a fully independent manner, and the external auditor performs the relevant tasks adhering strictly to the principles of accuracy, professional integrity and straightforwardness, without being involved in any conflicts of interests that might restrict its independence.

The external auditor auditing our Company acts independently and also refrains from any activity that might lead third parties to doubt its independence.

No service is obtained, directly or indirectly from the firms we obtain independent audit service, save for the audit service itself, and no fees are paid to these firms, apart from the reasonable audit fee at current market conditions.

The factors that contribute to the independence of the firms we obtain independent audit service from are the existence of our Audit Committee, the efficient accounting and internal audit system in place at the Company, and strongly established ethical rules attaching importance to correct public disclosures.

Independent conduct of the external auditing of our Company testifies to the accuracy and veracity of our financial statements in the face of the public, and is perceived as guarantee by our Shareholders. The independent opinion of the external auditor further strengthens our Company's corporate image in that they enhance the reliability of our

financial statements. Having made it a principle to undertake public disclosure and to assure transparency in line with its ethical values, our Company earns the trust of its investors by giving importance to independence of the external auditor, and therefore, aims to serve the development of national economy by contributing to accumulation of capital.



Prof. Dilek Demirbaş  
Member of the Audit Committee



Prof. Ayşegül Toker  
Head of the Audit Committee

# HUMAN RESOURCES PRACTICES AT ANADOLU SIGORTA

## Human Resources Policy

Our Company is proud to be the first national insurance company in Turkey, established in 1925 at the directives of Mustafa Kemal Atatürk. Ever since its establishment, our Company has continuously grown and developed and has been recognized and acknowledged as the grande école of the Turkish insurance industry.

Utmost importance is given to our employees as they are the ones to undertake the biggest duty in carrying out our Company's key policies. For this reason, the primary goal of our human resources policies and practices is to identify our Company's needs for personnel in line with its objectives and strategies and assist the creation of human resources that are open to change and are focused on continuous success by recruiting high-quality people, motivating them, evaluating their performance, and encouraging interaction and communication among individuals and groups.

## Career Development

Various career paths within the frame of job families are available at the Company. Employees recruited into any job family and level have the opportunity to advance to senior management positions in the Company.

Our Company's human resources strategy is defined as "Creating the organizational climate conducive to promoting creativity and innovation directed at ensuring customer satisfaction, and establishing a culture of superior performance supporting employees' development. In keeping with this strategy, employees successfully completing the training and development plans designed for the relative job families can advance to a higher level, if they display the performance and capabilities required for the relevant level in the predetermined time.

When rising to the specialist position, employees take the promotion exam that differs according to the job families and positions, and thus undergo assessment of their qualification for the technical know-how and competence levels required by the related position.

Our employees in specialist position, which is the midpoint for all of our positions, are offered dual career paths, which give the option of advancing as a manager or a specialist in the relevant field. Career paths at this level are shaped and supported within the scope of the Company's Development Center Initiative. The initiative that assesses managerial and specialist competencies provides our employees with personalized development plans, while supporting them with various resources, readying them for the next level. A number of training opportunities are provided to our employees at any level who join us and become a member of our team in line with the competencies they need to acquire to further their careers, as well as their existing skills.

## Performance Management

Our employees are evaluated twice a year in line with specific performance criteria. The content of such evaluation varies depending on the competence requirements on the basis of job families. On the basis of the results of these performance evaluations, an employee's training needs are identified and a career plan is developed.

## Job Guarantee

Our employees enjoy a substantial degree of job guarantee within the framework of unionization composed by the Union and our Company.

## Compensation Policy

Our employees' salaries are adjusted in accordance with the terms of a collective bargaining agreement that is renewed every two years and with annual or semi-annual raises based on current conditions.

In addition to their salaries, employees receive extensive fringe benefits as well.

## Social Benefits

Our Company's employees are entitled to a variety of social rights and benefits in keeping with current conditions. The healthcare costs of our employees and their dependant family members are covered by our Company under its Healthcare Assistance Regulations. All our personnel are able to fulfill all their healthcare needs free of charge through the Company's outsourced healthcare system. Employees are provided with free transportation services to and from work and with lunches as well.

## Retirement Benefits

Our employees are covered by two private pension funds that have been set up in accordance with the Company's special status. The pensions paid by these funds enable former employees to enjoy a good standard of living during their retirement years.

## Training

Competency-based training programs and technical and professional trainings required by our employees' jobs are provided in line with their career progression plans.

Training has special importance at Anadolu Sigorta owing to the fact that our Company is an organization that fills managerial positions from within. Therefore, orientation program and professional training provided to new-hires are followed by necessary planning for improving their managerial skills, thereby extending the necessary support to our employees.

# AGENDA OF THE ANNUAL GENERAL ASSEMBLY MEETING

## ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ AGENDA OF THE ANNUAL GENERAL ASSEMBLY DATED 22 MARCH 2019

1. Opening, election of the Presiding Board and authorization of the Presiding Board to sign the minutes of the Annual General Assembly
2. Presentation of and discussion on the Board of Directors' 2018 Activity Report, and presentation of the Independent Audit Report for 2018 fiscal year
3. Review, deliberation and ratification of 2018 financial statements
4. Information on matters falling under principle no. 1.3.6 of the CMB's Corporate Governance Principles,
5. Individual acquittal of Board Directors
6. Information on dividend distribution policy and decision on profit distribution
7. Election of the Board Directors and determination of their terms of office
8. Authorizing the Board Directors to perform the transactions specified in Articles 395 and 396 of the Turkish Commercial Code
9. Determination of remuneration for the members of the Board of Directors
10. Designation of the independent audit firm
11. Presentation of information on the donations and grants made during the reporting period
12. Ratification of the limit on donations intended to be made in 2019

## 2018 PROFIT DISTRIBUTION PROPOSAL

The dividend distribution proposal prepared within the frame of the Company's Dividend Distribution Policy and approved of the General Assembly is presented below:

Our Company booked a net profit for the current period of TL 307,574,340 on its 2018 operations. The Company's legal records show TL 311,370,243 as profit for the period, which is the above-mentioned amount less undistributed profit for the period in the amount of TL 2,704,097 plus TL 6,500,000 in provision set aside under the Turkish Accounting Standard no. 19 "Employee Benefits" taking into consideration the fact that a portion of the net profit for the fiscal year is distributed as dividends to personnel under Article 58 of the Company's articles of incorporation.

In the Capital Markets Board of Turkey (CMB) meeting of 27 January 2010, it has been resolved that companies obliged to draw up consolidated financial statements should compute the net distributable profit taking into account the net profits for the period descending in the

consolidated financial statements that will be drawn up and publicly disclosed as per the Communiqué II-14.1 on Principles of Financial Reporting in the Capital Market, provided that the net distributable profit can be covered from the sources reflected in their legal records. In this context, after consolidation of Anadolu Hayat Emeklilik A.Ş., after deducting the undistributed profit for the period and after adding the dividends to employees, for which a provision is set aside, a consolidated net profit of TL 328,302,879 arises.

Accordingly, it is proposed as follows:

- TL 15,568,512, which is 5% of the net profit figure that arises according to legal records, be set aside as general legal reserves,
- TL 100,000,000, which is 31.98% of TL 312,734,367 that is the amount remaining according to the CMB, be distributed as first dividend to shareholders
- TL 6,382,031 be set aside as dividend to employees as per the Articles of Incorporation,

- TL 20,635,234 be set aside as statutory reserves as per the Articles of Incorporation,
- TL 8,138,203, which is calculated as 10% of the portion of the aggregate of all dividends distributed that exceed 5% of the Company's paid-in capital, be added to general legal reserves,
- TL 160,646,263 (based on legal records) that remains after the items mentioned above be allocated to extraordinary reserves, and
- Profit from sales of participation shares in the amount of TL 2,704,097, which will not be distributed, be transferred to related reserves so as to benefit from the exemption provisions granted under Article 5 of the Corporate Tax Law no. 5520.

Dividend payout be initiated on 26 March 2019, if profit distribution proposal is approved.

# 2018

## PROFIT DISTRIBUTION TABLE

### ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

#### 2018 PROFIT DISTRIBUTION TABLE (TL)

1. Paid-in/Issued Capital		500,000,000	
2. General Legal Reserves (according to legal records)		55,788,874	
If there are privileges for distribution of profits according to the Articles of Incorporation, information on such privileges			
			None
	Based on CMB		Based on Legal Records
3. Profit for the Period (*)	407,616,323		390,683,687
4. Taxes Payable (-)	(79,313,444)		(79,313,444)
5. Net Profit for the Period (=)	328,302,879		311,370,243
6. Losses in Prior Years (-)	--		--
7. General Legal Reserves (-)	15,568,512		15,568,512
8. NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	312,734,367		295,801,731
9. Donations during the Year (+)	--		--
10. Net Distributable Profit for the Period Including Donations	312,734,367		
11. First Dividend to Shareholder			
- Cash	100,000,000		
- Bonus Shares	--		
- Total	100,000,000		
12. Dividends Distributed to Owners of Privileged Shares	--		
13. Other Dividends Distributed (to Board Members, Employees, etc.)	6,382,031		
14. Dividends Distributed to Owners of Redeemed Shares	--		
15. Second Dividend to Shareholders	--		
16. General Legal Reserves	8,138,203		
17. Statutory Reserves	20,635,234		20,635,234
18. Special Reserves	--		--
19. EXTRAORDINARY RESERVES	177,578,899		160,646,263
20. Other Resources to be Distributed			
- Prior Year Profit			
- Extraordinary Reserves			
- Other Distributable Reserves Pursuant to the Law and the Articles of Incorporation			
Other Reserves			

(\*) Pursuant to Article 13 of the Dividend Communiqué featured in the CMB Weekly Bulletin numbered 2014/2 and published in the Official Gazette dated 23 January 2014, profit distribution was made based on the consolidated profit figure. Provision for dividends to personnel in the amount of TL 6,500,000, which was set aside pursuant to TAS 19 was added to the profit for the period on 31 December 2018, and undistributed profit for the period in the amount of TL 2,704,097 was deducted.

(\*\*) As a result of profit distribution, TL 160,646,263 calculated according to legal records will be taken into account as extraordinary reserves.

#### DIVIDEND RATIO CHART

NET (***)	TOTAL DIVIDENDS DISTRIBUTED		TOTAL DIVIDENDS DISTRIBUTED/NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDENDS PER SHARE WITH A NOMINAL VALUE OF TL 1	
	CASH (TL)	BONUS (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
TOTAL	85,000,000	0	27.18%	0.17	17.00%

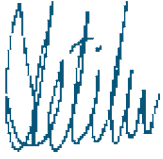
(\*\*\*) 15% income tax will not be withheld from cash dividend payouts to resident institutions.

GROSS	TOTAL DIVIDENDS DISTRIBUTED		TOTAL DIVIDENDS DISTRIBUTED/NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDENDS PER SHARE WITH A NOMINAL VALUE OF TL 1	
	CASH (TL)	BONUS (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
TOTAL	100,000,000	0	31.98%	0.2	20.00%



## 2018 ANNUAL REPORT COMPLIANCE STATEMENT

Our Company's 2018 Annual Report has been drawn up within the frame of the principles and procedures set forth in the Regulation on the Financial Structures of Insurance, Reinsurance and Pension Companies, which went into force upon its publication in the Official Gazette issue 26606 dated 7 August 2007.



Murat Tetik  
Accounting and Financial  
Affairs Manager  
25 February 2019



Fatih Gören  
Deputy Chief  
Executive Officer  
25 February 2019



İlhami Koç  
Chief Executive  
Officer  
25 February 2019



Caner Çimenbiçer  
Chairman  
25 February 2019

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ  
**DETAILED**  
**INCOME STATEMENT (TL)**

I- TECHNICAL PART	ACCIDENT	HEALTH	MOTOR VEHICLES	AIRCRAFT	WATERCRAFTS
<b>Explanation</b>					
A- Non-Life Technical Income	202,004,816	700,870,552	1,221,605,044	6,262,800	56,717,109
1- Earned Premiums (Net of Reinsurer Share)	127,231,858	598,638,886	1,000,874,955	5,160,853	41,008,468
1-1. Premiums (Net of Reinsurer Share)	123,491,448	667,067,654	1,084,401,640	11,022,486	43,474,579
1.2- Change in Unearned Premium Provisions (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	3,645,401	-68,428,768	-83,526,685	-2,696,048	-4,393,828
1.3- Changes in Unexpired Risk Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	95,009	0	0	0	0
1.4- Changes in Ongoing Risk Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	0	0	0	-3,165,585	1,927,717
2- Investment Income Transferred from Non-Technical Divisions	74,798,203	101,983,455	202,208,630	768,612	12,618,188
3- Other Technical Income	3,438	248,211	6,937,861	0	4,938
4- Accrued Salvage and Subrogation Income	-28,683	0	11,583,598	333,335	3,085,514
B- Non-Life Technical Expense (-)	-87,958,186	-678,703,778	-1,126,946,372	-18,919,131	-45,455,122
1- Realized Claims (Net of Reinsurer Share)	-34,147,842	-530,001,524	-824,986,926	-16,325,387	-38,750,129
1.1- Claims Paid (Net of Reinsurer Share)	-24,890,169	-528,023,961	-808,711,484	-9,974,565	-26,271,010
1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	-9,257,673	-1,977,563	-16,275,442	-6,350,822	-12,479,119
2- Changes in Bonus and Discount Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	0	0	0	0	0
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	-1,695,125	0	-5,380,943	0	0
4- Operating Expenses (-)	-49,285,761	-125,206,774	-231,436,591	-2,072,672	-6,394,534
5- Other Technical Expenses	-2,829,458	-23,495,481	-65,141,910	-521,071	-310,459
C- Non Life Technical Profit (A-B)	114,046,630	22,166,774	94,658,672	-12,656,331	11,261,987
<b>II- NON TECHNICAL PART</b>					
C- Non Life Technical Profit (A-B)					
J- Total Technical Profit (C)					
K- Investment Income					
1- Income from Financial Investments					
2- Income from Sales of Financial Assets					
3- Revaluation of Financial Assets					
4- Foreign Exchange Gains					
5- Dividend Income from Affiliates					
6- Income from Subsidiaries and Joint Ventures					
7- Real Estate Income					
8- Income from Derivative Instruments					
9- Other Investments					
10- Investment Income transferred from Life Technical Division					
L- Investment Expenses (-)					
1- Investment Management Expenses (including interest) (-)					
2- Valuation Allowance of Investments (-)					
3- Losses On Sales of Investments (-)					
4- Investment Income Transferred to Non - Life Technical Division (-)					
5- Losses from Derivative Instruments (-)					
6- Foreign Exchange Losses (-)					
7- Depreciation Expenses (-)					
8- Other Investment Expenses (-)					
M- Income and Expenses (+/-)					
1- Reserves (Provisions) Account (+/-)					
2- Rediscount Account (+/-)					
3- Specialized Insurances Account (+/-)					
4- Inflation Adjustment Account (+/-)					
5- Deferred Tax Asset Accounts (+/-)					
6- Deferred Tax Liability Expense (+/-)					
7- Other Income and Revenues					
8- Other Expense and Losses (-)					
9- Prior Period Income					
10- Prior Period Losses (-)					
N- Net Profit/(Loss)					
1- Profit/(Loss) Before Tax					
2- Taxes Provisions (-)					
3- Net Profit (Loss) after Tax					
4- Inflation Adjustment Account (+/-)					

MARINE	FIRE AND NATURAL DISASTERS	GENERAL LOSSES	MOTOR VEHICLES LIABILITY	AIRCRAFT LIABILITY	GENERAL LIABILITY	CREDIT	BOND INSURANCE	FINANCIAL LOSSES	LEGAL PROTECTION	Total
100,591,778	593,837,148	245,796,221	1,233,873,289	10,258,770	220,723,919	465,136	2,966,572	10,090,043	17,458,818	4,623,522,012
67,852,223	425,833,704	196,343,331	961,728,287	5,802,136	131,444,716	330,780	1,127,163	5,815,992	9,977,013	3,579,170,365
66,988,309	453,704,499	204,770,335	969,151,407	6,500,945	168,933,000	256,060	2,546,280	7,174,212	10,300,390	3,819,783,245
863,913	-27,870,795	-8,427,004	9,737,125	-698,809	-23,459,146	74,720	-1,419,116	-1,274,981	-323,377	-208,197,400
0	0	0	4,699,481	0	0	0	0	0	0	4,794,490
0	0	0	-21,859,726	0	-14,029,138	0	0	-83,240	0	-37,209,970
30,549,711	156,602,996	43,458,170	237,594,521	4,456,634	87,146,689	132,450	1,839,409	4,239,576	7,481,801	965,879,045
9,389	441,734	30,618	46,511	0	45,237	1,907	0	0	3	7,769,848
2,180,456	10,958,713	5,964,101	34,503,969	0	2,087,276	0	0	34,475	0	70,702,754
-44,727,151	-462,442,459	-223,134,963	-1,264,735,204	-5,298,776	-153,060,837	1,627	-1,146,229	-6,063,685	-2,864,300	-4,121,454,564
-27,430,505	-287,599,309	-176,103,632	-1,032,228,704	-4,149,980	-126,366,344	274,004	-767,806	-5,728,066	-126,418	-3,104,438,571
-25,336,998	-240,199,723	-145,835,427	-790,329,098	-424,794	-50,117,674	-75,478	-38,440	-1,393,996	-99,743	-2,651,722,561
-2,093,506	-47,399,587	-30,268,205	-241,899,606	-3,725,186	-76,248,670	349,482	-729,367	-4,334,070	-26,675	-452,716,010
0	0	0	0	0	0	0	0	0	0	0
0	-25,836,719	-2,975,337	0	0	0	-30,438	0	-570,360	0	-36,488,922
-16,836,091	-128,527,885	-40,931,294	-206,996,985	-1,143,045	-23,922,151	136,083	-372,001	385,389	-2,625,373	-835,229,688
-460,555	-20,478,545	-3,124,699	-25,509,514	-5,752	-2,772,342	-378,021	-6,421	-150,648	-112,509	-145,297,383
55,864,627	131,394,689	22,661,258	-30,861,915	4,959,994	67,663,082	466,763	1,820,343	4,026,358	14,594,518	502,067,448
										502,067,448
										502,067,448
										1,508,904,511
										278,146,888
										83,432,848
										52,449,578
										761,764,376
										34,000,000
										0
										1,653,795
										297,457,026
										0
										0
										0
										-1,537,912,077
										-1,501,015
										-8,864,845
										-35,681,424
										-965,879,045
										-66,177,031
										-430,648,372
										-29,160,345
										0
										-86,172,098
										-71,029,270
										-9,677,434
										0
										0
										0
										-6,651,982
										1,634,898
										-448,310
										0
										0
										307,574,340
										386,887,784
										-79,313,444
										307,574,340
										0

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

**UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018  
TOGETHER WITH THE INDEPENDENT AUDITOR'S REVIEW REPORT**

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

# INDEPENDENT AUDITOR'S REPORT



**Güney Bağımsız Denetim ve  
SMMM A.Ş.**  
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ey.com  
Ticaret Sicil No: 479920  
Mersis No: 0-4350-3032-6000017

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

To the Shareholders of Anadolu Anonim Türk Sigorta Şirketi

## A) Report on the Audit of the Unconsolidated Financial Statements

### 1) Opinion

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

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

### 2) Basis for Opinion

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

## INDEPENDENT AUDITOR'S REPORT

### 3) Key Audit Matters

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

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><b>Estimates and assumptions used in calculation of insurance contract liabilities</b></p> <p>As of December 31, 2018, the Company has insurance liabilities of TL 5.184.580.622 representing 66% of the Company's total liabilities. The Company made net provision of TL 3.057.402.368 for the future outstanding claims for insurance contracts. In the calculation of Incurred But Not Reported (IBNR) claims provisions (net amount of TL 1.603.007.807) which is accounted under the outstanding claims reserves, the Company Management has used the actuarial assumptions and estimates detailed in note 2 and 17. Uncertainty of estimation and management judgment containing, IBNR calculations has been considered as a key audit matter.</p>	<p>We have performed the audit procedures related the actuarial assumptions which disclosed in the Note 2 and 17 together with the actuary auditor who is part of our audit team. These procedures are primarily intended to assess whether the estimates and methods that used in the calculation of the outstanding claims reserve by the Company are appropriate. In this context, we have performed the audit procedures related to the recording the Company's incurred outstanding claims; performed the analytical review the incurred case files which selected randomly; obtained the signed lawyer letter from the Company's attorney for litigated case files; assessed the average claim amount and opening claim amounts determined by the Company's actuary; have performed the audit procedures related to the completeness of the data used in the correct calculation of insurance contract liabilities; assessed the convenience of the IBNR calculation method used by the Company for each line of businesses both the relevant claim characteristics and the Company's claim history; performed the recalculation procedure on the amount of IBNR calculated by the Company; reviewed the claim analyzes made by the Company's actuary and questioned these analyzes in terms of suitability and consistency of both legislation and Company past experience; assessed whether the explanation in the notes of the financial statements are sufficient.</p>

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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


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

#### **B) Report on Other Legal and Regulatory Requirements**

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on February 1, 2019.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2018 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Seda Akkuş Tecer.

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



Seda Akkuş Tecer, SMMM  
Partner

February 1, 2019  
İstanbul, Turkey

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

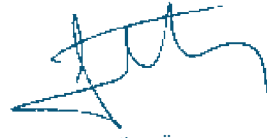
## UNCONSOLIDATED FINANCIAL STATEMENTS PREPARED AS OF DECEMBER 31, 2018

We confirm that the unconsolidated financial statements and related disclosures and notes for the as at December 31, 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 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.

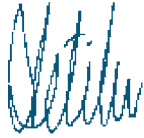
İstanbul, February 1, 2019



İlhami KOÇ  
Chief Executive Officer



Fatih GÖREN  
Executive Vice President of Finance



Murat TETİK  
Accounting Reporting Manager



Taylan MATKAP  
Actuary



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## ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

# UNCONSOLIDATED BALANCE SHEET

## AS AT DECEMBER 31, 2018

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

ASSETS			
		Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>I- Current Assets</b>			
<b>A- Cash and Cash Equivalents</b>	<b>Note</b>	<b>4.073.578.282</b>	<b>3.504.676.959</b>
1- Cash	14	50.393	62.857
2- Cheques Received		--	--
3- Banks	14	3.622.011.617	3.105.334.647
4- Cheques Given and Payment Orders	14	(79.251)	(87.620)
5- Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months	14	451.595.523	399.367.075
6- Other Cash and Cash Equivalents		--	--
<b>B- Financial Assets and Financial Investments with Risks on Policyholders</b>	<b>11</b>	<b>1.027.605.968</b>	<b>1.103.520.340</b>
1- Available-for-Sale Financial Assets	11	848.053.222	755.985.190
2- Held to Maturity Investments		--	--
3- Financial Assets Held for Trading	11	179.552.746	347.535.150
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- Impairment in Value of Financial Investments		--	--
<b>C- Receivables from Main Operations</b>	<b>12</b>	<b>1.537.481.807</b>	<b>1.178.955.084</b>
1- Receivables from Insurance Operations	12	1.312.946.060	1.074.438.568
2- Provision for Receivables from Insurance Operations	2,21,12	(16.172.744)	(8.337.019)
3- Receivables from Reinsurance Operations	12	178.909.631	83.203.501
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited to Insurance and Reinsurance Companies	12	61.798.860	29.650.034
6- Loans to the Policyholders		--	--
7- Provision for Loans to the Policyholders		--	--
8- Receivables from Individual Pension Operations		--	--
9- Doubtful Receivables from Main Operations	12	296.775.530	226.225.736
10- Provision for Doubtful Receivables from Main Operations	12	(296.775.530)	(226.225.736)
<b>D- Due from Related Parties</b>		<b>--</b>	<b>--</b>
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		--	--
<b>E- Other Receivables</b>	<b>12</b>	<b>27.284.163</b>	<b>19.018.462</b>
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given		5.838	15.198
4- Other Miscellaneous Receivables		27.278.325	19.003.264
5- Rediscount on Other Miscellaneous Receivables		--	--
6- Other Doubtful Receivables		--	--
7- Provision for Other Doubtful Receivables		--	--
<b>F- Prepaid Expenses and Income Accruals</b>		<b>446.034.042</b>	<b>339.189.524</b>
1- Prepaid Expenses	17	366.819.267	319.260.853
2- Accrued Interest and Rent Income		--	--
3- Income Accruals	12	79.214.775	19.928.671
4- Other Prepaid Expenses		--	--
<b>G- Other Current Assets</b>		<b>40.471.523</b>	<b>1.170.397</b>
1- Stocks to be Used in the Following Months		1.144.629	676.756
2- Prepaid Taxes and Funds	19	38.869.531	--
3- Deferred Tax Assets		--	--
4- Job Advances	4,2,12	457.363	493.641
5- Advances Given to Personnel		--	--
6- Inventory Count Differences		--	--
7- Other Miscellaneous Current Assets		--	--
8- Provision for Other Current Assets		--	--
<b>I- Current Assets</b>		<b>7.152.455.785</b>	<b>6.146.530.766</b>

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ  
**UNCONSOLIDATED BALANCE SHEET**  
**AS AT DECEMBER 31, 2018**

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

ASSETS			
	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>II- Non-Current Assets</b>			
<b>A- Receivables from Main Operations</b>			
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>B- Due from Related Parties</b>			
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		--	--
<b>C- Other Receivables</b>			
1- Finance Lease Receivables	12	1.627.433	2.205.704
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given		332.552	320.795
4- Other Miscellaneous Receivables		1.419.890	2.129.835
5- Rediscount on Other Miscellaneous Receivables		(125.009)	(244.926)
6- Other Doubtful Receivables		--	--
7- Provision for Other Doubtful Receivables		--	--
<b>D- Financial Assets</b>			
1- Investments in Equity Shares	9	516.860.000	689.720.000
2- Investments in Associates	9	516.860.000	689.720.000
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		--	--
<b>E- Tangible Assets</b>			
1- Investment Properties	6,7	119.925.667	103.881.659
2- Impairment for Investment Properties		63.680.000	64.215.000
3- Owner Occupied Property	6	--	--
4- Machinery and Equipment	6	14.956.000	13.395.000
5- Furniture and Fixtures	6	80.830.314	56.957.217
6- Motor Vehicles	6	14.507.592	13.993.498
7- Other Tangible Assets (Including Leasehold Improvements)	6	1.777.765	290.580
8- Tangible Assets Acquired Through Finance Leases	6	26.004.573	23.486.838
9- Accumulated Depreciation	6	3.858.074	3.858.074
10- Advances Paid for Tangible Assets (Including Construction in Progress)	6	(85.688.651)	(72.314.548)
<b>F- Intangible Assets</b>			
1- Rights	8	72.803.483	61.493.001
2- Goodwill	8	16.250.000	16.250.000
3- Pre-operating Expenses		--	--
4- Research and Development Costs		--	--
5- Other Intangible Assets	8	141.722.051	120.578.666
6- Accumulated Amortization	8	(113.739.685)	(100.337.251)
7- Advances Paid for Intangible Assets	8	28.571.117	25.001.586
<b>G- Prepaid Expenses and Income Accruals</b>			
1- Prepaid Expenses	17	9.445.638	6.639.202
2- Income Accruals	17	9.445.638	6.639.202
3- Other Prepaid Expenses and Income Accruals		--	--
<b>H- Other Non-Current Assets</b>			
1- Effective Foreign Currency Accounts	21	30.913.525	21.844.260
2- Foreign Currency Accounts		--	--
3- Stocks to be Used in the Following Years		--	--
4- Prepaid Taxes and Funds		--	--
5- Deferred Tax Assets		--	--
6- Other Miscellaneous Non-Current Assets	21	30.913.525	21.844.260
7- Amortization on Other Non-Current Assets		--	--
8- Provision for Other Non-Current Assets		--	--
<b>II- Total Non-Current Assets</b>		<b>751.575.746</b>	<b>885.783.826</b>
<b>TOTAL ASSETS</b>		<b>7.904.031.531</b>	<b>7.032.314.592</b>

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ  
**UNCONSOLIDATED BALANCE SHEET**  
**AS AT DECEMBER 31, 2018**

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

LIABILITIES			
		Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>III- Short-Term Liabilities</b>	<b>Note</b>		
<b>A- Financial Liabilities</b>	<b>20</b>	<b>53.578.314</b>	<b>110.802.339</b>
1- Loans to Financial Institutions		--	--
2- Finance Lease Liabilities		--	--
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	20	53.578.314	110.802.339
<b>B- Payables Arising from Main Operations</b>	<b>19</b>	<b>652.398.576</b>	<b>492.116.005</b>
1- Payables Due to Insurance Operations	19	434.090.965	311.777.242
2- Payables Due to Reinsurance Operations	19	5.179.090	--
3- Cash Deposited by Insurance and Reinsurance Companies	10,19	8.527.925	8.573.616
4- Payables Due to Individual Pension Operations		--	--
5- Payables Due to Other Main Operations	19	210.877.517	171.765.147
6- Rediscount on Payables from Other Main Operations		(6.276.921)	--
<b>C- Due to Related Parties</b>	<b>19</b>	<b>261.029</b>	<b>256.510</b>
1- Due to Shareholders		8.081	--
2- Due to Associates		38.024	36.133
3- Due to Subsidiaries		--	--
4- Due to Joint Ventures		--	--
5- Due to Personnel		214.924	220.377
6- Due to Other Related Parties		--	--
<b>D- Other Payables</b>	<b>19</b>	<b>95.240.548</b>	<b>113.563.202</b>
1- Deposits and Guarantees Received		9.454.992	6.282.082
2- Medical Treatment Payables to Social Security Institution		32.118.883	31.604.313
3- Other Miscellaneous Payables		54.917.816	76.358.577
4- Discount on Other Miscellaneous Payables		(1.251.143)	(681.770)
<b>E- Insurance Technical Provisions</b>	<b>17</b>	<b>5.000.323.117</b>	<b>4.307.802.432</b>
1- Reserve for Unearned Premiums - Net	17	1.882.729.609	1.680.134.904
2- Reserve for Unexpired Risks - Net	2,26,17	60.191.140	22.981.170
3- Mathematical Provisions - Net		--	--
4- Provision for Outstanding Claims - Net	4,1, 17	3.057.402.368	2.604.686.358
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net		--	--
<b>F- Provisions for Taxes and Other Similar Obligations</b>	<b>19</b>	<b>51.729.635</b>	<b>50.750.268</b>
1- Taxes and Funds Payable		47.639.759	39.563.475
2- Social Security Premiums Payable		4.089.876	3.464.617
3- Overdue, Deferred or By Instalment Taxes and Other Liabilities		--	--
4- Other Taxes and Similar Payables		--	--
5- Corporate Tax Payable	35	79.313.444	52.636.513
6- Prepaid Taxes and Other Liabilities Regarding Current Period Income	19	(79.313.444)	(44.914.337)
7- Provisions for Other Taxes and Similar Liabilities		--	--
<b>G- Provisions for Other Risks</b>		--	--
1- Provision for Employee Termination Benefits		--	--
2- Provision for Pension Fund Deficits		--	--
3- Provisions for Costs		--	--
<b>H- Deferred Income and Expense Accruals</b>		<b>191.781.489</b>	<b>146.541.875</b>
1- Deferred Income	19	117.840.030	95.718.017
2- Expense Accruals	23	73.916.295	50.813.598
3- Other Deferred Income and Expense Accruals		25.164	10.260
<b>I- Other Short-Term Liabilities</b>	<b>23</b>	<b>2.399.183</b>	<b>1.878.908</b>
1- Deferred Tax Liabilities		--	--
2- Inventory Count Differences		--	--
3- Other Various Short-Term Liabilities	23	2.399.183	1.878.908
<b>III - Total Short-Term Liabilities</b>		<b>6.047.711.891</b>	<b>5.223.711.539</b>

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ  
**UNCONSOLIDATED BALANCE SHEET**  
**AS AT DECEMBER 31, 2018**

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

LIABILITIES			
	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>IV- Long-Term Liabilities</b>			
<b>A- Financial Liabilities</b>			
1- Loans to Financial Institutions		--	--
2- Finance Lease Liabilities		--	--
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>B- Payables Arising from Main Operations</b>			
1- Payables Due to Insurance Operations		--	--
2- Payables Due to Reinsurance Operations		--	--
3- Cash Deposited by Insurance and Reinsurance Companies		--	--
4- Payables Due to Individual Pension Operations		--	--
5- Payables Due to Other Operations		--	--
6- Rediscount on Payables from Other Operations		--	--
<b>C- Due to Related Parties</b>			
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		--	--
<b>D- Other Payables</b>			
1- Deposits and Guarantees Received		--	--
2- Medical Treatment Payables to Social Security Institution		--	--
3- Other Miscellaneous Payables		--	--
4- Discount on Other Miscellaneous Payables		--	--
<b>E-Insurance Technical Provisions</b>	<b>17</b>	<b>184.257.505</b>	<b>148.641.970</b>
1- Reserve for Unearned Premiums - Net	17	808.205	--
2- Reserve for Unexpired Risks - Net		--	--
3- Mathematical Provisions - Net		--	--
4- Provision for Outstanding Claims - Net		--	--
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net	17	183.449.300	148.641.970
<b>F-Other Liabilities and Relevant Accruals</b>			
1- Other Liabilities		--	--
2- Overdue, Deferred or By Instalment Taxes and Other Liabilities		--	--
3- Other Liabilities and Expense Accruals		--	--
<b>G- Provisions for Other Risks</b>	<b>23</b>	<b>25.856.081</b>	<b>20.939.663</b>
1- Provision for Employee Termination Benefits	23	25.856.081	20.939.663
2- Provision for Pension Fund Deficits		--	--
<b>H-Deferred Income and Expense Accruals</b>			
1- Deferred Income		--	--
2- Expense Accruals		--	--
3- Other Deferred Income and Expense Accruals		--	--
<b>I- Other Long-Term Liabilities</b>			
1- Deferred Tax Liabilities		--	--
2- Other Long-Term Liabilities		--	--
<b>IV- Total Long-Term Liabilities</b>		<b>210.113.586</b>	<b>169.581.633</b>

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ  
**UNCONSOLIDATED EQUITY**  
**AS AT DECEMBER 31, 2018**

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

EQUITY			
	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>V- Equity</b>			
<b>A- Paid in Capital</b>			
1- (Nominal) Capital	2.13,15	500.000.000	500.000.000
2- Unpaid Capital		--	--
3- Positive Capital Restatement Differences		--	--
4- Negative Capital Restatement Differences		--	--
5- Register in Progress Capital		--	--
<b>B- Capital Reserves</b>			
1- Share Premiums	15	30.848.808	29.388.073
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	30.848.808	29.388.073
<b>C- Profit Reserves</b>			
1- Legal Reserves	15	776.180.979	893.834.794
2- Statutory Reserves	15	55.788.874	42.470.727
3- Extraordinary Reserves	15	34.160.337	22.689.973
4- Special Funds	15	258.017.194	158.692.234
5- Revaluation of Financial Assets		--	--
6- Other Profit Reserves	15	389.114.177	629.061.481
<b>D- Retained Earnings</b>			
1- Retained Earnings		39.100.397	40.920.379
<b>E- Accumulated Losses</b>			
1- Accumulated Losses		31.601.927	31.601.927
<b>F-Net Profit/(Loss) for the Period</b>			
1- Net Profit for the Period		--	--
2- Net Loss for the Period		--	--
3- Net Profit not Subject to Distribution	15	2.704.097	--
<b>V- Total Equity</b>			
		<b>1.646.206.054</b>	<b>1.639.021.420</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7.904.031.531</b>	<b>7.032.314.592</b>

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

## UNCONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED DECEMBER 31, 2018

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

	Note	Audited Current Period January 1 - December 31, 2018	Audited Prior Period January 1 - December 31, 2017
<b>I- TECHNICAL SECTION</b>			
<b>A- Non-Life Technical Income</b>			
1- Earned Premiums (Net of Reinsurer Share)		4.623.522.012	3.912.846.125
1.1- Written Premiums (Net of Reinsurer Share)	17	3.579.170.365	3.323.384.126
1.1.1- Written Premiums, gross	17	3.819.783.245	3.272.986.725
1.1.2- Written Premiums, ceded	10,17	5.701.355.416	4.671.409.652
1.1.3- Premiums Transferred to Social Security Institutions	17	(1.761.121.334)	(1.289.191.554)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(120.450.837)	(109.231.373)
1.2.1- Reserve for Unearned Premiums, gross	17	(203.402.910)	72.814.040
1.2.2- Reserve for Unearned Premiums, ceded	17	(391.909.812)	(121.582.813)
1.2.3- Reserve for Unearned Premiums, Social Security Institution Share		183.712.411	210.638.839
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	4.794.491	(16.241.986)
1.3.1- Reserve for Unexpired Risks, gross	17	(37.209.970)	(22.416.639)
1.3.2- Reserve for Unexpired Risks, ceded	17	(54.695.553)	(43.066.356)
2- Investment Income - Transferred from Non-Technical Section		17.485.583	20.649.717
3- Other Technical Income (Net of Reinsurer Share)		965.879.045	542.114.497
3.1- Other Technical Income, gross		7.769.848	6.605.545
3.2- Other Technical Income, ceded		7.769.848	6.605.545
4- Accrued Salvage and Subrogation Income		--	--
		70.702.754	40.741.957
<b>B - Non-Life Technical Expense</b>			
1- Incurred Losses (Net of Reinsurer Share)	17	(4.121.454.564)	(3.620.216.963)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(3.104.438.571)	(2.714.265.320)
1.1.1- Claims Paid, gross	17	(2.651.722.561)	(2.152.823.823)
1.1.2- Claims Paid, ceded	10,17	(3.373.958.907)	(2.755.951.134)
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	722.236.346	603.127.311
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(452.716.010)	(561.441.497)
1.2.2- Change in Provisions for Outstanding Claims, ceded	17	(1.093.890.088)	(715.185.940)
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		641.174.078	153.744.443
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)	17,29	--	--
4- Operating Expenses	32	(36.488.922)	(31.511.404)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		(835.229.688)	(755.828.741)
5.1- Change in Mathematical Provisions, gross		--	--
5.2 - Change in Mathematical Provisions, ceded		--	--
6- Change in Other Technical Provisions (Net of Reinsurer and Less the Amounts Carried Forward)	47	(145.297.383)	(118.611.498)
6.1- Change in Other Technical Provisions, gross		(149.998.088)	(121.529.377)
6.2- Change in Other Technical Provisions, ceded		4.700.705	2.917.879
<b>C- Net Technical Income-Non-Life (A - B)</b>		<b>502.067.448</b>	<b>292.629.162</b>
<b>D- Life Technical Income</b>			
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 Share 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 Income, gross		--	--
4.2- Other Technical Income, ceded		--	--
5- Accrued Salvage Income		--	--

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

**UNCONSOLIDATED STATEMENT OF INCOME  
FOR THE PERIOD ENDED DECEMBER 31, 2018**

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

	Note	Audited Current Period January 1 - December 31, 2018	Audited Prior Period January 1 - December 31, 2017
<b>I- TECHNICAL SECTION</b>			
<b>E- Life Technical Expense</b>			
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 Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
3.1- Change in Mathematical Provisions, gross		--	--
3.1.1- Change in Actuarial Mathematical Provisions, gross		--	--
3.1.2- Change in Profit Share Provisions (Provision for Financial Investments with Risks on Saving Life Policyholders), gross		--	--
3.2- Change in Mathematical Provisions, ceded		--	--
3.2.1- Change in Actuarial Mathematical Provisions, ceded		--	--
3.2.2- Change in Profit Share Provisions (Provision for Financial Investments with Risks on Saving Life Policyholders), ceded		--	--
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		--	--
<b>F- Net Technical Income- Life (D - E)</b>		--	--
<b>G- Pension Business Technical Income</b>			
1- Fund Management Income		--	--
2- Management Fee		--	--
3- Entrance Fee Income		--	--
4- Management Expense Charge in case of Suspension		--	--
5- Income from Private Service Charges		--	--
6- Increase in Value of Capital Allowances Given as Advance		--	--
7- Other Technical Expense		--	--
<b>H- Pension Business Technical Expense</b>			
1- Fund Management Expense		--	--
2- Decrease in Value of Capital Allowances Given as Advance		--	--
3- Operating Expenses		--	--
4- Other Technical Expenses		--	--
<b>I- Net Technical Income - Pension Business (G - H)</b>		--	--

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



## UNCONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED DECEMBER 31, 2018

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

	Note	Audited Current Period January 1 - December 31, 2018	Audited Prior Period January 1 - December 31, 2017
<b>II-NON-TECHNICAL SECTION</b>			
<b>C- Net Technical Income - Non-Life (A-B)</b>		<b>502.067.448</b>	<b>292.629.162</b>
<b>F- Net Technical Income - Life (D-E)</b>		--	--
<b>I - Net Technical Income - Pension Business (G-H)</b>		--	--
<b>J- Total Net Technical Income (C+F+I)</b>		<b>502.067.448</b>	<b>292.629.162</b>
<b>K- Investment Income</b>		<b>1.508.904.511</b>	<b>859.807.937</b>
1- Income from Financial Assets	4.2	278.146.888	228.602.158
2- Income from Disposal of Financial Assets	4.2	83.432.848	26.473.764
3- Valuation of Financial Assets	4.2	52.449.578	52.102.926
4- Foreign Exchange Gains	4.2	761.764.376	430.645.835
5- Income from Associates	4.2,9	34.000.000	28.000.000
6- Income from Subsidiaries and Joint Ventures		--	--
7- Income from Property, Plant and Equipment		1.653.795	3.867.125
8- Income from Derivative Transactions	4.2	297.457.026	90.116.129
9- Other Investments		--	--
10- Income Transferred from Life Section		--	--
<b>L- Investment Expense</b>		<b>(1.537.912.077)</b>	<b>(879.645.731)</b>
1- Investment Management Expenses (incl. interest)	4.2	(1.501.015)	(385.326)
2- Impairment in Value of Investments	4.2	(8.864.845)	(1.118.002)
3- Loss from Disposal of Financial Assets	4.2	(35.681.424)	(16.137.959)
4- Investment Income Transferred to Non-Life Technical Section		(965.879.045)	(542.114.497)
5- Loss from Derivative Transactions	4.2	(66.177.031)	(179.274.294)
6- Foreign Exchange Losses	4.2	(430.648.372)	(112.534.636)
7- Depreciation and Amortization Expenses	6,8	(29.160.345)	(28.081.017)
8- Other Investment Expenses		--	--
<b>M- Income and Expenses From Other and Extraordinary Operations</b>		<b>(86.172.098)</b>	<b>(35.958.229)</b>
1- Provisions	47	(71.029.270)	(32.318.934)
2- Rediscounts	47	(9.677.434)	(11.903.019)
3- Specified Insurance Accounts		--	--
4- Monetary Gains and Losses		--	--
5- Deferred Taxation (Deferred Tax Assets)	35	--	5.702.299
6- Deferred Taxation (Deferred Tax Liabilities)	35	(6.651.982)	--
7- Other Income		1.634.898	2.771.738
8- Other Expenses and Losses		(448.310)	(210.313)
9- Prior Year's Income		--	--
10- Prior Year's Expenses and Losses		--	--
<b>N- Net Profit for the Period</b>		<b>307.574.340</b>	<b>184.196.626</b>
1- Profit for the Period		386.887.784	236.833.139
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(79.313.444)	(52.636.513)
3- Net Profit for the Period		307.574.340	184.196.626
4- Inflation Adjustment Account		--	--

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

## ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

**UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED DECEMBER 31, 2018**

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

**Audited Unconsolidated Statement of Changes in Equity - December 31, 2017**

	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	Currency Translation Adjustment
I- Balance at the end of the previous year - December 31, 2016		500.000.000	--	363.889.473	--	--
II- Change in Accounting Standards		--	--	--	--	--
III- Restated balances (I+II) (January 1, 2017)		500.000.000	--	363.889.473	--	--
A- Capital increase (A1+A2)		--	--	--	--	--
1- In cash		--	--	--	--	--
2- From reserves		--	--	--	--	--
B- Purchase of own shares		--	--	--	--	--
C- Gains or losses that are not included in the statement of incomes		--	--	--	--	--
D- Change in the value of financial assets	11,15	--	--	265.172.008	--	--
E- Currency translation adjustments		--	--	--	--	--
F- Other gains or losses		--	--	--	--	--
G- Inflation adjustment differences		--	--	--	--	--
H- Net profit for the period		--	--	--	--	--
I- Dividends paid		--	--	--	--	--
J- Transfers to reserves	15	--	--	--	--	--
<b>IV- Balance at the end of the period December 31, 2017</b>		<b>500.000.000</b>	<b>--</b>	<b>629.061.481</b>	<b>--</b>	<b>--</b>

**Audited Unconsolidated Statement of Changes in Equity - December 31, 2018**

	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	Currency Translation Adjustment
I- Balance at the end of the previous year - December 31, 2017		500.000.000	--	629.061.481	--	--
II- Change in Accounting Standards		--	--	--	--	--
III- Restated balances (I+II) (January 1, 2018)		500.000.000	--	629.061.481	--	--
A- Capital increase (A1+A2)		--	--	--	--	--
1- In cash		--	--	--	--	--
2- From reserves		--	--	--	--	--
B- Purchase of own shares		--	--	--	--	--
C- Gains or losses that are not included in the statement of incomes		--	--	--	--	--
D- Change in the value of financial assets	11,15	--	--	(239.947.304)	--	--
E- Currency translation adjustments		--	--	--	--	--
F- Other gains or losses		--	--	--	--	--
G- Inflation adjustment differences		--	--	--	--	--
H- Net profit for the period		--	--	--	--	--
I- Dividends paid	2,23	--	--	--	--	--
J- Transfers to reserves	15	--	--	--	--	--
<b>IV- Balance at the end of the period December 31, 2018</b>		<b>500.000.000</b>	<b>--</b>	<b>389.114.177</b>	<b>--</b>	<b>--</b>

