

2018

ANNUAL REPORT



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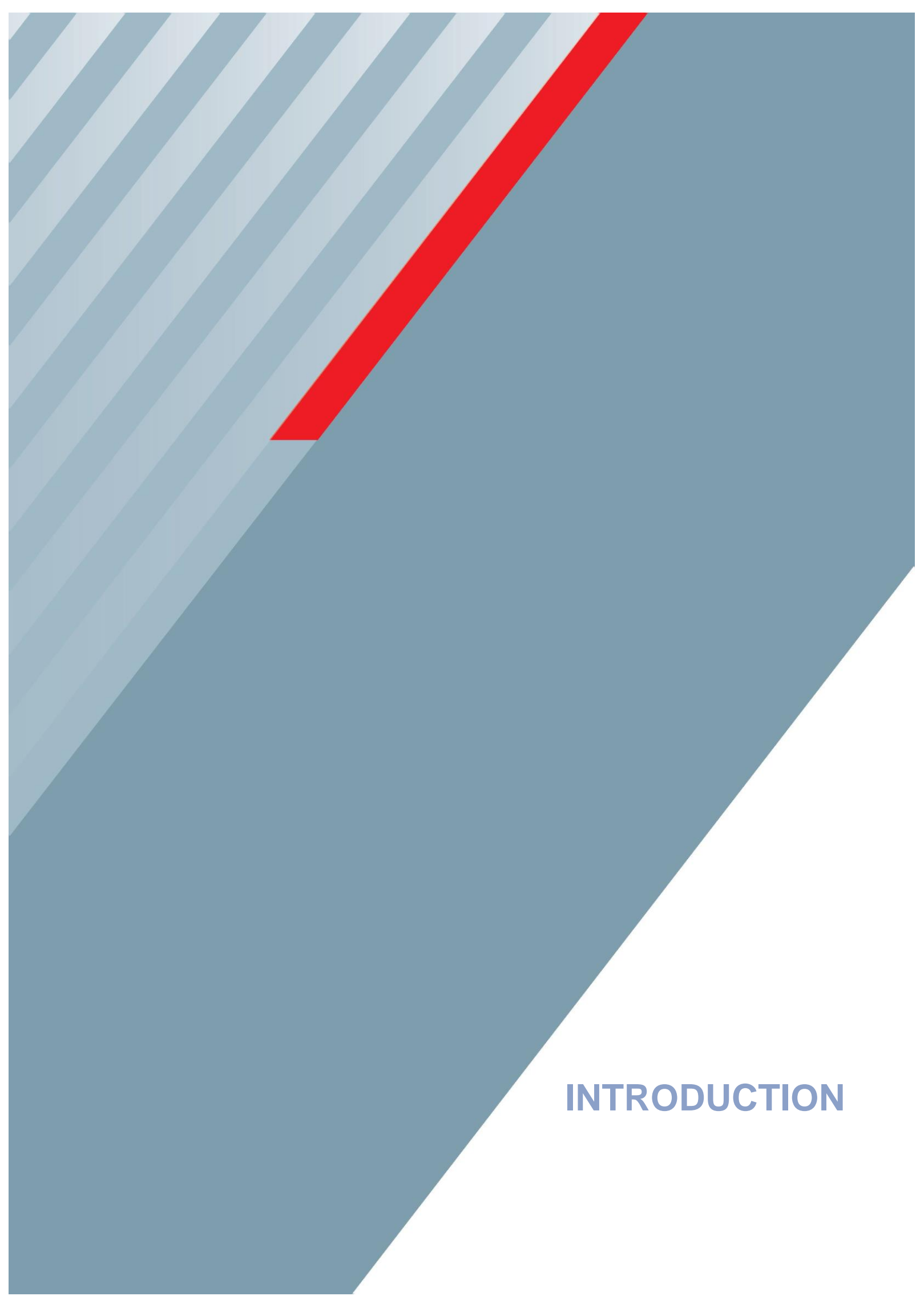
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INTRODUCTION



AXA Sigorta remains a leading player in Turkey's insurance sector with a growth of 17% in elemental branch and 30% in life and pension branches in 2018.

MESSAGE FROM THE CHAIRMAN

In 2018, Turkey's economy was under a great stress due to fluctuations in Turkish Lira, high inflation and deceleration of GNP growth. This economic environment has largely affected the general insurance market. Our customers, agents, distribution partners and stakeholders have experienced a successful year thanks to rapid adaptation, stable actions and comprehensive practices of Axa Sigorta despite these crucial difficulties.