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

Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Year	Retained Earnings	Total
37.374.983	17.547.144	184.899.469	87.867.323	31.601.927	1.223.180.319
--	--	--	--	--	--
37.374.983	17.547.144	184.899.469	87.867.323	31.601.927	1.223.180.319
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	(1.668.221)	--	--	(1.668.221)
--	--	172.018	--	--	265.344.026
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	184.196.626	--	184.196.626
--	--	--	(32.031.330)	--	(32.031.330)
5.095.744	5.142.829	45.597.420	(55.835.993)	--	--
42.470.727	22.689.973	229.000.686	184.196.626	31.601.927	1.639.021.420

Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Year	Retained Earnings	Total
42.470.727	22.689.973	229.000.686	184.196.626	31.601.927	1.639.021.420
--	--	--	--	10--	--
42.470.727	22.689.973	229.000.686	184.196.626	31.601.927	1.639.021.420
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	(359.247)	4.000.000	--	3.640.753
--	--	--	--	--	(239.947.304)
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	307.574.340	--	307.574.340
--	--	--	(64.083.155)	--	(64.083.155)
13.318.147	11.470.364	99.324.960	(124.113.471)	--	--
55.788.874	34.160.337	327.966.399	307.574.340	31.601.927	1.646.206.054

## ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

**UNCONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED DECEMBER 31, 2018**

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

	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>A- Cash flows from operating activities</b>			
1- Cash provided from insurance activities		6.213.680.727	5.165.018.373
2- Cash provided from reinsurance activities		--	--
3- Cash provided from individual pension business		--	--
4- Cash used in insurance activities		(6.221.867.613)	(4.966.891.348)
5- Cash used in reinsurance activities		(127.854.956)	(40.078.614)
6- Cash used in individual pension business		--	--
<b>7- Cash provided by operating activities</b>		<b>(136.041.842)</b>	<b>158.048.411</b>
8- Interest paid		--	--
9- Income taxes paid	19	(125.905.151)	(32.473.242)
10- Other cash inflows		13.915.821	7.838.695
11- Other cash outflows		(49.633.999)	(39.799.131)
<b>12- Net cash provided by operating activities</b>		<b>(297.665.171)</b>	<b>93.614.733</b>
<b>B- Cash flows from investing activities</b>			
1- Proceeds from disposal of tangible assets		530.968	400.469
2- Acquisition of tangible assets	6, 8	(55.588.008)	(35.515.713)
3- Acquisition of financial assets	11	(2.033.280.351)	(909.864.560)
4- Proceeds from disposal of financial assets		2.016.042.953	601.168.745
5- Interests received		355.541.482	247.825.764
6- Dividends received		34.000.000	28.000.000
7- Other cash inflows		1.059.316.239	508.056.272
8- Other cash outflows		(1.285.211.332)	(269.463.796)
<b>9- Net cash provided by investing activities</b>		<b>91.351.951</b>	<b>170.607.181</b>
<b>C- Cash flows from financing activities</b>			
1- Equity shares issued		--	--
2- Cash provided from loans and borrowings		--	--
3- Finance lease payments		--	--
4- Dividends paid	2.23	(64.083.155)	(32.031.330)
5- Other cash inflows		--	--
6- Other cash outflows		--	--
<b>7- Net cash used in financing activities</b>		<b>(64.083.155)</b>	<b>(32.031.330)</b>
<b>D- Effect of exchange rate fluctuations on cash and cash equivalents</b>		<b>1.558.957</b>	<b>16.572.817</b>
<b>E- Net increase in cash and cash equivalents</b>		<b>(268.837.418)</b>	<b>248.763.401</b>
<b>F- Cash and cash equivalents at the beginning of the year</b>		<b>2.121.236.256</b>	<b>1.872.472.855</b>
<b>G- Cash and cash equivalents at the end of the year</b>	<b>14</b>	<b>1.852.398.838</b>	<b>2.121.236.256</b>

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

## UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR YEAR ENDED DECEMBER 31, 2018

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

	Note	Audited Current Period <sup>(**)</sup> 31 December 2018	Audited Prior Period <sup>(***)</sup> 31 December 2017
<b>I. PROFIT DISTRIBUTION</b>			
1.1. CURRENT YEAR PROFIT <sup>(*)</sup>		407.616.323	258.151.501
1.2. TAX AND FUNDS PAYABLE		(79.313.444)	(52.636.513)
1.2.1. Corporate Income Tax (Income Tax)	35	(79.313.444)	(52.636.513)
1.2.2. Income tax deduction		--	--
1.2.3. Other taxes and Duties		--	--
<b>A NET PROFIT (1.1 - 1.2)</b>		<b>328.302.879</b>	<b>205.514.988</b>
1.3. PREVIOUS PERIOD LOSSES (-)		--	--
1.4. FIRST LEGAL RESERVE		15.568.512	9.409.831
1.5. STATUTORY FUND (-)		--	--
<b>B. NET PROFIT DISTRIBUTION [(A-(1.3 + 1.4 + 1.5))]</b>		<b>312.734.367</b>	<b>196.105.157</b>
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		--	60.000.000
1.6.1. Holders of shares		--	60.000.000
1.6.2. Holders of Preferred shares		--	--
1.6.3. Holders of Redeemed shares		--	--
1.6.4. Holders of Participation Bond		--	--
1.6.5. Holders of Profit and Loss sharing certificate		--	--
1.7. DIVIDEND TO PERSONNEL (-)		--	4.083.154
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)		--	--
1.9.1. Holders of shares		--	--
1.9.2. Holders of Preferred shares		--	--
1.9.3. Holders of Redeemed shares		--	--
1.9.4. Holders of Participation Bond		--	--
1.9.5. Holders of Profit and Loss sharing certificate		--	--
1.10. SECOND LEGAL RESERVE (-)		--	3.908.316
1.11. STATUTORY RESERVES (-)		--	11.470.364
1.12. EXTRAORDINARY RESERVES		--	116.643.323
1.13. OTHER RESERVES		--	--
1.14. SPECIAL FUNDS		--	--
<b>II. DISTRIBUTION OF RESERVES</b>			
2.1. DISTRIBUTION OF RESERVES		--	--
2.2. SECOND LEGAL RESERVES (-)		--	--
2.3. COMMON SHARES (-)		--	--
2.3.1. Holders of shares		--	--
2.3.2. Holders of Preferred shares		--	--
2.3.3. Holders of Redeemed shares		--	--
2.3.4. Holders of Participation Bond		--	--
2.3.5. Holders of Profit and Loss sharing certificate		--	--
2.4. DIVIDENDS TO PERSONNEL (-)		--	--
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
<b>III. PROFIT PER SHARE</b>			
3.1. HOLDERS OF SHARES <sup>(****)</sup>		0,00615	0,00368
3.2. HOLDERS OF SHARES (%)		0,615	0,368
3.3. HOLDERS OF PREFERRED SHARES		--	--
3.4. HOLDERS OF PREFERRED SHARES (%)		--	--
<b>IV. DIVIDEND PER SHARE</b>			
4.1. HOLDERS OF SHARES		--	0,0012
4.2. HOLDERS OF SHARES (%)		--	0,12
4.3. HOLDERS OF PREFERRED SHARES		--	--
4.4. HOLDERS OF PREFERRED SHARES (%)		--	--

<sup>(\*)</sup> According to the Law no. 13 of the Profit Share Annunciation which was announced in Capital Markets Board of Turkey's weekly bulletin numbered 2014/2, which was then published in the official gazette on 23 January 2014, the profit shares have been distributed based on consolidated profit. Dividend to be paid to the personnel amounting to TL 6.500.000, which has made provision in accordance with TAS 19, has been added to the profit however, non-distributed profit that is amounting to TL 2.704.097, has been excluded for the period as of December 31, 2018.

<sup>(\*\*)</sup> Statement of profit distribution has not been filled yet due to the Board of Directors Meeting has not made as of preparation date of the financial statements.

<sup>(\*\*\*)</sup> The Figures of 2017 was filled by using the data which is located in "According to CMB" of the Profit Distribution.

<sup>(\*\*\*\*)</sup> Dividends per share is calculated over the consolidated net profit for the period.

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

## ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

**CONVENIENCE TRANSLATION OF NOTES TO THE UNCONSOLIDATED  
FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018**

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

**1. General information****1.1 Name of the Company and the ultimate owner of the group**

The shareholding structure of Anadolu Anonim Türk Sigorta Şirketi ("the Company") is presented below. As at December 31, 2018, the shareholder having indirect control over the shares of Anadolu Anonim Türk Sigorta Şirketi ("the Company") is Türkiye İş Bankası A.Ş. ("İş Bankası").

Name	December 31, 2018		December 31, 2017	
	Shareholding Amount (TL)	Shareholding Rate (%)	Shareholding Amount (TL)	Shareholding Rate (%)
Milli Reasürans T.A.Ş.	286.550.106	57,31	286.550.106	57,31
Other*	213.449.894	42,69	213.449.894	42,69
<b>Paid in Capital</b>	<b>500.000.000</b>	<b>100,00</b>	<b>500.000.000</b>	<b>100,00</b>

\* Consists of publicly traded shares.

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

The Company was registered in Turkey and has the status of 'Incorporated Company. The Company address "Rüzgarlıbahçe Mahallesi, Kavak Sokak, No: 31 34805 Kavacık/İstanbul". Company has nine regional offices; two of them established in İstanbul and others established in Antalya, İzmir, Samsun, Adana, Ankara, Trabzon and Bursa, a sales centre in Gaziantep and a branch in Turkish Republic of Northern Cyprus.

**1.3 Business of the Company**

The Company operates in almost all non-life insurance branches consisting of mainly accident, health, motor vehicles, air vehicles, water vehicles, marine, fire and natural disasters, general loss, credit, financial losses, and legal protection.

As at December 31, 2018, the Company serves through, 2.220 authorized agencies and 99 unauthorized agencies December 31, 2017: 2.215 authorized agencies and 99 unauthorized agencies) of which, 2.347 agencies (December 31, 2017: 2.314 authorized) .

**1.4 Description of the main operations of the Company**

The Company conducts its operations in accordance with the Insurance Law No.5684 (the "Insurance Law") issued in June 14, 2007 dated and 26552 numbered Official Gazette and the communiqués and other regulations in force issued by the Turkish Treasury based on the Insurance Law. The Company operates in insurance branches as mentioned above *Note 1.3 Business of the Company*.

The Company's shares have been listed on the İstanbul Stock Exchange ("ISE"). The company operates based on its own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting in accordance Capital Market Law No: 6362, part of VIII and paragraph of 5 of Article 136.

**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 in consideration of their categories is as follows:

	December 31, 2018	December 31, 2017
Senior level managers	7	7
Directors	38	38
Officers	2	2
Intermediate directors	181	171
Contracted personnel	1.032	982
<b>Total</b>	<b>1.260</b>	<b>1.200</b>

**1.6 Wages and similar benefits provided to the senior management**

For the period ended December 31, 2018, wages and similar benefits provided to the members of the board of directors is amounting to TL 1.528.819 (December 31, 2017: TL 1.561.811), chairman TL 6.952.509 (December 31, 2017: TL 5.777.795).

## CONVENIENCE TRANSLATION OF NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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

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

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

In accordance with the above mentioned Communiqué, insurance companies are allowed to transfer technical section operating expense to insurance section through methods determined by Turkish Treasury or by the Company itself. Methods determined by the Company should be approved by the Turkish Treasury, Known and exactly distinguishable operating expenses are distributed to related branches directly, while operating expenses are distributed to the sub-branches in accordance with the average of 3 ratios calculated by dividing "number of the policies produced within the last three years", "gross premium written within the last three years", and "number of the claims reported within the last three years" to the "total number of the policies", "total gross written premiums" and the "total number of the claims reported", respectively.

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

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

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

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

Trade name of the Company	: Anadolu Anonim Türk Sigorta Şirketi
Registered address of the head office	: Rüzgarlıbahçe Mahallesi, Kavak Sokak, No: 31 34805 Kavacık/İstanbul
The web page of the Company	: <a href="http://www.anadolusigorta.com.tr">www.anadolusigorta.com.tr</a>

The information presented above has not any change since the end of the previous reporting period.

### 1.10 Events after the reporting date

After the balance sheet date, there has been no change in the Company's activities, the registration of these activities, the document structure and Company policies.

As of December 31, 2018, the unconsolidated financial statements prepared has been approved by the Board of Directors of the Company on February 1, 2019.

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

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

In accordance with Article 136(5) in Section VIII of the Capital Markets Law, numbered 6362 insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting. Therefore, the Company maintains its books of account and prepares its financial statements in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), and other accounting and financial reporting principles, statements and guidance (collectively "the Reporting Standards") in accordance with the "Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies" as promulgated by the Turkish Treasury based on Article 18 of the Insurance Law and Article 11 of the 4632 numbered Individual Pension Savings and Investment System Law ("Individual Retirement Law").

According to numbered 4<sup>th</sup> related law Accounting for subsidiaries, associates, joint ventures is, consolidated financial statements, financial statements which disclosed public regulated by the Turkish Treasury.

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

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# CONVENIENCE TRANSLATION OF NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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

The financial statements are prepared in accordance with the accounting and financial reporting regulations in force in accordance with the insurance legislation and the provisions of Turkish Accounting Standards on matters not regulated by them.

### 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 December 31, 2004. TAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous years be restated in the same terms.

With respect to the declaration of the Turkish Treasury with the article dated April 4, 2005 and numbered 19387, financial statements as of December 31, 2004 are adjusted for the opening balances of 2005 in accordance with the section with respect to inflation accounting of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated January 15, 2003 and numbered 25290. Inflation accounting is no longer applied starting from January 1, 2005, in accordance with the same declaration of the Turkish Treasury. Accordingly, as at June 30, 2017, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded before December 31, 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded after December 31, 2004 are measured at their nominal values.

#### Other accounting policies

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

### 2.1.3 Valid and presentation currency

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

### 2.1.4 Rounding scale of the amounts presented in the financial statements

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

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

The accompanying financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until December 31, 2004, except for the financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments and associates which are measured at their fair values unless reliable measures are available.

### 2.1.6 Accounting policies, changes in accounting estimates and errors

No changes or errors have occurred in the accounting policies for the current period.

Explanations on accounting estimates are given in the "Note 3" which is critical accounting estimates and judgments.

## 2.2 Consolidation

Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance, and Individual Pension Companies" issued by the Turkish Treasury in the December 31, 2008 dated and 27097 numbered Official Gazette, has been in force since March 31, 2009. Accordingly, consolidated financial statements are also prepared using the equity method of accounting to consolidate the Company's associate; Anadolu Hayat Emeklilik A.Ş. ("Anadolu Hayat").

In the August 12, 2008 dated and 2008/36 numbered "Sector Announcement Related to the Accounting of Subsidiaries, Associates and Joint Ventures in the Stand Alone Financial Statements of Insurance, Reinsurance and Individual Pension Companies" of the Turkish Treasury, it is stated that although insurance, reinsurance and individual pension companies are exempted from TAS 27 - Consolidated and Separate Financial Statements, subsidiaries, associates and joint-ventures could be accounted in accordance with TAS 39 - Financial Instruments: Recognition and Measurement or at cost in accordance with the 37<sup>th</sup> paragraph of TAS 27 - Consolidated and Separate Financial Statements, Parallel to the related sector announcements mentioned above, as at the reporting date the Company has accounted for its associate at fair value based on quoted market price.



## CONVENIENCE TRANSLATION OF NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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### 2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Since the main economic environment, where the Company operates, is Turkey, a geographical segment reporting has not been presented. A business segment reporting of the Company is presented in Note 5 in accordance with TFRS 8- Operating Segments standard.

### 2.4 Foreign currency transactions

Transactions are recorded in TL, which is the Company's functional currency. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates ruling at the reporting date and foreign currency exchange differences are offset and all exchange differences are recognized in the statement of income.

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

### 2.5 Tangible assets

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

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

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

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

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

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

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

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

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

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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Depreciation rates and estimated useful lives are as follows:

Tangible Assets	Estimated Useful Lives (years)	Depreciation Rates (%)
Buildings for own use	50	2,0
Machinery and equipment	3 - 16	6,3 - 33,3
Furniture and fixtures	4 - 16	6,3 - 25,0
Vehicles	5	20,0
Other tangible assets (including leasehold improvements)	5 - 10	10,0 - 20,0
Leased tangible assets	4 - 10	10,0 - 25,0

**2.6 Investment properties**

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

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

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

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

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

**2.7 Intangible assets**

The Company's intangible assets consist of computer software, goodwill and advances paid for tangible assets.

Intangible assets are recorded at cost in compliance with "TAS 38 - Accounting for intangible assets". The cost of the intangible assets purchased before December 31, 2004 are restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs.

Amortization is charged on a straight-line basis over their estimated useful lives over the cost of the asset. The period of redemption of intangible assets is 3 to 15 years.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, Impairment losses on goodwill are not reversed. Gain or losses on the disposal of an entity includes the carrying amount of goodwill relating to the entity disposed of.

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocations made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arises.

The Company has acquired the health portfolio of Anadolu Hayat Emeklilik A.Ş. at August 31, 2004 with all of its rights and liabilities. The value at acquisition of the portfolio amounting to TL 16.250.000 is capitalized as goodwill by the Company.

**2.8 Financial assets**

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

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

## CONVENIENCE TRANSLATION OF NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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*Financial assets at fair value through profit or loss* are presented as financial assets held for trading in the accompanying financial statements and trading securities and derivatives are included in this category. Financial assets at fair value through profit or loss measured at their fair values and gain/loss arising due to changes in the fair values of related financial assets is recorded in profit/loss. Interest income earned on trading purpose financial assets and the difference between their fair values and acquisition costs are recorded as interest income in the statement of income. In case of disposal of such financial assets before their maturities, the gains/losses on such disposal are recorded under trading income/losses. Accounting policies of derivatives are detailed in note 2.10 - Derivative financial instruments.

*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.

*Held to maturity financial assets* are the financial assets with fixed maturities and fixed or pre-determined payment schedules that the Company has the intent and ability to hold until maturity, excluding loans and receivables. Subsequent to initial recognition, held to maturity financial assets and loans and receivables are measured at amortized cost using effective interest rate method less impairment losses, if any. The Company has no financial assets that are not allowed to be classified as held to maturity financial assets for two years due to the tainting rules applied for the breach of classification rules.

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

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Unrecognized gains or losses derived from the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in "Revaluation of financial assets" under shareholders' equity. Upon disposal, the realized gain or losses are recognized directly in the statement of income.

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

The Company has accounted equity shares classified as available-for-sale according to quoted market prices or dealer price quotations for financial instruments traded in active markets or according to cost less impairment losses for financial instruments not traded in active markets.

Securities are recognized and derecognized at the date of settlement.

*Associates*; shares of the associate of the Company; Anadolu Hayat Emeklilik A.Ş. are classified as available-for-sale financial assets in the financial statements and are recorded at their fair values since those shares are traded in an active market.

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.

### **Impairment on financial asset**

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 if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) ("loss event(s)") incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

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

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is recognized in the statement of operations. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

### 2.9 Impairment on assets

#### Impairment on tangible and intangible 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 in accordance with the "TAS 36 - Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

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

### 2.10 Derivative financial instruments

As of December 31, 2018, the Company's the marketable securities in the trade book totals to TL 6.348.182 (December 31, 2018: TL 9.581.631) These securities also have derivate warranty and as of the report date have TL 16.984.621 express warranty (December 31, 2017: TL 5.818.015).

As of December 31, 2018, the Company has accounted in income accruals and other financial liabilities amounting to TL 77.683.687 (December 31, 2017: TL 18.939.649) that is increase in value and TL (2.877.823) (December 31, 2017: TL (7.868.067)) that is decrease in value respectively, due to forward foreign currency agreement.

Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 - *Financial Instruments: Recognition and measurement*.

Derivative financial instruments are initially recognized at their fair value.

Collateral amounts and valuations that are necessary for derivative transactions are included in trading financial assets.

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

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

### 2.11 Offsetting of financial assets

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

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

### 2.12 Cash and cash equivalents

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

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### 2.13 Share Capital

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

Name	December 31, 2018		December 31, 2017	
	Shareholding Amount (TL)	Shareholding Rate (%)	Shareholding Amount (TL)	Shareholding Rate (%)
Milli Reasürans T.A.Ş.	286.550.106	57,31	286.550.106	57,31
Other*	213.449.894	42,69	213.449.894	42,69
<b>Paid in capital</b>	<b>500.000.000</b>	<b>100,00</b>	<b>500.000.000</b>	<b>100,00</b>

\* Consists of publicly traded shares.

#### Sources of capital increases during the period

The Company has not performed capital increase as at December 31, 2018 (December 31, 2017: None).

#### Privileges on common shares representing share capital

As at December 31, 2018, the issued share capital of the Company is TL 500.000.000 (December 31, 2017: TL 500.000.000) and the Company unregistered Group 150 A shares which each of value is TL 1,5 as of April 11, 2013 in which approved in Main Article of the Company dated in April 11, 2013. The share capital of the Company consists of 50.000.000.000 (December 31, 2017: 50.000.000.000 shares) issued shares with TL 1 nominal value each.

#### Registered capital system in the Company

The Company has accepted the registered capital system. As of December 31, 2018, the Company's registered capital is TL 700.000.000 (December 31, 2017: TL 700.000.000).

#### Repurchased own shares by the Company

None.

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

### 2.15 Insurance contracts and investment contracts with discretionary participation feature

Discretionary participation feature within insurance contracts and investment contracts is the right to have following benefits in addition to the guaranteed benefits.

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

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

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### 2.16 Investment contracts without discretionary participation feature

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

### 2.17 Liabilities

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

### 2.18 Income taxes

#### Corporate tax

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

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

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

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25<sup>th</sup> 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.

#### Deferred taxes

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

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

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

As of January 1, 2018, the corporate tax rate of 22% is used for the temporary differences expected to be realized/settled within 3 years (2018, 2019 and 2020) for deferred tax calculation since the tax rate applicable for 3 years has been changed to 22%. However, 20% tax rate is used for the current differences expected/expected to be incurred after 2020 since the corporate tax rate applicable is 20% for after 2020.

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### Transfer pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated November 18, 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.

### 2.19 Employee benefits

#### Pension and other post-retirement obligations

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

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

The principles and applications of the transfer will be determined by the Decree of the Council of Ministers separately. Lastly, first paragraph of temporary 20<sup>th</sup> article of 5510 numbered Law, article 51 of the law regarding changing of several laws and delegated legislations and the law of occupational health and safety which are published in April 23, 2015 dated Official Gazette is changed as following: insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or which constitutes their union personnel and associates of funds "The Council is authorized to determine the date of transfer within the scope of article 20<sup>th</sup> of the law, 506 banks, insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or which constitutes their union personnel and associates of funds to the social security institution. The date of the transfer of the first paragraph of Article 4 of this law pension fund contributors as are considered insured".

According to this arrangement the bank within the scope of Act 506, article No.20, insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or associations which constitute their union personnel and associates of funds are required to be transferred until 08.05.2015 to Social Security Administration, authority to determine the date of transfer is given the Council of Ministers thus the transfer of the funds has been postponed to an unknown date. The application which containing temporary transfer provision on June 19, 2008 cancellation and cessation of claims by Republican People's Party, it is rejected in accordance with the decision at the court's meeting on March 30, 2011

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

- Technical deficit rate of 9,80% shall be used in the actuarial calculation of the value in cash.
- Gains and losses of the funds stems from benefits covered by the aforementioned Law taken into accounts to calculate present value of the obligations.

#### Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The amount payable for each year of service to the employee union members in the cases of death, disability, retirement, pension bonding is equivalent to their 60-day salary, in other cases it is equivalent to 45-day salary. For other employees, it is one month's salary. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at December 31, 2018 is TL 5.434,42 (December 31, 2017: TL 4.732,48). In Accordance IAS 19 which published by Public Company Accounting Oversight Board (PCAOB) dated March 12, 2013 is about "Benefits Employee Accounting Standard" and defined by beginning from December 31, 2012 net defined benefit liability of the actuarial gains and losses arising on re-measurement should be recognized in other comprehensive income under shareholders' equity and this effect should be applied retrospectively. The Company started to account current actuarial gains and losses under equity (other profit reserves) due to the fact that prior period actuarial gains and losses have remained below the materiality.

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The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 - *Employee Benefits*. The major actuarial assumptions used in the calculation of the total liability as at December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Discount rate	4,22%	4,21%
Expected rate of salary/limit increase	11,30%	7,00%
Estimated employee turnover rate	3,29%	3,27%

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

**Other benefits**

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

**2.20 Provisions**

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

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

**2.21 Revenue recognition****Written premiums and claims paid**

Written premiums represent premiums on policies written during the period net of taxes, premiums of the cancelled policies which were produced in prior periods and premium ceded to reinsurance companies,. Premiums ceded to reinsurance companies are accounted as "written premiums, ceded" in the statement of income.

Claims are recognized as expense as they are paid. Outstanding claims provision is provided for both reported unpaid claims at period-end and incurred but not reported claims. Reinsurer's shares of claims paid and outstanding claims provisions are off-set against these reserves.

**Subrogation, salvage and quasi income**

According to the Circular 2010/13 dated September 20, 2010; the Company may account for income accrual for subrogation receivables without any voucher after the completion of the claim payments made to the insurer. 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. As at the reporting date, in accordance with the related circular the Company provided TL 53.427.320 (December 31, 2017: TL 47.325.075) subrogation receivables and recorded TL 60.020.233 (December 31, 2017: TL 50.653.264) (Not 12) net subrogation and salvage receivables under receivables from main operations. The Company provided allowance for uncollected subrogation receivables amounting to TL 16.172.744 (December 31, 2017: TL 8.337.019) (Note 12) in accordance with circular.



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For the years ended December 31, 2018 and 2017, salvage and subrogation collected are as follows:

	December 31, 2018	December 31, 2017
Motor vehicles	423.241.868	375.105.975
Third party liability for motor vehicles (MTPL)	17.588.788	13.422.397
Fire and natural disaster	5.764.609	4.521.486
Marine	1.825.561	1.485.087
Credit	43.431	--
General losses	539.786	307.007
General liability	522.635	812.773
Accident	29.510	28.880
Water vehicles	1.708.765	1.004.392
Financial losses	--	144.816
Legal protection	--	475
<b>Total</b>	<b>451.264.953</b>	<b>396.833.288</b>

As at December 31, 2018 and 2017, accrued subrogation and salvage income per branches is as follows:

	December 31, 2018	December 31, 2017
Motor vehicles	37.986.441	37.076.373
Third party liability for motor vehicles (MTPL)	14.347.839	5.926.818
Fire and natural disaster	4.819.028	1.321.152
General losses	1.052.905	1.657.069
Marine	1.546.994	2.991.999
Accident	232.209	1.544.801
Water vehicles	34.817	122.868
General liability	--	12.184
<b>Total</b>	<b>60.020.233</b>	<b>50.653.264</b>

### Commission income and expense

As further disclosed in Note 2.24 - *Reserve for unearned premiums*, commissions paid to the agencies related to the production of the insurance 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 for the policies produced before January 1, 2008 and recognizing deferred commission income and deferred commission expense in the financial statements for the policies produced after January 1, 2008.

### 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.

### Trading income/expense

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

### Dividends

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

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### 2.22 Leasing transactions

The maximum period of the lease contracts is 10 years. Tangible assets acquired by way 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 financial statements. 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 expanded 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 tangible assets.

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

### 2.23 Dividend distribution

Based on the guidelines and principals issued by the CMB dated January 27, 2010 for the distribution of dividends from the profit generated from operating activities in 2009, there is no requirement of minimum profit distribution for joint stock companies that are traded in the stock market and in this context, it has decided that dividend distribution will be performed in accordance with principles in Dividend Declaration numbered II-19.1 of the Board, clauses contained in the articles of association of the partnership and dividend policies which are disclosed the public of companies.

Additionally, as stated within the aforementioned decision of CMB, for entities required to prepare consolidated financial statements, it has been agreed upon to require the net distributed profit calculations to be performed on the net profit for the period as stated on the consolidated financial statements, so long that the distribution can be funded through statutory resources.

Board of Directors proposal which is related with distribution of the profits gained from the operations of the 2017 was approved unanimously in the framework of the General Assembly dated March 26, 2018.

Consequently, TL 9.409.831 of the distributable net profit of the period that is amounting to TL 196.105.157 which is remaining amount after deducting the legal reserve amounting to TL 60.000.000, distributed to shareholders as cash dividend since March 28, 2018. The Company distributed dividend amounting to TL 4.083.155 to its employee and reserved second legal reserve and statutory reserve amounting to TL 3.908.316 and TL 11.470.364 respectively. The remaining of the distributable net profit of the period which is amounting to TL 99.324.961 was transferred to extraordinary reserves (2017: TL 30.000.000 distributed to shareholders).

### 2.24 Reserve for unearned premiums

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 26606 numbered and August 7, 2007 dated Official Gazette and put into effect starting from January 1, 2008, the reserve for unearned premiums represents the proportions of the gross premiums written without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the reporting date for all short-term insurance policies. For commodity marine policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves.

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

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

According to the 2009/9 Numbered Circular Related to Application of Technical Reserves issued on March 27, 2009 which published by Undersecretariat of Treasury reserve for unearned premiums is calculated by taking into account that all policies become active at 12:00 at noon and end at 12:00 at noon.

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According to the Communiqué on Technical Reserves, for the calculation of unearned premium reserves of foreign currency indexed insurance agreements, foreign currency selling exchange rates announced by Turkish Central Bank will be considered, unless there is a specified exchange rate in the agreement. The Company has reclassified TL 556.788 of provision for long-term health and personal accident policies to long-term liabilities (December 31, 2017: None).

As at the reporting date, the Company has provided reserve for unearned premiums amounting to TL 2.741.583.431 (December 31, 2017: TL 2.349.673.619) and reinsurer share in reserve for unearned premiums amounting TL 794.433.893 (December 31, 2017: TL 610.721.482). Furthermore, reserve for unearned premiums includes Social Security Institution ("SSI") share amounting to TL 63.611.723 (December 31, 2017: TL 58.817.233).

### 2.25 Provision for outstanding claims

Claims are recorded in the year in which they occur, based on reported claims or on the basis of estimates when not reported. Provision for outstanding claims represents the estimate of the total reported costs of notified claims on an individual case basis at the reporting date as well as the corresponding handling costs. Incurred but not reported claims ("IBNR") are also provided.

Claims incurred before the accounting periods but reported subsequent to those dates are considered as incurred but not reported ("IBNR") claims.

In accordance with December 5, 2014 dated and 2014/16 numbered "Circular for Provision for Outstanding Claims" of Turkish Treasury, by the Undersecretariat of Treasury the compensation which occurred but not was not reported since January 1, 2015 is being calculated with the best of ability of the Company's actuary. The best estimate assumption is calculating the damages which will be paid in the future according to a model and assumption, and by utilizing the risk free return curves to calculate today's value.

The methods, corrections, the suitable data and the growth factor choice and the intervention is being decided by the Company's actuary using actuarial methods. According to Actuaries Regulations Law no. 11, an actuarial report has been sent the Undersecretariat of Treasury and these calculations are detailed there. Company's actuary tests damage growth factors with some methods by using software tools and then making some choices for actuarial analysis.

The Company has provided provision for outstanding claims for unexpired claims that were accrued and accounted for but have not been paid in the previous accounting period or current period or if the amount has not been calculated, with the estimated amount and for the unreported claims.

Compensations that have been filed before the accounting period but have been notified after these dates are regarded as realized but not reported compensation claims (IBNR). Regulation Regarding the Amendment of the Regulation on the Technical Reserves of Insurance and Reinsurance Companies and Pension Funds and the Assets to be Invested in These Provisions "published in the Official Gazette dated 28 July 2010 and numbered 27655 and the" Circular on Outstanding Claims "dated 5 December 2014 and numbered 2014/16, the IBNR amount is calculated.

As of December 31, 2018 and 2017, IBNR amounts calculated by the Company actuary's on the basis of branches are as follows:

Branch	December 31, 2018		December 31, 2017	
	Gross additional provision	Net additional provision	Gross additional provision	Net additional provision
Third party liability for motor vehicles (MTPL)	1.465.084.144	1.140.186.177	1.132.267.909	1.046.552.002
General liability	353.346.893	265.306.319	331.983.783	271.885.164
Voluntary financial liability	170.414.885	167.261.212	116.652.751	113.666.911
Fire and natural disasters	35.135.712	19.514.668	34.844.913	20.172.580
Accident	25.010.554	20.460.273	16.915.922	13.226.710
General losses	24.655.045	11.341.011	14.812.802	4.670.247
Air crafts liability	8.490.435	1.656.930	4.919.072	1.011.126
Air crafts	26.404.282	505.370	5.237.051	1.228.666
Water vehicles	3.959.437	1.657.181	7.729.096	2.988.830
Health	2.562.521	2.560.969	2.549.899	2.524.400
Financial losses	32.331.670	4.410.347	1.019.382	406.545
Credit	180.503	113.278	526.262	526.262
Legal protection	277.667	277.667	278.842	279.945
Marine	2.268.529	1.760.941	(520.399)	1.015.646
Motor vehicles	(34.121.187)	(34.004.536)	(42.055.210)	(41.454.539)
<b>Total</b>	<b>2.116.001.090</b>	<b>1.603.007.807</b>	<b>1.627.162.075</b>	<b>1.438.700.495</b>

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In the compulsory traffic branch the physical and bodily damages, and in the General Responsibility branch the Employer Third Party Liability, Compulsory Medical Malpractice, Professional Liability and other liability branches are being analysed separately.

Net IBNR amounts have been included Risky Insured and General Liability Pool transferred amounts.

As of December 31, 2018, the Company's actuary has used 9% which is the latest statutory rate of interest in the Official Gazette for the discount process in accordance with "General Instructions Regarding The Cash Flow From Provision for Outstanding Claim and Their Discounts" which was published in June 10<sup>th</sup>, 2016 numbered 2016/22 which regulates the processes involving the discount of cash flow from provision for outstanding claim. As of December 31, 2018, Company has made a net discount of TL 713.303.870 (December 31, 2017: TL 608.482.096).

The Company has used the gradual transition curve which was published by the Undersecretariat of Treasury's "General Instructions Regarding to the Changes in the General Instructions Regarding Provision for Outstanding Claim (2014/16)" which was published in February 29<sup>th</sup>, 2016 with the number 2016/11. The Company has used these gradual transition curve with 100% accuracy and has reflected the calculations on the official statements as well as possible as of December 31, 2016 and the Company has continued the method exact same as at this period.

According to Provisional Article 12 of the Regulation on the Amendment of the Regulation on Tariff Implementation Principles in the Compulsory Motor Insurance for Compulsory Liability for Motor Vehicles, published in the Official Gazette dated July 11, 2017 and numbered 30121, the frequency of damage for high staged and/or vehicle groups the "Risk Insured Pool" has been announced.

In this context, it began to be shared between insurance companies in the pool covered by premium and claims amounts related to disposed traffic insurance policy Turkey Motor Vehicle Bureau by the Undersecretariat determined by conformity to start since April 12, 2017.

The Company, after changes in legislation, Turkey Motor Vehicle Bureau (TMTB) by the accounting records are created on the basis of the premiums, claims and commission amounts transferred to the pool within the scope of the monthly receipts that have been finalized and taken over from the pool within the scope of the share, and the financial statements are reflected by working on the amounts not yet transmitted by the deed TMTB.

In accordance with the Communiqué on the Amendment of the Communiqué on the Procedures and Principles of the Contribution of the Institution in the Compulsory Financial Liability Insurance for Medical Malpractice Law, published in the Official Gazette dated October 7, 2017 and numbered 30203, the Compulsory Financial Liability Insurance for Medical Malpractice the rules for premium and damage sharing have been established. The said transactions related to the sharing are in the General Liability Insurance branch Güneş Sigorta A.Ş.

In this context, premiums and claims related to the policies issued as of October 1, 2017 have been started to be allocated among the insurance companies within the framework of the principles determined by the Undersecretariat.

After the change in legislation, Güneş Sigorta A.Ş., the accounting records are created on the basis of the premiums, claims and commission amounts transferred from the pool within the scope of the share transferred within the scope of the monthly declarations which are finalized by the Ministry of Finance and also the financial statements are reflected by the works related to the turnover not yet delivered.

As of December 31, 2018, the Company has outstanding claims provision amounting to TL 4.339.333.163 (December 31, 2017: TL 3.245.443.076) and TL 1.281.930.795 outstanding claims provision reinsurer share (December 31, 2017: TL 640.756.717) in the unconsolidated financial statements.

The Company calculates net IBNR amount on branches basis; current reinsurance shares to reflect the effect of current reinsurance agreements.

According to the "Circular on the Explanation of the Notification of the Undersecretariat of Treasury on the Calculation of the Realized But Unreported Compensation (IBNR)" dated November 26, 2011 and numbered 2011/23, the companies are opened against the Company in sub-branches according to the last five years' (15% in the branches where there is no new five-year data and started the new activity) by calculating a win rate over the amounts of the cases by not exceeding 25% of the outstanding files accrued for the files in the trial period. In accordance with the related regulation, taking into consideration the earnings ratios calculated by using the Company's last five years' filing litigious file, TL 254.976.831 TL (December 31, 2017: TL 182.575.899) and reinsurance share TL 40.568.170 (December 31, 2017: TL 30.415.386) has been liquidated against provisions for outstanding claims.

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The calculated winning ratio of the Company as at December 31, 2018 is within 0% - 100% range (December 31, 2017: 0%-100% As of December 31, 2018 and 2017, based on branches, earnings ratios used and amounts decreased from provision for outstanding claims are as follows:

December 31, 2018 Branch	Earnings Ratios Used	Gross Amount Decreased	Net Amount Decreased
General liability	25%	101.800.905	88.183.585
Third party liability for motor vehicles (MTPL)	11%	90.400.461	87.817.173
Fire and natural disasters	25%	34.151.960	17.293.818
Motor vehicles	25%	12.126.277	12.027.885
General losses	25%	5.249.453	2.809.065
Marine	25%	5.321.412	2.115.594
Accident	22%	3.468.583	2.178.506
Water vehicles	25%	1.734.746	1.260.001
Credit	25%	712.439	712.439
Legal protection	25%	10.595	10.595
<b>Total</b>		<b>254.976.831</b>	<b>214.408.661</b>

December 31, 2017 Branch	Earnings Ratios Used	Gross Amount Decreased	Net Amount Decreased
General liability	25%	74.714.665	65.998.306
Third party liability for motor vehicles (MTPL)	10%	62.120.743	61.236.663
Fire and natural disasters	25%	25.698.638	11.128.771
Motor vehicles	22%	8.048.030	7.958.336
General losses	25%	4.214.820	1.646.063
Marine	25%	3.920.234	1.599.096
Accident	21%	2.320.622	1.366.436
Water vehicles	25%	769.345	484.519
Credit	25%	726.931	726.931
Financial losses	4%	38.485	12.006
Legal protection	25%	3.386	3.386
<b>Total</b>		<b>182.575.899</b>	<b>152.160.513</b>

### 2.26 Reserve for unexpired risks

In accordance with the Communiqué on Technical Reserves, while providing reserve for unearned premiums, in each accounting period, the companies should perform adequacy test covering the preceding 12 months due to the probability that future claims and compensations of the outstanding policies may be in excess of the reserve for unearned premiums already provided. In performing this test, it is required to multiply the reserve for unearned premiums, net with the expected claim/premium ratio. Expected claim/premium ratio is calculated by dividing incurred losses (provision for outstanding claims, net at the end of the period + claims paid, net - provision for outstanding claims, net at the beginning of the period) to earned premiums (written premiums, net + reserve for unearned premiums, net at the beginning of the period - reserve for unearned premiums, net at the end of the period). In the calculation of earned premiums; deferred commission expenses paid to the agencies and deferred commission income received from the reinsurance firms which were netted off from reserve for unearned premiums both at the beginning of the period and at the end of the period are not taken into consideration.

In accordance with Treasury circular numbered 2012/15, unexpired risk reserve started to be calculated over main branches as of December 31, 2012. The test is performed on branch basis and in case where the expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that specific branch is added to the reserves of that branch.

According to the Circular numbered 2015/30, the amount of the opening provision for outstanding claims which is determined unexpired risk reserve redefined in a manner consistent with the current period as of December 31, 2017.

According to the Circular numbered 2011/18 of the Undersecretariat of Treasury, the Company excluded both the premiums transferred to SSI and claims related to treatment costs from calculation of reserve for unexpired risks in Motor Third Party Liability, Compulsory Third Party Liability Insurance for Road Passenger Transportation and Compulsory Road Passenger Transportation Personal Accident branches.

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According to Undersecretariat of Treasury's 2016/37 numbered general instructions has remarked that the method below can be used to calculate the reserve for unexpired risks in motor vehicles, motor vehicle liability and general liability.

Turkish Treasury allows insurance companies with the circular 2016/37 to calculate their unexpired risks reserve on Motor Own Damage, Motor Third Party Liability (Compulsory and Facultative separately) and General Liability by considering only the last 4 accident quarters' loss ratios. According to this new method, loss ratios exceeding 95% in 2016, 90% in 2017 and 85% in 2018 and later years, will be multiplied by unearned premiums reserve.

As of December 31, 2018, the Company has used the method outlined in the 2016/37 numbered "General Instructions Regarding Reserve for Unexpired Risks" which was published in November 11, 2016.

Accordingly, as at the reporting date, the Company has accounted for reserve for unexpired risk amounting to TL 101.782.328 (December 31, 2017: TL 47.086.775) and reinsurance share of reserve for unexpired risk amounting to TL 41.591.188 (December 31, 2017: TL 24.105.605).

**2.27 Equalization provision**

In accordance with the Communiqué on Technical Reserves put into effect starting from January 1, 2008, the companies should provide equalization provision in credit insurance and earthquake branches to equalize the fluctuations in future possible claims and for catastrophic risks. Equalization provision, started to be provided in 2008, is calculated as 12% of net premiums written in credit insurance and earthquake branches. In the calculation of net premiums, fees paid for un-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. The companies should provide equalization provision up to reaching 150% of the highest premium amount written in a year within the last five years.

In case where claims incurred, the amounts below exemption limits as stated in the contracts and the share of the reinsurance firms cannot be deducted from equalization provisions. Claims payments are deducted from first year's equalization provisions by first in first out method. Equalization provisions are presented under "other technical reserves" in the accompanying financial statements. As at the reporting date, the Company provided equalization provision amounting to TL 175.746.540 in the accompanying unconsolidated financial statements (December 31, 2017: TL 140.939.210).

**2.28 Related parties**

Parties are considered related to the Company if;

- (a) directly, or indirectly through one or more intermediaries, the party:
  - controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
  - has an interest in the Company that gives it significant influence over the Company; or
  - has joint control over the Company;
- (b) the party is an associate of the Company;
- (c) the party is a joint venture in which the Company is a venturer;
- (d) the party is member of the key management personnel of the Company and its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

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

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

**2.29 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. Accordingly, the weighted average number of shares used in these calculations has been determined taking into account the retrospective effects of such stock distributions.

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### 2.30 Events after the reporting date

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

### 2.31 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the unconsolidated financial statements as at December 31, 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2018. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

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

##### TFRS 15 Revenue from Contracts with Customers

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

##### TFRS 9 Financial Instruments

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

The Company will use temporary exemption for TFRS 9 that is located in TFRS 4 until IFRS 17 becomes actively.

##### TFRS 4 Insurance Contracts (Amendments)

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

- give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and
- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 Financial instruments until 2021. The entities that defer the application of TFRS 9 Financial instruments will continue to apply the existing financial instruments Standard-TAS 39.

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

##### TFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

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

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

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

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

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

### Annual Improvements to TFRSs - 2014-2016 Period

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

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are applied for annual periods beginning on or after January 1, 2018.
- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are applied for annual periods beginning on or after January 1, 2018.

The Standard did not have a significant impact on the financial position or performance of the Company.

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

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

#### TFRS 16 Leases

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



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

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

The amendment will not have a significant impact on the financial position or performance of the Company.

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

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

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

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

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

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

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

### TFRIC 23 Uncertainty over Income Tax Treatments

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

When there is uncertainty over income tax treatments, the interpretation addresses:

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

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

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

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### Annual Improvements - 2015-2017 Cycle

In December 2017, the IASB announced *Annual Improvements to IFRS Standards 2015-2017 Cycle*, containing the following amendments to IFRSs:

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

The amendments are effective from annual periods beginning on or after January 1, 2019, with early application permitted.

The amendment will not have an impact on the balance sheet and equity of the Company.

### Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

On January 2018, the IASB published Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement". The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

### Prepayment Features with Negative Compensation (Amendments to IFRS 9)

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

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

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

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

### iii) The new standards, amendments and interpretations that are issued by the International

#### Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

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

#### IFRS 17 - The new Standard for insurance contracts

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

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### Definition of a Business (Amendments to IFRS 3)

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

The amendments:

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

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

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

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

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

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

### 3 Critical accounting estimates and judgments in applying accounting policies

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

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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 recognised in the financial statements are described in the following notes:

*Note 4.1 - Management of insurance risk*

*Note 4.2 - Financial risk management*

*Note 10 - Reinsurance assets and liabilities*

*Note 11 - Financial assets*

*Note 12 - Loans and receivables*

*Note 17 - Insurance contract liabilities and reinsurance assets*

*Note 17 - Deferred commissions*

*Note 19 - Trade and other payables, deferred income*

*Note 21 - Deferred tax*

*Note 23 - Other liabilities and provisions*

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### 4 Management of insurance and financial risk

#### 4.1 Management of insurance risk

Insurance risk is defined as coverage for exposures that exhibit a possibility of financial loss due to applying inappropriate and insufficient insurance techniques. Main reasons of insurance risk exposure result from the risk selection and inaccurate calculation of insurance coverage, policy terms and fee or inaccurate calculation of coverage portion kept within the Company and coverage portion transfers to policyholders and transfer conditions.

#### Objective of managing risks arising from insurance contracts and policies used to minimize such risks

Potential risks that may be exposed in transactions are managed based on the requirements set out in the Company's "Risk Management Policies" issued by the approval of the Board of Directors. The main objective of risk management policies is to determine the risk measurement, assessment, and control procedures and maintain consistency between the Company's asset quality and limitations allowed by the insurance standards together with the Company's risk tolerance of the accepted risk level assumed in return for a specific consideration. In this respect, instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

Risk tolerance is determined by the Company's Board of Directors by considering the Company's long-term strategies, equity resources, potential returns and economical expectations, and it is presented by risk limitations. Authorization limitations during policy issuing include authorizations for risk acceptances granted based on geographical regions in relation to unacceptable special risks or pre-approved acceptable special risks, insurance coverage to agencies, district offices, technical offices, assistant general managers and top management in the policy issuance period and authorizations for claim payment granted to district offices, claim management administration, automobile claims administration and Claim Committee established by the managing director and assistant managing director in the claim payment period.

In any case, risk acceptance is based on technical income expectations under the precautionary principle. In determining insurance coverage, policy terms and fee, these expectations are based accordingly

It is essential that all the authorized personnel in charge of executing policy issuance transactions, which is the initial phase of insurance process, should ensure to gather or provide all the accurate and complete information to issue policies in order to obtain evidence on the acceptable risks that the Company can tolerate from the related insurance transactions. On the other hand, decision to be made on risk acceptance will be possible by transferring the coverage to the reinsurers and/or co-insurers and considering the terms of the insurance policy.

In order to avoid destructive losses over company's financial structure, company transfers the exceeding portion of risks assumed over the Company's risk tolerance and equity resources through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies. Insurance coverage and policy terms of reinsurance are determined by assessing the nature of each insurance branch.

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

The case of potential claims' arising from earthquake and other catastrophic risks exceeding the maximum limit of the excess of loss agreements, such risks are treated as the primary insurance risks and are managed based on the precautionary principle. Maximum limit of excess of loss agreements is determined based on the worst case scenario on the possibility of an earthquake that Istanbul might be exposed to in terms of its severity and any potential losses incurred in accordance with the generally accepted international earthquake models. The total amount of protection for catastrophic risks of the Company is identified taking into the compensation amount for an earthquake will occur in a 1000 years.

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### Insurance risk concentration

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

Total claims liability <sup>(*)</sup> December 31, 2018	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Motor vehicles liability (MTPL)	2.189.030.575	(335.575.794)	1.853.454.781
General liability	761.905.122	(203.520.600)	558.384.522
Fire and natural disasters	586.743.941	(334.010.612)	252.733.329
General losses	248.785.517	(154.231.271)	94.554.246
Motor vehicles	151.783.016	(1.056.029)	150.726.987
Water vehicles	60.885.618	(25.804.164)	35.081.454
Marine	45.846.271	(23.003.137)	22.843.134
Accident	52.348.054	(13.016.520)	39.331.534
Financial losses	83.512.685	(76.494.955)	7.017.730
Air crafts liability	29.703.981	(14.053.370)	15.650.611
Air crafts	112.371.364	(98.661.101)	13.710.263
Health	11.077.840	(229.887)	10.847.953
Credit	4.206.748	(2.236.173)	1.970.575
Breach of trust	766.551	(37.182)	729.369
Legal protection	365.880	--	365.880
<b>Total</b>	<b>4.339.333.163</b>	<b>(1.281.930.795)</b>	<b>3.057.402.368</b>
Total claims liability <sup>(*)</sup> December 31, 2017	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Motor vehicles liability (MTPL)	1.703.454.177	(91.899.001)	1.611.555.176
General liability	608.167.498	(126.031.645)	482.135.853
Fire and natural disasters	377.218.223	(171.884.480)	205.333.743
General losses	165.931.149	(101.645.108)	64.286.041
Motor vehicles	142.322.531	(7.870.986)	134.451.545
Air crafts liability	58.009.302	(46.083.877)	11.925.425
Air crafts	49.750.517	(42.391.076)	7.359.441
Accident	41.324.839	(11.250.978)	30.073.861
Water vehicles	40.980.920	(18.378.585)	22.602.335
Marine	35.495.591	(14.745.963)	20.749.628
Financial losses	10.877.792	(8.194.132)	2.683.660
Health	9.119.780	(249.390)	8.870.390
Credit	2.452.500	(132.443)	2.320.057
Legal protection	338.225	948	339.203
<b>Total</b>	<b>3.245.443.074</b>	<b>(640.756.716)</b>	<b>2.604.686.358</b>

(\*) Total claims liability includes outstanding claims reserve (excluding contingent amounts deducted from claims reserve determined by winning probability) and incurred but not reported claims.

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Gross and net insurance risk concentrations of the insurance contracts (net of reinsurer share) based on geographical regions are summarized as below:

Total claims liability (*) December 31, 2018	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Turkey	2.803.184.120	801.159.285	2.002.024.835
Europe	99.884.461	76.301.933	23.582.528
America	1.287.744	1.020.313	267.431
Africa	124.454.963	110.672.148	13.782.815
Asia	2.289.041	1.281.435	1.007.606
<b>Total</b>	<b>3.031.100.329</b>	<b>990.435.114</b>	<b>2.040.665.215</b>

Total claims liability (*) December 31, 2018	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Marmara Region	1.161.751.733	367.679.828	794.071.905
Middle Anatolian Region	583.944.936	242.583.241	341.361.695
Aegean Region	309.094.528	60.589.926	248.504.602
Mediterranean Region	234.466.931	36.312.292	198.154.639
Black Sea Region	178.185.197	33.810.129	144.375.068
South East Anatolian Region	148.867.958	33.042.792	115.825.166
East Anatolian Region	186.872.837	27.141.077	159.731.760
<b>Total</b>	<b>2.803.184.120</b>	<b>801.159.285</b>	<b>2.002.024.835</b>

(\*) Total claims liability includes estimated compensation indemnity for realized claims. Gross incurred but not reported claims amounting to TL 2.116.001.090 outstanding claims of treaty activities which could not be distributed to geographical regions amounting to TL 364.012.716 discount of outstanding claim reserves amounting to TL (254.976.831) and the potential income deducted from the outstanding claims processed in the case amounting TL (916.804.141) are excluded from the table.

Total claims liability (*) December 31, 2017	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Turkey	2.165.208.839	407.915.926	1.757.292.913
Europe	136.593.544	112.059.173	24.534.371
America	935.716	751.334	184.382
Africa	39.888.256	33.834.113	6.054.143
Asia	3.586.319	3.018.414	567.905
<b>Total</b>	<b>2.346.212.674</b>	<b>557.578.960</b>	<b>1.788.633.714</b>

Total claims liability (*) December 31, 2017	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Marmara Region	888.877.514	200.116.838	688.760.676
Middle Anatolian Region	346.514.938	43.519.951	302.994.987
Aegean Region	232.261.711	23.513.374	208.748.337
Mediterranean Region	218.303.191	49.125.995	169.177.196
South East Anatolian Region	145.061.923	15.446.122	129.615.801
Black Sea Region	160.724.197	52.685.372	108.038.825
East Anatolian Region	173.465.365	23.508.274	149.957.091
<b>Total</b>	<b>2.165.208.839</b>	<b>407.915.926</b>	<b>1.757.292.913</b>

(\*) Total claims liability includes estimated compensation indemnity for realized claims. Gross incurred but not reported claims amounting to TL 1.627.162.076, outstanding claims of treaty activities which could not be distributed to geographical regions amounting to TL 171.367.335, discount of outstanding claim reserves amounting to TL (182.575.898), and the potential income deducted from the outstanding claims processed in the case amounting to TL (716.723.111) are excluded from the table.

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### Given insurance collateral amounts in respect to branches

	December 31, 2018	December 31, 2017
Motor vehicles liability (MTPL)	5.609.316.278.958	5.265.078.838.278
Fire and natural disasters	269.586.194.617	135.608.274.423
Health	88.491.840.724	103.781.728.941
Accident	90.956.789.042	118.199.306.463
General liability	64.767.358.415	59.897.144.573
General losses	77.761.175.313	59.224.580.559
Motor vehicles	60.004.149.216	48.781.635.664
Marine	22.502.315.725	16.963.726.644
Air crafts liability	6.224.270.814	5.854.747.561
Legal protection	5.034.014.933	4.438.225.143
Water vehicles	3.502.998.033	2.330.774.067
Financial losses	1.000.845.543	750.973.356
Aircraft	783.998.639	644.430.596
<b>Total<sup>(*)</sup></b>	<b>6.299.932.229.972</b>	<b>5.821.554.386.268</b>

(\*) Net amount which deducted share of reinsurance and social security

### 4.2 Management of financial risk

#### Introduction and overview

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

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Duties and responsibilities of the Risk Management and Internal Control Department include design and implementation of risk management system and identification and implementation of risk management policies. It is also responsible for ensuring that the Company implements all necessary risk management techniques. Activities of the Risk Management and Internal Control Department are managed directly by General Manager. The Board of Directors monitors the effectiveness of the risk management system through the internal audit department.

Risk management policies and guidelines are set by the Board of Directors and applied by the top management. These policies include organisation and scope of the risk management function, risk measurement and assessment methods, duties and responsibilities of the Board of Directors, top management and all of the employees, procedures followed in the case of limit extension and compulsory approval and confirmation processes for certain situations.

#### Credit risk

Credit risk is most simply defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The balance sheet items that the Company is exposed to credit risks are as follows:

- Cash at banks
- Other cash and cash equivalents
- Available for sale financial assets (except equity-shares)
- Financial assets held for trading (except equity-shares)
- Held to maturity financial asset
- Premium receivables from policyholders
- Receivables from intermediaries (agencies)
- Receivables from reinsurance companies related to commissions and claims paid
- Reinsurance shares of insurance liability

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- Receivables from related parties
- Other receivables

Reinsurance contracts are the most common method to manage insurance risk. The contract does not, however, discharge the Company's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of the reinsurance contract.

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

	December 31, 2018	December 31, 2017
Cash and cash equivalents (Note 14)	4.073.607.140	3.504.701.722
Receivables from main operations (Note 12)	1.537.481.807	1.178.955.084
Reinsurer share in provision for outstanding claims (Note 10), (Note 17)	1.281.930.795	640.756.717
Financial assets (Note 11) <sup>(*)</sup>	899.677.177	943.438.188
Other receivables (Note 12)	28.911.596	21.224.166
Other miscellaneous current assets (Note 12)	457.363	493.641
Income accruals (Note 12)	79.214.775	19.928.671
<b>Total</b>	<b>7.901.280.653</b>	<b>6.309.498.189</b>

<sup>(\*)</sup> Equity shares amounting to TL 127.928.790 are not included (December 31, 2018: TL 160.082.153).

As of December 31, 2018 and 2017, the aging of the receivables from main operations is as follows:

	December 31, 2018		December 31, 2017	
	Gross Amount	Provision	Gross Amount	Provision
Not past due	1.295.084.335	--	969.119.015	--
Past due 0-30 days	195.481.742	(2.288.174)	150.529.379	(1.992.510)
Past due 31-60 days	30.190.280	(2.525.052)	23.807.314	(1.486.876)
Past due 61-90 days	12.894.325	(2.004.030)	27.290.704	(1.783.910)
More than 90 days <sup>(*)</sup>	316.779.399	(306.131.018)	242.771.427	(229.299.459)
<b>Total</b>	<b>1.850.430.081</b>	<b>(312.948.274)</b>	<b>1.413.517.839</b>	<b>(234.562.755)</b>

<sup>(\*)</sup> As per the February 3, 2005 dated and B.02.1.HM.O.SGM.0.3.1/01/05 numbered Circular issued by the Turkish Treasury, in case where subrogation is subject to claim/legal action, related subrogation amount is recognized as doubtful receivables and allowance for doubtful receivables is provided by the same amount in the financial statements. Related amounts are presented in "More than 90 days" line in the above table.

The movements of the allowances for receivables from main operations during the period are as follows:

	December 31, 2018	December 31, 2017
Provision for receivables from insurance operations at the beginning of the period	226.225.736	188.860.962
Provision for receivables provided for subrogation - salvage receivables during the period (Note 47)	68.693.761	36.875.264
Provision for losses provided during the period (Note 47)	2.440.564	1.079.389
Collections during the period	(584.531)	(589.879)
<b>Provision for receivables from insurance operations at the end of the period</b>	<b>296.775.530</b>	<b>226.225.736</b>

**Liquidity risk**

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

*Management of the liquidity risk*

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



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Maturity distribution of monetary assets and liabilities:

December 31, 2018	Net book value	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Unallocated
Cash and cash equivalents	4.073.578.282	1.432.335.044	1.472.651.304	954.287.769	206.636.103	--	7.668.062
Financial assets	1.027.605.968	10.889.597	18.042.720	39.715.838	35.745.940	483.177.863	440.034.010
Receivables from main operations	1.537.481.807	96.154.322	514.068.619	510.201.229	409.222.694	7.834.943	--
Other receivables	28.911.596	17.450.642	3.641.414	2.062.089	4.124.179	1.627.433	5.839
Income accruals	79.214.775	11.471.772	37.289.759	29.573.426	--	--	879.818
<b>Total monetary assets</b>	<b>6.746.792.428</b>	<b>1.568.301.377</b>	<b>2.045.693.816</b>	<b>1.535.840.351</b>	<b>655.728.916</b>	<b>492.640.239</b>	<b>448.587.729</b>
Financial liabilities	53.578.314	51.045.641	2.527.565	5.108	--	--	--
Payables arising from main operations	652.398.576	210.877.516	95.527.173	138.243.268	207.750.619	--	--
Other liabilities	95.240.548	46.354.731	39.430.825	--	--	9.454.992	--
Insurance technical provisions <sup>(*)</sup>	3.057.402.368	225.630.296	451.260.591	267.699.186	339.868.250	1.772.944.045	--
Provisions for taxes and other similar obligations	51.729.635	51.729.635	--	--	--	--	--
Provisions for other risks and expense accruals	102.171.559	4.007.764	11.951.772	--	25.659.629	27.467.207	33.085.187
<b>Total monetary liabilities</b>	<b>4.012.521.000</b>	<b>589.645.583</b>	<b>600.697.926</b>	<b>405.947.562</b>	<b>573.278.498</b>	<b>1.809.866.244</b>	<b>33.085.187</b>

<sup>(\*)</sup> Provision for outstanding claims is presented as short term liabilities in the accompanying unconsolidated financial statements whereas maturity distribution is presented according to projected payment dated in the above table.

December 31, 2017	Net book value	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Unallocated
Cash and cash equivalents	3.504.676.959	1.278.672.658	1.065.357.964	1.143.525.416	--	--	17.120.921
Financial assets	1.103.520.340	23.241.814	6.072.043	3.093.332	1.821.088	407.099.010	662.193.053
Receivables from main operations	1.178.955.084	117.654.370	450.131.408	417.658.801	174.723.436	18.787.069	--
Other receivables	21.224.166	13.589.698	400.486	1.671.027	3.342.053	2.205.704	15.198
Income accruals	19.928.671	2.369.468	4.094.659	12.584.727	--	--	879.817
<b>Total monetary assets</b>	<b>5.828.305.220</b>	<b>1.435.528.008</b>	<b>1.526.056.560</b>	<b>1.578.533.303</b>	<b>179.886.577</b>	<b>428.091.783</b>	<b>680.208.989</b>
Financial liabilities	110.802.339	108.072.424	--	2.729.915	--	--	--
Payables arising from main operations	492.116.005	171.765.145	71.399.133	89.189.977	159.761.750	--	--
Other liabilities	113.563.203	61.896.745	45.384.376	--	--	6.282.082	--
Insurance technical provisions <sup>(*)</sup>	2.604.686.356	190.530.133	381.060.259	226.832.656	287.309.067	1.518.954.241	--
Provisions for taxes and other similar obligations	50.750.268	50.750.268	--	--	--	--	--
Provisions for other risks and expense accruals	73.632.169	3.843.837	14.223.446	--	29.067.524	3.678.792	22.818.570
<b>Total monetary liabilities</b>	<b>3.445.550.340</b>	<b>586.858.552</b>	<b>512.067.214</b>	<b>318.752.548</b>	<b>476.138.341</b>	<b>1.528.915.115</b>	<b>22.818.570</b>

<sup>(\*)</sup> Provision for outstanding claims is presented as short term liabilities in the accompanying unconsolidated financial statements whereas maturity distribution is presented according to projected payment dated in the above table.

### Market risk

Market risk is the risk that changes in market prices, such as interest rates, 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.

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

December 31, 2018	US Dollar	Euro	Other currencies	Total
Receivables from main operations	344.726.255	133.784.206	39.790.685	518.301.146
Financial assets	291.955.528	44.130.994	--	336.086.522
Cash and cash equivalents <sup>(*)</sup>	50.889.832	51.838.151	2.469.167	105.197.150
<b>Total foreign currency assets</b>	<b>687.571.615</b>	<b>229.753.351</b>	<b>42.259.852</b>	<b>959.584.818</b>
Insurance technical provisions	236.186.996	100.242.104	29.837.187	366.266.287
Payables arising from main operations	152.949.967	60.244.123	(7.520.393)	205.673.697
<b>Total foreign currency liabilities</b>	<b>389.136.963</b>	<b>160.486.227</b>	<b>22.316.794</b>	<b>571.939.984</b>
<b>Net financial position</b>	<b>298.434.652</b>	<b>69.267.124</b>	<b>19.943.058</b>	<b>387.644.834</b>

<sup>(\*)</sup> The currency risk table are not included the amount of foreign currency forward transaction TL 2.315.065.062 located in the cash and cash equivalents.

December 31, 2017	US Dollar	Euro	Other currencies	Total
Receivables from main operations	229.328.864	97.458.592	3.500.750	330.288.206
Financial assets	133.672.721	17.439.313	--	151.112.034
Cash and cash equivalents <sup>(*)</sup>	141.033.816	38.172.274	2.134.826	181.340.916
<b>Total foreign currency assets</b>	<b>504.035.401</b>	<b>153.070.179</b>	<b>5.635.576</b>	<b>662.741.156</b>
Insurance technical provisions	259.112.932	71.877.478	5.412.663	336.403.073
Payables arising from main operations	126.151.525	27.613.966	351.643	154.117.134
<b>Total foreign currency liabilities</b>	<b>385.264.457</b>	<b>99.491.444</b>	<b>5.764.306</b>	<b>490.520.207</b>
<b>Net financial position</b>	<b>118.770.944</b>	<b>53.578.735</b>	<b>(128.730)</b>	<b>172.220.949</b>

<sup>(\*)</sup> The currency risk table are not included the amount of foreign currency forward transaction TL 1.844.825.014 located in the cash and cash equivalents.

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

If technical provision denominated in any currency not specified, it is evaluated are evaluated by the Central Bank of the Republic of Turkey's spot sales rates as at December 31, 2018 (December 31, 2017: spot sales rate) and Foreign currency transactions are recorded at the foreign exchange rates ruling at the dates of the transactions and foreign currency denominated monetary items are evaluated by the Central Bank of the Republic of Turkey's spot purchase rates as at December 31, 2018 (December 31, 2017: spot purchase rate).

*Exposure to currency risk*

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

	US Dollar	Euro
December 31, 2018	5,2609	6,0280
December 31, 2017	3,7719	4,5155

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A 10 percent depreciation of the TL against the following currencies as at December 31, 2018 and 2017 would have increased or decreased 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. In case of a 10 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

	December 31, 2018		December 31, 2017	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	29.843.465	29.843.465	11.877.094	11.877.094
Euro	6.926.712	6.926.712	5.357.874	5.357.874
Other	1.994.306	1.994.306	(12.270)	(12.270)
<b>Total, net</b>	<b>38.764.483</b>	<b>38.764.483</b>	<b>17.222.698</b>	<b>17.222.698</b>

(\*) Equity effect also includes profit or loss effect of 10% depreciation of TL against related currencies.

### Exposure to interest rate risk

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

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

	December 31, 2018	December 31, 2017
<i>Financial assets with fixed interest rates:</i>		
Available for sale financial assets - Other (Note 11)	7.800.426	23.241.814
Cash at banks (Note 14)(*)	3.614.343.555	3.088.213.726
Other-financial liabilities	(50.700.491)	(102.934.273)
Available for sale financial assets - Government bonds (Note 11)	231.514.842	237.576.200
Available for sale financial assets - Private debt securities (Note 11)	213.245.299	38.099.583
Cash deposited to insurance and reinsurance companies (Note 12)	61.798.860	29.650.034
<i>Financial assets with variable interest rates:</i>		
Available for sale financial assets - Government bonds (Note 11)	24.168.059	23.611.670
Available for sale financial assets - Private debt securities (Note 11)	110.843.331	118.798.021

(\*) Demand deposits amounting to TL 7.668.062 are not included. (December 31, 2017: TL 17.120.921).

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*Interest rate sensitivity of the financial instruments*

The interest rate sensitivity of the income statement is the effect of changes in interest rates on net interest income for the period ended December 31, 2018 and 2017, with fair value differences recognized in profit or loss and fair values of impaired financial assets. 2017. This analysis assumes that the other variables remain constant. The table below does not include the effect of the change in interest rates on the income statement and equity, the related loss or tax effects on income.

December 31, 2018	Profit or loss		Equity <sup>(*)</sup>	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets held for trading	--	--	--	--
Available for sale financial assets	--	--	(18.968.615)	21.054.601
<b>Total, net</b>	--	--	<b>(18.968.615)</b>	<b>21.054.601</b>

<sup>(\*)</sup> Equity effect also includes profit or loss effect of assumed change in interest rates.

December 31, 2017	Profit or loss		Equity <sup>(*)</sup>	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets held for trading	--	--	--	--
Available for sale financial assets	--	--	(7.104.540)	7.483.673
<b>Total, net</b>	--	--	<b>(7.104.540)</b>	<b>7.483.673</b>

<sup>(\*)</sup> Equity effect also includes profit or loss effect of assumed change in interest rates.

*Fair value information*

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

The Company has classified its financial assets as held for trading, available for sale or held to maturity. As at the reporting date, available for sale financial assets and financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying unconsolidated financial statements. Equity shares not traded in active markets are measured at cost less impairment losses if any. The Company has no held to maturity investment measured at amortised cost calculating the effective interest method.

Management estimates that the fair value of other financial assets and liabilities are not materially different than their net book value

*Fair value sensitivity of the equity shares*

Equity share price risk is the risk that the fair values of equity shares decrease as a result of the changes in the levels of equity shares indices and the value of equity shares.

The effect on income as a result of 10% change in the fair value of equity share instruments held as held for trading financial assets (traded at Istanbul Stock Exchange) due to a reasonably possible change in equity share indices, with all other variables held constant, is as follows (excluding tax effect):

	December 31, 2018		December 31, 2017	
	Profit or loss	Equity <sup>(*)</sup>	Profit or loss	Equity <sup>(*)</sup>
Financial assets held for trading	(1.911.061)	(1.911.061)	(4.834.620)	(4.834.620)
Available for sale financial assets	--	(10.728.103)	--	(11.173.595)
Associates	--	(51.686.000)	--	(68.972.000)
<b>Total, net</b>	<b>(1.911.061)</b>	<b>(64.325.164)</b>	<b>(4.834.620)</b>	<b>(84.980.215)</b>

<sup>(\*)</sup> Equity effect also includes profit or loss effect of assumed change in interest rates.

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### Classification of fair value measurements

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

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

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

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

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

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

	December 31, 2018			Total
	Level 1	Level 2	Level 3	
<b>Financial assets:</b>				
Associates (Note 9)	516.860.000	--	--	516.860.000
Financial assets held for trading (Note 11)	73.091.120	106.461.626	--	179.552.746
Available for sale financial assets <sup>(*)</sup> (Note 11)	735.505.851	111.010.219	--	846.516.070
<b>Total financial assets</b>	<b>1.325.456.971</b>	<b>217.471.845</b>	<b>--</b>	<b>1.542.928.816</b>
	December 31, 2017			Total
	Level 1	Level 2	Level 3	
<b>Financial assets:</b>				
Associates (Note 9)	689.720.000	--	--	689.720.000
Financial assets held for trading (Note 11)	123.087.098	224.448.052	--	347.535.150
Available for sale financial assets <sup>(*)</sup> (Note 11)	468.301.161	219.514.315	67.311.993	755.127.469
<b>Total financial assets</b>	<b>1.281.108.259</b>	<b>443.962.367</b>	<b>67.311.993</b>	<b>1.792.382.619</b>

<sup>(\*)</sup> As at December 31, 2018, equity shares that are not publicly traded and the determination of fair values could not be obtained reliably amounting to TL 1.537.152 have been measured at cost value (December 31, 2017: TL 780.936).

The following table shows the reconciliation of financial assets available for sales that are classified as fair value measurement Level 3:

	December 31, 2018	December 31, 2017
<b>Financial assets available for sale beginning of the period</b>	<b>67.311.993</b>	<b>62.944.793</b>
Addition	--	48.622.825
Disposal (sale and redemption)	--	(44.466.936)
Capital increase by bonus issue	--	204.248
Revaluation	--	7.063
Reclassification*	(67.311.993)	--
<b>Financial assets available for sale ending of the period</b>	<b>--</b>	<b>67.311.993</b>

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**Gains and losses from financial assets**

<i>Gains and losses recognized in the statement of income:</i>	December 31, 2018	December 31, 2017
Interest income from bank deposits	251.482.389	190.737.844
Foreign exchange gains	761.764.376	430.645.835
Income from investments in associates	34.000.000	28.000.000
Income from debt securities classified as available-for-sale financial assets	60.100.729	40.204.760
Income from debt securities classified as trading financial assets	--	39.566
Income from debt securities classified as held to maturity financial investments	--	13.641
Income from equity shares classified as available-for-sale financial assets	10.404.747	12.510.285
Income from equity shares classified as trading financial assets	19.054.279	18.303.260
Income from investment funds as available for sale financial assets	43.440.441	7.118.861
Income from investment funds as trading financial assets	26.633.196	35.163.436
Income from derivative transactions	297.457.026	90.116.129
Other	2.913.533	3.087.195
<b>Investment income</b>	<b>1.507.250.716</b>	<b>855.940.812</b>
Loss from valuation of financial assets	(8.864.845)	(1.118.002)
Foreign exchange losses	(430.648.372)	(112.534.636)
Loss from derivative transactions	(66.177.031)	(179.274.294)
Loss from disposal of financial assets	(35.681.424)	(16.137.959)
Investment expenses - including interest	(1.501.015)	(385.326)
<b>Investment expenses</b>	<b>(542.872.687)</b>	<b>(309.450.217)</b>
<b>Financial gains and losses recognized in the statement of income, net</b>	<b>964.378.029</b>	<b>546.490.595</b>
<i>Financial gains and losses recognized in equity:</i>	December 31, 2018	December 31, 2017
Fair value changes in investments in associates (Note 15)	(138.860.000)	290.300.000
Net gains transferred from statement of equity to the statement of income on disposal of available for sale financial assets (Note 15)	(58.157.643)	(7.896.672)
Fair value changes in available-for-sale financial assets (Note 15)	(42.929.661)	(17.231.320)
<b>Gains and losses recognized in equity, net</b>	<b>(239.947.304)</b>	<b>265.172.008</b>

## CONVENIENCE TRANSLATION OF NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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### Capital management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements determined by the Turkish Treasury
- To ensure the continuity of the Company's activities within the framework of the Company's continuity principle

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Individual Pension Companies" issued by Turkish Treasury on January 19, 2008 dated and 26761 numbered; capital adequacy calculations are carried out twice a year in June and December, within the following two months. As of the reporting date, the Company measured its minimum capital requirement as TL 1.359.136.334 in the calculation of the Company's last reporting period June 30, 2018. As of June 30, 2018, the capital amount of the Company presented in the unconsolidated financial statements is above the minimum capital requirement amounts calculated according to the communiqué.

### 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 segment

A business segment reporting of the Company is presented in accordance with TFRS 8 - *Operating Segments* standard in this section.

#### Insurance on Fire and Natural Disaster

Insurance on fire and natural disasters covers material damages occurred due to fire, lightening, explosion or smoke, steam and temperature resulted from fire, lightning and explosion up to insurance policy limits.

#### Insurance on Motor Third Party Liability

According to the Motorway Traffic Code numbered 2918, Motor Third Party Liability Insurance is covers vehicle owner's legal liability for all bodily damages to third persons and financial damages to other vehicles.

Damages caused by the trailer or semi-trailers (included light trailers) or the vehicles pulled is covered by the insurance of the trailer. However, the trailers used for transportation of people should be included in an additional liability insurance in order to obtain coverage.

In order to reduce and prevent the damage in the accident happened, reasonable and necessary expenses of the policyholder is compensated by the Company. This insurance also covers unfair claims against the policyholders.

#### Insurance on Motor Vehicles

Insurance on motor vehicles covers the following dangers related with vehicles. It is possible to widen policy scope for accessories or audio, display and communication devices which are not included in standard version of the vehicle by specifying on the insurance policy.

- Accident with the motorized or non-motorized vehicles which used in high-ways,
- Crash with fixed or moving items without desire of the driver or accidents due to crash, capsize, fall or tumble,
- The actions of third parties resulted from bad intention or mischief,
- Burn,
- Theft or attempted theft.

#### Insurance on Health

Insurance on health compensates treatment costs of illnesses or accidental injuries during the period of insurance and, if any, daily allowances in this general framework with special conditions up to the amount written in the policy. Geographical limits of the insurance are stated in the policy.

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**Geographical segment**

The main geographical segment which the Company operates is Turkey. Hence, the Company has not disclosed report on geographical segments.

	Motor third party liability	Health	Motor vehicles	Fire and natural disasters	Other	Unallocated	Total
<b>January 1 - December 31, 2018</b>							
1- Earned Premiums (Net of Reinsurer Share)	961.728.287	598.638.886	1.000.874.956	425.833.704	592.094.531	--	3.579.170.364
1.1- Written Premiums (Net of Reinsurer Share)	969.151.407	667.067.654	1.084.401.641	453.704.499	645.458.044	--	3.819.783.245
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	14.436.606	(68.428.768)	(83.526.685)	(27.870.795)	(38.013.269)	--	(203.402.911)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	(21.859.726)	--	--	--	(15.350.244)	--	(37.209.970)
2- Other Technical Income (Net of Reinsurer Share)	46.511	248.211	6.937.861	441.734	95.532	--	7.769.849
3- Accrued Salvage and Subrogation Income	34.503.969	--	11.583.598	10.958.713	13.656.474	--	70.702.754
<b>Technical income <sup>(*)</sup></b>	<b>996.278.767</b>	<b>598.887.097</b>	<b>1.019.396.415</b>	<b>437.234.151</b>	<b>605.846.537</b>	<b>--</b>	<b>3.657.642.967</b>
1- Incurred Losses (Net of Reinsurer Share)	(1.032.228.704)	(530.001.524)	(824.986.926)	(287.599.310)	(429.622.106)	--	(3.104.438.570)
1.1- Claims Paid (Net of Reinsurer Share)	(790.329.098)	(528.023.961)	(808.711.484)	(240.199.723)	(284.458.295)	--	(2.651.722.561)
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	(241.899.606)	(1.977.563)	(16.275.442)	(47.399.587)	(145.163.811)	--	(452.716.009)
2- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	--	--	(5.380.943)	(25.836.719)	(5.271.260)	--	(36.488.922)
3- Operating Expenses	(206.996.985)	(125.206.774)	(231.436.591)	(128.527.885)	(143.061.453)	--	(835.229.688)
4- Other Technical Provisions	(25.509.514)	(23.495.481)	(65.141.912)	(20.478.545)	(10.671.932)	--	(145.297.384)
<b>Technical expense</b>	<b>(1.264.735.203)</b>	<b>(678.703.779)</b>	<b>(1.126.946.372)</b>	<b>(462.442.459)</b>	<b>(588.626.751)</b>	<b>--</b>	<b>(4.121.454.564)</b>
Investment Income						1.508.904.511	1.508.904.511
Investment Expense <sup>(*)</sup>						(572.033.032)	(572.033.032)
Other <sup>(**)</sup>						(79.520.116)	(79.520.116)
<b>Net income before tax</b>							<b>393.539.766</b>
<b>Income tax</b>						(85.965.426)	(85.965.426)
<b>Net income</b>							<b>307.574.340</b>

<sup>(\*)</sup> Investment income transferred to non-technical section from technical section amounting to TL 965.879.045 is not included.

<sup>(\*\*)</sup> Deferred tax income amounting TL 6.651.982 is presented as income tax.



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	Motor third party liability	Health	Motor vehicles	Fire and natural disasters	Other	Unallocated	Total
<b>January 1 - December 31, 2017</b>							
1- Earned Premiums (Net of Reinsurer Share)	1.176.156.608	453.813.681	893.389.313	336.807.419	463.217.105	--	3.323.384.126
1.1- Written Premiums (Net of Reinsurer Share)	951.627.235	507.872.801	946.461.755	353.802.944	513.221.990	--	3.272.986.725
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	224.529.373	(54.059.120)	(53.072.442)	(16.995.525)	(27.588.246)	--	72.814.040
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	--	--	--	--	(22.416.639)	--	(22.416.639)
2- Other Technical Income (Net of Reinsurer Share)	76.305	337.870	5.931.814	195.658	63.898	--	6.605.545
3- Accrued Salvage and Subrogation Income	17.597.183	--	8.246.992	4.414.179	10.483.603	--	40.741.957
<b>Technical income (*)</b>	<b>1.193.830.096</b>	<b>454.151.551</b>	<b>907.568.119</b>	<b>341.417.256</b>	<b>473.764.606</b>	<b>--</b>	<b>3.370.731.628</b>
1- Incurred Losses (Net of Reinsurer Share)	(1.041.617.897)	(388.086.802)	(681.929.327)	(243.279.304)	(359.351.990)	--	(2.714.265.320)
1.1- Claims Paid (Net of Reinsurer Share)	(668.494.190)	(384.049.900)	(674.882.625)	(209.459.709)	(215.937.399)	--	(2.152.823.823)
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	(373.123.707)	(4.036.902)	(7.046.702)	(33.819.595)	(143.414.591)	--	(561.441.497)
2- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	--	--	(5.511.788)	(20.970.727)	(5.028.889)	--	(31.511.404)
3- Operating Expenses	(246.840.165)	(95.005.660)	(206.518.178)	(104.082.654)	(103.382.084)	--	(755.828.741)
4- Other Technical Provisions	(23.889.604)	(15.564.363)	(58.354.849)	(14.756.402)	(6.046.280)	--	(118.611.498)
<b>Technical expense</b>	<b>(1.312.347.666)</b>	<b>(498.656.825)</b>	<b>(952.314.142)</b>	<b>(383.089.087)</b>	<b>(473.809.243)</b>	<b>--</b>	<b>(3.620.216.963)</b>
Investment Income						859.807.937	859.807.937
Investment Expense (*)						(337.531.234)	(337.531.234)
Other (**)						(41.660.528)	(41.660.528)
<b>Net income before tax</b>							<b>231.130.840</b>
<b>Income tax</b>						(46.934.214)	(46.934.214)
<b>Net income</b>							<b>184.196.626</b>

(\*) Investment income transferred to non-technical section from technical section amounting to TL 542.114.497 is not included.

(\*\*) Deferred tax income amounting TL 5.702.299 is presented as income tax.

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**6. Tangible assets**

Movements in tangible assets in the period of January 1 - December 31, 2018 are presented below:

	January 1, 2018	Additions	Disposal	Transfers	Valuation Differences	December 31, 2018
<b>Cost:</b>						
Investment properties (Note 7)	64.215.000	--	--	--	(535.000)	63.680.000
Buildings for own use	13.395.000	25.370	--	--	1.535.630	14.956.000
Machinery and equipment	56.957.217	25.839.164	(1.779.631)	(186.436)	--	80.830.314
Furniture and fixtures	13.993.498	883.892	(369.798)	--	--	14.507.592
Motor vehicles	290.580	1.725.044	(237.859)	--	--	1.777.765
Other tangible assets (including leasehold improvements)	23.486.838	2.401.622	(70.323)	186.436	--	26.004.573
Leased tangible assets	3.858.074	--	--	--	--	3.858.074
<b>Total</b>	<b>176.196.207</b>	<b>30.875.092</b>	<b>(2.457.611)</b>	<b>--</b>	<b>1.000.630</b>	<b>205.614.318</b>
<b>Accumulated depreciation:</b>						
Buildings for own use	9.689	153.261	--	--	(87.409)	75.541
Machinery and equipment	39.756.867	10.774.145	(1.698.998)	(48.509)	--	48.783.505
Furniture and fixtures	11.232.730	1.062.101	(322.405)	--	--	11.972.426
Motor vehicles	222.451	63.694	(204.673)	--	--	81.472
Other tangible assets (including leasehold improvements)	17.234.737	3.704.710	(70.323)	48.509	--	20.917.633
Leased tangible assets	3.858.074	--	--	--	--	3.858.074
<b>Total</b>	<b>72.314.548</b>	<b>15.757.911</b>	<b>(2.296.399)</b>	<b>--</b>	<b>(87.409)</b>	<b>85.688.651</b>
<b>Net book value</b>	<b>103.881.659</b>					<b>119.925.667</b>

The Company's property for own use is valued over fair value as of 2018 and 2017 year-end and subjected to valuation in this context. Expertise reports regarding this property are prepared by CMB licenced Property Valuation Company in September 2018. There is no any pledge over Company's property for own use.

As of December 31, 2018 and 2017, property for own use's fair value (except VAT) and net book value is as following:

Landings and buildings for own use	Expertise date	Expertise value	Net Book Value (December 31, 2018)	Net Book Value (December 31, 2017)
İzmir Regional Office	September 2018	7.600.000	7.557.233	7.494.105
Adana Regional Office	September 2018	1.895.000	1.888.815	1.833.762
Lefkoşe Kıbrıs Branch	September 2018	4.150.000	4.135.509	2.774.620
Adana Office	September 2018	300.000	298.454	424.709
Others	September 2018	1.011.000	1.000.449	858.115
<b>Total</b>		<b>14.956.000</b>	<b>14.880.460</b>	<b>13.385.311</b>

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### Fair value measurement

Fair value of landings and buildings for own use is determined by equivalence value method. Fair value measurement of landings and buildings for own use those fair value is determined by equivalence value method is reclassified as Level 2.

Movements in tangible assets in the period of January 1 - December 31, 2017 are presented below:

	January 1, 2017	Additions	Disposal	Valuation Differences	December 31, 2017
<b>Cost:</b>					
Investment properties (Note 7)	62.175.000	39.136	--	2.000.864	64.215.000
Buildings for own use	12.372.253	--	--	1.022.747	13.395.000
Machinery and equipment	49.033.797	8.204.174	(280.754)	--	56.957.217
Furniture and fixtures	13.717.551	394.797	(118.850)	--	13.993.498
Motor vehicles	619.736	--	(329.156)	--	290.580
Other tangible assets (including leasehold improvements)	22.982.418	922.014	(417.594)	--	23.486.838
Leased tangible assets	3.868.337	--	(10.263)	--	3.858.074
	<b>164.769.092</b>	<b>9.560.121</b>	<b>(1.156.617)</b>	<b>3.023.611</b>	<b>176.196.207</b>
<b>Accumulated depreciation:</b>					
Buildings for own use	58.683	109.441	--	(158.435)	9.689
Machinery and equipment	33.541.297	6.486.538	(270.968)	--	39.756.867
Furniture and fixtures	10.375.795	974.653	(117.718)	--	11.232.730
Motor vehicles	397.036	80.487	(255.072)	--	222.451
Other tangible assets (including leasehold improvements)	13.838.190	3.814.142	(417.595)	--	17.234.737
Leased tangible assets	3.868.337	--	(10.263)	--	3.858.074
	<b>62.079.338</b>	<b>11.465.261</b>	<b>(1.071.616)</b>	<b>(158.435)</b>	<b>72.314.548</b>
<b>Net book value</b>	<b>102.689.754</b>				<b>103.881.659</b>

There is not any mortgage over tangible assets of the Company as at December 31, 2018 and 2017.

### 7 Investment properties

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

Investment property is presented by fair value method as of December 31, 2018 and 2017 on balance sheet.

The Company's investment property expertise reports are prepared by independent professional valuation specialists authorized by Capital Markets Board. As of December 31, 2018, the Company has gained the rent income from investment properties amounting to TL 2.188.795 (December 31, 2017: TL 1.866.261).

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

Investment land and buildings	Expertise date	Expertise value	Net book value December 31, 2018	Net book value December 31, 2017
Building/İzmir	September 2018	31.930.000	31.930.000	31.500.000
Building/Mersin	September 2018	17.900.000	17.900.000	19.300.000
Building/İzmir	September 2018	10.915.000	10.915.000	10.500.000
Building/Bursa	September 2018	2.300.000	2.300.000	2.220.000
Building/Adana	September 2018	550.000	550.000	625.000
Other	September 2018	85.000	85.000	70.000
<b>Total</b>		<b>63.680.000</b>	<b>63.680.000</b>	<b>64.215.000</b>

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**Fair value measurement**

Fair value of investment property is determined by equivalence value method. Fair value measurement of investment property, which is determined by equivalence value method, is reclassified as Level 2.

**8 Intangible assets**

Movements in intangible assets in the period of January 1 - December 31, 2018 are presented below:

	January 1, 2018	Additions	Transfers	Disposal	December 31, 2018
<b>Cost:</b>					
Goodwill	16.250.000	--	--	--	16.250.000
Advances given for intangible assets	25.001.586	19.943.648	(16.374.117)	--	28.571.117
Other intangible assets	120.578.666	4.769.268	16.374.117	--	141.722.051
<b>Total</b>	<b>161.830.252</b>	<b>24.712.916</b>	<b>--</b>	<b>--</b>	<b>186.543.168</b>
<b>Accumulated amortization:</b>					
Other intangible assets	100.337.251	13.402.434	--	--	113.739.685
<b>Total</b>	<b>100.337.251</b>	<b>13.402.434</b>	<b>--</b>	<b>--</b>	<b>113.739.685</b>
<b>Net book value</b>	<b>61.493.001</b>				<b>72.803.483</b>

Movements in tangible assets in the period of January 1 - December 31, 2017 are presented below:

	January 1, 2017	Additions	Transfers	Disposal	December 31, 2017
<b>Cost:</b>					
Goodwill	16.250.000	--	--	--	16.250.000
Advances given for intangible assets	11.732.239	19.281.847	(6.012.500)	--	25.001.586
Other intangible assets	111.110.866	3.491.699	6.012.500	(36.399)	120.578.666
	<b>139.093.105</b>	<b>22.773.546</b>	<b>--</b>	<b>(36.399)</b>	<b>161.830.252</b>
<b>Accumulated amortization:</b>					
Other intangible assets	83.756.830	16.615.756	--	(35.335)	100.337.251
	<b>83.756.830</b>	<b>16.615.756</b>	<b>--</b>	<b>(35.335)</b>	<b>100.337.251</b>
<b>Net book value</b>	<b>55.336.275</b>				<b>61.493.01</b>

**9 Investments in associates**

	December 31, 2018		December 31, 2017	
	Net book value	Participation rate	Net book value	Participation rate
Anadolu Hayat Emeklilik A.Ş.	516.860.000	20,0%	689.720.000	20,0%
<b>Investments in associates, net</b>	<b>516.860.000</b>		<b>689.720.000</b>	
<b>Total financial assets (Note 4.2)</b>	<b>516.860.000</b>		<b>689.720.000</b>	

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the period	Audited or not	Period
Anadolu Hayat Emeklilik A.Ş. (consolidated)	20.229.978.136	949.081.089	98.747.310	254.663.182	Audited	December 31, 2018

The Company has TL 34.000.000 of dividend income from subsidiaries.

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### 10 Reinsurance assets and liabilities

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

Reinsurance assets	December 31, 2018	December 31, 2017
Provision for outstanding claims, ceded (Note 4.2), (Note 17)	1.281.930.795	640.756.717
Reserve for unearned premiums, ceded (Note 17)	794.433.893	610.721.482
Reserve for unexpired risks, ceded	41.591.188	24.105.605
Cash deposited to reinsurance companies (Note 12)	61.798.860	29.650.034
Reinsurers share in the provision for subrogation and salvage receivables	1.068.554	15.182
<b>Total</b>	<b>2.180.823.290</b>	<b>1.305.249.020</b>

There are no impairment losses recognised for reinsurance assets.