Axa Sigorta remains a leading player in Turkey's insurance sector. Our gross premium production has reached to TL 3.2 billion with a growth of 17% in elemental branches and we have completed the year with a market share of 7.1%. We have achieved a powerful growth of 24% in our non-traffic productions and 22% in health productions, which are two of the segments we'd like to develop. Net income has reached to TL 460m due to increase in investment income arising from high inflation and high interest ratios. Technical outcomes remains powerful in many branches but are getting worse in traffic branch due to inflation pressure on motor insurance and compulsory traffic insurance and price cap and cash practices emerged in 2017. Gross premium has reached to TL 0.5 billion and net income to TL 14 million with a growth of 30% in life and pension branch.

As Axa Sigorta, we have also continued to focus on transformation process of our customers, agents, distribution partners and employees to become a solution partner. The major significant points of the process include our new products such as mobile phone insurance and our new mobile application "AXAFit". We're proud of our customer recommendation score increased by 10 points in 2018. We have further strengthened our dynamic regional presence by simplifying our interactions with our agents and distribution partners. We have achieved an Agency Satisfaction Score of 93% thanks to these efforts.

We'd like to thank our 2.6m customers for their dependence and loyalty on behalf of Executive Board of Axa Sigorta. Our customers are always our focus and will remain so. We'd like to thank our agents, distribution partners, management teams and all our employees for their dependence and leadership. We all think of continuous effort to achieve good results on behalf of all our stakeholders and in particular to our customers.

Based on these powerful foundations of AXA Sigorta, we're looking forward to achieving our success in 2019 as well.

Dr. Wilm Langenbach

Chairman of Board



**2018 has been a year in
which we increased our
Agent Satisfaction Score
by 93%.**

MESSAGE FROM CEO AND BOARD MEMBER

2018 has been a year in which we took important steps for Axa Sigorta and Axa Hayat Emeklilik in transformation process called “From Payer to Solution Partner.”

This year, in which we managed to meet our values such as especially customer, courage, honesty and Only Axa with our technological initiative “Sigorta 4.0”, we have reached to a market share of 7.1% in property and casualty insurances with a premium production of TL 3.375 billion and reached to a market share of ~1% (TL 42 million) and total fund value of TL 474 million with a premium production / OKS (automatic enrolment system) of TL 11 million in Life and Pension branches.

In 2018, in which we focused on simplification in all our operations, we have developed so many projects that especially increase the efficiency of our agency and distribution channels. Besides, I would like to point out that we have gained momentum in the transformation of “listening culture to understand” thanks to our strong regional organization.

2018 has been a year in which we increased our Agency Satisfaction Score by 93%. According to the results of evaluation carried out by our customers, we have achieved an improvement of +10 points in Net Promoter Score compared to the previous year. The fact that our company has been regarded as the most recommended insurance company by customers in 2018 is based on our strong and innovative organization and brand awareness.

2018 has been an important year in which we have taken major steps in technology field; in which artificial intelligence and big data have been used in damage processes; in which the mobile application “AxaFit” has been presented to customer’s service and “AxaGo” Telematics insurance product has met with internet of objects and deep learning.

Having focused on creating “Happy Customer / Happy Agent/Distribution Channel” with all our employees, our company have built a value chain that makes difference by using smart technologies and has turned innovative solutions, collaborations, innovative products and services into focus point.

In Turkey, We have built our works that make always difference in all areas in line with our strategy we called “Sigorta 4.0” by using Axa’s global know-how and experiences. This initiative was performed with our significant transformation projects like Acente 4.0, Müşteri 4.0, Çalışan 4.0 and Süreç 4.0 in 2018.

Year 2018 may be regarded as the year in which we have experienced significant results for our companies both in national and international level. In the independent national survey conducted by CNS, our elemental products rank first in the evaluation categories for the purposes of brand awareness, purchasing trends and purchase; we gained 8 awards (3 of which are gold) in different categories with our campaigns named “Dert Varsa Derman AXA, Telefon Kazasına Son, Görsünler” and mobile application “AxaFit” at the international Stevie awards. These outcomes we obtained in a challenging year get us excited for the future.

In 2018, we have experienced a hard period especially in the second half of the year due to economic developments and left behind a difficult period for our country in terms of growth and profitability. We are grateful to our colleagues, agents and distribution channels for their cooperation and efforts in overcoming these difficulties.