Reinsurance liabilities	December 31, 2018	December 31, 2017
Payables to the reinsurers related to premiums written (Note 19)	374.195.775	267.629.697
Deferred commission income (Note 19)	117.840.030	95.718.017
Commission payables to the reinsurers related to written premiums (Note 23)	3.966.136	--
Cash deposited by reinsurance companies (Note 19)	8.527.925	8.573.616
<b>Total</b>	<b>504.529.866</b>	<b>371.921.330</b>

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

	December 31, 2018	December 31, 2017
Premiums ceded during the period (Note 17)	(1.761.121.334)	(1.289.191.554)
Reserve for unearned premiums, ceded at the beginning of the period (Note 17)	(610.721.482)	(400.082.643)
Reserve for unearned premiums, ceded at the end of the period (Note 17)	794.433.893	610.721.482
<b>Premiums earned, ceded (Note 17)</b>	<b>(1.577.408.923)</b>	<b>(1.078.552.715)</b>
Claims paid, ceded during the period (Note 17)	722.236.346	603.127.311
Provision for outstanding claims, ceded at the beginning of the period (Note 17)	(640.756.717)	(487.012.275)
Provision for outstanding claims, ceded at the end of the period (Note 17)	1.281.930.795	640.756.720
<b>Claims incurred, ceded (Note 17)</b>	<b>1.363.410.424</b>	<b>756.871.756</b>
Commission income accrued from reinsurers during the period	246.669.308	207.894.486
Deferred commission income at the beginning of the period	95.718.017	58.640.768
Deferred commission income at the end of the period	(117.840.030)	(95.718.017)
<b>Commission income earned from reinsurers (Note 32)</b>	<b>224.547.295</b>	<b>170.817.237</b>
<b>Commission debt accrued to reinsurers</b>	<b>3.966.136</b>	<b>--</b>
<b>Commission receivable accrued from reinsurers</b>	<b>--</b>	<b>--</b>
<b>Total, net</b>	<b>14.514.932</b>	<b>(150.863.722)</b>

The movement table of commission expenses realized within the scope of reinsurance activities of the Company is as follows.

	December 31, 2018	December 31, 2017
Commission expense accrued from reinsurers during the period	(127.915.936)	(66.798.761)
Deferred commission expense at the beginning of the period	(20.439.155)	(20.356.072)
Deferred commission expense at the end of the period	31.875.716	20.439.155
<b>Commission expense from reinsurance operations (Not 32)</b>	<b>(116.479.375)</b>	<b>(66.715.678)</b>

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**11 Financial assets**

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

	December 31, 2018	December 31, 2017
Available for sale financial assets	848.053.222	755.985.190
Financial assets held for trading	179.552.746	347.535.150
<b>Total</b>	<b>1.027.605.968</b>	<b>1.103.520.340</b>

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

	December 31, 2018			
	Nominal value	Cost	Fair value	Net book value
<b>Debt instruments:</b>				
Government bonds - TL	198.089.739	189.770.611	176.440.027	176.440.027
Private sector bonds - TL	78.890.000	78.829.810	80.479.959	80.479.959
Private sector bonds - USD	228.707.105	219.165.166	212.712.655	212.712.655
<i>Issued by Türkiye İş Bankası A.Ş. (Note 45)</i>	23.147.960	21.137.726	21.287.330	21.287.330
<i>Issued by Türkiye Sınai Kalkınma Bankası A.Ş. (Note 45)</i>	53.803.224	52.117.590	52.951.656	52.951.656
Others	151.755.921	145.909.850	138.473.669	138.473.669
Government bonds - USD	87.330.940	98.641.422	79.242.874	79.242.874
Private sector bonds - EUR	30.350.980	30.138.814	30.896.016	30.896.016
<b>Total</b>	<b>623.368.764</b>	<b>616.545.823</b>	<b>579.771.531</b>	<b>579.771.531</b>
<b>Other non-fixed income financial assets:</b>				
Investment funds	263.354.719	143.975.164	159.463.509	159.463.509
<i>Issued by İş Portföy Yönetimi A.Ş. (Note 45)</i>	78.991.693	131.741.595	147.220.480	147.220.480
Others	184.363.026	12.233.569	12.243.029	12.243.029
Equity shares	79.600.825	110.193.339	108.818.182	108.818.182
<b>Total</b>	<b>342.955.544</b>	<b>254.168.503</b>	<b>268.281.691</b>	<b>268.281.691</b>
<b>Total available for sale financial assets (Note 4.2)</b>	<b>966.324.308</b>	<b>870.714.326</b>	<b>848.053.222</b>	<b>848.053.222</b>

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	December 31, 2017			
	Nominal value	Cost	Fair value	Net book value
<b>Debt instruments:</b>				
Government bonds - TL	199.959.655	191.554.949	194.168.489	194.168.489
Private sector bonds - TL	88.510.000	88.510.000	90.244.264	90.244.264
<i>Issued by İş Gayrimenkul Yatırım Ortaklığı A.Ş. (Note 45)</i>	15.000.000	15.000.000	15.302.769	15.302.769
<i>Others</i>	73.510.000	73.510.000	74.941.495	74.941.495
Government bonds - USD	62.613.540	71.044.346	67.019.381	67.019.381
Private sector bonds - USD	65.517.903	65.746.944	66.653.340	66.653.340
<b>Total</b>	<b>416.601.098</b>	<b>416.856.239</b>	<b>418.085.474</b>	<b>418.085.474</b>
<b>Other non-fixed income financial assets:</b>				
Investment funds	7.931.904.848	200.280.307	226.163.762	226.163.762
<i>Issued by İş Portföy Yönetimi A.Ş. (Note 45)</i>	7.931.904.848	200.280.307	226.163.762	226.163.762
Equity shares	73.877.269	89.082.777	111.735.954	111.735.954
<b>Total</b>	<b>8.005.782.117</b>	<b>289.363.084</b>	<b>337.899.716</b>	<b>337.899.716</b>
<b>Total available for sale financial assets (Note 4.2)</b>	<b>8.422.383.215</b>	<b>706.219.323</b>	<b>755.985.190</b>	<b>755.985.190</b>

As of December 31, 2018 and 2017, financial assets held for trading of the Company are as follows:

	December 31, 2018			
	Nominal value	Cost	Fair value	Net book value
<b>Debt instruments:</b>				
Reverse repurchases - TL	--	7.795.343	7.800.426	7.800.426
<b>Total</b>		<b>7.795.343</b>	<b>7.800.426</b>	<b>7.800.426</b>
<b>Other non-fixed income financial assets:</b>				
Investment funds	316.150.293	108.810.773	146.293.529	146.293.529
<i>Issued by İş Portföy Yönetimi A.Ş. (Note 45)</i>	74.327.162	95.468.965	127.339.873	127.339.873
<i>Issued by İşbank AG (Note 45)</i>	90.131	7.804.000	13.234.978	13.234.978
<i>Other</i>	241.733.000	5.537.808	5.718.678	5.718.678
Equity shares	4.727.151	22.802.751	19.110.609	19.110.609
Derivatives	--	6.259.952	6.348.182	6.348.182
<b>Total</b>	<b>320.877.444</b>	<b>137.873.476</b>	<b>171.752.320</b>	<b>171.752.320</b>
<b>Total financial assets held for trading (Note 4.2)</b>	<b>320.877.444</b>	<b>145.668.819</b>	<b>179.552.746</b>	<b>179.552.746</b>

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	December 31, 2017			
	Nominal value	Cost	Fair value	Net book value
<b>Debt instruments:</b>				
Other - TL	--	23.219.811	23.241.814	23.241.814
<b>Total</b>	<b>--</b>	<b>23.219.811</b>	<b>23.241.814</b>	<b>23.241.814</b>
<b>Other non-fixed income financial assets:</b>				
Investment funds	287.438.209	220.387.100	266.365.506	266.365.506
Issued by İş Portföy Yönetimi A.Ş. (Note 45)	287.348.078	212.583.100	248.926.193	248.926.193
Issued by İşbank AG (Note 45)	90.131	7.804.000	17.439.313	17.439.313
Equity shares	6.322.383	45.337.430	48.346.198	48.346.198
Derivatives	--	9.570.458	9.581.632	9.581.632
<b>Total</b>	<b>293.760.592</b>	<b>275.294.988</b>	<b>324.293.336</b>	<b>324.293.336</b>
<b>Total financial assets held for trading (Note 4.2)</b>	<b>293.760.592</b>	<b>298.514.799</b>	<b>347.535.150</b>	<b>347.535.150</b>

As of December 31, 2018, the Company has no marketable securities presented above held to maturity (December 31, 2017: None).

As of December 31, 2018, equity shares classified as available for sale financial assets with a net book value of TL 1.537.152 are not publicly traded (December 31, 2017: TL 1.516.374).

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

There is no financial asset that is overdue but not impaired among the Company's financial investments portfolio.

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

Year	Change in value increase	Total increase in value
2018	(239.947.304)	389.114.177
2017	265.172.008	629.061.481
2016	151.653.558	363.889.473

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

	December 31, 2018			Total
	Trading <sup>(*)</sup>	Available for sale	Held to maturity	
<b>Balance at the beginning of the period</b>	<b>324.293.336</b>	<b>755.985.190</b>	--	<b>1.080.278.526</b>
Acquisitions during the period	909.540.934	1.123.739.417	--	2.033.280.351
Disposals (sale and redemption)	(1.081.735.265)	(1.090.211.074)	--	(2.171.946.339)
Change in the fair value of financial assets (Note 15)	19.653.315	58.539.689	--	78.193.004
<b>Balance at the end of the period</b>	<b>171.752.320</b>	<b>848.053.222</b>	--	<b>1.019.805.542</b>

<sup>(\*)</sup> The amount of other in financial assets held for trading to TL 7.800.426 (December 31, 2017: TL 23.241.814 are excluded).



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	December 31, 2017			Total
	Trading <sup>(*)</sup>	Available for sale	Held to maturity	
<b>Balance at the beginning of the period</b>	<b>123.572.670</b>	<b>605.556.598</b>	<b>15.172.182</b>	<b>744.301.450</b>
Acquisitions during the period	501.264.684	408.599.876	--	909.864.560
Disposals (sale and redemption)	(346.680.646)	(319.441.107)	(15.185.823)	(681.307.576)
Change in the fair value of financial assets (Note 15)	45.938.579	54.217.714	--	100.156.293
Change in amortized cost of the financial assets	--	--	13.641	13.641
Bonus shares acquired	198.049	7.052.109	--	7.250.158
<b>Balance at the end of the period</b>	<b>324.293.336</b>	<b>755.985.190</b>	<b>--</b>	<b>1.080.278.526</b>

(\*) The amount of other in financial assets held for trading to TL 23.241.814 (December 31, 2016: TL 4.308.334) are excluded.

The Company has no financial assets given as a guarantee in favour of the Turkish Treasury for the insurance activities (December 31, 2017: None).

### 12 Loans and receivables

	December 31, 2018	December 31, 2017
Receivables from main operations (Note 4.2)	1.537.481.807	1.178.955.084
Other receivables (Note 4.2) <sup>(*)</sup>	28.911.596	21.224.166
Income accruals (Note 4.2), (Note 10)	79.214.775	19.928.671
Other current assets (Note 4.2)	457.363	493.641
<b>Total</b>	<b>1.646.065.541</b>	<b>1.220.601.562</b>
Short-term receivables	1.644.438.108	1.218.395.858
Long and medium-term receivables	1.627.433	2.205.704
<b>Total</b>	<b>1.646.065.541</b>	<b>1.220.601.562</b>

(\*) As of December 31, 2018, other receivables amounting to TL 28.911.596 (December 31, 2017: TL 21.224.166) comprise of receivables from DASK and TARSİM amounting to TL 19.029.967 (December 31, 2017: TL 12.319.158) and other miscellaneous receivables amounting to TL 9.881.629 (December 31, 2017: TL 8.905.008).

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

	December 31, 2018	December 31, 2017
Receivables from agencies, brokers and intermediaries	1.047.189.149	872.173.973
Receivables from insurance and reinsurance companies	21.511.252	12.268.459
Salvage and subrogation receivables	60.020.233	50.653.264
Receivables from policyholders	41.143.149	31.786.329
Long term receivable which is bank guarantee and three months credit card	143.082.277	107.556.543
<b>Total receivables from insurance operations, net</b>	<b>1.312.946.060</b>	<b>1.074.438.568</b>
Receivables from reinsurance operations	178.909.631	83.203.501
Cash deposited to insurance and reinsurance companies (Note 4.2), (Note 10)	61.798.860	29.650.034
Provisions for receivables from insurance operations - subrogation receivables	(16.172.744)	(8.337.019)
Doubtful receivables from insurance operations - subrogation receivables	265.088.561	196.394.800
Provisions for doubtful receivables from insurance operations - subrogation receivables (Note 4.2)	(265.088.561)	(196.394.800)
Doubtful receivables from main operations - premium receivables	31.686.969	29.830.936
Provisions for doubtful receivables from main operations - premium receivables (Note 4.2)	(31.686.969)	(29.830.936)
<b>Receivables from main operations</b>	<b>1.537.481.807</b>	<b>1.178.955.084</b>

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As of December 31, 2018 and 2017, the details of mortgages and other guarantees for the Company's receivables are presented below:

	December 31, 2018	December 31, 2017
Letters of guarantees	108.744.889	105.463.663
Mortgages notes	79.813.638	83.516.803
Other guarantees	78.125.186	50.299.983
Government bonds and treasury bills	2.878.656	3.028.656
<b>Total</b>	<b>269.562.369</b>	<b>242.309.105</b>

**Provisions for overdue receivables and receivables not due yet**

- a) Receivables under legal or administrative follow up (due): TL 31.686.969 (December 31, 2017: TL 29.830.936).  
b) Provision for subrogation receivables under legal or administrative follow up: TL 281.261.305 (December 31, 2017: TL 204.731.819).

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

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

**13 Derivative financial instruments**

As of December 31, 2018, the Company has a derivative financial instruments recognized in the financial assets held for trading amounting to TL 6.348.182 (December 31, 2017: TL 9.581.631). As of December 31, 2018 the Company has TL 16.984.621 express warranty in derivative instruments (December 31, 2017: TL 5.818.015).

As of December 31, 2018, the Company has accounted in income accruals and other financial liabilities amounting to TL 77.683.687 (December 31, 2017: TL 18.939.649) that is increase in value and TL (2.877.823) (December 31, 2017: TL (7.868.067)) that is decrease in value respectively, due to forward foreign currency agreement.

**14 Cash and cash equivalents**

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

	December 31, 2018		December 31, 2017	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	50.393	62.857	62.857	35.109
Checks on hand	--	--	--	--
Bank deposits	3.622.011.617	3.105.334.647	3.105.334.647	2.795.907.111
Cheques given and payment orders	(79.251)	(87.620)	(87.620)	(82.544)
Bank guaranteed credit card receivables with maturities less than three months	451.595.523	399.367.075	399.367.075	421.604.151
<b>Cash and cash equivalents in the balance sheet</b>	<b>4.073.578.282</b>	<b>3.504.676.959</b>	<b>3.504.676.959</b>	<b>3.217.463.827</b>
Bank deposits - blocked <sup>(*)</sup> (Note 17)	(567.003.315)	(483.582.942)	(483.582.942)	(399.688.896)
Time deposits with maturities longer than 3 months	(1.645.419.289)	(894.215.799)	(894.215.799)	(933.084.218)
Interest accruals on banks deposits	(8.756.840)	(5.641.962)	(5.641.962)	(12.217.858)
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>1.852.398.838</b>	<b>2.121.236.256</b>	<b>2.121.236.256</b>	<b>1.872.472.855</b>

<sup>(\*)</sup>As of December 31, 2018 and 2017, bank deposits in cash and cash equivalents has been kept in favour of the Turkish Treasury as a guarantee for the insurance activities.

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

	December 31, 2018	December 31, 2017
Foreign currency denominated bank deposits		
- time deposits	2.417.131.993	2.021.413.753
- demand deposits	3.087.740	4.690.121
Bank deposits in Turkish Lira		
- time deposits	1.197.211.562	1.066.799.973
- demand deposits	4.580.322	12.430.800
<b>Bank deposits</b>	<b>3.622.011.617</b>	<b>3.105.334.647</b>

### 15 Equity

#### Paid in capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group.

The Company does not increase its share capital in the current period.

As of December 31, 2018, the issued share capital of the Company is TL 500.000.000 (December 31, 2017: TL 500.000.000) and the Company unregistered Group 150 A shares which each of value is TL 1,5 as of April 11, 2013 in which approved in Main Article of the Company dated in April 11, 2013. The share capital of the Company consists of 50.000.000.000 (December 31, 2017: 50.000.000.000 shares) issued shares with TL 1 nominal value each.

#### Other capital reserves

In accordance with tax legislation, 75% of profits from sales of participation shares and 50% real estates included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years. As of December 31, 2018, the tax exempt which obtained thanks to sale of participation shares and real estate in 2010, 2011, 2013, 2014, 2015 and 2016 years respectively, amounting to TL 8.081.516, TL 80.025, TL 647.763, TL 920.272, TL 2.541.500 and TL 15.094 is classified as other capital reserves.

	December 31, 2018	December 31, 2017
<b>Other capital reserves at the beginning of the period</b>	<b>29.388.073</b>	<b>29.200.961</b>
Transfer from profit	--	15.094
Use property revaluation fund (Note 6)	1.460.735	172.018
<b>Other capital reserves at the end of the period</b>	<b>30.848.808</b>	<b>29.388.073</b>

#### Legal reserves

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

The movement of legal reserves are presented below:

	December 31, 2018	December 31, 2017
<b>Legal reserves at the beginning of the period</b>	<b>42.470.727</b>	<b>37.374.983</b>
Transfer from profit	13.318.147	5.095.744
<b>Legal reserves at the end of the period</b>	<b>55.788.874</b>	<b>42.470.727</b>

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**Extraordinary reserves**

The movement of extraordinary reserves are presented below:

	December 31, 2018	December 31, 2017
Extraordinary reserves at the beginning of the period	158.692.234	113.109.908
Transfer from profit	99.324.960	45.582.326
<b>Extraordinary reserves at the end of the period</b>	<b>258.017.194</b>	<b>158.692.234</b>

**Statutory reserves**

The movement of statutory reserves are presented below:

	December 31, 2018	December 31, 2017
Statutory reserves at the beginning of the period	22.689.973	17.547.144
Transfer from profit	11.470.364	5.142.829
<b>Statutory reserves at the end of the period</b>	<b>34.160.337</b>	<b>22.689.973</b>

**Valuation of financial assets** The movements of valuation differences related available for sale financial assets and associates are presented below:

	December 31, 2018			December 31, 2017		
	Available for sale financial assets	Associates	Total	Available for sale financial assets	Associates	Total
Valuation difference at the beginning of the period	30.373.349	598.688.132	629.061.481	27.501.341	336.388.132	363.889.473
Change in the fair value	(24.358.217)	(138.860.000)	(163.218.217)	12.147.442	290.300.000	302.447.442
Net gains transferred to the statement of income	(58.157.643)	(34.000.000)	(92.157.643)	(7.896.672)	(28.000.000)	(35.896.672)
Deferred tax effect	15.428.556	--	15.428.556	(1.378.762)	--	(1.378.762)
<b>Valuation difference at the end of the period</b>	<b>(36.713.955)</b>	<b>425.828.132</b>	<b>389.114.177</b>	<b>30.373.349</b>	<b>598.688.132</b>	<b>629.061.481</b>

**Other profit reserves**

In accordance with the July 4, 2007 dated and 2007/3 numbered Compliance Circular issued by the Turkish Treasury, 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 December 31, 2006) should be transferred to the reserve accounts under equity in accordance with the 5<sup>th</sup> Temporary Article of the Insurance Law. The companies had to transfer total amount of provisions, including earthquake provisions reserved as at December 31, 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 September 1, 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.

Accordingly, the Company initially transferred total provisions amounting to TL 96.036.157 including earthquake provisions reserved as at December 31, 2006 and related gains obtained from investment of this amount, to the reserve accounts under equity, TL 51.846.111 of this amount is used for capital increase in 2010. As of December 31, 2018, accordance with IAS 19, to add the amount of actuarial loss and net profit of TL (5.089.649) defined remeasure net profit debt, the amount of new balance is TL 39.100.397.

**Profit on assets sale that will be transferred to capital**

In accordance with tax legislation, 75% of profits from sales of participation shares and 50% of real estates included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years.

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### 16 Other reserves and equity component of discretionary participation feature

As of December 31, 2018 and 2017, change in fair values of available-for-sale financial assets which is presented as "valuation of financial assets" and earthquake provisions provided in the previous years presented under "other profit reserves" are explained in detail in Note 15 - *Equity* above. As of December 31, 2018 and 2017, the Company does not hold any insurance or investment contracts which contain a discretionary participation feature.

### 17 Insurance contract liabilities and reinsurance assets

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

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

	December 31, 2018	December 31, 2017
Reserve for unearned premiums, gross	2.741.583.431	2.349.673.619
Reserve for unearned premiums, ceded (Note 10)	(794.433.893)	(610.721.482)
Reserve for unearned premiums, SSI share	(63.611.724)	(58.817.233)
<b>Reserves for unearned premiums, net</b>	<b>1.883.537.814</b>	<b>1.680.134.904</b>
Provision for outstanding claims, gross	4.339.333.163	3.245.443.075
Provision for outstanding claims, ceded (Note 10)	(1.281.930.795)	(640.756.717)
<b>Provision for outstanding claims, net</b>	<b>3.057.402.368</b>	<b>2.604.686.358</b>
Gross of reserve for unexpired risk	101.782.328	47.086.775
Reinsurer's share of the reserve for unexpired risk	(41.591.188)	(24.105.605)
<b>Provision unexpired risk reserve, net</b>	<b>60.191.140</b>	<b>22.981.170</b>
Equalization provision, net	175.746.540	140.939.210
General provision, net <sup>(1)</sup>	7.702.760	7.702.760
<b>Other technical provisions, net</b>	<b>183.449.300</b>	<b>148.641.970</b>
<b>Total technical provisions, net</b>	<b>5.184.580.622</b>	<b>4.456.444.402</b>
Short-term	5.000.323.117	4.307.802.432
Medium and long-term	184.257.505	148.641.970
<b>Total technical provisions, net</b>	<b>5.184.580.622</b>	<b>4.456.444.402</b>

<sup>(1)</sup> It contains a provision which has been reflected in the prior financial statements amounting TL 7.702.761 due to the possible impact of adverse developments that may occur by company's management.

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

Reserve for unearned premiums	December 31, 2018			Net
	Gross	Ceded	SSI share	
Reserve for unearned premiums at the beginning of the period	2.349.673.619	(610.721.482)	(58.817.233)	1.680.134.904
Premiums written during the period	5.701.355.416	(1.761.121.334)	(120.450.837)	3.819.783.245
Premiums earned during the period	(5.309.445.604)	1.577.408.923	115.656.346	(3.616.380.335)
<b>Reserve for unearned premiums at the end of the period</b>	<b>2.741.583.431</b>	<b>(794.433.893)</b>	<b>(63.611.724)</b>	<b>1.883.537.814</b>
Reserve for unearned premiums	December 31, 2017			Net
	Gross	Ceded	SSI share	
Reserve for unearned premiums at the beginning of the period	2.228.090.805	(400.082.643)	(75.059.218)	1.752.948.944
Premiums written during the period	4.671.409.652	(1.289.191.554)	(109.231.373)	3.272.986.725
Premiums earned during the period	(4.549.826.838)	1.078.552.715	125.473.358	(3.345.800.765)
<b>Reserve for unearned premiums at the end of the period</b>	<b>2.349.673.619</b>	<b>(610.721.482)</b>	<b>(58.817.233)</b>	<b>1.680.134.904</b>
Provision for outstanding claims	December 31, 2018			Net
	Gross	Ceded		
Provision for outstanding claims at the beginning of the period	3.245.443.075	(640.756.717)		2.604.686.358
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	4.467.848.995	(1.363.410.424)		3.104.438.571
Claims paid during the period	(3.373.958.907)	722.236.346		(2.651.722.561)
<b>Provision for outstanding claims at the end of the period</b>	<b>4.339.333.163</b>	<b>(1.281.930.795)</b>		<b>3.057.402.368</b>
Provision for outstanding claims	December 31, 2017			Net
	Gross	Ceded		
Provision for outstanding claims at the beginning of the period	2.530.257.134	(487.012.275)		2.043.244.859
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	3.471.137.076	(756.871.756)		2.714.265.320
Claims paid during the period	(2.755.951.134)	603.127.311		(2.152.823.823)
<b>Provision for outstanding claims at the end of the period</b>	<b>3.245.443.076</b>	<b>(640.756.720)</b>		<b>2.604.686.356</b>
Reserve for unexpired risk	December 31, 2018			Net
	Gross	Ceded		
Reserve for unexpired risk at the beginning of the period	47.086.775	(24.105.605)		22.981.170
Change in the reserve during the current period	54.695.553	(17.485.583)		37.209.970
<b>Reserve for unexpired risk at the end of the period</b>	<b>101.782.328</b>	<b>(41.591.188)</b>		<b>60.191.140</b>
Reserve for unexpired risk	December 31, 2017			Net
	Gross	Ceded		
Reserve for unexpired risk at the beginning of the period	4.020.419	(3.455.888)		564.531
Change in the reserve during the current period	43.066.356	(20.649.717)		22.416.639
<b>Reserve for unexpired risk at the end of the period</b>	<b>47.086.775</b>	<b>(24.105.605)</b>		<b>22.981.170</b>
Reserve for equalization	December 31, 2018		December 31, 2017	
Reserve for equalization at the beginning of the period	140.939.211			109.427.806
Provision added during the period	34.807.329			31.511.404
<b>Reserve for equalization at the end of the period</b>	<b>175.746.540</b>			<b>140.939.210</b>

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### Claim development tables

The basic assumption used in the estimation of provisions for outstanding claims is the Company's past experience on claim developments. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. The sensitivity of certain assumptions like legislative change, uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the reporting date. Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognized in subsequent financial statements.

Development of insurance liabilities enables to measure the performance of the Company in estimation of its ultimate claim losses. The amounts presented on the top of the below tables show the changes in estimations of the Company for the claims in subsequent years after claim years. The amounts presented on the below of the below tables give the reconciliation of total liabilities with provision for outstanding claims presented in the accompanying financial statements.

December 31, 2018						
Claim year	2014	2015	2016	2017	2018	Total
Claim year	1.509.349.771	1.964.426.481	2.030.105.750	2.535.329.232	3.012.102.758	11.051.313.992
1 year later	1.646.289.236	2.202.057.320	2.185.111.537	2.821.216.156	--	8.854.674.249
2 years later	1.759.948.960	2.294.031.632	2.288.050.713	--	--	6.342.031.305
3 years later	1.823.096.342	2.384.873.489	--	--	--	4.207.969.831
4 years later	1.894.117.508	--	--	--	--	1.894.117.508
Current estimate of cumulative claims	1.894.117.508	2.384.873.489	2.288.050.713	2.821.216.156	3.012.102.758	12.400.360.624
Cumulative payments to date	1.660.915.086	2.093.000.735	1.935.681.551	2.410.564.445	2.058.104.246	10.158.266.063
Provision recognized in the financial statements	233.202.422	291.872.754	352.369.163	410.651.711	953.998.511	2.242.094.561
Provision recognized in the financial statements before 2013	--	--	--	--	--	2.097.238.602
<b>Total gross outstanding claims presented in the financial statements at the end of the period</b>						<b>4.339.333.163</b>
December 31, 2017						
Claim year	2013	2014	2015	2016	2017	Total
Claim year	1.298.328.138	1.781.130.181	2.285.927.435	2.452.778.738	3.147.733.176	10.965.897.668
1 year later	1.460.991.580	2.021.374.527	2.641.719.915	2.738.090.023	--	8.862.176.045
2 years later	1.516.454.976	2.149.439.498	2.748.295.814	--	--	6.414.190.288
3 years later	1.592.457.529	2.220.685.091	--	--	--	3.813.142.620
4 years later	1.637.662.009	--	--	--	--	1.637.662.009
Current estimate of cumulative claims	1.637.662.009	2.220.685.091	2.748.295.814	2.738.090.023	3.147.733.176	12.492.466.113
Cumulative payments to date	1.399.424.005	1.832.865.427	2.315.870.882	2.142.238.748	2.106.774.810	9.797.173.872
Provision recognized in the financial statements	238.238.004	387.819.664	432.424.932	595.851.275	1.040.958.366	2.695.292.241
Provision recognized in the financial statements before 2012	--	--	--	--	--	550.150.832
<b>Total gross outstanding claims presented in the financial statements at the end of the period</b>						<b>3.245.443.073</b>

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

	December 31, 2018		
	Amount be provided (**)	Provided	Net book value
<i>Non-life:</i>			
Bank deposits (Note 14)	--	566.555.904	567.003.315
<b>Total</b>	<b>453.845.445</b>	<b>566.555.904</b>	<b>567.003.315</b>
	December 31, 2017		
	Amount be provided (**)	Provided	Net book value
<i>Non-life:</i>			
Bank deposits (Note 14)	--	483.372.018	483.582.942
<b>Total</b>	<b>380.109.847</b>	<b>483.372.018</b>	<b>483.582.942</b>

(\*\*) According to the 7<sup>th</sup> article of the "Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies" which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be provided as a guarantee in two months following the calculation period. According to "Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Private Pension Companies", companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Turkish Treasury Department within two months. Since the amounts that to be provided as of December 31, 2018 (December 31, 2017) will be through the calculated amounts as of June 30, 2018 (June 30, 2017), the settled amounts as of June 30, 2018 (June 30, 2017) is presented as "to be provided" amounts.

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

None.

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

None.

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

None.

**Deferred commission expenses**

The Company capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As of December 31, 2018, short-term prepaid expenses amounting to TL 366.819.267 (December 31, 2017: TL 319.260.853) consist of deferred commission expenses amounting to TL 327.682.017 (December 31, 2017: TL 281.996.393) and other prepaid expenses amounting to TL 39.137.250 (December 31, 2017: TL 37.264.460). Long-term prepaid expenses amounting TL 9.445.638 (December 31, 2017: TL 6.639.202) are composed of other prepaid expenses

	December 31, 2018	December 31, 2017
Deferred commission expenses at the beginning of the period	281.996.393	286.562.140
Commissions accrued during the period	739.445.718	618.327.570
Commissions expensed during the period (*)	(693.760.094)	(622.893.317)
<b>Deferred commission expenses at the end of the period</b>	<b>327.682.017</b>	<b>281.996.393</b>

(\*) Commission expenses that accounted in reinsurance commissions are included

**Individual pension funds**

None.

**18 Investment contract liabilities**

None.



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### 19 Trade and other payables and deferred income

	December 31, 2018	December 31, 2017
Financial liabilities	53.578.314	110.802.339
Payables arising from main operations	652.398.576	492.116.005
Other payables	95.240.548	113.563.202
Deferred commission income (Note 10)	117.840.030	95.718.017
Taxes and funds payable and other similar obligations	51.729.635	50.750.268
Trade payables to related parties	261.029	256.510
<b>Total</b>	<b>971.048.132</b>	<b>863.206.341</b>
Short-term liabilities	971.048.132	863.206.341
Medium and long-term liabilities	--	--
<b>Total</b>	<b>971.048.132</b>	<b>863.206.341</b>

As of December 31, 2018, other payables amounting to TL 95.240.548 (December 31, 2017: TL 113.563.203) consist of treatment cost payables to SSI amounting to TL 30.867.740 (December 31, 2017: TL 30.922.543) payables to Tarsim and DASK and outsourced benefits and services amounting to TL 54.917.816 (December 31, 2017: TL 76.358.578 and deposits and guarantees received amounting to TL 9.454.992 (December 31, 2017: TL 6.282.082).

The detail of payables arising from main operations of the Company as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Payables to reinsurance companies (Note 10)	369.016.685	267.629.697
Payables to agencies, brokers and intermediaries	65.074.280	44.147.545
<b>Total payables arising from insurance operations</b>	<b>434.090.965</b>	<b>311.777.242</b>
<b>Payables arising from reinsurance activities to reinsurance companies</b>	<b>5.179.090</b>	<b>--</b>
Payables arising from other operating activities	204.600.596	171.765.147
Cash deposited by insurance and reinsurance companies (Note 10)	8.527.925	8.573.616
<b>Payables arising from main operations</b>	<b>652.398.576</b>	<b>492.116.005</b>

Corporate tax liabilities and prepaid taxes are disclosed below:

	December 31, 2018	December 31, 2017
Prepaid taxes	118.182.975	44.914.337
Provision of calculated corporate tax	(79.313.444)	(52.636.513)
<b>Corporate tax assets/(liabilities), net</b>	<b>38.869.531</b>	<b>(7.722.176)</b>

There are no investment incentives which will be benefited in current and future periods.

### 20 Financial liabilities

As of December 31, 2018, the Company has financial liabilities which are comprised of repurchase / Takasbank Money Market agreements amounting to TL 50.700.491 (December 31, 2017: TL 102.934.273). Financial liabilities maturities are as follows:

Maturity Date	December 31, 2018	Maturity Date	December 31, 2017
Jan 15, 2019	50.700.491	Jan 19, 2018	20.084.905
--	--	Jan 26, 2018	82.849.368
<b>Net book value in balance sheet</b>	<b>50.700.491</b>	<b>Net book value in balance sheet</b>	<b>102.934.273</b>

As of December 31, 2018, the detail of the expense accrual arising from swap contracts amounting to TL 2.877.823 is disclosed at the Note 13 (December 31, 2017: 7.868.066).

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**21 Deferred tax**

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

	December 31, 2018	December 31, 2017
	Deferred tax assets/(liabilities)	Deferred tax assets/(liabilities)
Valuation differences in financial assets	(17.623.289)	(7.879.160)
Equalization provision	28.061.885	21.889.262
Other provision	13.018.560	8.667.322
Reserve for unexpired risk	13.242.051	5.055.857
Provisions for employee termination benefits and unused vacations	5.699.036	4.601.292
Provision for subrogation receivables	3.558.004	1.834.144
Discount of receivables and payables	553.690	698.951
TAS adjustment differences in depreciation	(2.887.282)	(2.084.927)
Subrogation receivables from third parties	(5.651.737)	(3.977.190)
Real estate valuation	(7.057.393)	(6.961.291)
<b>Deferred tax assets, net</b>	<b>30.913.525</b>	<b>21.844.260</b>

As of December 31, 2018, the Company has not deductible tax losses (December 31, 2017: None).

The movement of deferred tax assets table:

	December 31, 2018	December 31, 2017
<b>Opening balance at 1 January</b>	<b>21.844.260</b>	<b>18.112.832</b>
Recognised in profit or loss (Note 35)	(6.651.982)	5.702.299
Recognised in equity	15.721.247	(1.970.871)
<b>Deferred tax asset</b>	<b>30.913.525</b>	<b>21.844.260</b>

**22 Retirement benefit obligations**

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

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

According to this arrangement the bank within the scope of Act 506, article No.20, insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or associations which constitute their union personnel and associates of funds are required to be transferred until May 8, 2015 to Social Security Administration, authority to determine the date of transfer is given the Council of Ministers thus the transfer of the funds has been postponed to an unknown date.

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### 23 Other liabilities and provisions

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

	December 31, 2018	December 31, 2017
Provision for employee termination benefits	25.856.081	20.939.663
Provision for unused vacation pay liability	2.399.183	1.878.908
<b>Total provision for other risks</b>	<b>28.255.264</b>	<b>22.818.571</b>
	December 31, 2018	December 31, 2017
Provision for agency award Provision for guarantee account	11.163.040	11.338.826
Provision for guarantee account	12.372.453	12.218.858
Provision for employee bonus	25.000.000	19.000.000
Provision for sliding scale commission (Note 10)	3.966.136	--
Provision for traffic pool	9.417.559	3.843.808
Provision for excess of claim contract substitution premium	692.213	733.286
Provision for bank expense	2.467.206	--
Provision for reinsurance activities	4.829.924	29
Provision for tax assessment	4.007.764	3.678.791
<b>Prepaid income and expense accruals</b>	<b>73.916.295</b>	<b>50.813.598</b>

The movements of provision for employee termination benefits during the period are presented below:

	December 31, 2018	December 31, 2017
Provision for employee termination benefits at the beginning of the period	20.939.663	17.363.526
Interest cost (Note 47)	2.408.061	1.859.469
Service cost (Note 47)	1.797.332	1.507.021
Payments made during the period (Note 47)	(1.563.952)	(1.875.629)
Actuarial difference (Note 47)	2.274.977	2.085.276
<b>Provision for employee termination benefits at the end of the period</b>	<b>25.856.081</b>	<b>20.939.663</b>

### 24 Net insurance premium

Net insurance premium revenue is presented in detailed in the accompanying unconsolidated statement of income.

### 25 Fee revenue

None.

### 26 Investment income

Investment income is presented in "Note 4.2 - Financial Risk Management".

### 27 Net income accrual on financial assets

Net realized gains on financial assets are presented in "Note 4.2 - Financial Risk Management".

### 28 Assets held at fair value through profit or loss

Presented in "Note 4.2 - Financial Risk Management".

### 29 Insurance rights and claims

	January 1 - December 31, 2018	January 1 - December 31, 2017
Claims paid, net off reinsurers' share	2.651.722.561	2.152.823.823
Changes in provision for unearned premiums, net off reinsurers' share	203.402.910	(72.814.040)
Changes in provision for outstanding claims, net off reinsurers' share	452.716.010	561.441.497
Change in equalization provisions	36.488.922	31.511.404
Changes in reserve for unexpired risks, net off reinsurers' share	37.209.970	22.416.639
<b>Total</b>	<b>3.381.540.373</b>	<b>2.695.379.323</b>

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**30 Investment contract benefits**

None.

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

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

	January 1 - December 31, 2018	January 1 - December 31, 2017
Commission expenses (Note 17)	577.280.719	556.177.638
<i>Commissions to intermediaries accrued during the period (Note 17)</i>	611.529.782	551.528.809
<i>Change in deferred commission expenses (Note 17)</i>	(34.249.063)	4.648.829
Employee benefit expenses (Note 33)	187.414.737	156.330.645
Administration expenses	139.239.242	106.835.655
Advertising and marketing expenses	18.968.329	21.577.701
Outsourced benefits and services	20.394.581	19.008.661
Commission income from reinsurers (Note 10)	(224.547.295)	(170.817.237)
<i>Commission income from reinsurers accrued during the period (Note 10)</i>	(246.669.308)	(207.894.486)
<i>Change in deferred commission income</i>	22.122.013	37.077.249
Commission expense from reinsurance activities (Note 10)	116.479.375	66.715.678
<i>Commission expense from reinsurance activities</i>	127.915.936	66.798.761
<i>Change in deferred commission expense</i>	(11.436.561)	(83.083)
<b>Total</b>	<b>835.229.688</b>	<b>755.828.741</b>

**33 Employee benefits expenses**

	January 1 - December 31, 2018	January 1 - December 31, 2017
Wages and salaries	139.928.619	117.807.470
Insurance payments	32.643.602	25.664.469
Other	14.842.516	12.858.706
<b>Total</b>	<b>187.414.737</b>	

**34 Financial costs**Finance costs of the period are presented in "Note 4.2 - *Financial Risk Management*" above. There are no finance costs classified in production costs or capitalized on tangible assets. All financial costs are directly recognised as expense in the unconsolidated statement of income.**35 Income tax**

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

	January 1 - December 31, 2018	January 1 - December 31, 2017
<b>Corporate tax expense provision:</b>		
Corporate tax provision	(79.313.444)	(52.636.513)
Previous period corporation tax closure*	7.841.137	7.054.855
<b>Deferred taxes:</b>		
Origination and reversal of temporary differences	(6.651.982)	5.702.299
<b>Total income tax expense recognised in profit or loss</b>	<b>(78.124.289)</b>	<b>(39.879.359)</b>

(\*) The Corporate Tax Provision Closure is presented in the "Provisions Account"

## CONVENIENCE TRANSLATION OF NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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

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

	December 31, 2018		December 31, 2017	
Profit before tax <sup>(*)</sup>	385.698.629	Tax rate (%)	224.075.985	Tax rate (%)
Taxes on income per statutory tax rate	84.853.698	22,00	44.815.197	20,00
Tax exempt income	(7.568.848)	(1,96)	(7.256.991)	(3,24)
Non-deductible expenses	839.439	0,22	134.765	0,06
Other - tax rate change	--	--	2.186.388	0,98
<b>Total tax income recognized in profit or loss</b>	<b>78.124.289</b>	<b>20,26</b>	<b>39.879.359</b>	<b>17,80</b>

<sup>(\*)</sup>The reversal of provision for Corporate Tax amounting to TL 7.841.137 (December 31, 2017: TL 7.054.855) is excluded.

### 36 Net foreign exchange gains

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

### 37 Earnings per share

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

	January 1 - December 31, 2018	January 1 - December 31, 2017
Net profit/(loss) for the period	307.574.340	184.196.626
Weighted average number of shares	50.000.000.000	50.000.000.000
Earnings/loss per share (TL)	0,00615	0,00368

### 38 Dividends per share

Cash dividends amounting to TL 60.000.000 were paid to shareholders during the year of 2018 (December 31, 2017: TL 30.000.000).

### 39 Cash generated from operations

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

### 40 Convertible bonds

None.

### 41 Redeemable preference shares

None.

### 42 Risks

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

As of December 31, 2018, total amount of the claims that the Company face is TL 1.776.535.000 in gross (December 31, 2017: TL 1.485.894.000). The Company provided provision for outstanding claims in the unconsolidated financial statements by considering collateral amounts.

As of December 31, 2018, ongoing law suits prosecuted by the Company against the third parties amounting TL 455.213.000 (December 31, 2017: TL 382.130.000).

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

## ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

**CONVENIENCE TRANSLATION OF NOTES TO THE UNCONSOLIDATED  
FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018**

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

The final legal process which is related the period of 2007 and 2008 is expected to result in the Company's favour and the amount of provision TL 12.768.684 which was published on the Official Gazette dated November 12, 2014. The provision amounting TL 4.007.764 as of December 31, 2018, which is set aside for the period starting from December 2013, will be reevaluated according to the course of the ongoing legal process (December 31, 2017: TL 3.678.791).

**43 Commitments**

The details of the guarantees that are given by the Company for the operations in non-life branches are presented in Note 17.

The future aggregate minimum lease payments under operating leases for properties rented for use of head office and regional offices and motor vehicles rented for sales and marketing departments are as follows:

	December 31, 2018	December 31, 2017
Within one year	6.106.751	9.819.396
Between one to five years	14.906.884	15.967.534
Above 5 years	2.189.072	3.390.162
<b>Total of minimum lease payments</b>	<b>23.202.707</b>	<b>29.177.092</b>

**44 Business combinations**

None.

**45 Related party transactions**

The ultimate controlling party of the Company is İş Bankası Group and the groups having direct control over İş Bankası Group and the affiliates and associates of İş Bankası Group are defined as related parties of the Company.

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

	December 31, 2018	December 31, 2017
İş Bankası - cash at banks	868.695.028	383.020.397
<b>Banks</b>	<b>868.695.028</b>	<b>383.020.397</b>
Bonds issued by Is GYO (Note 11)	--	15.302.769
Investment funds issued by Türkiye İş Bankası A.Ş. (Note 11)	21.287.330	--
Investment funds issued by İş Portföy Yönetimi A.Ş. (Note 11)	274.560.353	475.089.955
Investment funds issued by Türkiye Sınai ve Kalkınma Bankası A.Ş. (Note 11)	52.951.656	--
Investment funds founded by İşbank GmbH (Note 11)	13.234.978	17.439.313
<b>Financial assets</b>	<b>362.034.317</b>	<b>507.832.037</b>
İş Bankası - receivables stem from premiums written via the Bank	197.757.383	134.799.092
İş Bankası - credit card receivables	228.254.098	199.001.941
Maturities less than three months	183.443.339	166.384.069
Maturities more than three months	44.810.759	32.617.872
Receivables stems from premiums written via Şişecam Sigorta Aracılık Hiz. A.Ş.	3.539.765	4.773.567
Anadolu Hayat Emeklilik A.Ş. - premium receivables	87.577	796.230
Milli Reasürans T.A.Ş. - receivables from reinsurance operations	--	277
<b>Receivables from main operations</b>	<b>429.638.823</b>	<b>339.371.107</b>
Milli Reasürans T.A.Ş.- payables from reinsurance operations	23.081.684	12.104.550
İş Bankası - commission payables	8.419.250	3.962.974
Şişecam Sigorta Aracılık Hizmetleri A.Ş. - commission payables	407.838	554.498
<b>Payables from main operations</b>	<b>31.908.772</b>	<b>16.622.022</b>

## CONVENIENCE TRANSLATION OF NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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

No guarantees have been taken against receivables from related parties.

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

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

The Company has accrued TL 82.302.396 premium (December 31, 2017: TL 71.257.116) for related party policies in 2018. The transactions with related parties during the period ended December 31, 2018 and 2017 are as follows:

	January 1 - December 31, 2018	January 1 - December 31, 2017
İş Bankası - premiums written via the Bank	761.904.845	601.172.759
Premiums written via Şişecam Sigorta Aracılık Hizmetleri A.Ş.	18.305.225	17.080.389
Anadolu Hayat Emeklilik A.Ş. - premiums written	4.260.294	242.471
Milli Reasürans T.A.Ş.	33.536	552.278
<b>Premiums written</b>	<b>784.503.900</b>	<b>619.047.897</b>
Milli Reasürans T.A.Ş.	(145.899.615)	(128.809.219)
<b>Premiums written, ceded</b>	<b>(145.899.615)</b>	<b>(128.809.219)</b>
İş Bankası - interest income from deposits	53.655.686	39.277.987
İş Portföy Yönetimi - income from investment funds	55.864.925	9.235.579
İş Gayrimenkul Yatırım Ortaklığı - income from bonds	3.354.000	1.990.500
İş Finansal Kiralama- income from bonds	621.238	--
Türkiye Sınai Kalkınma Bankası A.Ş.- income from bonds	--	169.859
<b>Investment income</b>	<b>113.495.849</b>	<b>50.673.925</b>
Türkiye İş Bankası A.Ş. - commission expense	(75.251.737)	(67.160.770)
Şişecam Sigorta Aracılık Hizmetleri A.Ş. - commission expense	(3.573.459)	(3.389.113)
Milli Reasürans T.A.Ş.- commission expense	32.978.589	29.289.903
<b>Operating expenses, net</b>	<b>(45.846.607)</b>	<b>(41.259.980)</b>
Anadolu Hayat ve Emeklilik A.Ş. -rent income	220.985	(189.356)
<b>Other Income</b>	<b>220.985</b>	<b>(189.356)</b>
İş Merkezleri Yönetim ve İşletim A.Ş. - building service cost	(5.900.277)	(5.418.690)
İş Gayrimenkul Yatırım Ortaklığı A.Ş. - rent expense	(482.868)	--
Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı Vakfı -rent expense	(3.824.513)	(3.381.423)
İş Portföy Yönetimi - management commision	(220.355)	(293.093)
Yatırım Finansman Menkul Değerler - management commision	(1.236.570)	(122.317)
<b>Other Expense</b>	<b>(11.664.583)</b>	<b>(9.215.523)</b>

### 46 Events after the reporting date

Subsequent events are disclosed in Note 1.10 Events after the reporting date.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

**CONVENIENCE TRANSLATION OF NOTES TO THE UNCONSOLIDATED  
FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018**

(Amounts expressed in Turkish Lira ("TL") 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

They are presented in the related notes above.

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

None.

**Subrogation recorded in "Off-Balance Sheet Accounts"**

None.

**Real rights on properties and their values**

None.

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

None.

**Information on other technical expenses items in income statement**

The part of amounting to TL 145.297.383 (December 31, 2017: TL 118.611.498) of other technical expenses in the statement of income amounting to TL 139.447.460 (December 31, 2017: TL 114.260.932) comprised of assistance services and their other technical expenses and cost of postponed.

For the periods ended December 31, 2018 and 2017, details of discount and provision expenses are as follows

Provision expenses	January 1 - December 31, 2018	January 1 - December 31, 2017
Provisions no longer required income/(expense)	8.425.668	7.740.675
Provision expense for unused vacation (Note 23)	(520.275)	(316.958)
Provision expense for employee termination benefits (Note 23)	(2.641.441)	(1.490.861)
Provision expense for doubtful receivables (Note 4.2)	(71.134.325)	(37.954.653)
Other provisions	(5.158.897)	(297.137)
<b>Provisions account</b>	<b>(71.029.270)</b>	<b>(32.318.934)</b>
Rediscount expenses	January 1 - December 31, 2018	January 1 - December 31, 2017
Rediscount income	33.826.670	16.755.442
Rediscount expense	(43.504.104)	(28.658.461)
<b>Total of rediscounts</b>	<b>(9.677.434)</b>	<b>(11.903.019)</b>



## INFORMATION ON CONSOLIDATED SUBSIDIARIES

### ANADOLU HAYAT EMEKLİLİK A.Ş.

Offering service in private pension and life insurance segments, Anadolu Hayat Emeklilik was founded in 1990 as “Turkey’s first life insurance company”. The first and only publicly-traded pension company in Turkey, Anadolu Hayat Emeklilik is the largest company in the sector in terms of total funds attained in life insurance and private pension branches.

A subsidiary of İşbank, Anadolu Hayat Emeklilik’s shares are quoted on the Borsa Istanbul (BIST) Star Market under the symbol (ANHYT).

Headquartered in İstanbul, Anadolu Hayat Emeklilik brings its products to its customers via regional offices in İstanbul (3), Ankara (2), Adana, Antalya, Bursa, Trabzon, İzmir and Kocaeli, and a branch in the Turkish Republic of Northern Cyprus, direct sales force, and nearly 250 agencies.

Anadolu Hayat Emeklilik possesses the most extensive bank insurance network in Turkey. The company uses the branches in its bank insurance network, mainly the branches of İşbank, as a fundamental element of its service delivery.

Controlling a 9% share of the market with a premium production of TL 639 million in the life insurance branch, Anadolu Hayat Emeklilik retained its leadership by a large margin with total life insurance funds in excess of TL 1.7 billion.

According to the Pension Monitoring Center (PMC) data dated 28 December 2018, Anadolu Hayat Emeklilik achieved 12% growth in total funds (excluding auto-enrollment, including state contribution) in the twelve months to year-end 2018. Having reached TL 16,379 million in total funds including state contribution funds and 1,113,878 people in the number of participants, Anadolu Hayat Emeklilik is a leading player in the sector with respective market shares of 18.6% and 16.6% in total funds including state contribution funds and number of participants.

Total unconsolidated assets of Anadolu Hayat Emeklilik were up 13% year-to-year and reached TL 20,222 million at year-end 2018. Posting TL 322 million in net profit, the company successfully completed yet another year in terms of sustainable profitability.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

**CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018  
TOGETHER WITH THE INDEPENDENT AUDITOR'S REVIEW REPORT**

# INDEPENDENT AUDITOR'S REPORT



**Güney Bağımsız Denetim ve  
SMMM A.Ş.**  
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Mersis No: 0-4350-3032-6000017

(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

To the Shareholders of Anadolu Anonim Türk Sigorta Şirketi

## A) Report on the Audit of the Consolidated Financial Statements

### 1) Opinion

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

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

### 2) Basis for Opinion

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

## INDEPENDENT AUDITOR'S REPORT

### 3) Key Audit Matters

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

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><b>Estimates and assumptions used in calculation of insurance contract liabilities</b></p> <p>As of December 31, 2018, the Company has insurance liabilities of TL 5.184.580.622 representing 68% of the Company's total liabilities. The Company made net provision of TL 3.057.402.368 for the future outstanding claims for insurance contracts. In the calculation of Incurred But Not Reported (IBNR) claims provisions (net amount of TL 1.603.007.807) which is accounted under the outstanding claims reserves, the Company Management has used the actuarial assumptions and estimates detailed in note 2 and 17. Uncertainty of estimation and management judgment containing, IBNR calculations has been considered as a key audit matter.</p>	<p>We have performed the audit procedures related the actuarial assumptions which disclosed in the Note 2 and 17 together with the actuary auditor who is part of our audit team. These procedures are primarily intended to assess whether the estimates and methods that used in the calculation of the outstanding claims reserve by the Company are appropriate. In this context, we have performed the audit procedures related to the recording the Company's incurred outstanding claims; performed the analytical review the incurred case files which selected randomly; obtained the signed lawyer letter from the Company's attorney for litigated case files; assessed the average claim amount and opening claim amounts determined by the Company's actuary; have performed the audit procedures related to the completeness of the data used in the correct calculation of insurance contract liabilities; assessed the convenience of the IBNR calculation method used by the Company for each line of businesses both the relevant claim characteristics and the Company's claim history; performed the recalculation procedure on the amount of IBNR calculated by the Company; reviewed the claim analyzes made by the Company's actuary and questioned these analyzes in terms of suitability and consistency of both legislation and Company past experience; assessed whether the explanation in the notes of the consolidated financial statements are sufficient.</p>

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

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

In preparing the consolidated 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 Consolidated Financial Statements

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

BDS'lere uygun olarak yürütülen bir bağımsız denetimin gereği olarak, bağımsız denetim boyunca mesleki muhakememizi kullanmakta ve mesleki şüpheciligimizi sürdürmekteyiz. Tarafımızca ayrıca:

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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


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

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

## B) Report on Other Legal and Regulatory Requirements

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on February 1, 2019.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2018 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Seda Akkuş Tecer.

Genel Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited  
  
Seda Akkuş Tecer, SMMM  
Partner

February 1, 2019  
İstanbul, Turkey

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

## CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS OF DECEMBER 31, 2018

We confirm that the consolidated financial statements and related disclosures and notes for the as at December 31, 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 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.

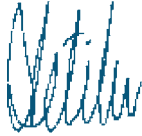
İstanbul, February 1, 2019



İlhami KOÇ  
Chief Executive Officer



Fatih GÖREN  
Executive Vice President of Finance



Murat TETİK  
Accounting Reporting Manager



Taylan MATKAP  
Actuary

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## ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

# CONSOLIDATED BALANCE SHEET

## AS AT DECEMBER 31, 2018

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

ASSETS			
	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>I- Current Assets</b>			
<b>A- Cash and Cash Equivalents</b>			
1- Cash	14	50.393	62.857
2- Cheques Received		--	--
3- Banks	14	3.622.011.617	3.105.334.647
4- Cheques Given and Payment Orders	14	(79.251)	(87.620)
5- Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months	14	451.595.523	399.367.075
6- Other Cash and Cash Equivalents		--	--
<b>B- Financial Assets and Financial Investments with Risks on Policyholders</b>			
1- Available-for-Sale Financial Assets	11	1.027.605.968	1.103.520.340
2- Held to Maturity Investments	11	848.053.222	755.985.190
3- Financial Assets Held for Trading	11	179.552.746	347.535.150
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- Impairment in Value of Financial Investments		--	--
<b>C- Receivables from Main Operations</b>			
1- Receivables from Insurance Operations	12	1.537.481.807	1.178.955.084
2- Provision for Receivables from Insurance Operations	12	1.312.946.060	1.074.438.568
3- Receivables from Reinsurance Operations	2,21,12	(16.172.744)	(8.337.019)
4- Provision for Receivables from Reinsurance Operations	12	178.909.631	83.203.501
5- Cash Deposited to Insurance and Reinsurance Companies	12	61.798.860	29.650.034
6- Loans to the Policyholders		--	--
7- Provision for Loans to the Policyholders		--	--
8- Receivables from Individual Pension Operations		--	--
9- Doubtful Receivables from Main Operations	12	296.775.530	226.225.736
10- Provision for Doubtful Receivables from Main Operations	12	(296.775.530)	(226.225.736)
<b>D- Due from Related Parties</b>			
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		--	--
<b>E- Other Receivables</b>			
1- Finance Lease Receivables	12	27.284.163	19.018.462
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given		5.838	15.198
4- Other Miscellaneous Receivables		27.278.325	19.003.264
5- Rediscount on Other Miscellaneous Receivables		--	--
6- Other Doubtful Receivables		--	--
7- Provision for Other Doubtful Receivables		--	--
<b>F- Prepaid Expenses and Income Accruals</b>			
1- Prepaid Expenses	17	446.034.042	339.189.524
2- Accrued Interest and Rent Income		366.819.267	319.260.853
3- Income Accruals	12	79.214.775	19.928.671
4- Other Prepaid Expenses		--	--
<b>G- Other Current Assets</b>			
1- Stocks to be Used in the Following Months		40.471.523	1.170.397
2- Prepaid Taxes and Funds	19	1.144.629	676.756
3- Deferred Tax Assets		38.869.531	--
4- Job Advances	4,2,12	--	--
5- Advances Given to Personnel		457.363	493.641
6- Inventory Count Differences		--	--
7- Other Miscellaneous Current Assets		--	--
8- Provision for Other Current Assets		--	--
<b>I- Current Assets</b>		<b>7.152.455.785</b>	<b>6.146.530.766</b>

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



ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ  
**CONSOLIDATED BALANCE SHEET**  
**AS AT DECEMBER 31, 2018**

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

ASSETS			
	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>II- Non-Current Assets</b>			
<b>A- Receivables from Main Operations</b>			
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>B- Due from Related Parties</b>			
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- Rediscout on Receivables from Related Parties		--	--
8- Doubtful Receivables from Related Parties		--	--
9- Provision for Doubtful Receivables from Related Parties		--	--
<b>C- Other Receivables</b>			
1- Finance Lease Receivables	12	1.627.433	2.205.704
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given		332.552	320.795
4- Other Miscellaneous Receivables		1.419.890	2.129.835
5- Rediscout on Other Miscellaneous Receivables		(125.009)	(244.926)
6- Other Doubtful Receivables		--	--
7- Provision for Other Doubtful Receivables		--	--
<b>D- Financial Assets</b>			
1- Investments in Equity Shares	9	189.816.218	186.824.586
2- Investments in Associates	9	189.816.218	186.824.586
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		--	--
<b>E- Tangible Assets</b>			
1- Investment Properties	6,7	63.680.000	64.215.000
2- Impairment for Investment Properties		--	--
3- Owner Occupied Property	6	14.956.000	13.395.000
4- Machinery and Equipment	6	80.830.314	56.957.217
5- Furniture and Fixtures	6	14.507.592	13.993.498
6- Motor Vehicles	6	1.777.765	290.580
7- Other Tangible Assets (Including Leasehold Improvements)	6	26.004.573	23.486.838
8- Tangible Assets Acquired Through Finance Leases	6	3.858.074	3.858.074
9- Accumulated Depreciation	6	(85.688.651)	(72.314.548)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		--	--
<b>F- Intangible Assets</b>			
1- Rights	8	72.803.483	61.493.001
2- Goodwill	8	16.250.000	16.250.000
3- Pre-operating Expenses		--	--
4- Research and Development Costs		--	--
5- Other Intangible Assets	8	141.722.051	120.578.666
6- Accumulated Amortization	8	(113.739.685)	(100.337.251)
7- Advances Paid for Intangible Assets	8	28.571.117	25.001.586
<b>G- Prepaid Expenses and Income Accruals</b>			
1- Prepaid Expenses	17	9.445.638	6.639.202
2- Income Accruals	17	9.445.638	6.639.202
3- Other Prepaid Expenses and Income Accruals		--	--
<b>H- Other Non-Current Assets</b>			
1- Effective Foreign Currency Accounts	21	30.913.525	21.844.260
2- Foreign Currency Accounts		--	--
3- Stocks to be Used in the Following Years		--	--
4- Prepaid Taxes and Funds		--	--
5- Deferred Tax Assets	21	30.913.525	21.844.260
6- Other Miscellaneous Non-Current Assets		--	--
7- Amortization on Other Non-Current Assets		--	--
8- Provision for Other Non-Current Assets		--	--
<b>II- Total Non-Current Assets</b>		<b>424.531.964</b>	<b>382.888.412</b>
<b>TOTAL ASSETS</b>		<b>7.576.987.749</b>	<b>6.529.419.178</b>

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

## ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

# CONSOLIDATED BALANCE SHEET

## AS AT DECEMBER 31, 2018

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

LIABILITIES			
	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>III- Short-Term Liabilities</b>			
<b>A- Financial Liabilities</b>	<b>20</b>	<b>53.578.314</b>	<b>110.802.339</b>
1- Loans to Financial Institutions		--	--
2- Finance Lease Liabilities		--	--
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	20	53.578.314	110.802.339
<b>B- Payables Arising from Main Operations</b>	<b>19</b>	<b>652.398.576</b>	<b>492.116.005</b>
1- Payables Due to Insurance Operations	19	434.090.965	311.777.242
2- Payables Due to Reinsurance Operations	19	5.179.090	--
3- Cash Deposited by Insurance and Reinsurance Companies	10,19	8.527.925	8.573.616
4- Payables Due to Individual Pension Operations		--	--
5- Payables Due to Other Main Operations	19	210.877.517	171.765.147
6- Rediscount on Payables from Other Main Operations		(6.276.921)	--
<b>C- Due to Related Parties</b>	<b>19</b>	<b>261.029</b>	<b>256.510</b>
1- Due to Shareholders		8.081	--
2- Due to Associates		38.024	36.133
3- Due to Subsidiaries		--	--
4- Due to Joint Ventures		--	--
5- Due to Personnel		214.924	220.377
6- Due to Other Related Parties		--	--
<b>D- Other Payables</b>	<b>19</b>	<b>95.240.548</b>	<b>113.563.202</b>
1- Deposits and Guarantees Received		9.454.992	6.282.082
2- Medical Treatment Payables to Social Security Institution		32.118.883	31.604.313
3- Other Miscellaneous Payables		54.917.816	76.358.577
4- Discount on Other Miscellaneous Payables		(1.251.143)	(681.770)
<b>E- Insurance Technical Provisions</b>	<b>17</b>	<b>5.000.323.117</b>	<b>4.307.802.432</b>
1- Reserve for Unearned Premiums - Net	17	1.882.729.609	1.680.134.904
2- Reserve for Unexpired Risks - Net	2,26,17	60.191.140	22.981.170
3- Mathematical Provisions - Net		--	--
4- Provision for Outstanding Claims - Net	4,1, 17	3.057.402.368	2.604.686.358
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net		--	--
<b>F- Provisions for Taxes and Other Similar Obligations</b>	<b>19</b>	<b>51.729.635</b>	<b>50.750.268</b>
1- Taxes and Funds Payable		47.639.759	39.563.475
2- Social Security Premiums Payable		4.089.876	3.464.617
3- Overdue, Deferred or By Instalment Taxes and Other Liabilities		--	--
4- Other Taxes and Similar Payables		--	--
5- Corporate Tax Payable	35	79.313.444	52.636.513
6- Prepaid Taxes and Other Liabilities Regarding Current Period Income	19	(79.313.444)	(44.914.337)
7- Provisions for Other Taxes and Similar Liabilities		--	--
<b>G- Provisions for Other Risks</b>		--	--
1- Provision for Employee Termination Benefits		--	--
2- Provision for Pension Fund Deficits		--	--
3- Provisions for Costs		--	--
<b>H- Deferred Income and Expense Accruals</b>		<b>191.781.489</b>	<b>146.541.875</b>
1- Deferred Income	19	117.840.030	95.718.017
2- Expense Accruals	23	73.916.295	50.813.598
3- Other Deferred Income and Expense Accruals		25.164	10.260
<b>I- Other Short-Term Liabilities</b>	<b>23</b>	<b>2.399.183</b>	<b>1.878.908</b>
1- Deferred Tax Liabilities		--	--
2- Inventory Count Differences		--	--
3- Other Various Short-Term Liabilities	23	2.399.183	1.878.908
<b>III - Total Short-Term Liabilities</b>		<b>6.047.711.891</b>	<b>5.223.711.539</b>

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ  
**CONSOLIDATED BALANCE SHEET**  
**AS AT DECEMBER 31, 2018**

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

LIABILITIES			
	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>IV- Long-Term Liabilities</b>			
<b>A- Financial Liabilities</b>			
1- Loans to Financial Institutions		--	--
2- Finance Lease Liabilities		--	--
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>B- Payables Arising from Main Operations</b>			
1- Payables Due to Insurance Operations		--	--
2- Payables Due to Reinsurance Operations		--	--
3- Cash Deposited by Insurance and Reinsurance Companies		--	--
4- Payables Due to Individual Pension Operations		--	--
5- Payables Due to Other Operations		--	--
6- Rediscount on Payables from Other Operations		--	--
<b>C- Due to Related Parties</b>			
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		--	--
<b>D- Other Payables</b>			
1- Deposits and Guarantees Received		--	--
2- Medical Treatment Payables to Social Security Institution		--	--
3- Other Miscellaneous Payables		--	--
4- Discount on Other Miscellaneous Payables		--	--
<b>E-Insurance Technical Provisions</b>	<b>17</b>	<b>184.257.505</b>	<b>148.641.970</b>
1- Reserve for Unearned Premiums - Net	17	808.205	--
2- Reserve for Unexpired Risks - Net		--	--
3- Mathematical Provisions - Net		--	--
4- Provision for Outstanding Claims - Net		--	--
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net	17	183.449.300	148.641.970
<b>F-Other Liabilities and Relevant Accruals</b>			
1- Other Liabilities		--	--
2- Overdue, Deferred or By Instalment Taxes and Other Liabilities		--	--
3- Other Liabilities and Expense Accruals		--	--
<b>G- Provisions for Other Risks</b>	<b>23</b>	<b>25.856.081</b>	<b>20.939.663</b>
1- Provision for Employee Termination Benefits	23	25.856.081	20.939.663
2- Provision for Pension Fund Deficits		--	--
<b>H-Deferred Income and Expense Accruals</b>			
1- Deferred Income		--	--
2- Expense Accruals		--	--
3- Other Deferred Income and Expense Accruals		--	--
<b>I- Other Long-Term Liabilities</b>			
1- Deferred Tax Liabilities		--	--
2- Other Long-Term Liabilities		--	--
<b>IV- Total Long-Term Liabilities</b>		<b>210.113.586</b>	<b>169.581.633</b>

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ  
**CONSOLIDATED EQUITY**  
**AS AT DECEMBER 31, 2018**

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

EQUITY			
	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>V- Equity</b>			
<b>A- Paid in Capital</b>			
1- (Nominal) Capital	2.13,15	500.000.000	500.000.000
2- Unpaid Capital		--	--
3- Positive Capital Restatement Differences		--	--
4- Negative Capital Restatement Differences		--	--
5- Register in Progress Capital		--	--
<b>B- Capital Reserves</b>			
1- Share Premiums	15	31.686.857	29.388.073
2- Cancellation Profits of Equity Shares		--	--
3- Profit on Asset Sales That Will Be Transferred to Capital		838.049	--
4- Currency Translation Adjustments		--	--
5- Other Capital Reserves	15	30.848.808	29.388.073
<b>C- Profit Reserves</b>			
1- Legal Reserves	15	87.080.174	68.264.694
2- Statutory Reserves	15	40.734.515	25.840.740
3- Extraordinary Reserves	15	264.671.937	163.166.541
4- Special Funds		--	--
5- Revaluation of Financial Assets	15	(48.003.535)	32.328.394
6- Other Profit Reserves	15	38.165.826	40.571.481
<b>D- Retained Earnings</b>			
1- Retained Earnings		80.319.522	75.051.095
<b>E- Accumulated Losses</b>			
1- Accumulated Losses		--	--
<b>F-Net Profit/(Loss) for the Period</b>			
1- Net Profit for the Period		324.506.976	201.514.988
2- Net Loss for the Period		321.802.879	201.514.988
3- Net Profit not Subject to Distribution	15	--	--
<b>V- Total Equity</b>		<b>1.319.162.272</b>	<b>1.136.126.006</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7.576.987.749</b>	<b>6.529.419.178</b>

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

## CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED DECEMBER 31, 2018

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

	Note	Audited Current Period January 1 - December 31, 2018	Audited Prior Period January 1 - December 31, 2017
<b>I- TECHNICAL SECTION</b>			
<b>A- Non-Life Technical Income</b>			
1- Earned Premiums (Net of Reinsurer Share)		4.623.522.012	3.912.846.125
1.1- Written Premiums (Net of Reinsurer Share)	17	3.819.783.245	3.272.986.725
1.1.1- Written Premiums, gross	17	5.701.355.416	4.671.409.652
1.1.2- Written Premiums, ceded	10,17	(1.761.121.334)	(1.289.191.554)
1.1.3- Premiums Transferred to Social Security Institutions	17	(120.450.837)	(109.231.373)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(203.402.910)	72.814.040
1.2.1- Reserve for Unearned Premiums, gross	17	(391.909.812)	(121.582.813)
1.2.2- Reserve for Unearned Premiums, ceded	17	183.712.411	210.638.839
1.2.3- Reserve for Unearned Premiums, Social Security Institution Share		4.794.491	(16.241.986)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(37.209.970)	(22.416.639)
1.3.1- Reserve for Unexpired Risks, gross	17	(54.695.553)	(43.066.356)
1.3.2- Reserve for Unexpired Risks, ceded	17	17.485.583	20.649.717
2- Investment Income - Transferred from Non-Technical Section		965.879.045	542.114.497
3- Other Technical Income (Net of Reinsurer Share)		7.769.848	6.605.545
3.1- Other Technical Income, gross		7.769.848	6.605.545
3.2- Other Technical Income, ceded		--	--
4- Accrued Salvage and Subrogation Income		70.702.754	40.741.957
<b>B - Non-Life Technical Expense</b>		<b>(4.121.454.564)</b>	<b>(3.620.216.963)</b>
1- Incurred Losses (Net of Reinsurer Share)	17	(3.104.438.571)	(2.714.265.320)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(2.651.722.561)	(2.152.823.823)
1.1.1- Claims Paid, gross	17	(3.373.958.907)	(2.755.951.134)
1.1.2- Claims Paid, ceded	10,17	722.236.346	603.127.311
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(452.716.010)	(561.441.497)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(1.093.890.088)	(715.185.940)
1.2.2- Change in Provisions for Outstanding Claims, ceded	17	641.174.078	153.744.443
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)	17,29	(36.488.922)	(31.511.404)
4- Operating Expenses	32	(835.229.688)	(755.828.741)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
5.1- Change in Mathematical Provisions, gross		--	--
5.2- Change in Mathematical Provisions, ceded		--	--
6- Change in Other Technical Provisions (Net of Reinsurer and Less the Amounts Carried Forward)	47	(145.297.383)	(118.611.498)
6.1- Change in Other Technical Provisions, gross		(149.998.088)	(121.529.377)
6.2- Change in Other Technical Provisions, ceded		4.700.705	2.917.879
<b>C- Net Technical Income-Non-Life (A - B)</b>		<b>502.067.448</b>	<b>292.629.162</b>
<b>D- Life Technical Income</b>			
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 Share 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 Income, gross		--	--
4.2- Other Technical Income, ceded		--	--
5- Accrued Salvage Income		--	--

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

## ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE PERIOD ENDED DECEMBER 31, 2018**

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

	Note	Audited Current Period January 1 - December 31, 2018	Audited Prior Period January 1 - December 31, 2017
<b>I- TECHNICAL SECTION</b>			
<b>E- Life Technical Expense</b>			
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 Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
3.1- Change in Mathematical Provisions, gross		--	--
3.1.1- Change in Actuarial Mathematical Provisions, gross		--	--
3.1.2- Change in Profit Share Provisions (Provision for Financial Investments with Risks on Saving Life Policyholders), gross		--	--
3.2- Change in Mathematical Provisions, ceded		--	--
3.2.1- Change in Actuarial Mathematical Provisions, ceded		--	--
3.2.2- Change in Profit Share Provisions (Provision for Financial Investments with Risks on Saving Life Policyholders), ceded		--	--
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		--	--
<b>F- Net Technical Income- Life (D - E)</b>		--	--
<b>G- Pension Business Technical Income</b>			
1- Fund Management Income		--	--
2- Management Fee		--	--
3- Entrance Fee Income		--	--
4- Management Expense Charge in case of Suspension		--	--
5- Income from Private Service Charges		--	--
6- Increase in Value of Capital Allowances Given as Advance		--	--
7- Other Technical Expense		--	--
<b>H- Pension Business Technical Expense</b>			
1- Fund Management Expense		--	--
2- Decrease in Value of Capital Allowances Given as Advance		--	--
3- Operating Expenses		--	--
4- Other Technical Expenses		--	--
<b>I- Net Technical Income - Pension Business (G - H)</b>		--	--

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

## CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED DECEMBER 31, 2018

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

	Note	Audited Current Period January 1 - December 31, 2018	Audited Prior Period January 1 - December 31, 2017
<b>II-NON-TECHNICAL SECTION</b>			
<b>C- Net Technical Income - Non-Life (A-B)</b>		<b>502.067.448</b>	<b>292.629.162</b>
<b>F- Net Technical Income - Life (D-E)</b>		--	--
<b>I - Net Technical Income - Pension Business (G-H)</b>		--	--
<b>J- Total Net Technical Income (C+F+I)</b>		<b>502.067.448</b>	<b>292.629.162</b>
<b>K- Investment Income</b>		<b>1.525.837.147</b>	<b>877.126.299</b>
1- Income from Financial Assets	4.2	278.146.888	228.602.158
2- Income from Disposal of Financial Assets	4.2	83.432.848	26.473.764
3- Valuation of Financial Assets	4.2	52.449.578	52.102.926
4- Foreign Exchange Gains	4.2	761.764.376	430.645.835
5- Income from Associates	4.2,9	50.932.636	45.318.362
6- Income from Subsidiaries and Joint Ventures		--	--
7- Income from Property, Plant and Equipment		1.653.795	3.867.125
8- Income from Derivative Transactions	4.2	297.457.026	90.116.129
9- Other Investments		--	--
10- Income Transferred from Life Section		--	--
<b>L- Investment Expense</b>		<b>(1.537.912.077)</b>	<b>(879.645.731)</b>
1- Investment Management Expenses (incl. interest)	4.2	(1.501.015)	(385.326)
2- Impairment in Value of Investments	4.2	(8.864.845)	(1.118.002)
3- Loss from Disposal of Financial Assets	4.2	(35.681.424)	(16.137.959)
4- Investment Income Transferred to Non-Life Technical Section		(965.879.045)	(542.114.497)
5- Loss from Derivative Transactions	4.2	(66.177.031)	(179.274.294)
6- Foreign Exchange Losses	4.2	(430.648.372)	(112.534.636)
7- Depreciation and Amortization Expenses	6,8	(29.160.345)	(28.081.017)
8- Other Investment Expenses		--	--
<b>M- Income and Expenses From Other and Extraordinary Operations</b>		<b>(86.172.098)</b>	<b>(35.958.229)</b>
1- Provisions	47	(71.029.270)	(32.318.934)
2- Rediscounts	47	(9.677.434)	(11.903.019)
3- Specified Insurance Accounts		--	--
4- Monetary Gains and Losses		--	--
5- Deferred Taxation (Deferred Tax Assets)	35	--	5.702.299
6- Deferred Taxation (Deferred Tax Liabilities)	35	(6.651.982)	--
7- Other Income		1.634.898	2.771.738
8- Other Expenses and Losses		(448.310)	(210.313)
9- Prior Year's Income		--	--
10- Prior Year's Expenses and Losses		--	--
<b>N- Net Profit for the Period</b>		<b>324.506.976</b>	<b>201.514.988</b>
1- Profit for the Period		403.820.420	254.151.501
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(79.313.444)	(52.636.513)
3- Net Profit for the Period		324.506.976	201.514.988
4- Inflation Adjustment Account		--	--

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

## ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED DECEMBER 31, 2018**

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

**Audited Consolidated Statement of Changes in Equity - December 31, 2017**

	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	Currency Translation Adjustment
<b>I- Balance at the end of the previous year</b>						
December 31, 2016		500.000.000	--	32.954.142	--	--
<b>II- Change in Accounting Standards</b>		--	--	--	--	--
<b>III- Restated balances (I+II)</b>						
(January 1, 2017)		500.000.000	--	32.954.142	--	--
A- Capital increase (A1+A2)		--	--	--	--	--
1- In cash		--	--	--	--	--
2- From reserves		--	--	--	--	--
B- Purchase of own shares		--	--	--	--	--
C- Gains or losses that are not included in the statement of incomes		--	--	--	--	--
D- Change in the value of financial assets	11,15	--	--	(625.748)	--	--
E- Currency translation adjustments		--	--	--	--	--
F- Other gains or losses		--	--	--	--	--
G- Inflation adjustment differences		--	--	--	--	--
H- Net profit for the period		--	--	--	--	--
I- Dividends paid		--	--	--	--	--
J- Transfers to reserves	15	--	--	--	--	--
<b>IV- Balance at the end of the period -</b>						
December 31, 2017		500.000.000	--	32.328.394	--	--

**Audited Consolidated Statement of Changes in Equity - December 31, 2018**

	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	Currency Translation Adjustment
<b>I- Balance at the end of the previous year</b>						
December 31, 2017		500.000.000	--	32.328.394	--	--
<b>II- Change in Accounting Standards</b>		--	--	--	--	--
<b>III- Restated balances (I+II)</b>						
(January 1, 2018)		500.000.000	--	32.328.394	--	--
A- Capital increase (A1+A2)		--	--	--	--	--
1- In cash		--	--	--	--	--
2- From reserves		--	--	--	--	--
B- Purchase of own shares		--	--	--	--	--
C- Gains or losses that are not included in the statement of incomes		--	--	--	--	--
D- Change in the value of financial assets	11,15	--	--	(80.331.929)	--	--
E- Currency translation adjustments		--	--	--	--	--
F- Other gains or losses		--	--	--	--	--
G- Inflation adjustment differences		--	--	--	--	--
H- Net profit for the period		--	--	--	--	--
I- Dividends paid	2,23	--	--	--	--	--
J- Transfers to reserves	15	--	--	--	--	--
<b>IV- Balance at the end of the period -</b>						
December 31, 2018		500.000.000	--	(48.003.535)	--	--

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



Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Year	Retained Earnings	Total
58.683.773	17.811.508	186.594.834	102.118.697	70.926.240	969.089.194
--	--	--	--	--	--
58.683.773	17.811.508	186.594.834	102.118.697	70.926.240	969.089.194
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	(2.014.548)	--	--	(2.014.548)
--	--	172.018	--	--	(453.730)
--	--	--	--	--	--
--	--	--	21.432	--	21.432
--	--	--	--	--	--
--	--	--	201.514.988	--	201.514.988
--	--	--	(32.031.330)	--	(32.031.330)
9.580.921	8.029.232	48.373.791	(70.108.799)	4.124.955	--
68.264.694	25.840.740	233.126.095	201.514.988	75.051.095	1.136.126.006

Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Year	Retained Earnings	Total
68.264.694	25.840.740	233.126.095	201.514.988	75.051.095	1.136.126.006
--	--	--	--	--	--
68.264.694	25.840.740	233.126.095	201.514.988	75.051.095	1.136.126.006
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	(359.246)	4.000.000	--	3.640.754
--	--	--	--	--	(80.331.929)
--	--	--	--	--	--
--	--	--	(696.380)	--	(696.380)
--	--	--	--	--	--
--	--	--	324.506.976	--	324.506.976
--	--	--	(64.083.155)	--	(64.083.155)
18.815.480	14.893.775	101.757.771	(140.735.453)	5.268.427	--
87.080.174	40.734.515	334.524.620	324.506.976	80.319.522	1.319.162.272

## ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED DECEMBER 31, 2018**

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

	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>A- Cash flows from operating activities</b>			
1- Cash provided from insurance activities		6.213.680.727	5.165.018.373
2- Cash provided from reinsurance activities		--	--
3- Cash provided from individual pension business		--	--
4- Cash used in insurance activities		(6.221.867.613)	(4.966.891.348)
5- Cash used in reinsurance activities		(127.854.956)	(40.078.614)
6- Cash used in individual pension business		--	--
<b>7- Cash provided by operating activities</b>		<b>(136.041.842)</b>	<b>158.048.411</b>
8- Interest paid		--	--
9- Income taxes paid	19	(125.905.151)	(32.473.242)
10- Other cash inflows		13.915.821	7.838.695
11- Other cash outflows		(49.633.999)	(39.799.131)
<b>12- Net cash provided by operating activities</b>		<b>(297.665.171)</b>	<b>93.614.733</b>
<b>B- Cash flows from investing activities</b>			
1- Proceeds from disposal of tangible assets		530.968	400.469
2- Acquisition of tangible assets	6, 8	(55.588.008)	(35.515.713)
3- Acquisition of financial assets	11	(2.033.280.351)	(909.864.560)
4- Proceeds from disposal of financial assets		2.016.042.953	601.168.745
5- Interests received		355.541.482	247.825.764
6- Dividends received		34.000.000	28.000.000
7- Other cash inflows		1.059.316.239	508.056.272
8- Other cash outflows		(1.285.211.332)	(269.463.796)
<b>9- Net cash provided by investing activities</b>		<b>91.351.951</b>	<b>170.607.181</b>
<b>C- Cash flows from financing activities</b>			
1- Equity shares issued		--	--
2- Cash provided from loans and borrowings		--	--
3- Finance lease payments		--	--
4- Dividends paid	2.23	(64.083.155)	(32.031.330)
5- Other cash inflows		--	--
6- Other cash outflows		--	--
<b>7- Net cash used in financing activities</b>		<b>(64.083.155)</b>	<b>(32.031.330)</b>
<b>D- Effect of exchange rate fluctuations on cash and cash equivalents</b>		<b>1.558.957</b>	<b>16.572.817</b>
<b>E- Net increase in cash and cash equivalents</b>		<b>(268.837.418)</b>	<b>248.763.401</b>
<b>F- Cash and cash equivalents at the beginning of the year</b>		<b>2.121.236.256</b>	<b>1.872.472.855</b>
<b>G- Cash and cash equivalents at the end of the year</b>	<b>14</b>	<b>1.852.398.838</b>	<b>2.121.236.256</b>

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

## CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR YEAR ENDED DECEMBER 31, 2018

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

	Note	Audited Current Period December 31, 2018 <sup>(*)</sup>	Audited Prior Period December 31, 2017 <sup>(***)</sup>
<b>I. PROFIT DISTRIBUTION</b>			
1.1. CURRENT YEAR PROFIT <sup>(*)</sup>		407.616.323	258.151.501
1.2. TAX AND FUNDS PAYABLE		(79.313.444)	(52.636.513)
1.2.1. Corporate Income Tax (Income Tax)	35	(79.313.444)	(52.636.513)
1.2.2. Income tax deduction		--	--
1.2.3. Other taxes and Duties		--	--
<b>A NET PROFIT (1.1 - 1.2)</b>		<b>328.302.879</b>	<b>205.514.988</b>
1.3. PREVIOUS PERIOD LOSSES (-)		--	--
1.4. FIRST LEGAL RESERVE		15.568.512	9.409.831
1.5. STATUTORY FUND (-)		--	--
<b>B. NET PROFIT DISTRIBUTION [(A-(1.3 + 1.4 + 1.5))]</b>		<b>312.734.367</b>	<b>196.105.157</b>
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		--	60.000.000
1.6.1. Holders of shares		--	60.000.000
1.6.2. Holders of Preferred shares		--	--
1.6.3. Holders of Redeemed shares		--	--
1.6.4. Holders of Participation Bond		--	--
1.6.5. Holders of Profit and Loss sharing certificate		--	--
1.7. DIVIDEND TO PERSONNEL (-)		--	4.083.154
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)		--	--
1.9.1. Holders of shares		--	--
1.9.2. Holders of Preferred shares		--	--
1.9.3. Holders of Redeemed shares		--	--
1.9.4. Holders of Participation Bond		--	--
1.9.5. Holders of Profit and Loss sharing certificate		--	--
1.10. SECOND LEGAL RESERVE (-)		--	3.908.316
1.11. STATUTORY RESERVES (-)		--	11.470.364
1.12. EXTRAORDINARY RESERVES		--	116.643.323
1.13. OTHER RESERVES		--	--
1.14. SPECIAL FUNDS		--	--
<b>II. DISTRIBUTION OF RESERVES</b>			
2.1. DISTRIBUTION OF RESERVES		--	--
2.2. SECOND LEGAL RESERVES (-)		--	--
2.3. COMMON SHARES (-)		--	--
2.3.1. Holders of shares		--	--
2.3.2. Holders of Preferred shares		--	--
2.3.3. Holders of Redeemed shares		--	--
2.3.4. Holders of Participation Bond		--	--
2.3.5. Holders of Profit and Loss sharing certificate		--	--
2.4. DIVIDENDS TO PERSONNEL (-)		--	--
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
<b>III. PROFIT PER SHARE</b>			
3.1. HOLDERS OF SHARES <sup>(****)</sup>		0,00649	0,00403
3.2. HOLDERS OF SHARES (%)		0,649	0,403
3.3. HOLDERS OF PREFERRED SHARES		--	--
3.4. HOLDERS OF PREFERRED SHARES (%)		--	--
<b>IV. DIVIDEND PER SHARE</b>			
4.1. HOLDERS OF SHARES		--	0,0012
4.2. HOLDERS OF SHARES (%)		--	0,12
4.3. HOLDERS OF PREFERRED SHARES		--	--
4.4. HOLDERS OF PREFERRED SHARES (%)		--	--

<sup>(\*)</sup> According to the Law no. 13 of the Profit Share Annunciation which was announced in Capital Markets Board of Turkey's weekly bulletin numbered 2014/2, which was then published in the official gazette on 23 January 2014, the profit shares have been distributed based on consolidated profit. Dividend to be paid to the personnel amounting to TL 6.500.000, which has made provision in accordance with TAS 19, has been added to the profit however, non-distributed profit that is amounting to TL 2.704.097, has been excluded for the period as of December 31, 2018.

<sup>(\*\*)</sup> Statement of profit distribution has not been filled yet due to the Board of Directors Meeting has not made as of preparation date of the financial statements.

<sup>(\*\*\*)</sup> The Figures of 2017 was filled by using the data which is located in "According to CMB" of the Profit Distribution.

<sup>(\*\*\*\*)</sup> Dividends per share is calculated over the consolidated net profit for the period.

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

## ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

**CONVENIENCE TRANSLATION OF NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018**

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

**1 General information****1.1 Name of the Company and the ultimate owner of the group**

The shareholding structure of Anadolu Anonim Türk Sigorta Şirketi ("the Company") is presented below. As at December 31, 2018, the shareholder having indirect control over the shares of Anadolu Anonim Türk Sigorta Şirketi ("the Company") is Türkiye İş Bankası A.Ş. ("İş Bankası").

Name	December 31, 2018		December 31, 2017	
	Shareholding Amount (TL)	Shareholding Rate (%)	Shareholding Amount (TL)	Shareholding Rate (%)
Milli Reasürans T.A.Ş.	286.550.106	57,31	286.550.106	57,31
Other*	213.449.894	42,69	213.449.894	42,69
<b>Paid in Capital</b>	<b>500.000.000</b>	<b>100,00</b>	<b>500.000.000</b>	<b>100,00</b>

\* Consists of publicly traded shares

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

The Company was registered in Turkey and has the status of 'Incorporated Company'. The Company address "Rüzgarlıbahçe Mahallesi, Kavak Sokak, No: 31 34805 Kavacık/İstanbul". Company has nine regional offices; two of them established in İstanbul and others established in Antalya, İzmir, Samsun, Adana, Ankara, Trabzon and Bursa, a sales centre in Gaziantep and a branch in Turkish Republic of Northern Cyprus.

**1.3 Business of the Company**

The Company operates in almost all non-life insurance branches consisting of mainly accident, health, motor vehicles, air vehicles, water vehicles, marine, fire and natural disasters, general loss, credit, financial losses, and legal protection.

As at December 31, 2018, the Company serves through, 2.220 authorized agencies and 99 unauthorized agencies December 31, 2017: 2.215 authorized agencies and 99 unauthorized agencies) of which, 2.347 agencies (December 31, 2017: 2.314 authorized) .

**1.4 Description of the main operations of the Company**

The Company conducts its operations in accordance with the Insurance Law No.5684 (the "Insurance Law") issued in June 14, 2007 dated and 26552 numbered Official Gazette and the communiqués and other regulations in force issued by the Turkish Treasury based on the Insurance Law. The Company operates in insurance branches as mentioned above *Note 1.3 Business of the Company*.

The Company's shares have been listed on the İstanbul Stock Exchange ("İSE"). The company operates based on its own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting in accordance Capital Market Law No: 6362, part of VIII and paragraph of 5 of Article 136.

**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 in consideration of their categories is as follows:

	December 31, 2018	December 31, 2017
Senior level managers	7	7
Directors	38	38
Officers	2	2
Intermediate directors	181	171
Contracted personnel	1.032	982
<b>Total</b>	<b>1.260</b>	<b>1.200</b>

**1.6 Wages and similar benefits provided to the senior management**

For the period ended December 31, 2018, wages and similar benefits provided to the members of the board of directors is amounting to TL 1.528.819 (December 31, 2017: TL 1.561.811), chairman TL 6.952.509 (December 31, 2017: TL 5.777.795).

## CONVENIENCE TRANSLATION OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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

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

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

In accordance with the above mentioned Communiqué, insurance companies are allowed to transfer technical section operating expense to insurance section through methods determined by Turkish Treasury or by the Company itself. Methods determined by the Company should be approved by the Turkish Treasury, Known and exactly distinguishable operating expenses are distributed to related branches directly, while operating expenses are distributed to the sub-branches in accordance with the average of 3 ratios calculated by dividing "number of the policies produced within the last three years", "gross premium written within the last three years", and "number of the claims reported within the last three years" to the "total number of the policies", "total gross written premiums" and the "total number of the claims reported", respectively.

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

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

The accompanying financial statements comprise consolidated financial information of the Company and basis of the consolidation is detailed in note 2.2 - *Consolidation*.

The Company owns 20% of Anadolu Hayat Emeklilik Anonim Şirketi ("Anadolu Hayat") and this associate have been consolidated in the accompanying consolidated financial statements by using the equity method of accounting.

The activities of Anadolu Hayat involve providing individual and group insurance and reinsurance services relating to group life, individual life, retirement and related personal accident branches, establishing, retirement funds, developing internal rules and regulations related to these funds, carrying out retirement, annual income insurance, portfolio management and custody contracts for the assets of the funds held in custody.

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

Trade name of the Company	: Anadolu Anonim Türk Sigorta Şirketi
Registered address of the head office	: Rüzgarlıbahçe Mahallesi, Kavak Sokak, No: 31 34805 Kavacık/İstanbul
The web page of the Company	: <a href="http://www.anadolusigorta.com.tr">www.anadolusigorta.com.tr</a>

The information presented above has not any change since the end of the previous reporting period.

### 1.10 Events after the reporting date

After the balance sheet date, there has been no change in the Company's activities, the registration of these activities, the document structure and Company policies.

As of December 31, 2018, the consolidated financial statements prepared has been approved by the Board of Directors of the Company on February 1, 2019.

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

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

In accordance with Article 136(5) in Section VIII of the Capital Markets Law, numbered 6362 insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting. Therefore, the Company maintains its books of account and prepares its financial statements in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), and other accounting and financial reporting principles, statements and guidance (collectively "the Reporting Standards") in accordance with the "Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies" as promulgated by the Turkish Treasury based on Article 18 of the Insurance Law and Article 11 of the 4632 numbered Individual Pension Savings and Investment System Law ("Individual Retirement Law").

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According to numbered 4<sup>th</sup> related law Accounting for subsidiaries, associates, joint ventures is, consolidated financial statements, financial statements which disclosed public regulated by the Turkish Treasury.

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

The financial statements are prepared in accordance with the accounting and financial reporting regulations in force in accordance with the insurance legislation and the provisions of Turkish Accounting Standards on matters not regulated by them.

### 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 December 31, 2004. TAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous years be restated in the same terms.

With respect to the declaration of the Turkish Treasury with the article dated April 4, 2005 and numbered 19387, financial statements as of December 31, 2004 are adjusted for the opening balances of 2005 in accordance with the section with respect to inflation accounting of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated January 15, 2003 and numbered 25290. Inflation accounting is no longer applied starting from January 1, 2005, in accordance with the same declaration of the Turkish Treasury. Accordingly, as at June 30, 2017, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded before December 31, 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded after December 31, 2004 are measured at their nominal values.

#### Other accounting policies

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

### 2.1.3 Valid and presentation currency

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

### 2.1.4 Rounding scale of the amounts presented in the financial statements

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

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

The accompanying financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until December 31, 2004, except for the financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments and associates which are measured at their fair values unless reliable measures are available.

### 2.1.6 Accounting policies, changes in accounting estimates and errors

No changes or errors have occurred in the accounting policies for the current period.

Explanations on accounting estimates are given in the "Note 3" which is critical accounting estimates and judgments.

## 2.2 Consolidation

"Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance, and Individual Pension Companies" issued by the Turkish Treasury in the December 31, 2008 dated and 27097 numbered Official Gazette, has been in force since March 31, 2009. Accordingly, consolidated financial statements are also prepared using the equity method of accounting to consolidate the Company's associate; Anadolu Hayat Emeklilik A.Ş. ("Anadolu Hayat"). Accordingly, consolidated financial statements are prepared using the equity method of accounting to consolidate the Company's associate; Anadolu Hayat

## CONVENIENCE TRANSLATION OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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### 2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Since the main economic environment, where the Company operates, is Turkey, a geographical segment reporting has not been presented. A business segment reporting of the Company is presented in Note 5 in accordance with TFRS 8- Operating Segments standard.

### 2.4 Foreign currency transactions

Transactions are recorded in TL, which is the Company's functional currency. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates ruling at the reporting date and foreign currency exchange differences are offset and all exchange differences are recognized in the statement of income.

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

### 2.5 Tangible assets

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

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

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

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

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

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

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

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

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

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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Depreciation rates and estimated useful lives are as follows:

Tangible Assets	Estimated Useful Lives (years)	Depreciation Rates (%)
Buildings for own use	50	2,0
Machinery and equipment	3 - 16	6,3 - 33,3
Furniture and fixtures	4 - 16	6,3 - 25,0
Vehicles	5	20,0
Other tangible assets (including leasehold improvements)	5 - 10	10,0 - 20,0
Leased tangible assets	4 - 10	10,0 - 25,0

**2.6 Investment properties**

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

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

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

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

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

**2.7 Intangible assets**

The Company's intangible assets consist of computer software, goodwill and advances paid for tangible assets.

Intangible assets are recorded at cost in compliance with "TAS 38 - Accounting for intangible assets". The cost of the intangible assets purchased before December 31, 2004 are restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs.

Amortization is charged on a straight-line basis over their estimated useful lives over the cost of the asset. The period of redemption of intangible assets is 3 to 15 years.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, Impairment losses on goodwill are not reversed. Gain or losses on the disposal of an entity includes the carrying amount of goodwill relating to the entity disposed of.

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocations made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arises.

The Company has acquired the health portfolio of Anadolu Hayat Emeklilik A.Ş. at August 31, 2004 with all of its rights and liabilities. The value at acquisition of the portfolio amounting to TL 16.250.000 is capitalized as goodwill by the Company.

**2.8 Financial assets**

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

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



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*Financial assets at fair value through profit or loss* are presented as financial assets held for trading in the accompanying financial statements and trading securities and derivatives are included in this category. Financial assets at fair value through profit or loss measured at their fair values and gain/loss arising due to changes in the fair values of related financial assets is recorded in profit/loss. Interest income earned on trading purpose financial assets and the difference between their fair values and acquisition costs are recorded as interest income in the statement of income. In case of disposal of such financial assets before their maturities, the gains/losses on such disposal are recorded under trading income/losses. Accounting policies of derivatives are detailed in note 2.10 - Derivative financial instruments.

*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.

*Held to maturity financial assets* are the financial assets with fixed maturities and fixed or pre-determined payment schedules that the Company has the intent and ability to hold until maturity, excluding loans and receivables. Subsequent to initial recognition, held to maturity financial assets and loans and receivables are measured at amortized cost using effective interest rate method less impairment losses, if any. The Company has no financial assets that are not allowed to be classified as held to maturity financial assets for two years due to the tainting rules applied for the breach of classification rules.

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

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Unrecognized gains or losses derived from the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in "Revaluation of financial assets" under shareholders' equity. Upon disposal, the realized gain or losses are recognized directly in the statement of income.

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

The Company has accounted equity shares classified as available-for-sale according to quoted market prices or dealer price quotations for financial instruments traded in active markets or according to cost less impairment losses for financial instruments not traded in active markets.

Securities are recognized and derecognized at the date of settlement.

*Associates*; Anadolu Hayat has been consolidated in the accompanying consolidated financial statements by using the equity method of accounting.

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

### **Impairment on financial asset**

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 if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) ("loss event(s)") incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

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.

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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 operations. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

### 2.9 Impairment on assets

#### Impairment on tangible and intangible 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 in accordance with the "TAS 36 - Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

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

### 2.10 Derivative financial instruments

As of December 31, 2018, the Company's the marketable securities in the trade book totals to TL 6.348.182 (December 31, 2018: TL 9.581.631) These securities also have derivate warranty and as of the report date have TL 16.984.621 express warranty (December 31, 2017: TL 5.818.015).

As of December 31, 2018, the Company has accounted in income accruals and other financial liabilities amounting to TL 77.683.687 (December 31, 2017: TL 18.939.649) that is increase in value and TL (2.877.823) (December 31, 2017: TL (7.868.067)) that is decrease in value respectively, due to forward foreign currency agreement.

Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 - Financial Instruments: Recognition and measurement.

Derivative financial instruments are initially recognized at their fair value.

Collateral amounts and valuations that are necessary for derivative transactions are included in trading financial assets.

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

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

### 2.11 Offsetting of financial assets

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

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

### 2.12 Cash and cash equivalents

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

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### 2.13 Share Capital

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

Name	December 31, 2018		December 31, 2017	
	Shareholding Amount (TL)	Shareholding Rate (%)	Shareholding Amount (TL)	Shareholding Rate (%)
Milli Reasürans T.A.Ş.	286.550.106	57,31	286.550.106	57,31
Other*	213.449.894	42,69	213.449.894	42,69
<b>Paid in capital</b>	<b>500.000.000</b>	<b>100,00</b>	<b>500.000.000</b>	<b>100,00</b>

\* Consists of publicly traded shares.

#### Sources of capital increases during the period

The Company has not performed capital increase as at December 31, 2018 (December 31, 2017: None).

#### Privileges on common shares representing share capital

As at December 31, 2018, the issued share capital of the Company is TL 500.000.000 (December 31, 2017: TL 500.000.000) and the Company unregistered 150 pieces Group A shares which each of value is TL 1,5 as of April 11, 2013 in which approved in Main Article of the Company dated in April 11, 2013. The share capital of the Company consists of 50.000.000.000 (December 31, 2017: 50.000.000.000 shares) issued shares with TL 1 nominal value each.

#### Registered capital system in the Company

The Company has accepted the registered capital system. As of December 31, 2018, the Company's registered capital is TL 700.000.000 (December 31, 2017: TL 700.000.000).

#### Repurchased own shares by the Company

None.

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

### 2.15 Insurance contracts and investment contracts with discretionary participation feature

Discretionary participation feature within insurance contracts and investment contracts is the right to have following benefits in addition to the guaranteed benefits.

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

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

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### 2.16 Investment contracts without discretionary participation feature

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

### 2.17 Liabilities

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

### 2.18 Income taxes

#### Corporate tax

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

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

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

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25<sup>th</sup> 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.

#### Deferred taxes

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

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

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

As of January 1, 2018, the corporate tax rate of 22% is used for the temporary differences expected to be realized/settled within 3 years (2018, 2019 and 2020) for deferred tax calculation since the tax rate applicable for 3 years has been changed to 22%. However, 20% tax rate is used for the current differences expected/expected to be incurred after 2020 since the corporate tax rate applicable is 20% for after 2020.

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### Transfer pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated November 18, 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.

### 2.19 Employee benefits

#### Pension and other post-retirement obligations

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

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

The principles and applications of the transfer will be determined by the Decree of the Council of Ministers separately. Lastly, first paragraph of temporary 20<sup>th</sup> article of 5510 numbered Law, article 51 of the law regarding changing of several laws and delegated legislations and the law of occupational health and safety which are published in April 23, 2015 dated Official Gazette is changed as following: insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or which constitutes their union personnel and associates of funds "The Council is authorized to determine the date of transfer within the scope of article 20<sup>th</sup> of the law, 506 banks, insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or which constitutes their union personnel and associates of funds to the social security institution. The date of the transfer of the first paragraph of Article 4 of this law pension fund contributors as are considered insured".

According to this arrangement the bank within the scope of Act 506, article No.20, insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or associations which constitute their union personnel and associates of funds are required to be transferred until 08.05.2015 to Social Security Administration, authority to determine the date of transfer is given the Council of Ministers thus the transfer of the funds has been postponed to an unknown date. The application which containing temporary transfer provision on June 19, 2008 cancellation and cessation of claims by Republican People's Party, it is rejected in accordance with the decision at the court's meeting on March 30, 2011.

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

- Technical deficit rate of 9,80% shall be used in the actuarial calculation of the value in cash.
- Gains and losses of the funds stems from benefits covered by the aforementioned Law taken into accounts to calculate present value of the obligations.

#### Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The amount payable for each year of service to the employee union members in the cases of death, disability, retirement, pension bonding is equivalent to their 60-day salary, in other cases it is equivalent to 45-day salary. For other employees, it is one month's salary. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at December 31, 2018 is TL 5.434,42 (December 31, 2017: TL 4.732,48). In Accordance IAS 19 which published by Public Company Accounting Oversight Board (PCAOB) dated March 12, 2013 is about "Benefits Employee Accounting Standard" and defined by beginning from December 31, 2012 net defined benefit liability of the actuarial gains and losses arising on re-measurement should be recognized in other comprehensive income under shareholders' equity and this effect should be applied retrospectively. The Company started to account current actuarial gains and losses under equity (other profit reserves) due to the fact that prior period actuarial gains and losses have remained below the materiality.

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The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 - *Employee Benefits*. The major actuarial assumptions used in the calculation of the total liability as at December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Discount rate	4,22%	4,21%
Expected rate of salary/limit increase	11,30%	7,00%
Estimated employee turnover rate	3,29%	3,27%

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

**Other benefits**

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

**2.20 Provisions**

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

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

**2.21 Revenue recognition****Written premiums and claims paid**

Written premiums represent premiums on policies written during the period net of taxes, premiums of the cancelled policies which were produced in prior periods and premium ceded to reinsurance companies,. Premiums ceded to reinsurance companies are accounted as "written premiums, ceded" in the statement of income.

Claims are recognized as expense as they are paid. Outstanding claims provision is provided for both reported unpaid claims at period-end and incurred but not reported claims. Reinsurer's shares of claims paid and outstanding claims provisions are off-set against these reserves.

**Subrogation, salvage and quasi income**

According to the Circular 2010/13 dated September 20, 2010; the Company may account for income accrual for subrogation receivables without any voucher after the completion of the claim payments made to the insurer. 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. As at the reporting date, in accordance with the related circular the Company provided TL 53.427.320 (December 31, 2017: TL 47.325.075) subrogation receivables and recorded TL 60.020.233 (December 31, 2017: TL 50.653.264) (Not 12) net subrogation and salvage receivables under receivables from main operations. The Company provided allowance for uncollected subrogation receivables amounting to TL 16.172.744 (December 31, 2017: TL 8.337.019) (Note 12) in accordance with circular.

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For the years ended December 31, 2018 and 2017, salvage and subrogation collected are as follows:

	December 31, 2018	December 31, 2017
Motor vehicles	423.241.868	375.105.975
Third party liability for motor vehicles (MTPL)	17.588.788	13.422.397
Fire and natural disaster	5.764.609	4.521.486
Marine	1.825.561	1.485.087
Credit	43.431	--
General losses	539.786	307.007
General liability	522.635	812.773
Accident	29.510	28.880
Water vehicles	1.708.765	1.004.392
Financial losses	--	144.816
Legal protection	--	475
<b>Total</b>	<b>451.264.953</b>	<b>396.833.288</b>

As at December 31, 2018 and 2017, accrued subrogation and salvage income per branches is as follows:

	December 31, 2018	December 31, 2017
Motor vehicles	37.986.441	37.076.373
Third party liability for motor vehicles (MTPL)	14.347.839	5.926.818
Fire and natural disaster	4.819.028	1.321.152
General losses	1.052.905	1.657.069
Marine	1.546.994	2.991.999
Accident	232.209	1.544.801
Water vehicles	34.817	122.868
General liability	--	12.184
<b>Total</b>	<b>60.020.233</b>	<b>50.653.264</b>

### Commission income and expense

As further disclosed in Note 2.24 - *Reserve for unearned premiums*, commissions paid to the agencies related to the production of the insurance 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 for the policies produced before January 1, 2008 and recognizing deferred commission income and deferred commission expense in the financial statements for the policies produced after January 1, 2008.

### 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.

### Trading income/expense

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

### Dividends

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

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### 2.22 Leasing transactions

The maximum period of the lease contracts is 10 years. Tangible assets acquired by way 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 financial statements. 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 expanded 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 tangible assets.

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

### 2.23 Dividend distribution

Based on the guidelines and principals issued by the CMB dated January 27, 2010 for the distribution of dividends from the profit generated from operating activities in 2009, there is no requirement of minimum profit distribution for joint stock companies that are traded in the stock market and in this context, it has decided that dividend distribution will be performed in accordance with principles in Dividend Declaration numbered II-19.1 of the Board, clauses contained in the articles of association of the partnership and dividend policies which are disclosed the public of companies.

Additionally, as stated within the aforementioned decision of CMB, for entities required to prepare consolidated financial statements, it has been agreed upon to require the net distributed profit calculations to be performed on the net profit for the period as stated on the consolidated financial statements, so long that the distribution can be funded through statutory resources.

Board of Directors proposal which is related with distribution of the profits gained from the operations of the 2017 was approved unanimously in the framework of the General Assembly dated March 26, 2018.

Consequently, TL 9.409.831 of the distributable net profit of the period that is amounting to TL 196.105.157 which is remaining amount after deducting the legal reserve amounting to TL 60.000.000, distributed to shareholders as cash dividend since March 28, 2018. The Company distributed dividend amounting to TL 4.083.155 to its employee and reserved second legal reserve and statutory reserve amounting to TL 3.908.316 and TL 11.470.364 respectively. The remaining of the distributable net profit of the period which is amounting to TL 99.324.961 was transferred to extraordinary reserves (2017: TL 30.000.000 distributed to shareholders.)

### 2.24 Reserve for unearned premiums

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 26606 numbered and August 7, 2007 dated Official Gazette and put into effect starting from January 1, 2008, the reserve for unearned premiums represents the proportions of the gross premiums written without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the reporting date for all short-term insurance policies. For commodity marine policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves.

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

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

According to the 2009/9 Numbered Circular Related to Application of Technical Reserves issued on March 27, 2009 which published by Undersecretariat of Treasury reserve for unearned premiums is calculated by taking into account that all policies become active at 12:00 at noon and end at 12:00 at noon.



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According to the Communiqué on Technical Reserves, for the calculation of unearned premium reserves of foreign currency indexed insurance agreements, foreign currency selling exchange rates announced by Turkish Central Bank will be considered, unless there is a specified exchange rate in the agreement. The Company has reclassified TL 556.788 of provision for long-term health and personal accident policies to long-term liabilities (December 31, 2017: None).

As at the reporting date, the Company has provided reserve for unearned premiums amounting to TL 2.741.583.431 (December 31, 2017: TL 2.349.673.619) and reinsurer share in reserve for unearned premiums amounting TL 794.433.893 (December 31, 2017: TL 610.721.482). Furthermore, reserve for unearned premiums includes Social Security Institution ("SSI") share amounting to TL 63.611.723 (December 31, 2017: TL 58.817.233).

### 2.25 Provision for outstanding claims

Claims are recorded in the year in which they occur, based on reported claims or on the basis of estimates when not reported. Provision for outstanding claims represents the estimate of the total reported costs of notified claims on an individual case basis at the reporting date as well as the corresponding handling costs. Incurred but not reported claims ("IBNR") are also provided.

Claims incurred before the accounting periods but reported subsequent to those dates are considered as incurred but not reported ("IBNR") claims.

In accordance with December 5, 2014 dated and 2014/16 numbered "Circular for Provision for Outstanding Claims" of Turkish Treasury, by the Undersecretariat of Treasury the compensation which occurred but not was not reported since January 1, 2015 is being calculated with the best of ability of the Company's actuary. The best estimate assumption is calculating the damages which will be paid in the future according to a model and assumption, and by utilizing the risk free return curves to calculate today's value.

The methods, corrections, the suitable data and the growth factor choice and the intervention is being decided by the Company's actuary using actuarial methods. According to Actuaries Regulations Law no. 11, an actuarial report has been sent the Undersecretariat of Treasury and these calculations are detailed there. Company's actuary tests damage growth factors with some methods by using software tools and then making some choices for actuarial analysis.

The Company has provided provision for outstanding claims for unexpired claims that were accrued and accounted for but have not been paid in the previous accounting period or current period or if the amount has not been calculated, with the estimated amount and for the unreported claims.

Compensations that have been filed before the accounting period but have been notified after these dates are regarded as realized but not reported compensation claims (IBNR). Regulation Regarding the Amendment of the Regulation on the Technical Reserves of Insurance and Reinsurance Companies and Pension Funds and the Assets to be Invested in These Provisions "published in the Official Gazette dated 28 July 2010 and numbered 27655 and the" Circular on Outstanding Claims "dated 5 December 2014 and numbered 2014/16, the IBNR amount is calculated.

As of December 31, 2018 and 2017, IBNR amounts calculated by the Company actuary's on the basis of branches are as follows:

Branch	December 31, 2018		December 31, 2017	
	Gross additional provision	Net additional provision	Gross additional provision	Net additional provision
Third party liability for motor vehicles (MTPL)	1.465.084.144	1.140.186.177	1.132.267.909	1.046.552.002
General liability	353.346.893	265.306.319	331.983.783	271.885.164
Voluntary financial liability	170.414.885	167.261.212	116.652.751	113.666.911
Fire and natural disasters	35.135.712	19.514.668	34.844.913	20.172.580
Accident	25.010.554	20.460.273	16.915.922	13.226.710
General losses	24.655.045	11.341.011	14.812.802	4.670.247
Air crafts liability	8.490.435	1.656.930	4.919.072	1.011.126
Air crafts	26.404.282	505.370	5.237.051	1.228.666
Water vehicles	3.959.437	1.657.181	7.729.096	2.988.830
Health	2.562.521	2.560.969	2.549.899	2.524.400
Financial losses	32.331.670	4.410.347	1.019.382	406.545
Credit	180.503	113.278	526.262	526.262
Legal protection	277.667	277.667	278.842	279.945
Marine	2.268.529	1.760.941	(520.399)	1.015.646
Motor vehicles	(34.121.187)	(34.004.536)	(42.055.210)	(41.454.539)
<b>Total</b>	<b>2.116.001.090</b>	<b>1.603.007.807</b>	<b>1.627.162.075</b>	<b>1.438.700.495</b>

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In the compulsory traffic branch the physical and bodily damages, and in the General Responsibility branch the Employer Third Party Liability, Compulsory Medical Malpractice, Professional Liability and other liability branches are being analysed separately.

Net IBNR amounts have been included Risky Insured and General Liability Pool transferred amounts.

As of December 31, 2018, the Company's actuary has used 9% which is the latest statutory rate of interest in the Official Gazette for the discount process in accordance with "General Instructions Regarding The Cash Flow From Provision for Outstanding Claim and Their Discounts" which was published in June 10<sup>th</sup>, 2016 numbered 2016/22 which regulates the processes involving the discount of cash flow from provision for outstanding claim. As of December 31, 2018, Company has made a net discount of TL 713.303.870 (December 31, 2017: TL 608.482.096).

The Company has used the gradual transition curve which was published by the Undersecretariat of Treasury's "General Instructions Regarding to the Changes in the General Instructions Regarding Provision for Outstanding Claim (2014/16)" which was published in February 29<sup>th</sup>, 2016 with the number 2016/11. The Company has used these gradual transition curve with 100% accuracy and has reflected the calculations on the official statements as well as possible as of December 31, 2016 and the Company has continued the method exact same as at this period.

According to Provisional Article 12 of the Regulation on the Amendment of the Regulation on Tariff Implementation Principles in the Compulsory Motor Insurance for Compulsory Liability for Motor Vehicles, published in the Official Gazette dated July 11, 2017 and numbered 30121, the frequency of damage for high staged and/or vehicle groups the "Risk Insured Pool" has been announced.

In this context, it began to be shared between insurance companies in the pool covered by premium and claims amounts related to disposed traffic insurance policy Turkey Motor Vehicle Bureau by the Undersecretariat determined by conformity to start since April 12, 2017.

The Company, after changes in legislation, Turkey Motor Vehicle Bureau (TMTB) by the accounting records are created on the basis of the premiums, claims and commission amounts transferred to the pool within the scope of the monthly receipts that have been finalized and taken over from the pool within the scope of the share, and the financial statements are reflected by working on the amounts not yet transmitted by the deed TMTB.

In accordance with the Communiqué on the Amendment of the Communiqué on the Procedures and Principles of the Contribution of the Institution in the Compulsory Financial Liability Insurance for Medical Malpractice Law, published in the Official Gazette dated October 7, 2017 and numbered 30203, the Compulsory Financial Liability Insurance for Medical Malpractice the rules for premium and damage sharing have been established. The said transactions related to the sharing are in the General Liability Insurance branch Güneş Sigorta A.Ş.

In this context, premiums and claims related to the policies issued as of October 1, 2017 have been started to be allocated among the insurance companies within the framework of the principles determined by the Undersecretariat.

After the change in legislation, Güneş Sigorta A.Ş., the accounting records are created on the basis of the premiums, claims and commission amounts transferred from the pool within the scope of the share transferred within the scope of the monthly declarations which are finalized by the Ministry of Finance and also the financial statements are reflected by the works related to the turnover not yet delivered.

As of December 31, 2018, the Company has outstanding claims provision amounting to TL 4.339.333.163 (December 31, 2017: TL 3.245.443.076) and TL 1.281.930.795 outstanding claims provision reinsurer share (December 31, 2017: TL 640.756.717) in the consolidated financial statements.

The Company calculates net IBNR amount on branches basis; current reinsurance shares to reflect the effect of current reinsurance agreements.

According to the "Circular on the Explanation of the Notification of the Undersecretariat of Treasury on the Calculation of the Realized But Unreported Compensation (IBNR)" dated November 26, 2011 and numbered 2011/23, the companies are opened against the Company in sub-branches according to the last five years' (15% in the branches where there is no new five-year data and started the new activity) by calculating a win rate over the amounts of the cases by not exceeding 25% of the outstanding files accrued for the files in the trial period. In accordance with the related regulation, taking into consideration the earnings ratios calculated by using the Company's last five years' filing litigious file, TL 254.976.831 (December 31, 2017: TL 182.575.899) and reinsurance share TL 40.568.170 (December 31, 2017: TL 30.415.386) has been liquidated against provisions for outstanding claims.

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The calculated winning ratio of the Company as at December 31, 2018 is within 0% - 100% range (December 31, 2017: 0%-100%). As of December 31, 2018 and 2017, based on branches, earnings ratios used and amounts decreased from provision for outstanding claims are as follows:

December 31, 2018 Branch	Earnings Ratios Used	Gross Amount Decreased	Net Amount Decreased
General liability	25%	101.800.905	88.183.585
Third party liability for motor vehicles (MTPL)	11%	90.400.461	87.817.173
Fire and natural disasters	25%	34.151.960	17.293.818
Motor vehicles	25%	12.126.277	12.027.885
General losses	25%	5.249.453	2.809.065
Marine	25%	5.321.412	2.115.594
Accident	22%	3.468.583	2.178.506
Water vehicles	25%	1.734.746	1.260.001
Credit	25%	712.439	712.439
Legal protection	25%	10.595	10.595
<b>Total</b>		<b>254.976.831</b>	<b>214.408.661</b>
December 31, 2017 Branch	Earnings Ratios Used	Gross Amount Decreased	Net Amount Decreased
General liability	25%	74.714.665	65.998.306
Third party liability for motor vehicles (MTPL)	10%	62.120.743	61.236.663
Fire and natural disasters	25%	25.698.638	11.128.771
Motor vehicles	22%	8.048.030	7.958.336
General losses	25%	4.214.820	1.646.063
Marine	25%	3.920.234	1.599.096
Accident	21%	2.320.622	1.366.436
Water vehicles	25%	769.345	484.519
Credit	25%	726.931	726.931
Financial losses	4%	38.485	12.006
Legal protection	25%	3.386	3.386
<b>Total</b>		<b>182.575.899</b>	<b>152.160.513</b>

### 2.26 Reserve for unexpired risks

In accordance with the Communiqué on Technical Reserves, while providing reserve for unearned premiums, in each accounting period, the companies should perform adequacy test covering the preceding 12 months due to the probability that future claims and compensations of the outstanding policies may be in excess of the reserve for unearned premiums already provided. In performing this test, it is required to multiply the reserve for unearned premiums, net with the expected claim/premium ratio. Expected claim/premium ratio is calculated by dividing incurred losses (provision for outstanding claims, net at the end of the period + claims paid, net - provision for outstanding claims, net at the beginning of the period) to earned premiums (written premiums, net + reserve for unearned premiums, net at the beginning of the period - reserve for unearned premiums, net at the end of the period). In the calculation of earned premiums; deferred commission expenses paid to the agencies and deferred commission income received from the reinsurance firms which were netted off from reserve for unearned premiums both at the beginning of the period and at the end of the period are not taken into consideration.

In accordance with Treasury circular numbered 2012/15, unexpired risk reserve started to be calculated over main branches as of December 31, 2012. The test is performed on branch basis and in case where the expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that specific branch is added to the reserves of that branch.

According to the Circular numbered 2015/30, the amount of the opening provision for outstanding claims which is determined unexpired risk reserve redefined in a manner consistent with the current period as of December 31, 2017.

According to the Circular numbered 2011/18 of the Undersecretariat of Treasury, the Company excluded both the premiums transferred to SSI and claims related to treatment costs from calculation of reserve for unexpired risks in Motor Third Party Liability, Compulsory Third Party Liability Insurance for Road Passenger Transportation and Compulsory Road Passenger Transportation Personal Accident branches.

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According to Undersecretariat of Treasury's 2016/37 numbered general instructions has remarked that the method below can be used to calculate the reserve for unexpired risks in motor vehicles, motor vehicle liability and general liability.

Turkish Treasury allows insurance companies with the circular 2016/37 to calculate their unexpired risks reserve on Motor Own Damage, Motor Third Party Liability (Compulsory and Facultative separately) and General Liability by considering only the last 4 accident quarters' loss ratios. According to this new method, loss ratios exceeding 95% in 2016, 90% in 2017 and 85% in 2018 and later years, will be multiplied by unearned premiums reserve.

As of December 31, 2018, the Company has used the method outlined in the 2016/37 numbered "General Instructions Regarding Reserve for Unexpired Risks" which was published in November 11, 2016.

Accordingly, as at the reporting date, the Company has accounted for reserve for unexpired risk amounting to TL 101.782.328 (December 31, 2017: TL 47.086.775) and reinsurance share of reserve for unexpired risk amounting to TL 41.591.188 (December 31, 2017: TL 24.105.605).

**2.27 Equalization provision**

In accordance with the Communiqué on Technical Reserves put into effect starting from January 1, 2008, the companies should provide equalization provision in credit insurance and earthquake branches to equalize the fluctuations in future possible claims and for catastrophic risks. Equalization provision, started to be provided in 2008, is calculated as 12% of net premiums written in credit insurance and earthquake branches. In the calculation of net premiums, fees paid for un-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. The companies should provide equalization provision up to reaching 150% of the highest premium amount written in a year within the last five years.

In case where claims incurred, the amounts below exemption limits as stated in the contracts and the share of the reinsurance firms cannot be deducted from equalization provisions. Claims payments are deducted from first year's equalization provisions by first in first out method. Equalization provisions are presented under "other technical reserves" in the accompanying financial statements. As at the reporting date, the Company provided equalization provision amounting to TL 175.746.540 in the accompanying consolidated financial statements (December 31, 2017: TL 140.939.210).

**2.28 Related parties**

Parties are considered related to the Company if;

- (a) directly, or indirectly through one or more intermediaries, the party:
  - controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
  - has an interest in the Company that gives it significant influence over the Company; or
  - has joint control over the Company;
- (b) the party is an associate of the Company;
- (c) the party is a joint venture in which the Company is a venturer;
- (d) the party is member of the key management personnel of the Company and its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

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

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

**2.29 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. Accordingly, the weighted average number of shares used in these calculations has been determined taking into account the retrospective effects of such stock distributions.

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### 2.30 Events after the reporting date

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

### 2.31 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2018. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

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

##### TFRS 15 Revenue from Contracts with Customers

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

##### TFRS 9 Financial Instruments

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

The Company will use temporary exemption for TFRS 9 that is located in TFRS 4 until IFRS 17 becomes actively.

##### TFRS 4 Insurance Contracts (Amendments)

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

- give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and
- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 Financial instruments until 2021. The entities that defer the application of TFRS 9 Financial instruments will continue to apply the existing financial instruments Standard-TAS 39.

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

##### TFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

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

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

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

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

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

### Annual Improvements to TFRSs - 2014-2016 Period

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

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are applied for annual periods beginning on or after January 1, 2018.
- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are applied for annual periods beginning on or after January 1, 2018.

The Standard did not have a significant impact on the financial position or performance of the Company.

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

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

#### TFRS 16 Leases

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

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

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

The amendment will not have a significant impact on the financial position or performance of the Company.

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

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

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

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

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

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

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

### TFRIC 23 Uncertainty over Income Tax Treatments

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

When there is uncertainty over income tax treatments, the interpretation addresses:

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

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

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

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### Annual Improvements - 2015-2017 Cycle

In December 2017, the IASB announced *Annual Improvements to IFRS Standards 2015-2017 Cycle*, containing the following amendments to IFRSs:

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

The amendments are effective from annual periods beginning on or after January 1, 2019, with early application permitted.

The amendment will not have an impact on the balance sheet and equity of the Company.

### Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

On January 2018, the IASB published Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement". The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

### Prepayment Features with Negative Compensation (Amendments to IFRS 9)

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

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

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

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

### iii) The new standards, amendments and interpretations that are issued by the International

#### Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

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

#### IFRS 17 - The new Standard for insurance contracts

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



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### Definition of a Business (Amendments to IFRS 3)

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

The amendments:

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

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

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

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

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

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

### 3 Critical accounting estimates and judgments in applying accounting policies

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

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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 recognised in the financial statements are described in the following notes:

*Note 4.1 - Management of insurance risk*

*Note 4.2 - Financial risk management*

*Note 10 - Reinsurance assets and liabilities*

*Note 11 - Financial assets*

*Note 12 - Loans and receivables*

*Note 17 - Insurance contract liabilities and reinsurance assets*

*Note 17 - Deferred commissions*

*Note 19 - Trade and other payables, deferred income*

*Note 21 - Deferred tax*

*Note 23 - Other liabilities and provisions*

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### 4 Management of insurance and financial risk

#### 4.1 Management of insurance risk

Insurance risk is defined as coverage for exposures that exhibit a possibility of financial loss due to applying inappropriate and insufficient insurance techniques. Main reasons of insurance risk exposure result from the risk selection and inaccurate calculation of insurance coverage, policy terms and fee or inaccurate calculation of coverage portion kept within the Company and coverage portion transfers to policyholders and transfer conditions.

#### Objective of managing risks arising from insurance contracts and policies used to minimize such risks

Potential risks that may be exposed in transactions are managed based on the requirements set out in the Company's "Risk Management Policies" issued by the approval of the Board of Directors. The main objective of risk management policies is to determine the risk measurement, assessment, and control procedures and maintain consistency between the Company's asset quality and limitations allowed by the insurance standards together with the Company's risk tolerance of the accepted risk level assumed in return for a specific consideration. In this respect, instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

Risk tolerance is determined by the Company's Board of Directors by considering the Company's long-term strategies, equity resources, potential returns and economical expectations, and it is presented by risk limitations. Authorization limitations during policy issuing include authorizations for risk acceptances granted based on geographical regions in relation to unacceptable special risks or pre-approved acceptable special risks, insurance coverage to agencies, district offices, technical offices, assistant general managers and top management in the policy issuance period and authorizations for claim payment granted to district offices, claim management administration, automobile claims administration and Claim Committee established by the managing director and assistant managing director in the claim payment period.

In any case, risk acceptance is based on technical income expectations under the precautionary principle. In determining insurance coverage, policy terms and fee, these expectations are based accordingly.

It is essential that all the authorized personnel in charge of executing policy issuance transactions, which is the initial phase of insurance process, should ensure to gather or provide all the accurate and complete information to issue policies in order to obtain evidence on the acceptable risks that the Company can tolerate from the related insurance transactions. On the other hand, decision to be made on risk acceptance will be possible by transferring the coverage to the reinsurers and/or co-insurers and considering the terms of the insurance policy.

In order to avoid destructive losses over company's financial structure, company transfers the exceeding portion of risks assumed over the Company's risk tolerance and equity resources through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies. Insurance coverage and policy terms of reinsurance are determined by assessing the nature of each insurance branch.

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

The case of potential claims' arising from earthquake and other catastrophic risks exceeding the maximum limit of the excess of loss agreements, such risks are treated as the primary insurance risks and are managed based on the precautionary principle. Maximum limit of excess of loss agreements is determined based on the worst case scenario on the possibility of an earthquake that Istanbul might be exposed to in terms of its severity and any potential losses incurred in accordance with the generally accepted international earthquake models. The total amount of protection for catastrophic risks of the Company is identified taking into the compensation amount for an earthquake will occur in a 1000 years.

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### Insurance risk concentration

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

<b>Total claims liability <sup>(*)</sup> December 31, 2018</b>	<b>Gross total claims liability</b>	<b>Reinsurance share of total claims liability</b>	<b>Net total claims liability</b>
Motor vehicles liability (MTPL)	2.189.030.575	(335.575.794)	1.853.454.781
General liability	761.905.122	(203.520.600)	558.384.522
Fire and natural disasters	586.743.941	(334.010.612)	252.733.329
General losses	248.785.517	(154.231.271)	94.554.246
Motor vehicles	151.783.016	(1.056.029)	150.726.987
Water vehicles	60.885.618	(25.804.164)	35.081.454
Marine	45.846.271	(23.003.137)	22.843.134
Accident	52.348.054	(13.016.520)	39.331.534
Financial losses	83.512.685	(76.494.955)	7.017.730
Air crafts liability	29.703.981	(14.053.370)	15.650.611
Air crafts	112.371.364	(98.661.101)	13.710.263
Health	11.077.840	(229.887)	10.847.953
Credit	4.206.748	(2.236.173)	1.970.575
Breach of trust	766.551	(37.182)	729.369
Legal protection	365.880	--	365.880
<b>Total</b>	<b>4.339.333.163</b>	<b>(1.281.930.795)</b>	<b>3.057.402.368</b>
<b>Total claims liability <sup>(*)</sup> December 31, 2017</b>	<b>Gross total claims liability</b>	<b>Reinsurance share of total claims liability</b>	<b>Net total claims liability</b>
Motor vehicles liability (MTPL)	1.703.454.177	(91.899.001)	1.611.555.176
General liability	608.167.498	(126.031.645)	482.135.853
Fire and natural disasters	377.218.223	(171.884.480)	205.333.743
General losses	165.931.149	(101.645.108)	64.286.041
Motor vehicles	142.322.531	(7.870.986)	134.451.545
Air crafts liability	58.009.302	(46.083.877)	11.925.425
Air crafts	49.750.517	(42.391.076)	7.359.441
Accident	41.324.839	(11.250.978)	30.073.861
Water vehicles	40.980.920	(18.378.585)	22.602.335
Marine	35.495.591	(14.745.963)	20.749.628
Financial losses	10.877.792	(8.194.132)	2.683.660
Health	9.119.780	(249.390)	8.870.390
Credit	2.452.500	(132.443)	2.320.057
Legal protection	338.225	948	339.203
<b>Total</b>	<b>3.245.443.074</b>	<b>(640.756.716)</b>	<b>2.604.686.358</b>

(\*) Total claims liability includes outstanding claims reserve (excluding contingent amounts deducted from claims reserve determined by winning probability) and incurred but not reported claims.

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Gross and net insurance risk concentrations of the insurance contracts (net of reinsurer share) based on geographical regions are summarized as below:

Total claims liability (*) December 31, 2018	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Turkey	2.803.184.120	801.159.285	2.002.024.835
Europe	99.884.461	76.301.933	23.582.528
America	1.287.744	1.020.313	267.431
Africa	124.454.963	110.672.148	13.782.815
Asia	2.289.041	1.281.435	1.007.606
<b>Total</b>	<b>3.031.100.329</b>	<b>990.435.114</b>	<b>2.040.665.215</b>

Total claims liability (*) December 31, 2018	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Marmara Region	1.161.751.733	367.679.828	794.071.905
Middle Anatolian Region	583.944.936	242.583.241	341.361.695
Aegean Region	309.094.528	60.589.926	248.504.602
Mediterranean Region	234.466.931	36.312.292	198.154.639
Black Sea Region	178.185.197	33.810.129	144.375.068
South East Anatolian Region	148.867.958	33.042.792	115.825.166
East Anatolian Region	186.872.837	27.141.077	159.731.760
<b>Total</b>	<b>2.803.184.120</b>	<b>801.159.285</b>	<b>2.002.024.835</b>

(\*) Total claims liability includes estimated compensation indemnity for realized claims. Gross incurred but not reported claims amounting to TL 2.116.001.090 outstanding claims of treaty activities which could not be distributed to geographical regions amounting to TL 364.012.716 discount of outstanding claim reserves amounting to TL (254.976.831) and the potential income deducted from the outstanding claims processed in the case amounting TL (916.804.141) are excluded from the table.

Total claims liability (*) December 31, 2017	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Turkey	2.165.208.839	407.915.926	1.757.292.913
Europe	136.593.544	112.059.173	24.534.371
America	935.716	751.334	184.382
Africa	39.888.256	33.834.113	6.054.143
Asia	3.586.319	3.018.414	567.905
<b>Total</b>	<b>2.346.212.674</b>	<b>557.578.960</b>	<b>1.788.633.714</b>

Total claims liability (*) December 31, 2017	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Marmara Region	888.877.514	200.116.838	688.760.676
Middle Anatolian Region	346.514.938	43.519.951	302.994.987
Aegean Region	232.261.711	23.513.374	208.748.337
Mediterranean Region	218.303.191	49.125.995	169.177.196
South East Anatolian Region	145.061.923	15.446.122	129.615.801
Black Sea Region	160.724.197	52.685.372	108.038.825
East Anatolian Region	173.465.365	23.508.274	149.957.091
<b>Total</b>	<b>2.165.208.839</b>	<b>407.915.926</b>	<b>1.757.292.913</b>

(\*) Total claims liability includes estimated compensation indemnity for realized claims. Gross incurred but not reported claims amounting to TL 1.627.162.076, outstanding claims of treaty activities which could not be distributed to geographical regions amounting to TL 171.367.335, discount of outstanding claim reserves amounting to TL (182.575.898), and the potential income deducted from the outstanding claims processed in the case amounting to TL (716.723.111) are excluded from the table.

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### Given insurance collateral amounts in respect to branches

	December 31, 2018	December 31, 2017
Motor vehicles liability (MTPL)	5.609.316.278.958	5.265.078.838.278
Fire and natural disasters	269.586.194.617	135.608.274.423
Health	88.491.840.724	103.781.728.941
Accident	90.956.789.042	118.199.306.463
General liability	64.767.358.415	59.897.144.573
General losses	77.761.175.313	59.224.580.559
Motor vehicles	60.004.149.216	48.781.635.664
Marine	22.502.315.725	16.963.726.644
Aircraft liability	6.224.270.814	5.854.747.561
Legal protection	5.034.014.933	4.438.225.143
Water vehicles	3.502.998.033	2.330.774.067
Financial losses	1.000.845.543	750.973.356
Aircraft	783.998.639	644.430.596
<b>Total<sup>(*)</sup></b>	<b>6.299.932.229.972</b>	<b>5.821.554.386.268</b>

(\*) Net amount which deducted share of reinsurance and social security.

### 4.2 Management of financial risk

#### Introduction and overview

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

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Duties and responsibilities of the Risk Management and Internal Control Department include design and implementation of risk management system and identification and implementation of risk management policies. It is also responsible for ensuring that the Company implements all necessary risk management techniques. Activities of the Risk Management and Internal Control Department are managed directly by General Manager. The Board of Directors monitors the effectiveness of the risk management system through the internal audit department.

Risk management policies and guidelines are set by the Board of Directors and applied by the top management. These policies include organisation and scope of the risk management function, risk measurement and assessment methods, duties and responsibilities of the Board of Directors, top management and all of the employees, procedures followed in the case of limit extension and compulsory approval and confirmation processes for certain situations.

#### Credit risk

Credit risk is most simply defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The balance sheet items that the Company is exposed to credit risks are as follows:

- Cash at banks
- Other cash and cash equivalents
- Available for sale financial assets (except equity-shares)
- Financial assets held for trading (except equity-shares)
- Held to maturity financial asset
- Premium receivables from policyholders
- Receivables from intermediaries (agencies)
- Receivables from reinsurance companies related to commissions and claims paid
- Reinsurance shares of insurance liability

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- Receivables from related parties
- Other receivables

Reinsurance contracts are the most common method to manage insurance risk. The contract does not, however, discharge the Company's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of the reinsurance contract.

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

	December 31, 2018	December 31, 2017
Cash and cash equivalents (Note 14)	4.073.607.140	3.504.701.722
Receivables from main operations (Note 12)	1.537.481.807	1.178.955.084
Reinsurer share in provision for outstanding claims (Note 10), (Note 17)	1.281.930.795	640.756.717
Financial assets (Note 11) <sup>(*)</sup>	899.677.177	943.438.188
Other receivables (Note 12)	28.911.596	21.224.166
Other miscellaneous current assets (Note 12)	457.363	493.641
Income accruals (Note 12)	79.214.775	19.928.671
<b>Total</b>	<b>7.901.280.653</b>	<b>6.309.498.189</b>

<sup>(\*)</sup> Equity shares amounting to TL 127.928.790 are not included (December 31, 2018: TL 160.082.153).

As of December 31, 2018 and 2017, the aging of the receivables from main operations is as follows:

	December 31, 2018		December 31, 2017	
	Gross Amount	Provision	Gross Amount	Provision
Not past due	1.295.084.335	--	969.119.015	--
Past due 0-30 days	195.481.742	(2.288.174)	150.529.379	(1.992.510)
Past due 31-60 days	30.190.280	(2.525.052)	23.807.314	(1.486.876)
Past due 61-90 days	12.894.325	(2.004.030)	27.290.704	(1.783.910)
More than 90 days <sup>(*)</sup>	316.779.399	(306.131.018)	242.771.427	(229.299.459)
<b>Total</b>	<b>1.850.430.081</b>	<b>(312.948.274)</b>	<b>1.413.517.839</b>	<b>(234.562.755)</b>

<sup>(\*)</sup> As per the February 3, 2005 dated and B.02.1.HM.O.SGM.0.3.1/01/05 numbered Circular issued by the Turkish Treasury, in case where subrogation is subject to claim/legal action, related subrogation amount is recognized as doubtful receivables and allowance for doubtful receivables is provided by the same amount in the financial statements. Related amounts are presented in "More than 90 days" line in the above table.

The movements of the allowances for receivables from main operations during the period are as follows:

	December 31, 2018	December 31, 2017
Provision for receivables from insurance operations at the beginning of the period	226.225.736	188.860.962
Provision for receivables provided for subrogation - salvage receivables during the period (Note 47)	68.693.761	36.875.264
Provision for losses provided during the period (Note 47)	2.440.564	1.079.389
Collections during the period	(584.531)	(589.879)
<b>Provision for receivables from insurance operations at the end of the period</b>	<b>296.775.530</b>	<b>226.225.736</b>

**Liquidity risk**

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

*Management of the liquidity risk*

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

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Maturity distribution of monetary assets and liabilities:

December 31, 2018	Net book value	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Unallocated
Cash and cash equivalents	4.073.578.282	1.432.335.044	1.472.651.304	954.287.769	206.636.103	--	7.668.062
Financial assets	1.027.605.968	10.889.597	18.042.720	39.715.838	35.745.940	483.177.863	440.034.010
Receivables from main operations	1.537.481.807	96.154.322	514.068.619	510.201.229	409.222.694	7.834.943	--
Other receivables	28.911.596	17.450.642	3.641.414	2.062.089	4.124.179	1.627.433	5.839
Income accruals	79.214.775	11.471.772	37.289.759	29.573.426	--	--	879.818
<b>Total monetary assets</b>	<b>6.746.792.428</b>	<b>1.568.301.377</b>	<b>2.045.693.816</b>	<b>1.535.840.351</b>	<b>655.728.916</b>	<b>492.640.239</b>	<b>448.587.729</b>
Financial liabilities	53.578.314	51.045.641	2.527.565	5.108	--	--	--
Payables arising from main operations	652.398.576	210.877.516	95.527.173	138.243.268	207.750.619	--	--
Other liabilities	95.240.548	46.354.731	39.430.825	--	--	9.454.992	--
Insurance technical provisions <sup>(*)</sup>	3.057.402.368	225.630.296	451.260.591	267.699.186	339.868.250	1.772.944.045	--
Provisions for taxes and other similar obligations	51.729.635	51.729.635	--	--	--	--	--
Provisions for other risks and expense accruals	102.171.559	4.007.764	11.951.772	--	25.659.629	27.467.207	33.085.187
<b>Total monetary liabilities</b>	<b>4.012.521.000</b>	<b>589.645.583</b>	<b>600.697.926</b>	<b>405.947.562</b>	<b>573.278.498</b>	<b>1.809.866.244</b>	<b>33.085.187</b>

<sup>(\*)</sup> Provision for outstanding claims is presented as short term liabilities in the accompanying consolidated financial statements whereas maturity distribution is presented according to projected payment dated in the above table.

December 31, 2017	Net book value	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Unallocated
Cash and cash equivalents	3.504.676.959	1.278.672.658	1.065.357.964	1.143.525.416	--	--	17.120.921
Financial assets	1.103.520.340	23.241.814	6.072.043	3.093.332	1.821.088	407.099.010	662.193.053
Receivables from main operations	1.178.955.084	117.654.370	450.131.408	417.658.801	174.723.436	18.787.069	--
Other receivables	21.224.166	13.589.698	400.486	1.671.027	3.342.053	2.205.704	15.198
Income accruals	19.928.671	2.369.468	4.094.659	12.584.727	--	--	879.817
<b>Total monetary assets</b>	<b>5.828.305.220</b>	<b>1.435.528.008</b>	<b>1.526.056.560</b>	<b>1.578.533.303</b>	<b>179.886.577</b>	<b>428.091.783</b>	<b>680.208.989</b>
Financial liabilities	110.802.339	108.072.424	--	2.729.915	--	--	--
Payables arising from main operations	492.116.005	171.765.145	71.399.133	89.189.977	159.761.750	--	--
Other liabilities	113.563.203	61.896.745	45.384.376	--	--	6.282.082	--
Insurance technical provisions <sup>(*)</sup>	2.604.686.356	190.530.133	381.060.259	226.832.656	287.309.067	1.518.954.241	--
Provisions for taxes and other similar obligations	50.750.268	50.750.268	--	--	--	--	--
Provisions for other risks and expense accruals	73.632.169	3.843.837	14.223.446	--	29.067.524	3.678.792	22.818.570
<b>Total monetary liabilities</b>	<b>3.445.550.340</b>	<b>586.858.552</b>	<b>512.067.214</b>	<b>318.752.548</b>	<b>476.138.341</b>	<b>1.528.915.115</b>	<b>22.818.570</b>

<sup>(\*)</sup> Provision for outstanding claims is presented as short term liabilities in the accompanying consolidated financial statements whereas maturity distribution is presented according to projected payment dated in the above table.

### Market risk

Market risk is the risk that changes in market prices, such as interest rates, 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.

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

December 31, 2018	US Dollar	Euro	Other currencies	Total
Receivables from main operations	344.726.255	133.784.206	39.790.685	518.301.146
Financial assets	291.955.528	44.130.994	--	336.086.522
Cash and cash equivalents <sup>(*)</sup>	50.889.832	51.838.151	2.469.167	105.197.150
<b>Total foreign currency assets</b>	<b>687.571.615</b>	<b>229.753.351</b>	<b>42.259.852</b>	<b>959.584.818</b>
Insurance technical provisions	236.186.996	100.242.104	29.837.187	366.266.287
Payables arising from main operations	152.949.967	60.244.123	(7.520.393)	205.673.697
<b>Total foreign currency liabilities</b>	<b>389.136.963</b>	<b>160.486.227</b>	<b>22.316.794</b>	<b>571.939.984</b>
<b>Net financial position</b>	<b>298.434.652</b>	<b>69.267.124</b>	<b>19.943.058</b>	<b>387.644.834</b>

<sup>(\*)</sup> The currency risk table are not included the amount of foreign currency forward transaction TL 2.315.065.062 located in the cash and cash equivalents.

December 31, 2017	US Dollar	Euro	Other currencies	Total
Receivables from main operations	229.328.864	97.458.592	3.500.750	330.288.206
Financial assets	133.672.721	17.439.313	--	151.112.034
Cash and cash equivalents <sup>(*)</sup>	141.033.816	38.172.274	2.134.826	181.340.916
<b>Total foreign currency assets</b>	<b>504.035.401</b>	<b>153.070.179</b>	<b>5.635.576</b>	<b>662.741.156</b>
Insurance technical provisions	259.112.932	71.877.478	5.412.663	336.403.073
Payables arising from main operations	126.151.525	27.613.966	351.643	154.117.134
<b>Total foreign currency liabilities</b>	<b>385.264.457</b>	<b>99.491.444</b>	<b>5.764.306</b>	<b>490.520.207</b>
<b>Net financial position</b>	<b>118.770.944</b>	<b>53.578.735</b>	<b>(128.730)</b>	<b>172.220.949</b>

<sup>(\*)</sup> The currency risk table are not included the amount of foreign currency forward transaction TL 1.844.825.014 located in the cash and cash equivalents.

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

If technical provision denominated in any currency not specified, it is evaluated are evaluated by the Central Bank of the Republic of Turkey's spot sales rates as at December 31, 2018 (December 31, 2017: spot sales rate) and Foreign currency transactions are recorded at the foreign exchange rates ruling at the dates of the transactions and foreign currency denominated monetary items are evaluated by the Central Bank of the Republic of Turkey's spot purchase rates as at December 31, 2018 (December 31, 2017: spot purchase rate).

*Exposure to currency risk*

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

	US Dollar	Euro
December 31, 2018	5,2609	6,0280
December 31, 2017	3,7719	4,5155



## CONVENIENCE TRANSLATION OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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

A 10 percent depreciation of the TL against the following currencies as at December 31, 2018 and 2017 would have increased or decreased 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. In case of a 10 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

	December 31, 2018		December 31, 2017	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	29.843.465	29.843.465	11.877.094	11.877.094
Euro	6.926.712	6.926.712	5.357.874	5.357.874
Other	1.994.306	1.994.306	(12.270)	(12.270)
<b>Total, net</b>	<b>38.764.483</b>	<b>38.764.483</b>	<b>17.222.698</b>	<b>17.222.698</b>

(\*) Equity effect also includes profit or loss effect of 10% depreciation of TL against related currencies.

### Exposure to interest rate risk

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

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

	December 31, 2018	December 31, 2017
<i>Financial assets with fixed interest rates:</i>		
Available for sale financial assets - Other (Note 11)	7.800.426	23.241.814
Cash at banks (Note 14)(*)	3.614.343.555	3.088.213.726
Other-financial liabilities	(50.700.491)	(102.934.273)
Available for sale financial assets - Government bonds (Note 11)	231.514.842	237.576.200
Available for sale financial assets - Private debt securities (Note 11)	213.245.299	38.099.583
Cash deposited to insurance and reinsurance companies (Note 12)	61.798.860	29.650.034
<i>Financial assets with variable interest rates:</i>		
Available for sale financial assets - Government bonds (Note 11)	24.168.059	23.611.670
Available for sale financial assets - Private debt securities (Note 11)	110.843.331	118.798.021

(\*) Demand deposits amounting to TL 7.668.062 are not included. (December 31, 2017: TL 17.120.921).

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*Interest rate sensitivity of the financial instruments*

The interest rate sensitivity of the income statement is the effect of changes in interest rates on net interest income for the period ended December 31, 2018 and 2017, with fair value differences recognized in profit or loss and fair values of impaired financial assets. This analysis assumes that the other variables remain constant. The table below does not include the effect of the change in interest rates on the income statement and equity, the related loss or tax effects on income

December 31, 2018	Profit or loss		Equity <sup>(*)</sup>	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets held for trading	--	--	--	--
Available for sale financial assets	--	--	(18.968.615)	21.054.601
<b>Total, net</b>	--	--	<b>(18.968.615)</b>	<b>21.054.601</b>

<sup>(\*)</sup> Equity effect also includes profit or loss effect of assumed change in interest rates.

December 31, 2017	Profit or loss		Equity <sup>(*)</sup>	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets held for trading	--	--	--	--
Available for sale financial assets	--	--	(7.104.540)	7.483.673
<b>Total, net</b>	--	--	<b>(7.104.540)</b>	<b>7.483.673</b>

<sup>(\*)</sup> Equity effect also includes profit or loss effect of assumed change in interest rates.

*Fair value information*

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

The Company has classified its financial assets as held for trading, available for sale or held to maturity. As at the reporting date, available for sale financial assets and financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying consolidated financial statements. Equity shares not traded in active markets are measured at cost less impairment losses if any. The Company has no held to maturity investment measured at amortised cost calculating the effective interest method.

Management estimates that the fair value of other financial assets and liabilities are not materially different than their net book value

*Fair value sensitivity of the equity shares*

Equity share price risk is the risk that the fair values of equity shares decrease as a result of the changes in the levels of equity shares indices and the value of equity shares.

The effect on income as a result of 10% change in the fair value of equity share instruments held as held for trading financial assets (traded at Istanbul Stock Exchange) due to a reasonably possible change in equity share indices, with all other variables held constant, is as follows (excluding tax effect):

	December 31, 2018		December 31, 2017	
	Profit or loss	Equity <sup>(*)</sup>	Profit or loss	Equity <sup>(*)</sup>
Financial assets held for trading	(1.911.061)	(1.911.061)	(4.834.620)	(4.834.620)
Available for sale financial assets	--	(10.728.103)	--	(11.173.595)
<b>Total, net</b>	<b>(1.911.061)</b>	<b>(12.639.164)</b>	<b>(4.834.620)</b>	<b>(16.008.215)</b>

<sup>(\*)</sup> Equity effect also includes profit or loss effect of assumed change in interest rates.

## CONVENIENCE TRANSLATION OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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### Classification of fair value measurements

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

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

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

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

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

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

	December 31, 2018			Total
	Level 1	Level 2	Level 3	
<b>Financial assets:</b>				
Financial assets held for trading (Note 11)	73.091.120	106.461.626	--	179.552.746
Available for sale financial assets <sup>(*)</sup> (Note 11)	735.505.851	111.010.219	--	846.516.070
<b>Total financial assets</b>	<b>808.596.971</b>	<b>217.471.845</b>	<b>--</b>	<b>1.026.068.816</b>
	December 31, 2017			Total
	Level 1	Level 2	Level 3	
<b>Financial assets:</b>				
Financial assets held for trading (Note 11)	123.087.098	224.448.052	--	347.535.150
Available for sale financial assets <sup>(*)</sup> (Note 11)	468.301.161	219.514.315	67.311.993	755.127.469
<b>Total financial assets</b>	<b>591.388.259</b>	<b>443.962.367</b>	<b>67.311.993</b>	<b>1.102.662.619</b>

<sup>(\*)</sup> As at December 31, 2018, equity shares that are not publicly traded and the determination of fair values could not be obtained reliably amounting to TL 1.537.152 have been measured at cost value (December 31, 2017: TL 780.936).

The following table shows the reconciliation of financial assets available for sales that are classified as fair value measurement Level 3:

	December 31, 2018	December 31, 2017
<b>Financial assets available for sale beginning of the period</b>	<b>67.311.993</b>	<b>62.944.793</b>
Addition	--	48.622.825
Disposal (sale and redemption)	--	(44.466.936)
Capital increase by bonus issue	--	204.248
Revaluation	--	7.063
Reclassification	(67.311.993)	--
<b>Financial assets available for sale ending of the period</b>	<b>--</b>	<b>67.311.993</b>

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**Gains and losses from financial assets**

<i>Gains and losses recognized in the consolidated statement of income:</i>	December 31, 2018	December 31, 2017
Interest income from bank deposits	251.482.389	190.737.844
Foreign exchange gains	761.764.376	430.645.835
Income from investments in associates	50.932.636	45.318.362
Income from debt securities classified as available-for-sale financial assets	60.100.729	40.204.760
Income from debt securities classified as trading financial assets	--	39.566
Income from debt securities classified as held to maturity financial investments	--	13.641
Income from equity shares classified as available-for-sale financial assets	10.404.747	12.510.285
Income from equity shares classified as trading financial assets	19.054.279	18.303.260
Income from investment funds as available for sale financial assets	43.440.441	7.118.861
Income from investment funds as trading financial assets	26.633.196	35.163.436
Income from derivative transactions	297.457.026	90.116.129
Other	2.913.533	3.087.195
<b>Investment income</b>	<b>1.524.183.352</b>	<b>873.259.174</b>
Loss from valuation of financial assets	(8.864.845)	(1.118.002)
Foreign exchange losses	(430.648.372)	(112.534.636)
Loss from derivative transactions	(66.177.031)	(179.274.294)
Loss from disposal of financial assets	(35.681.424)	(16.137.959)
Investment expenses - including interest	(1.501.015)	(385.326)
<b>Investment expenses</b>	<b>(542.872.687)</b>	<b>(309.450.217)</b>
<b>Financial gains and losses recognized in the consolidated statement of income, net</b>	<b>981.310.665</b>	<b>563.808.957</b>
<i>Financial gains and losses recognized in the consolidated equity:</i>	December 31, 2018	December 31, 2017
Fair value changes in investments in associates (Note 15)	(13.244.625)	(3.497.756)
Net gains transferred from statement of equity to the statement of income on disposal of available for sale financial assets (Note 15)	(58.157.643)	(7.896.672)
Fair value changes in available-for-sale financial assets (Note 15)	(8.929.661)	10.768.680
<b>Gains and losses recognized in the consolidated equity, net</b>	<b>(80.331.929)</b>	<b>(625.748)</b>

## CONVENIENCE TRANSLATION OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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### Capital management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements determined by the Turkish Treasury
- To ensure the continuity of the Company's activities within the framework of the Company's continuity principle

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Individual Pension Companies" issued by Turkish Treasury on January 19, 2008 dated and 26761 numbered; capital adequacy calculations are carried out twice a year in June and December, within the following two months. As of the reporting date, the Company measured its minimum capital requirement as TL 1.359.136.334 in the calculation of the Company's last reporting period June 30, 2018. As of June 30, 2018, the capital amount of the Company presented in the consolidated financial statements is above the minimum capital requirement amounts calculated according to the communiqué.

### 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 segment

A business segment reporting of the Company is presented in accordance with TFRS 8 - *Operating Segments* standard in this section.

#### Insurance on Fire and Natural Disaster

Insurance on fire and natural disasters covers material damages occurred due to fire, lightening, explosion or smoke, steam and temperature resulted from fire, lightning and explosion up to insurance policy limits.

#### Insurance on Motor Third Party Liability

According to the Motorway Traffic Code numbered 2918, Motor Third Party Liability Insurance is covers vehicle owner's legal liability for all bodily damages to third persons and financial damages to other vehicles.

Damages caused by the trailer or semi-trailers (included light trailers) or the vehicles pulled is covered by the insurance of the trailer. However, the trailers used for transportation of people should be included in an additional liability insurance in order to obtain coverage.

In order to reduce and prevent the damage in the accident happened, reasonable and necessary expenses of the policyholder is compensated by the Company. This insurance also covers unfair claims against the policyholders.

#### Insurance on Motor Vehicles

Insurance on motor vehicles covers the following dangers related with vehicles. It is possible to widen policy scope for accessories or audio, display and communication devices which are not included in standard version of the vehicle by specifying on the insurance policy.

- Accident with the motorized or non-motorized vehicles which used in high-ways,
- Crash with fixed or moving items without desire of the driver or accidents due to crash, capsize, fall or tumble,
- The actions of third parties resulted from bad intention or mischief,
- Burn,
- Theft or attempted theft.

#### Insurance on Health

Insurance on health compensates treatment costs of illnesses or accidental injuries during the period of insurance and, if any, daily allowances in this general framework with special conditions up to the amount written in the policy. Geographical limits of the insurance are stated in the policy.

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**Geographical segment**

The main geographical segment which the Company operates is Turkey. Hence, the Company has not disclosed report on geographical segments

	Motor third party liability	Health	Motor vehicles	Fire and natural disasters	Other	Unallocated	Total
<b>January 1 - December 31, 2018</b>							
1- Earned Premiums (Net of Reinsurer Share)	961.728.287	598.638.886	1.000.874.956	425.833.704	592.094.531	--	3.579.170.364
1.1- Written Premiums (Net of Reinsurer Share)	969.151.407	667.067.654	1.084.401.641	453.704.499	645.458.044	--	3.819.783.245
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	14.436.606	(68.428.768)	(83.526.685)	(27.870.795)	(38.013.269)	--	(203.402.911)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	(21.859.726)	--	--	--	(15.350.244)	--	(37.209.970)
2- Other Technical Income (Net of Reinsurer Share)	46.511	248.211	6.937.861	441.734	95.532	--	7.769.849
3- Accrued Salvage and Subrogation Income	34.503.969	--	11.583.598	10.958.713	13.656.474	--	70.702.754
<b>Technical income <sup>(*)</sup></b>	<b>996.278.767</b>	<b>598.887.097</b>	<b>1.019.396.415</b>	<b>437.234.151</b>	<b>605.846.537</b>	<b>--</b>	<b>3.657.642.967</b>
1- Incurred Losses (Net of Reinsurer Share)	(1.032.228.704)	(530.001.524)	(824.986.926)	(287.599.310)	(429.622.106)	--	(3.104.438.570)
1.1- Claims Paid (Net of Reinsurer Share)	(790.329.098)	(528.023.961)	(808.711.484)	(240.199.723)	(284.458.295)	--	(2.651.722.561)
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	(241.899.606)	(1.977.563)	(16.275.442)	(47.399.587)	(145.163.811)	--	(452.716.009)
2- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	--	--	(5.380.943)	(25.836.719)	(5.271.260)	--	(36.488.922)
3- Operating Expenses	(206.996.985)	(125.206.774)	(231.436.591)	(128.527.885)	(143.061.453)	--	(835.229.688)
4- Other Technical Provisions	(25.509.514)	(23.495.481)	(65.141.912)	(20.478.545)	(10.671.932)	--	(145.297.384)
<b>Technical expense</b>	<b>(1.264.735.203)</b>	<b>(678.703.779)</b>	<b>(1.126.946.372)</b>	<b>(462.442.459)</b>	<b>(588.626.751)</b>	<b>--</b>	<b>(4.121.454.564)</b>
Investment Income					1.525.837.147		1.525.837.147
Investment Expense <sup>(*)</sup>					(572.033.032)		(572.033.032)
Other <sup>(**)</sup>					(79.520.116)		(79.520.116)
<b>Net income before tax</b>							<b>410.472.402</b>
<b>Income tax</b>						(85.965.426)	(85.965.426)
<b>Net income</b>							<b>324.506.976</b>

<sup>(\*)</sup> Investment income transferred to non-technical section from technical section amounting to TL 965.879.045 is not included.

<sup>(\*\*)</sup> Deferred tax income amounting TL 6.651.982 is presented as income tax.

## CONVENIENCE TRANSLATION OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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

	Motor third party liability	Health	Motor vehicles	Fire and natural disasters	Other	Unallocated	Total
<b>January 1 - December 31, 2017</b>							
1- Earned Premiums (Net of Reinsurer Share)	1.176.156.608	453.813.681	893.389.313	336.807.419	463.217.105	--	3.323.384.126
1.1- Written Premiums (Net of Reinsurer Share)	951.627.235	507.872.801	946.461.755	353.802.944	513.221.990	--	3.272.986.725
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	224.529.373	(54.059.120)	(53.072.442)	(16.995.525)	(27.588.246)	--	72.814.040
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	--	--	--	--	(22.416.639)	--	(22.416.639)
2- Other Technical Income (Net of Reinsurer Share)	76.305	337.870	5.931.814	195.658	63.898	--	6.605.545
3- Accrued Salvage and Subrogation Income	17.597.183	--	8.246.992	4.414.179	10.483.603	--	40.741.957
<b>Technical income (*)</b>	<b>1.193.830.096</b>	<b>454.151.551</b>	<b>907.568.119</b>	<b>341.417.256</b>	<b>473.764.606</b>	<b>--</b>	<b>3.370.731.628</b>
1- Incurred Losses (Net of Reinsurer Share)	(1.041.617.897)	(388.086.802)	(681.929.327)	(243.279.304)	(359.351.990)	--	(2.714.265.320)
1.1- Claims Paid (Net of Reinsurer Share)	(668.494.190)	(384.049.900)	(674.882.625)	(209.459.709)	(215.937.399)	--	(2.152.823.823)
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	(373.123.707)	(4.036.902)	(7.046.702)	(33.819.595)	(143.414.591)	--	(561.441.497)
2- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	--	--	(5.511.788)	(20.970.727)	(5.028.889)	--	(31.511.404)
3- Operating Expenses	(246.840.165)	(95.005.660)	(206.518.178)	(104.082.654)	(103.382.084)	--	(755.828.741)
4- Other Technical Provisions	(23.889.604)	(15.564.363)	(58.354.849)	(14.756.402)	(6.046.280)	--	(118.611.498)
<b>Technical expense</b>	<b>(1.312.347.666)</b>	<b>(498.656.825)</b>	<b>(952.314.142)</b>	<b>(383.089.087)</b>	<b>(473.809.243)</b>	<b>--</b>	<b>(3.620.216.963)</b>
Investment Income						877.126.299	877.126.299
Investment Expense (*)						(337.531.234)	(337.531.234)
Other (**)						(41.660.528)	(41.660.528)
<b>Net income before tax</b>							<b>248.449.202</b>
<b>Income tax</b>						(46.934.214)	(46.934.214)
<b>Net income</b>							<b>201.514.988</b>

(\*) Investment income transferred to non-technical section from technical section amounting to TL 542.114.497 is not included.

(\*\*) Deferred tax income amounting TL 5.702.299 is presented as income tax.

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

**6 Tangible assets**

Movements in tangible assets in the period of January 1 - December 31, 2018 are presented below:

	January 1, 2018	Additions	Disposal	Transfers	Valuation Differences	December 31, 2018
<b>Cost:</b>						
Investment properties (Note 7)	64.215.000	--	--	--	(535.000)	63.680.000
Buildings for own use	13.395.000	25.370	--	--	1.535.630	14.956.000
Machinery and equipment	56.957.217	25.839.164	(1.779.631)	(186.436)	--	80.830.314
Furniture and fixtures	13.993.498	883.892	(369.798)	--	--	14.507.592
Motor vehicles	290.580	1.725.044	(237.859)	--	--	1.777.765
Other tangible assets (including leasehold improvements)	23.486.838	2.401.622	(70.323)	186.436	--	26.004.573
Leased tangible assets	3.858.074	--	--	--	--	3.858.074
<b>Total</b>	<b>176.196.207</b>	<b>30.875.092</b>	<b>(2.457.611)</b>	<b>--</b>	<b>1.000.630</b>	<b>205.614.318</b>
<b>Accumulated depreciation:</b>						
Buildings for own use	9.689	153.261	--	--	(87.409)	75.541
Machinery and equipment	39.756.867	10.774.145	(1.698.998)	(48.509)	--	48.783.505
Furniture and fixtures	11.232.730	1.062.101	(322.405)	--	--	11.972.426
Motor vehicles	222.451	63.694	(204.673)	--	--	81.472
Other tangible assets (including leasehold improvements)	17.234.737	3.704.710	(70.323)	48.509	--	20.917.633
Leased tangible assets	3.858.074	--	--	--	--	3.858.074
<b>Total</b>	<b>72.314.548</b>	<b>15.757.911</b>	<b>(2.296.399)</b>	<b>--</b>	<b>(87.409)</b>	<b>85.688.651</b>
<b>Net book value</b>	<b>103.881.659</b>					<b>119.925.667</b>

The Company's property for own use is valued over fair value as of 2018 and 2017 year-end and subjected to valuation in this context. Expertise reports regarding this property are prepared by CMB licenced Property Valuation Company in September 2018. There is no any pledge over Company's property for own use.

As of December 31, 2018 and 2017, property for own use's fair value (except VAT) and net book value is as following:

Landings and buildings for own use	Expertise date	Expertise value	Net Book Value (December 31, 2018)	Net Book Value (December 31, 2017)
İzmir Regional Office	September 2018	7.600.000	7.557.233	7.494.105
Adana Regional Office	September 2018	1.895.000	1.888.815	1.833.762
Lefkoşe Kıbrıs Branch	September 2018	4.150.000	4.135.509	2.774.620
Adana Office	September 2018	300.000	298.454	424.709
Others	September 2018	1.011.000	1.000.449	858.115
<b>Total</b>		<b>14.956.000</b>	<b>14.880.460</b>	<b>13.385.311</b>



## CONVENIENCE TRANSLATION OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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

### Fair value measurement

Fair value of landings and buildings for own use is determined by equivalence value method. Fair value measurement of landings and buildings for own use those fair value is determined by equivalence value method is reclassified as Level 2.

Movements in tangible assets in the period of January 1 - December 31, 2017 are presented below:

	January 1, 2017	Additions	Disposal	Valuation Differences	December 31, 2017
<b>Cost:</b>					
Investment properties (Note 7)	62.175.000	39.136	--	2.000.864	64.215.000
Buildings for own use	12.372.253	--	--	1.022.747	13.395.000
Machinery and equipment	49.033.797	8.204.174	(280.754)	--	56.957.217
Furniture and fixtures	13.717.551	394.797	(118.850)	--	13.993.498
Motor vehicles	619.736	--	(329.156)	--	290.580
Other tangible assets (including leasehold improvements)	22.982.418	922.014	(417.594)	--	23.486.838
Leased tangible assets	3.868.337	--	(10.263)	--	3.858.074
	<b>164.769.092</b>	<b>9.560.121</b>	<b>(1.156.617)</b>	<b>3.023.611</b>	<b>176.196.207</b>
<b>Accumulated depreciation:</b>					
Buildings for own use	58.683	109.441	--	(158.435)	9.689
Machinery and equipment	33.541.297	6.486.538	(270.968)	--	39.756.867
Furniture and fixtures	10.375.795	974.653	(117.718)	--	11.232.730
Motor vehicles	397.036	80.487	(255.072)	--	222.451
Other tangible assets (including leasehold improvements)	13.838.190	3.814.142	(417.595)	--	17.234.737
Leased tangible assets	3.868.337	--	(10.263)	--	3.858.074
	<b>62.079.338</b>	<b>11.465.261</b>	<b>(1.071.616)</b>	<b>(158.435)</b>	<b>72.314.548</b>
<b>Net book value</b>	<b>102.689.754</b>				<b>103.881.659</b>

There is not any mortgage over tangible assets of the Company as at December 31, 2018 and 2017.

### 7 Investment properties

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

Investment property is presented by fair value method as of December 31, 2018 and 2017 on balance sheet.

The Company's investment property expertise reports are prepared by independent professional valuation specialists authorized by Capital Markets Board. As of December 31, 2018, the Company has gained the rent income from investment properties amounting to TL 2.188.795 (December 31, 2017: TL 1.866.261).

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

Investment land and buildings	Expertise date	Expertise value	Net book value December 31, 2018	Net book value December 31, 2017
Building/İzmir	September 2018	31.930.000	31.930.000	31.500.000
Building/Mersin	September 2018	17.900.000	17.900.000	19.300.000
Building/İzmir	September 2018	10.915.000	10.915.000	10.500.000
Building/Bursa	September 2018	2.300.000	2.300.000	2.220.000
Building/Adana	September 2018	550.000	550.000	625.000
Other	September 2018	85.000	85.000	70.000
<b>Total</b>		<b>63.680.000</b>	<b>63.680.000</b>	<b>64.215.000</b>

## ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

**CONVENIENCE TRANSLATION OF NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018**

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

**Fair value measurement**

Fair value of investment property is determined by equivalence value method. Fair value measurement of investment property, which is determined by equivalence value method, is reclassified as Level 2.

**8 Intangible assets**

Movements in intangible assets in the period of January 1 - December 31, 2018 are presented below:

	January 1, 2018	Additions	Transfers	Disposal	December 31, 2018
<b>Cost:</b>					
Goodwill	16.250.000	--	--	--	16.250.000
Advances given for intangible assets	25.001.586	19.943.648	(16.374.117)	--	28.571.117
Other intangible assets	120.578.666	4.769.268	16.374.117	--	141.722.051
<b>Total</b>	<b>161.830.252</b>	<b>24.712.916</b>	<b>--</b>	<b>--</b>	<b>186.543.168</b>
<b>Accumulated amortization:</b>					
Other intangible assets	100.337.251	13.402.434	--	--	113.739.685
<b>Total</b>	<b>100.337.251</b>	<b>13.402.434</b>	<b>--</b>	<b>--</b>	<b>113.739.685</b>
<b>Net book value</b>	<b>61.493.001</b>				<b>72.803.483</b>

Movements in tangible assets in the period of January 1 - December 31, 2017 are presented below:

	January 1, 2017	Additions	Transfers	Disposal	December 31, 2017
<b>Cost:</b>					
Goodwill	16.250.000	--	--	--	16.250.000
Advances given for intangible assets	11.732.239	19.281.847	(6.012.500)	--	25.001.586
Other intangible assets	111.110.866	3.491.699	6.012.500	(36.399)	120.578.666
	<b>139.093.105</b>	<b>22.773.546</b>	<b>--</b>	<b>(36.399)</b>	<b>161.830.252</b>
<b>Accumulated amortization:</b>					
Other intangible assets	83.756.830	16.615.756	--	(35.335)	100.337.251
	<b>83.756.830</b>	<b>16.615.756</b>	<b>--</b>	<b>(35.335)</b>	<b>100.337.251</b>
<b>Net book value</b>	<b>55.336.275</b>				<b>61.493.01</b>

**9 Investments in associates**

	December 31, 2018		December 31, 2017	
	Net book value	Participation rate	Net book value	Participation rate
Anadolu Hayat Emeklilik A.Ş.	189.816.218	20,0%	186.824.586	20,0%
<b>Investments in associates, net</b>	<b>189.816.218</b>		<b>186.824.586</b>	
<b>Total financial assets (Note 4.2)</b>	<b>189.816.218</b>		<b>186.824.586</b>	

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the period	Audited or not	Period
Anadolu Hayat Emeklilik A.Ş. (consolidated)	20.229.978.136	949.081.089	98.747.310	254.663.182	Audited	December 31, 2018

As of December 31, 2018, the Company has obtained income amounting to TL 50.932.636 from associates through equity accounted consolidation method (December 31, 2017: TL 45.318.362).

## CONVENIENCE TRANSLATION OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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

### 10 Reinsurance assets and liabilities

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

Reinsurance assets	December 31, 2018	December 31, 2017
Provision for outstanding claims, ceded (Note 4.2), (Note 17)	1.281.930.795	640.756.717
Reserve for unearned premiums, ceded (Note 17)	794.433.893	610.721.482
Reserve for unexpired risks, ceded	41.591.188	24.105.605
Cash deposited to reinsurance companies (Note 12)	61.798.860	29.650.034
Reinsurers share in the provision for subrogation and salvage receivables	1.068.554	15.182
<b>Total</b>	<b>2.180.823.290</b>	<b>1.305.249.020</b>

There are no impairment losses recognised for reinsurance assets.

Reinsurance liabilities	December 31, 2018	December 31, 2017
Payables to the reinsurers related to premiums written (Note 19)	374.195.775	267.629.697
Deferred commission income (Note 19)	117.840.030	95.718.017
Commission payables to the reinsurers related to written premiums (Note 23)	3.966.136	--
Cash deposited by reinsurance companies (Note 19)	8.527.925	8.573.616
<b>Total</b>	<b>504.529.866</b>	<b>371.921.330</b>

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

	December 31, 2018	December 31, 2017
Premiums ceded during the period (Note 17)	(1.761.121.334)	(1.289.191.554)
Reserve for unearned premiums, ceded at the beginning of the period (Note 17)	(610.721.482)	(400.082.643)
Reserve for unearned premiums, ceded at the end of the period (Note 17)	794.433.893	610.721.482
<b>Premiums earned, ceded (Note 17)</b>	<b>(1.577.408.923)</b>	<b>(1.078.552.715)</b>
Claims paid, ceded during the period (Note 17)	722.236.346	603.127.311
Provision for outstanding claims, ceded at the beginning of the period (Note 17)	(640.756.717)	(487.012.275)
Provision for outstanding claims, ceded at the end of the period (Note 17)	1.281.930.795	640.756.720
<b>Claims incurred, ceded (Note 17)</b>	<b>1.363.410.424</b>	<b>756.871.756</b>
Commission income accrued from reinsurers during the period	246.669.308	207.894.486
Deferred commission income at the beginning of the period	95.718.017	58.640.768
Deferred commission income at the end of the period	(117.840.030)	(95.718.017)
<b>Commission income earned from reinsurers (Note 32)</b>	<b>224.547.295</b>	<b>170.817.237</b>
<b>Commission debt accrued to reinsurers</b>	<b>3.966.136</b>	<b>--</b>
<b>Commission receivable accrued from reinsurers</b>	<b>--</b>	<b>--</b>
<b>Total, net</b>	<b>14.514.932</b>	<b>(150.863.722)</b>

The movement table of commission expenses realized within the scope of reinsurance activities of the Company is as follows:

	December 31, 2018	December 31, 2017
Commission expense accrued from reinsurers during the period	(127.915.936)	(66.798.761)
Deferred commission expense at the beginning of the period	(20.439.155)	(20.356.072)
Deferred commission expense at the end of the period	31.875.716	20.439.155
<b>Commission expense from reinsurance operations (Not 32)</b>	<b>(116.479.375)</b>	<b>(66.715.678)</b>

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**CONVENIENCE TRANSLATION OF NOTES TO THE CONSOLIDATED  
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**11 Financial assets**

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

	December 31, 2018	December 31, 2017
Available for sale financial assets	848.053.222	755.985.190
Financial assets held for trading	179.552.746	347.535.150
<b>Total</b>	<b>1.027.605.968</b>	<b>1.103.520.340</b>

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

	December 31, 2018			
	Nominal value	Cost	Fair value	Net book value
<b>Debt instruments:</b>				
Government bonds - TL	198.089.739	189.770.611	176.440.027	176.440.027
Private sector bonds - TL	78.890.000	78.829.810	80.479.959	80.479.959
Private sector bonds - USD	228.707.105	219.165.166	212.712.655	212.712.655
Issued by Türkiye İş Bankası A.Ş. (Note 45)	23.147.960	21.137.726	21.287.330	21.287.330
Issued by Türkiye Sınai Kalkınma Bankası A.Ş. (Note 45)	53.803.224	52.117.590	52.951.656	52.951.656
Others	151.755.921	145.909.850	138.473.669	138.473.669
Government bonds - USD	87.330.940	98.641.422	79.242.874	79.242.874
Private sector bonds - EUR	30.350.980	30.138.814	30.896.016	30.896.016
<b>Total</b>	<b>623.368.764</b>	<b>616.545.823</b>	<b>579.771.531</b>	<b>579.771.531</b>
<b>Other non-fixed income financial assets:</b>				
Investment funds	263.354.719	143.975.164	159.463.509	159.463.509
Issued by İş Portföy Yönetimi A.Ş. (Note 45)	78.991.693	131.741.595	147.220.480	147.220.480
Others	184.363.026	12.233.569	12.243.029	12.243.029
Equity shares	79.600.825	110.193.339	108.818.182	108.818.182
<b>Total</b>	<b>342.955.544</b>	<b>254.168.503</b>	<b>268.281.691</b>	<b>268.281.691</b>
<b>Total available for sale financial assets (Note 4.2)</b>	<b>966.324.308</b>	<b>870.714.326</b>	<b>848.053.222</b>	<b>848.053.222</b>

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

	December 31, 2017			
	Nominal value	Cost	Fair value	Net book value
<b>Debt instruments:</b>				
Government bonds - TL	199.959.655	191.554.949	194.168.489	194.168.489
Private sector bonds - TL	88.510.000	88.510.000	90.244.264	90.244.264
Issued by İş Gayrimenkul Yatırım Ortaklığı A.Ş. (Note 45)	15.000.000	15.000.000	15.302.769	15.302.769
Others	73.510.000	73.510.000	74.941.495	74.941.495
Government bonds - USD	62.613.540	71.044.346	67.019.381	67.019.381
Private sector bonds - USD	65.517.903	65.746.944	66.653.340	66.653.340
<b>Total</b>	<b>416.601.098</b>	<b>416.856.239</b>	<b>418.085.474</b>	<b>418.085.474</b>
<b>Other non-fixed income financial assets:</b>				
Investment funds	7.931.904.848	200.280.307	226.163.762	226.163.762
Issued by İş Portföy Yönetimi A.Ş. (Note 45)	7.931.904.848	200.280.307	226.163.762	226.163.762
Equity shares	73.877.269	89.082.777	111.735.954	111.735.954
<b>Total</b>	<b>8.005.782.117</b>	<b>289.363.084</b>	<b>337.899.716</b>	<b>337.899.716</b>
<b>Total available for sale financial assets (Note 4.2)</b>	<b>8.422.383.215</b>	<b>706.219.323</b>	<b>755.985.190</b>	<b>755.985.190</b>

As of December 31, 2018 and 2017, financial assets held for trading of the Company are as follows:

	December 31, 2018			
	Nominal value	Cost	Fair value	Net book value
<b>Debt instruments:</b>				
Reverse repurchases	--	7.795.343	7.800.426	7.800.426
<b>Total</b>		<b>7.795.343</b>	<b>7.800.426</b>	<b>7.800.426</b>
<b>Other non-fixed income financial assets:</b>				
Investment funds	316.150.293	108.810.773	146.293.529	146.293.529
Issued by İş Portföy Yönetimi A.Ş. (Note 45)	74.327.162	95.468.965	127.339.873	127.339.873
Issued by İşbank AG (Note 45)	90.131	7.804.000	13.234.978	13.234.978
Other	241.733.000	5.537.808	5.718.678	5.718.678
Equity shares	4.727.151	22.802.751	19.110.609	19.110.609
Derivatives	--	6.259.952	6.348.182	6.348.182
<b>Total</b>	<b>320.877.444</b>	<b>137.873.476</b>	<b>171.752.320</b>	<b>171.752.320</b>
<b>Total financial assets held for trading (Note 4.2)</b>	<b>320.877.444</b>	<b>145.668.819</b>	<b>179.552.746</b>	<b>179.552.746</b>

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	December 31, 2017			
	Nominal value	Cost	Fair value	Net book value
<b>Debt instruments:</b>				
Other - TL	--	23.219.811	23.241.814	23.241.814
<b>Total</b>	<b>--</b>	<b>23.219.811</b>	<b>23.241.814</b>	<b>23.241.814</b>
<b>Other non-fixed income financial assets:</b>				
Investment funds	287.438.209	220.387.100	266.365.506	266.365.506
Issued by İş Portföy Yönetimi A.Ş. (Note 45)	287.348.078	212.583.100	248.926.193	248.926.193
Issued by İşbank AG (Note 45)	90.131	7.804.000	17.439.313	17.439.313
Equity shares	6.322.383	45.337.430	48.346.198	48.346.198
Derivatives	--	9.570.458	9.581.632	9.581.632
<b>Total</b>	<b>293.760.592</b>	<b>275.294.988</b>	<b>324.293.336</b>	<b>324.293.336</b>
<b>Total financial assets held for trading (Note 4.2)</b>	<b>293.760.592</b>	<b>298.514.799</b>	<b>347.535.150</b>	<b>347.535.150</b>

As of December 31, 2018, the Company has no marketable securities presented above held to maturity (December 31, 2017: None).

As of December 31, 2018, equity shares classified as available for sale financial assets with a net book value of TL 1.537.152 are not publicly traded (December 31, 2017: TL 1.516.374).

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

There is no financial asset that is overdue but not impaired among the Company's financial investments portfolio.

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

Year	Change in value increase	Total increase in value
2018	(80.331.929)	(48.003.535)
2017	(625.748)	32.328.394
2016	3.775.003	32.954.142

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

	December 31, 2018			Total
	Trading <sup>(*)</sup>	Available for sale	Held to maturity	
<b>Balance at the beginning of the period</b>	<b>324.293.336</b>	<b>755.985.190</b>	--	<b>1.080.278.526</b>
Acquisitions during the period	909.540.934	1.123.739.417	--	2.033.280.351
Disposals (sale and redemption)	(1.081.735.265)	(1.090.211.074)	--	(2.171.946.339)
Change in the fair value of financial assets (Note 15)	19.653.315	58.539.689	--	78.193.004
<b>Balance at the end of the period</b>	<b>171.752.320</b>	<b>848.053.222</b>	--	<b>1.019.805.542</b>

<sup>(\*)</sup> The amount of other in financial assets held for trading to TL 7.800.426 (December 31, 2017: TL 23.241.814) is excluded.

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	December 31, 2017			Total
	Trading <sup>(*)</sup>	Available for sale	Held to maturity	
<b>Balance at the beginning of the period</b>	<b>123.572.670</b>	<b>605.556.598</b>	<b>15.172.182</b>	<b>744.301.450</b>
Acquisitions during the period	501.264.684	408.599.876	--	909.864.560
Disposals (sale and redemption)	(346.680.646)	(319.441.107)	(15.185.823)	(681.307.576)
Change in the fair value of financial assets (Note 15)	45.938.579	54.217.714	--	100.156.293
Change in amortized cost of the financial assets	--	--	13.641	13.641
Bonus shares acquired	198.049	7.052.109	--	7.250.158
<b>Balance at the end of the period</b>	<b>324.293.336</b>	<b>755.985.190</b>	<b>--</b>	<b>1.080.278.526</b>

(\*) The amount of other in financial assets held for trading to TL 23.241.814 (December 31, 2016: TL 4.308.334) is excluded.

The Company has no financial assets given as a guarantee in favour of the Turkish Treasury for the insurance activities (December 31, 2017: None).

### 12 Loans and receivables

	December 31, 2018	December 31, 2017
Receivables from main operations (Note 4.2)	1.537.481.807	1.178.955.084
Other receivables (Note 4.2) <sup>(*)</sup>	28.911.596	21.224.166
Income accruals (Note 4.2), (Note 10)	79.214.775	19.928.671
Other current assets (Note 4.2)	457.363	493.641
<b>Total</b>	<b>1.646.065.541</b>	<b>1.220.601.562</b>
Short-term receivables	1.644.438.108	1.218.395.858
Long and medium-term receivables	1.627.433	2.205.704
<b>Total</b>	<b>1.646.065.541</b>	<b>1.220.601.562</b>

(\*) As of December 31, 2018, other receivables amounting to TL 28.911.596 (December 31, 2017: TL 21.224.166) comprise of receivables from DASK and TARSİM amounting to TL 19.029.967 (December 31, 2017: TL 12.319.158) and other miscellaneous receivables amounting to TL 9.881.629 (December 31, 2017: TL 8.905.008).

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

	December 31, 2018	December 31, 2017
Receivables from agencies, brokers and intermediaries	1.047.189.149	872.173.973
Receivables from insurance and reinsurance companies	21.511.252	12.268.459
Salvage and subrogation receivables	60.020.233	50.653.264
Receivables from policyholders	41.143.149	31.786.329
Long term receivable which is bank guarantee and three months credit card	143.082.277	107.556.543
<b>Total receivables from insurance operations, net</b>	<b>1.312.946.060</b>	<b>1.074.438.568</b>
Receivables from reinsurance operations	178.909.631	83.203.501
Cash deposited to insurance and reinsurance companies (Note 4.2), (Note 10)	61.798.860	29.650.034
Provisions for receivables from insurance operations - subrogation receivables	(16.172.744)	(8.337.019)
Doubtful receivables from insurance operations - subrogation receivables	265.088.561	196.394.800
Provisions for doubtful receivables from insurance operations - subrogation receivables (Note 4.2)	(265.088.561)	(196.394.800)
Doubtful receivables from main operations - premium receivables	31.686.969	29.830.936
Provisions for doubtful receivables from main operations - premium receivables (Note 4.2)	(31.686.969)	(29.830.936)
<b>Receivables from main operations</b>	<b>1.537.481.807</b>	<b>1.178.955.084</b>

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As of December 31, 2018 and 2017, the details of mortgages and other guarantees for the Company's receivables are presented below:

	December 31, 2018	December 31, 2017
Letters of guarantees	108.744.889	105.463.663
Mortgages notes	79.813.638	83.516.803
Other guarantees	78.125.186	50.299.983
Government bonds and treasury bills	2.878.656	3.028.656
<b>Total</b>	<b>269.562.369</b>	<b>242.309.105</b>

**Provisions for overdue receivables and receivables not due yet**

- a) Receivables under legal or administrative follow up (due): TL 31.686.969 (December 31, 2017: TL 29.830.936).  
b) Provision for subrogation receivables under legal or administrative follow up: TL 281.261.305 (December 31, 2017: TL 204.731.819).

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

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

**13 Derivative financial instruments**

As of December 31, 2018, the Company has a derivative financial instruments recognized in the financial assets held for trading amounting to TL 6.348.182 (December 31, 2017: TL 9.581.631). As of December 31, 2018 the Company has TL 16.984.621 express warranty in derivative instruments (December 31, 2017: TL 5.818.015).

As of December 31, 2018, the Company has accounted in income accruals and other financial liabilities amounting to TL 77.683.687 (December 31, 2017: TL 18.939.649) that is increase in value and TL (2.877.823) (December 31, 2017: TL (7.868.067)) that is decrease in value respectively, due to forward foreign currency agreement.

**14 Cash and cash equivalents**

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

	December 31, 2018		December 31, 2017	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	50.393	62.857	62.857	35.109
Checks on hand	--	--	--	--
Bank deposits	3.622.011.617	3.105.334.647	3.105.334.647	2.795.907.111
Cheques given and payment orders	(79.251)	(87.620)	(87.620)	(82.544)
Bank guaranteed credit card receivables with maturities less than three months	451.595.523	399.367.075	399.367.075	421.604.151
<b>Cash and cash equivalents in the balance sheet</b>	<b>4.073.578.282</b>	<b>3.504.676.959</b>	<b>3.504.676.959</b>	<b>3.217.463.827</b>
Bank deposits - blocked <sup>(*)</sup> (Note 17)	(567.003.315)	(483.582.942)	(483.582.942)	(399.688.896)
Time deposits with maturities longer than 3 months	(1.645.419.289)	(894.215.799)	(894.215.799)	(933.084.218)
Interest accruals on banks deposits	(8.756.840)	(5.641.962)	(5.641.962)	(12.217.858)
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>1.852.398.838</b>	<b>2.121.236.256</b>	<b>2.121.236.256</b>	<b>1.872.472.855</b>

<sup>(\*)</sup> As of December 31, 2018 and 2017, bank deposits in cash and cash equivalents has been kept in favour of the Turkish Treasury as a guarantee for the insurance activities.



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

	December 31, 2018	December 31, 2017
Foreign currency denominated bank deposits		
- time deposits	2.417.131.993	2.021.413.753
- demand deposits	3.087.740	4.690.121
Bank deposits in Turkish Lira		
- time deposits	1.197.211.562	1.066.799.973
- demand deposits	4.580.322	12.430.800
<b>Bank deposits</b>	<b>3.622.011.617</b>	<b>3.105.334.647</b>

### 15 Equity

#### Paid in capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group.

The Company does not increase its share capital in the current period.

As of December 31, 2018, the issued share capital of the Company is TL 500.000.000 (December 31, 2017: TL 500.000.000) and the Company unregistered Group 150 A shares which each of value is TL 1,5 as of April 11, 2013 in which approved in Main Article of the Company dated in April 11, 2013. The share capital of the Company consists of 50.000.000.000 (December 31, 2017: 50.000.000.000 shares) issued shares with TL 1 nominal value each.

#### Other capital reserves

In accordance with tax legislation, 75% of profits from sales of participation shares and 50% real estates included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years. As of December 31, 2018, the tax exempt which obtained thanks to sale of participation shares and real estate in 2010, 2011, 2013, 2014, 2015 and 2016 years respectively, amounting to TL 8.081.516, TL 80.025, TL 647.763, TL 920.272, TL 2.541.500 and TL 15.094 is classified as other capital reserves.

	December 31, 2018	December 31, 2017
<b>Other capital reserves at the beginning of the period</b>	<b>29.388.073</b>	<b>29.200.961</b>
Transfer from profit	838.049	15.094
Use property revaluation fund (Note 6)	1.460.735	172.018
<b>Other capital reserves at the end of the period</b>	<b>31.686.857</b>	<b>29.388.073</b>

#### Legal reserves

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

The movement of legal reserves are presented below:

	December 31, 2018	December 31, 2017
<b>Legal reserves at the beginning of the period</b>	<b>68.264.694</b>	<b>58.683.773</b>
Transfer from profit	18.815.480	9.580.921
<b>Legal reserves at the end of the period</b>	<b>87.080.174</b>	<b>68.264.694</b>

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**Extraordinary reserves**

The movement of extraordinary reserves are presented below:

	December 31, 2018	December 31, 2017
Extraordinary reserves at the beginning of the period	163.166.541	114.807.844
Transfer from profit	101.505.396	48.358.697
<b>Extraordinary reserves at the end of the period</b>	<b>264.671.937</b>	<b>163.166.541</b>

**Statutory reserves**

The movement of statutory reserves are presented below:

	December 31, 2018	December 31, 2017
Statutory reserves at the beginning of the period	25.840.740	17.811.508
Transfer from profit	14.893.775	8.029.232
<b>Statutory reserves at the end of the period</b>	<b>40.734.515</b>	<b>25.840.740</b>

**Valuation of financial assets**

The movements of valuation differences related available for sale financial assets and associates are presented below:

	December 31, 2018	December 31, 2017
Valuation difference at the beginning of the period	32.328.394	32.954.142
Change in the fair value	(24.358.217)	12.147.442
Subsidiaries consolidated according to the equity method	(13.244.625)	(3.497.756)
Net gains transferred to the statement of income	(58.157.643)	(7.896.672)
Deferred tax effect	15.428.556	(1.378.762)
<b>Valuation difference at the end of the period</b>	<b>(48.003.535)</b>	<b>32.328.394</b>

**Other profit reserves**

In accordance with the July 4, 2007 dated and 2007/3 numbered Compliance Circular issued by the Turkish Treasury, 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 December 31, 2006) should be transferred to the reserve accounts under equity in accordance with the 5<sup>th</sup> Temporary Article of the Insurance Law. The companies had to transfer total amount of provisions, including earthquake provisions reserved as at December 31, 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 September 1, 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.

Accordingly, the Company initially transferred total provisions amounting to TL 96.036.157 including earthquake provisions reserved as at December 31, 2006 and related gains obtained from investment of this amount, to the reserve accounts under equity, TL 51.846.111 of this amount is used for capital increase in 2010. As of December 31, 2018, accordance with IAS 19, to add the amount of actuarial loss and net profit of TL (5.089.649) defined remeasure net profit debt and TL (934.571) for consolidation process the amount of new balance is TL 38.165.826.

**Profit on assets sale that will be transferred to capital**

In accordance with tax legislation, 75% of profits from sales of participation shares and 50% of real estates included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years.

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### 16 Other reserves and equity component of discretionary participation feature

As of December 31, 2018 and 2017, change in fair values of available-for-sale financial assets which is presented as "valuation of financial assets" and earthquake provisions provided in the previous years presented under "other profit reserves" are explained in detail in Note 15 - *Equity* above. As of December 31, 2018 and 2017, the Company does not hold any insurance or investment contracts which contain a discretionary participation feature.

### 17 Insurance contract liabilities and reinsurance assets

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

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

	December 31, 2018	December 31, 2017
Reserve for unearned premiums, gross	2.741.583.431	2.349.673.619
Reserve for unearned premiums, ceded (Note 10)	(794.433.893)	(610.721.482)
Reserve for unearned premiums, SSI share	(63.611.724)	(58.817.233)
<b>Reserves for unearned premiums, net</b>	<b>1.883.537.814</b>	<b>1.680.134.904</b>
Provision for outstanding claims, gross	4.339.333.163	3.245.443.075
Provision for outstanding claims, ceded (Note 10)	(1.281.930.795)	(640.756.717)
<b>Provision for outstanding claims, net</b>	<b>3.057.402.368</b>	<b>2.604.686.358</b>
Gross of reserve for unexpired risk	101.782.328	47.086.775
Reinsurer's share of the reserve for unexpired risk	(41.591.188)	(24.105.605)
<b>Provision unexpired risk reserve, net</b>	<b>60.191.140</b>	<b>22.981.170</b>
Equalization provision, net	175.746.540	140.939.210
General provision, net (*)	7.702.760	7.702.760
<b>Other technical provisions, net</b>	<b>183.449.300</b>	<b>148.641.970</b>
<b>Total technical provisions, net</b>	<b>5.184.580.622</b>	<b>4.456.444.402</b>
Short-term	5.000.323.117	4.307.802.432
Medium and long-term	184.257.505	148.641.970
<b>Total technical provisions, net</b>	<b>5.184.580.622</b>	<b>4.456.444.402</b>

(\*) It contains a provision which has been reflected in the prior financial statements amounting TL 7.702.761 due to the possible impact of adverse developments that may occur by company's management.

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

Reserve for unearned premiums	December 31, 2018			Net
	Gross	Ceded	SSI share	
Reserve for unearned premiums at the beginning of the period	2.349.673.619	(610.721.482)	(58.817.233)	1.680.134.904
Premiums written during the period	5.701.355.416	(1.761.121.334)	(120.450.837)	3.819.783.245
Premiums earned during the period	(5.309.445.604)	1.577.408.923	115.656.346	(3.616.380.335)
<b>Reserve for unearned premiums at the end of the period</b>	<b>2.741.583.431</b>	<b>(794.433.893)</b>	<b>(63.611.724)</b>	<b>1.883.537.814</b>
Reserve for unearned premiums	December 31, 2017			Net
	Gross	Ceded	SSI share	
Reserve for unearned premiums at the beginning of the period	2.228.090.805	(400.082.643)	(75.059.218)	1.752.948.944
Premiums written during the period	4.671.409.652	(1.289.191.554)	(109.231.373)	3.272.986.725
Premiums earned during the period	(4.549.826.838)	1.078.552.715	125.473.358	(3.345.800.765)
<b>Reserve for unearned premiums at the end of the period</b>	<b>2.349.673.619</b>	<b>(610.721.482)</b>	<b>(58.817.233)</b>	<b>1.680.134.904</b>
Provision for outstanding claims	December 31, 2018			Net
	Gross	Ceded		
Provision for outstanding claims at the beginning of the period	3.245.443.075	(640.756.717)		2.604.686.358
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	4.467.848.995	(1.363.410.424)		3.104.438.571
Claims paid during the period	(3.373.958.907)	722.236.346		(2.651.722.561)
<b>Provision for outstanding claims at the end of the period</b>	<b>4.339.333.163</b>	<b>(1.281.930.795)</b>		<b>3.057.402.368</b>
Provision for outstanding claims	December 31, 2017			Net
	Gross	Ceded		
Provision for outstanding claims at the beginning of the period	2.530.257.134	(487.012.275)		2.043.244.859
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	3.471.137.076	(756.871.756)		2.714.265.320
Claims paid during the period	(2.755.951.134)	603.127.311		(2.152.823.823)
<b>Provision for outstanding claims at the end of the period</b>	<b>3.245.443.076</b>	<b>(640.756.720)</b>		<b>2.604.686.356</b>
Reserve for unexpired risk	December 31, 2018			Net
	Gross	Ceded		
Reserve for unexpired risk at the beginning of the period	47.086.775	(24.105.605)		22.981.170
Change in the reserve during the current period	54.695.553	(17.485.583)		37.209.970
<b>Reserve for unexpired risk at the end of the period</b>	<b>101.782.328</b>	<b>(41.591.188)</b>		<b>60.191.140</b>
Reserve for unexpired risk	December 31, 2017			Net
	Gross	Ceded		
Reserve for unexpired risk at the beginning of the period	4.020.419	(3.455.888)		564.531
Change in the reserve during the current period	43.066.356	(20.649.717)		22.416.639
<b>Reserve for unexpired risk at the end of the period</b>	<b>47.086.775</b>	<b>(24.105.605)</b>		<b>22.981.170</b>
Reserve for equalization	December 31, 2018		December 31, 2017	
Reserve for equalization at the beginning of the period	140.939.211		109.427.806	
Provision added during the period	34.807.329		31.511.404	
<b>Reserve for equalization at the end of the period</b>	<b>175.746.540</b>		<b>140.939.210</b>	

## CONVENIENCE TRANSLATION OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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

### Claim development tables

The basic assumption used in the estimation of provisions for outstanding claims is the Company's past experience on claim developments. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. The sensitivity of certain assumptions like legislative change, uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the reporting date. Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognized in subsequent financial statements.

Development of insurance liabilities enables to measure the performance of the Company in estimation of its ultimate claim losses. The amounts presented on the top of the below tables show the changes in estimations of the Company for the claims in subsequent years after claim years. The amounts presented on the below of the below tables give the reconciliation of total liabilities with provision for outstanding claims presented in the accompanying financial statements.

December 31, 2018						
Claim year	2014	2015	2016	2017	2018	Total
Claim year	1.509.349.771	1.964.426.481	2.030.105.750	2.535.329.232	3.012.102.758	11.051.313.992
1 year later	1.646.289.236	2.202.057.320	2.185.111.537	2.821.216.156	--	8.854.674.249
2 years later	1.759.948.960	2.294.031.632	2.288.050.713	--	--	6.342.031.305
3 years later	1.823.096.342	2.384.873.489	--	--	--	4.207.969.831
4 years later	1.894.117.508	--	--	--	--	1.894.117.508
Current estimate of cumulative claims	1.894.117.508	2.384.873.489	2.288.050.713	2.821.216.156	3.012.102.758	12.400.360.624
Cumulative payments to date	1.660.915.086	2.093.000.735	1.935.681.551	2.410.564.445	2.058.104.246	10.158.266.063
Provision recognized in the financial statements	233.202.422	291.872.754	352.369.163	410.651.711	953.998.511	2.242.094.561
Provision recognized in the financial statements before 2013	--	--	--	--	--	2.097.238.602
<b>Total gross outstanding claims presented in the consolidated financial statements at the end of the period</b>						<b>4.339.333.163</b>
December 31, 2017						
Claim year	2013	2014	2015	2016	2017	Total
Claim year	1.298.328.138	1.781.130.181	2.285.927.435	2.452.778.738	3.147.733.176	10.965.897.668
1 year later	1.460.991.580	2.021.374.527	2.641.719.915	2.738.090.023	--	8.862.176.045
2 years later	1.516.454.976	2.149.439.498	2.748.295.814	--	--	6.414.190.288
3 years later	1.592.457.529	2.220.685.091	--	--	--	3.813.142.620
4 years later	1.637.662.009	--	--	--	--	1.637.662.009
Current estimate of cumulative claims	1.637.662.009	2.220.685.091	2.748.295.814	2.738.090.023	3.147.733.176	12.492.466.113
Cumulative payments to date	1.399.424.005	1.832.865.427	2.315.870.882	2.142.238.748	2.106.774.810	9.797.173.872
Provision recognized in the financial statements	238.238.004	387.819.664	432.424.932	595.851.275	1.040.958.366	2.695.292.241
Provision recognized in the financial statements before 2012	--	--	--	--	--	550.150.832
<b>Total gross outstanding claims presented in the consolidated financial statements at the end of the period</b>						<b>3.245.443.073</b>

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

	December 31, 2018		
	Amount be provided (**)	Provided	Net book value
<i>Non-life:</i>			
Bank deposits (Note 14)	--	566.555.904	567.003.315
<b>Total</b>	<b>453.845.445</b>	<b>566.555.904</b>	<b>567.003.315</b>
	December 31, 2017		
	Amount be provided (**)	Provided	Net book value
<i>Non-life:</i>			
Bank deposits (Note 14)	--	483.372.018	483.582.942
<b>Total</b>	<b>380.109.847</b>	<b>483.372.018</b>	<b>483.582.942</b>

(\*\*) According to the 7<sup>th</sup> article of the "Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies" which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be provided as a guarantee in two months following the calculation period. According to "Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Private Pension Companies", companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Turkish Treasury Department within two months. Since the amounts that to be provided as of December 31, 2018 (December 31, 2017) will be through the calculated amounts as of June 30, 2018 (June 30, 2017), the settled amounts as of June 30, 2018 (June 30, 2017) is presented as "to be provided" amounts.

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

None.

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

None.

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

None.

**Deferred commission expenses**

The Company capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As of December 31, 2018, short-term prepaid expenses amounting to TL 366.819.267 (December 31, 2017: TL 319.260.853) consist of deferred commission expenses amounting to TL 327.682.017 (December 31, 2017: TL 281.996.393) and other prepaid expenses amounting to TL 39.137.250 (December 31, 2017: TL 37.264.460). Long-term prepaid expenses amounting TL 9.445.638 (December 31, 2017: TL 6.639.202) are composed of other prepaid expenses.

	December 31, 2018	December 31, 2017
Deferred commission expenses at the beginning of the period	281.996.393	286.562.140
Commissions accrued during the period	739.445.718	618.327.570
Commissions expensed during the period (*)	(693.760.094)	(622.893.317)
<b>Deferred commission expenses at the end of the period</b>	<b>327.682.017</b>	<b>281.996.393</b>

(\*) Commission expenses that accounted in reinsurance commissions are included

## CONVENIENCE TRANSLATION OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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

### Individual pension funds

None.

### 18 Investment contract liabilities

None.

### 19 Trade and other payables and deferred income

	December 31, 2018	December 31, 2017
Financial liabilities	53.578.314	110.802.339
Payables arising from main operations	652.398.576	492.116.005
Other payables	95.240.548	113.563.202
Deferred commission income (Note 10)	117.840.030	95.718.017
Taxes and funds payable and other similar obligations	51.729.635	50.750.268
Trade payables to related parties	261.029	256.510
<b>Total</b>	<b>971.048.132</b>	<b>863.206.341</b>
Short-term liabilities	971.048.132	863.206.341
Medium and long-term liabilities	--	--
<b>Total</b>	<b>971.048.132</b>	<b>863.206.341</b>

As of December 31, 2018, other payables amounting to TL 95.240.548 (December 31, 2017: TL 113.563.203) consist of treatment cost payables to SSI amounting to TL 30.867.740 (December 31, 2017: TL 30.922.543) payables to Tarsim and DASK and outsourced benefits and services amounting to TL 54.917.816 (December 31, 2017: TL 76.358.578 and deposits and guarantees received amounting to TL 9.454.992 (December 31, 2017: TL 6.282.082).

The detail of payables arising from main operations of the Company as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Payables to reinsurance companies (Note 10)	369.016.685	267.629.697
Payables to agencies, brokers and intermediaries	65.074.280	44.147.545
<b>Total payables arising from insurance operations</b>	<b>434.090.965</b>	<b>311.777.242</b>
<b>Payables arising from reinsurance activities to reinsurance companies</b>	<b>5.179.090</b>	<b>--</b>
Payables arising from other operating activities	204.600.596	171.765.147
Cash deposited by insurance and reinsurance companies (Note 10)	8.527.925	8.573.616
<b>Payables arising from main operations</b>	<b>652.398.576</b>	<b>492.116.005</b>

Corporate tax liabilities and prepaid taxes are disclosed below:

	December 31, 2018	December 31, 2017
Prepaid taxes	118.182.975	44.914.337
Provision of calculated corporate tax	(79.313.444)	(52.636.513)
<b>Corporate tax assets/(liabilities), net</b>	<b>38.869.531</b>	<b>(7.722.176)</b>

There are no investment incentives which will be benefited in current and future periods.

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**CONVENIENCE TRANSLATION OF NOTES TO THE CONSOLIDATED  
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**20 Financial liabilities**

As of December 31, 2018, the Company has financial liabilities which are comprised of repurchase / Takasbank Money Market agreements amounting to TL 50.700.491 (December 31, 2017: TL 102.934.273). Financial liabilities maturities are as follows:

<b>Maturity Date</b>	<b>December 31, 2018</b>	<b>Maturity Date</b>	<b>December 31, 2017</b>
Jan 15, 2019	50.700.491	Jan 19, 2018	20.084.905
--	--	Jan 26, 2018	82.849.368
<b>Net book value in balance sheet</b>	<b>50.700.491</b>	<b>Net book value in balance sheet</b>	<b>102.934.273</b>

As of December 31, 2018, the detail of the expense accrual arising from swap contracts amounting to TL 2.877.823 is disclosed at the Note 13 (December 31, 2017: 7.868.066).

**21 Deferred tax**

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

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
	<b>Deferred tax assets/(liabilities)</b>	<b>Deferred tax assets/(liabilities)</b>
Valuation differences in financial assets	(17.623.289)	(7.879.160)
Equalization provision	28.061.885	21.889.262
Other provision	13.018.560	8.667.322
Reserve for unexpired risk	13.242.051	5.055.857
Provisions for employee termination benefits and unused vacations	5.699.036	4.601.292
Provision for subrogation receivables	3.558.004	1.834.144
Discount of receivables and payables	553.690	698.951
TAS adjustment differences in depreciation	(2.887.282)	(2.084.927)
Subrogation receivables from third parties	(5.651.737)	(3.977.190)
Real estate valuation	(7.057.393)	(6.961.291)
<b>Deferred tax assets, net</b>	<b>30.913.525</b>	<b>21.844.260</b>

As of December 31, 2018, the Company has not deductible tax losses (December 31, 2017: None).

The movement of deferred tax assets table:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
<b>Opening balance at 1 January</b>	<b>21.844.260</b>	<b>18.112.832</b>
Recognised in profit or loss (Note 35)	(6.651.982)	5.702.299
Recognised in equity	15.721.247	(1.970.871)
<b>Deferred tax asset</b>	<b>30.913.525</b>	<b>21.844.260</b>



## CONVENIENCE TRANSLATION OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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### 22 Retirement benefit obligations

Employees of the Company are the members of "Anadolu Anonim Pension Fund" which is established in accordance with the temporary Article 20 of the Social Security Act No: 506. As per the temporary sub article No: 20 of the Article 73 of the Social Security Law, pension funds should be transferred to the Social Security Institution within three years after the publication of the aforementioned Law published in the Official Gazette numbered 26870 and dated May 8, 2008. The related three-year transfer period has been prolonged for two years by the Cabinet decision, the three-year period was extended to the May 8, 2015.

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

According to this arrangement the bank within the scope of Act 506, article No.20, insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or associations which constitute their union personnel and associates of funds are required to be transferred until May 8, 2015 to Social Security Administration, authority to determine the date of transfer is given the Council of Ministers thus the transfer of the funds has been postponed to an unknown date.

### 23 Other liabilities and provisions

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

	December 31, 2018	December 31, 2017
Provision for employee termination benefits	25.856.081	20.939.663
Provision for unused vacation pay liability	2.399.183	1.878.908
<b>Total provision for other risks</b>	<b>28.255.264</b>	<b>22.818.571</b>
	December 31, 2018	December 31, 2017
Provision for agency award Provision for guarantee account	11.163.040	11.338.826
Provision for guarantee account	12.372.453	12.218.858
Provision for employee bonus	25.000.000	19.000.000
Provision for sliding scale commission (Note 10)	3.966.136	--
Provision for traffic pool	9.417.559	3.843.808
Provision for excess of claim contract substitution premium	692.213	733.286
Provision for bank expense	2.467.206	--
Provision for reinsurance activities	4.829.924	29
Provision for tax assessment	4.007.764	3.678.791
<b>Prepaid income and expense accruals</b>	<b>73.916.295</b>	<b>50.813.598</b>

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The movements of provision for employee termination benefits during the period are presented below:

	December 31, 2018	December 31, 2017
Provision for employee termination benefits at the beginning of the period	20.939.663	17.363.526
Interest cost (Note 47)	2.408.061	1.859.469
Service cost (Note 47)	1.797.332	1.507.021
Payments made during the period (Note 47)	(1.563.952)	(1.875.629)
Actuarial difference (Note 47)	2.274.977	2.085.276
<b>Provision for employee termination benefits at the end of the period</b>	<b>25.856.081</b>	<b>20.939.663</b>

**24 Net insurance premium**

Net insurance premium revenue is presented in detailed in the accompanying consolidated statement of income.

**25 Fee revenue**

None.

**26 Investment income**

Investment income is presented in "Note 4.2 - Financial Risk Management".

**27 Net income accrual on financial assets**

Net realized gains on financial assets are presented in "Note 4.2 - Financial Risk Management".

**28 Assets held at fair value through profit or loss**

Presented in "Note 4.2 - Financial Risk Management".

**29 Insurance rights and claims**

	January 1 - December 31, 2018	January 1 - December 31, 2017
Claims paid, net off reinsurers' share	2.651.722.561	2.152.823.823
Changes in provision for unearned premiums, net off reinsurers' share	203.402.910	(72.814.040)
Changes in provision for outstanding claims, net off reinsurers' share	452.716.010	561.441.497
Change in equalization provisions	36.488.922	31.511.404
Changes in reserve for unexpired risks, net off reinsurers' share	37.209.970	22.416.639
<b>Total</b>	<b>3.381.540.373</b>	<b>2.695.379.323</b>

**30 Investment contract benefits**

None.

**31 Other expenses**

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

## CONVENIENCE TRANSLATION OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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

### 32 Operating expenses

As of January 1 - December 31, 2018 and 2017, the operating expenses are disclosed as follows:

	January 1 - December 31, 2018	January 1 - December 31, 2017
Commission expenses (Note 17)	577.280.719	556.177.638
<i>Commissions to intermediaries accrued during the period (Note 17)</i>	611.529.782	551.528.809
<i>Change in deferred commission expenses (Note 17)</i>	(34.249.063)	4.648.829
Employee benefit expenses (Note 33)	187.414.737	156.330.645
Administration expenses	139.239.242	106.835.655
Advertising and marketing expenses	18.968.329	21.577.701
Outsourced benefits and services	20.394.581	19.008.661
Commission income from reinsurers (Note 10)	(224.547.295)	(170.817.237)
<i>Commission income from reinsurers accrued during the period (Note 10)</i>	(246.669.308)	(207.894.486)
<i>Change in deferred commission income</i>	22.122.013	37.077.249
Commission expense from reinsurance activities (Note 10)	116.479.375	66.715.678
<i>Commission expense from reinsurance activities</i>	127.915.936	66.798.761
<i>Change in deferred commission expense</i>	(11.436.561)	(83.083)
<b>Total</b>	<b>835.229.688</b>	<b>755.828.741</b>

### 33 Employee benefits expenses

	January 1 - December 31, 2018	January 1 - December 31, 2017
Wages and salaries	139.928.619	117.807.470
Insurance payments	32.643.602	25.664.469
Other	14.842.516	12.858.706
<b>Total</b>	<b>187.414.737</b>	<b>156.330.645</b>

### 34 Financial costs

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

### 35 Income tax

Income tax expense items in the accompanying consolidated financial statements are as follows:

	January 1 - December 31, 2018	January 1 - December 31, 2017
<b>Corporate tax expense provision:</b>		
Corporate tax provision	(79.313.444)	(52.636.513)
Previous period corporation tax closure <sup>(*)</sup>	7.841.137	7.054.855
<b>Deferred taxes:</b>		
Origination and reversal of temporary differences	(6.651.982)	5.702.299
<b>Total income tax expense recognised in profit or loss</b>	<b>(78.124.289)</b>	<b>(39.879.359)</b>

<sup>(\*)</sup>The Corporate Tax Provision Closure is presented in the "Provisions Account"

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

	December 31, 2018		December 31, 2017	
		Tax rate (%)		Tax rate (%)
<b>Profit before tax<sup>(1)</sup></b>	<b>402.631.265</b>		<b>241.394.347</b>	
Taxes on income per statutory tax rate	88.578.878	22,00	48.278.869	20,00
Tax exempt income	(11.294.028)	(2,81)	(10.720.663)	(4,44)
Non-deductible expenses	839.439	0,22	134.765	0,06
Other - tax rate change	--	--	2.186.388	0,91
<b>Total tax income recognized in profit or loss</b>	<b>78.124.289</b>	<b>20,26</b>	<b>39.879.359</b>	<b>16,52</b>

<sup>(1)</sup> The reversal of provision for Corporate Tax amounting to TL 7.841.137 (December 31, 2017: TL 7.054.855) is excluded.

**36 Net foreign exchange gains**

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

**37 Earnings per share**

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

	January 1 - December 31, 2018	January 1 - December 31, 2017
Net profit/(loss) for the period	324.506.976	201.514.988
Weighted average number of shares	50.000.000.000	50.000.000.000
Earnings/loss per share (TL)	0,00649	0,00403

**38 Dividends per share**

Cash dividends amounting to TL 60.000.000 were paid to shareholders during the year of 2018 (December 31, 2017: TL 30.000.000).

**39 Cash generated from operations**

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

**40 Convertible bonds**

None.

**41 Redeemable preference shares**

None.

**42 Risks**

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

As of December 31, 2018, total amount of the claims that the Company face is TL 1.776.535.000 in gross (December 31, 2017: TL 1.485.894.000). The Company provided provision for outstanding claims in the consolidated financial statements by considering collateral amounts.

As of December 31, 2018, ongoing law suits prosecuted by the Company against the third parties amounting TL 455.213.000 (December 31, 2017: TL 382.130.000).

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

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The final legal process which is related the period of 2007 and 2008 is expected to result in the Company's favour and the amount of provision TL 12.768.684 which was published on the Official Gazette dated November 12, 2014. The provision amounting TL 4.007.764 as of December 31, 2018, which is set aside for the period starting from December 2013, will be reevaluated according to the course of the ongoing legal process (December 31, 2017: TL 3.678.791).

### 43 Commitments

The details of the guarantees that are given by the Company for the operations in non-life branches are presented in Note 17.

The future aggregate minimum lease payments under operating leases for properties rented for use of head office and regional offices and motor vehicles rented for sales and marketing departments are as follows:

	December 31, 2018	December 31, 2017
Within one year	6.106.751	9.819.396
Between one to five years	14.906.884	15.967.534
Above 5 years	2.189.072	3.390.162
<b>Total of minimum lease payments</b>	<b>23.202.707</b>	<b>29.177.092</b>

### 44 Business combinations

None.

### 45 Related party transactions

The ultimate controlling party of the Company is İş Bankası Group and the groups having direct control over İş Bankası Group and the affiliates and associates of İş Bankası Group are defined as related parties of the Company.

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

	December 31, 2018	December 31, 2017
İş Bankası - cash at banks	868.695.028	383.020.397
<b>Banks</b>	<b>868.695.028</b>	<b>383.020.397</b>
Bonds issued by Is GYO (Note 11)	--	15.302.769
Investment funds issued by Türkiye İş Bankası A.Ş. (Note 11)	21.287.330	--
Investment funds issued by İş Portföy Yönetimi A.Ş. (Note 11)	274.560.353	475.089.955
Investment funds issued by Türkiye Sınai ve Kalkınma Bankası A.Ş. (Note 11)	52.951.656	--
Investment funds founded by İşbank GmbH (Note 11)	13.234.978	17.439.313
<b>Financial assets</b>	<b>362.034.317</b>	<b>507.832.037</b>
İş Bankası - receivables stem from premiums written via the Bank	197.757.383	134.799.092
İş Bankası - credit card receivables	228.254.098	199.001.941
Maturities less than three months	183.443.339	166.384.069
Maturities more than three months	44.810.759	32.617.872
Receivables stems from premiums written via Şişecam Sigorta Aracılık Hiz. A.Ş.	3.539.765	4.773.567
Anadolu Hayat Emeklilik A.Ş. - premium receivables	87.577	796.230
Milli Reasürans T.A.Ş. - receivables from reinsurance operations	--	277
<b>Receivables from main operations</b>	<b>429.638.823</b>	<b>339.371.107</b>
Milli Reasürans T.A.Ş.- payables from reinsurance operations	23.081.684	12.104.550
İş Bankası - commission payables	8.419.250	3.962.974
Şişecam Sigorta Aracılık Hizmetleri A.Ş. - commission payables	407.838	554.498
<b>Payables from main operations</b>	<b>31.908.772</b>	<b>16.622.022</b>

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

**CONVENIENCE TRANSLATION OF NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018**

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

No guarantees have been taken against receivables from related parties.

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

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

The Company has accrued TL 82.302.396 premium (December 31, 2017: TL 71.257.116) for related party policies in 2018. The transactions with related parties during the period ended December 31, 2018 and 2017 are as follows:

	January 1 - December 31, 2018	January 1 - December 31, 2017
İş Bankası - premiums written via the Bank	761.904.845	601.172.759
Premiums written via Şişecam Sigorta Aracılık Hizmetleri A.Ş.	18.305.225	17.080.389
Anadolu Hayat Emeklilik A.Ş - premiums written	4.260.294	242.471
Milli Reasürans T.A.Ş.	33.536	552.278
<b>Premiums written</b>	<b>784.503.900</b>	<b>619.047.897</b>
Milli Reasürans T.A.Ş	(145.899.615)	(128.809.219)
<b>Premiums written, ceded</b>	<b>(145.899.615)</b>	<b>(128.809.219)</b>
İş Bankası - interest income from deposits	53.655.686	39.277.987
İş Portföy Yönetimi - income from investment funds	55.864.925	9.235.579
İş Gayrimenkul Yatırım Ortaklığı - income from bonds	3.354.000	1.990.500
İş Finansal Kiralama- income from bonds	621.238	--
Türkiye Sınai Kalkınma Bankası A.Ş.- income from bonds	--	169.859
<b>Investment income</b>	<b>113.495.849</b>	<b>50.673.925</b>
Türkiye İş Bankası A.Ş - commission expense	(75.251.737)	(67.160.770)
Şişecam Sigorta Aracılık Hizmetleri A.Ş. - commission expense	(3.573.459)	(3.389.113)
Milli Reasürans T.A.Ş- commission expense	32.978.589	29.289.903
<b>Operating expenses, net</b>	<b>(45.846.607)</b>	<b>(41.259.980)</b>
Anadolu Hayat ve Emeklilik A.Ş -rent income	220.985	(189.356)
<b>Other Income</b>	<b>220.985</b>	<b>(189.356)</b>
İş Merkezleri Yönetim ve İşletim A.Ş. - building service cost	(5.900.277)	(5.418.690)
İş Gayrimenkul Yatırım Ortaklığı A.Ş. - rent expense	(482.868)	-
Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı Vakfı -rent expense	(3.824.513)	(3.381.423)
İş Portföy Yönetimi - management commision	(220.355)	(293.093)
Yatırım Finansman Menkul Değerler - management commision	(1.236.570)	(122.317)
<b>Other Expense</b>	<b>(11.664.583)</b>	<b>(9.215.523)</b>

**46 Events after the reporting date**

Subsequent events are disclosed in Note 1.10 Events after the reporting date.

## CONVENIENCE TRANSLATION OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

(Amounts expressed in Turkish Lira ("TL") 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

They are presented in the related notes above.

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

None.

### Subrogation recorded in "Off-Balance Sheet Accounts"

None.

### Real rights on properties and their values

None.

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

None.

### Information on other technical expenses items in income statement

The part of amounting to TL 145.297.383 (December 31, 2017: TL 118.611.498) of other technical expenses in the statement of income amounting to TL 139.447.460 (December 31, 2017: TL 114.260.932) comprised of assistance services and their other technical expenses and cost of postponed.

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

Provision expenses	January 1 - December 31, 2018	January 1 - December 31, 2017
Provisions no longer required income/(expense)	8.425.668	7.740.675
Provision expense for unused vacation (Note 23)	(520.275)	(316.958)
Provision expense for employee termination benefits (Note 23)	(2.641.441)	(1.490.861)
Provision expense for doubtful receivables (Note 4.2)	(71.134.325)	(37.954.653)
Other provisions	(5.158.897)	(297.137)
<b>Provisions account</b>	<b>(71.029.270)</b>	<b>(32.318.934)</b>
Rediscount expenses	January 1 - December 31, 2018	January 1 - December 31, 2017
Rediscount income	33.826.670	16.755.442
Rediscount expense	(43.504.104)	(28.658.461)
<b>Total of rediscounts</b>	<b>(9.677.434)</b>	<b>(11.903.019)</b>

## AN ASSESSMENT OF FINANCIAL STANDING, PROFITABILITY AND SOLVENCY

### Premium production

Anadolu Sigorta registered TL 5,701,355 thousand in premium production in 2018. The greatest contributors to premium production were motor vehicles liability, motor vehicles, fire and natural disasters, and health branches.

A portion in the amount of TL 1,761,121 thousand of premiums were ceded through reinsurance in 2018, thus significantly reducing retained risk in branches likely to present high claim settlements in particular, such as fire, marine, watercraft and general losses.

### Solvency and solvency performance

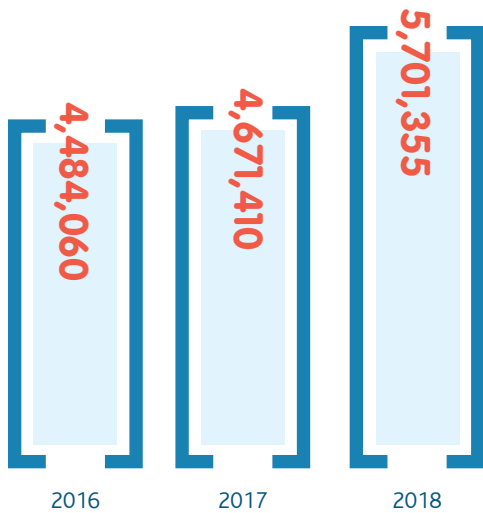
Having adopted it as a duty to make claim payments fully and timely to its policyholders, Anadolu Sigorta attained this goal once again in 2018 drawing on its solid asset structure and balanced liquidity ratio. A big part of the risk was ceded through reinsurance contracts made in branches under which high-amount coverage is provided such as fire and general losses, thus making it possible for the Company's asset structure to remain unaffected by claims paid in big amounts.

In 2018, claims paid amounted to TL 3,373,959 thousand. A significant portion of the claims paid arose, in order, from losses in motor vehicles liability, motor vehicles, health, and fire and natural disasters. Combined loss/premium ratio was 86.7%, 5.1 points higher than its 2017 value.

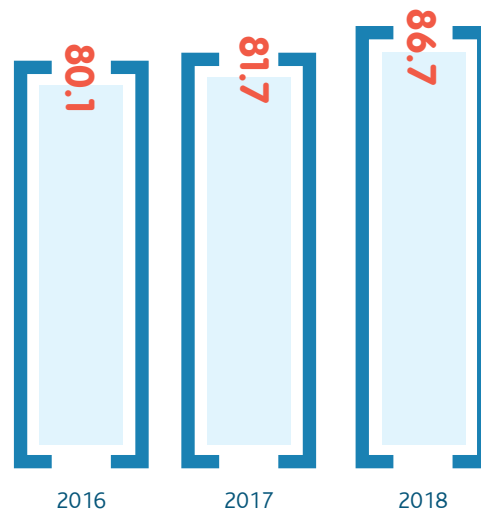
### Assessment of profitability

The company booked a profit of TL 386,888 thousand in 2018. Return on equity and return on assets stood at 18.7% and 3.9%, respectively.

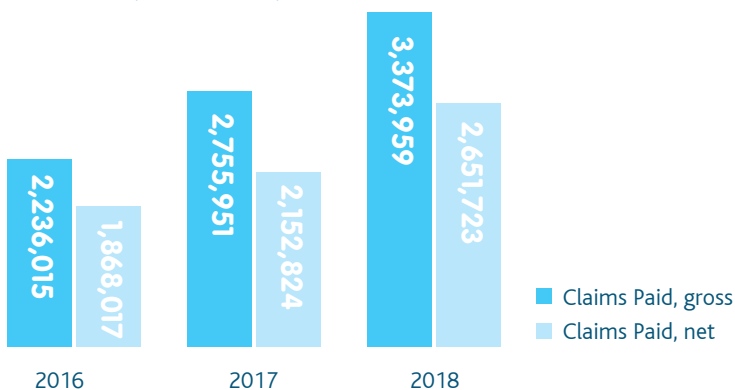
Premium Production (TL thousand)



Claims Ratio (%) (\*)



Claims Paid (TL thousand)





## INFORMATION ON FINANCIAL STRUCTURE

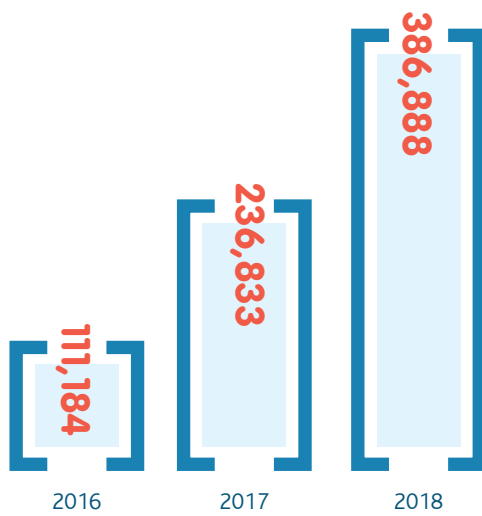
### Assets performance

As of year-end 2018, total assets reached TL 7,904,032 thousand, up 12.4% year-on. With a share of 64.5% representing the largest item in total assets, total cash and cash equivalents, and financial assets grew 10.7% year-on to TL 5,101,184 thousand, giving confidence with respect to payment of possible losses to policyholders with this large volume.

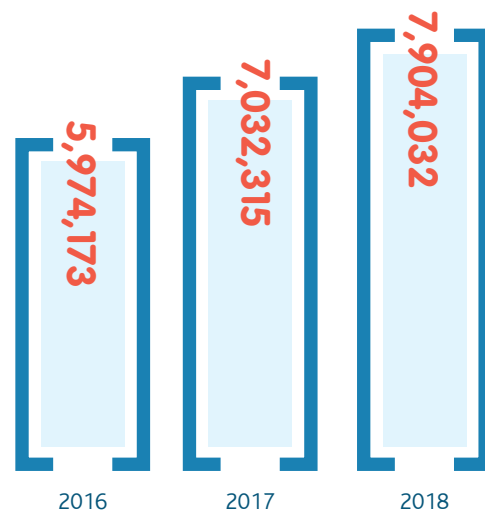
### Capital volume

The nominal capital of Anadolu Sigorta was TL 500,000 thousand as at year-end 2018.

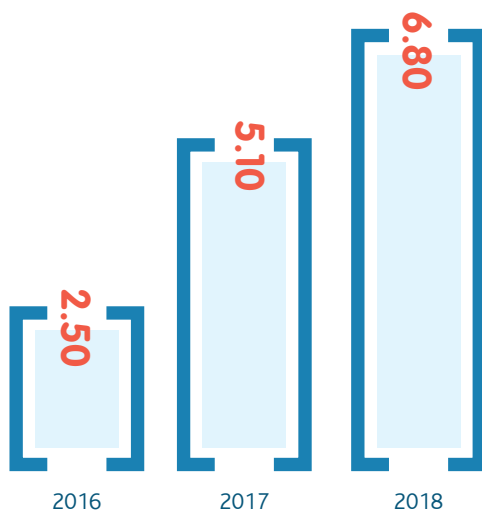
Gross Profit/Loss (TL thousand)



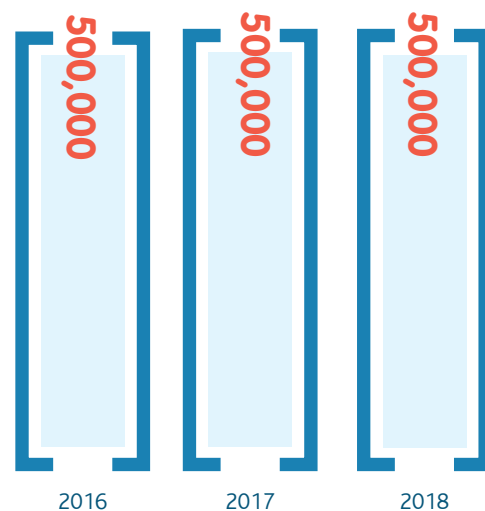
Total Assets (TL thousand)



Gross Profit-Loss/Gross Premium Production (%)



Nominal Capital (TL thousand)



## SUMMARY FINANCIAL INFORMATION FOR THE LAST 5 YEARS INCLUDING THE REPORTING PERIOD

### Summary Financial Information for the Last 5 Years Including the Reporting Period

(TL thousand)

	2018	2017	2016	2015	2014
Gross Premiums	5,701,355	4,671,410	4,484,060	3,610,674	3,004,830
Technical Division Balance	502,067	292,629	157,564	103,634	121,260
Investment Income	1,508,905	859,808	487,727	368,013	258,928
Investment Expenses	-1,537,912	-879,646	-505,094	-382,414	-275,810
Other Income and Expenses	-86,172	-35,958	-29,013	-23,656	-11,736
Period Gross Income (Loss)	386,888	236,833	111,184	65,576	92,642
Taxation	-79,313	-52,637	-23,317	-1,770	-21,082
Period Net Income (Loss)	307,574	184,197	87,867	63,806	71,560
Shareholders' Equity	1,646,206	1,639,021	1,223,180	1,201,893	1,019,833
Total Assets	7,904,032	7,032,315	5,974,173	4,887,545	3,773,391

## INFORMATION FOR INVESTORS

### Capital

Registered capital: TL 700,000,000

Paid-in capital: TL 500,000,000

### Shares

The company's capital is divided into 50,000,000,000 shares each with a value of TL 0.01 and entitling their holders to one vote. The company's free float rate is 48%.

### Stock Exchange

The company's shares are traded on Borsa İstanbul Stars Market under the ticker symbol ANSGR and are included in BIST Corporate Governance, BIST Financial, BIST Insurance, BIST All, BIST All-100, BIST Stars indices.

### Investor Relations Unit

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Anadolu Sigorta  
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