As Axa Sigorta and Axa Hayat Emeklilik, we’re pleased and hopeful for the future since we have achieved our goals in a very challenging year like 2018 and we are also able to build a sound basis in order to produce sustainable results for 2019 and from now on.

I am confident that we will progress on our path to a stronger and more successful future thanks to our strong brand and Axa’s values.

Yavuz OLKEN

CEO and Board Member

BOARD MEMBERS



Dr. Wilm Langenbach

Chairman of the Board
Langenbach graduated from Business Administration Department of WHU Koblenz Diplom-Kaufmann in 1996 and received his Ph.D. in Business Administration from the same university.

Started his career in 1989, Langenbach was appointed as a Board Member of our company in 2015 and he is also working as Chief Operating Officer of AXA Medla Holding.



Yavuz OLKEN

CEO and Board Member
Olken graduated from Saint Joseph College in 1981, Izmir Atatürk High School in 1984 and Department of Civil Engineering of Istanbul Technical University in 1989.

Having started his career in 1989, Olken has been working in our company since 2002 as Director of many departments such as Axa Sigorta's Corporate and Technical, Individual Technical, Pricing and Reserve, Reinsurance, Sales Support of Corporate and Commercial Risks, Project Management, Information Technologies (integration and Domestic Development, Life and Pension software, Digital Solutions, System Performance and Non-Life Software, System and Network Management, Data Warehouse and Customer Value Management). Yavuz Olken was appointed Chief Executive Officer of Axa Sigorta in 2018.

BOARD MEMBERS



Marc Paul Andre Bernardin

Board Member

Marc Paul Andre Bernardin graduated from Political Sciences Department (Sciences-Po) in 1965. Having graduated from Paris II Law School in 1973, he received title of Doctor of Law. Having started his career as attache at French Embassy in Afghanistan in 1969, Bernardin worked as representative of Union des Assurances de Paris in Madagascar in 1974 and as Technical Manager at Senegal Insurance and Reinsurance Company in 1977. He had been working as Managing Member of Imtas Sigorta in Turkey between the years of 1980-1984 and 1988-1993. He held various positions in AXA French. He lectured at the Faculty of Law in Dakar and Department of Public Administration in Marmara University. He was also working as President of French Chamber of Commerce in Istanbul. He is currently president of Turkish French Association of Friendship in Paris.

Celalettin Ali Erlat

Managing Member of Board

Erlat graduated from Heybeliada Naval High School in 1979 and Law School of Istanbul University in 1985.

Having started his career in 1987, Erlat has been working in our company since 2002 and he is also director of Axa Sigorta's Law, Body Damages, Compliance and Business Continuity Departments and all units affiliated to these departments.



Guillaume Herve Marie Xavier Lejeune

Board Member

Lejeune graduated from Hautes Etudes Commerciales (HEC Paris) and Centre d'Etudes Actuarielles (Actuary Department). He started his career as Consultant at Eurosept in 1990 and then as Manager at AT Kearney in 1995. Lejeune has joined Axa Group in 1996 and first worked as Financial Control Manager of USA, UK and Asia Regions at the department of AXA GMS, Plan Budget and Reporting. He serves as Head of Department in charge of sales at AXA Conseil in 1999; Deputy General Manager of AXA French in 2001; Head of Department in charge of sales at the regions of AXA French, South West in 2003; Financial Control and Strategy Manager of Axa French in 2006; Financial Manager of Axa Mexico in 2008 and he is currently working as Chief Operating Officer of Axa French since 2011.

Benoit Michel Claveranne

Board Member

Benoit Claveranne graduated from Ecole Nationale d'U Administration (ENA), Institut d'Etudes Politiques (Paris) and Ecole Normale Supérieure (Economy Department) and got Master's Degree in Economy of Paris University. Before joining AXA, he was working as Director of International Monetary Fund, World Bank and French Treasury. He has joined AXA as a Vice Group Chairman of Europe and Public Relations in September 2009. Mr. Benoît Claveranne was working as Head of Prevoyance & Patrimoine, network of affiliated agents of Axa French, between the years of 2011 and 2013.

He served as Chief Executive Officer of AXAASIA in Life Insurance between 2014 and June 2016. He worked as Group Chief Transformation Officer in charge of Distribution, Data, Information Technology, Operational Excellence (including Efficiency) and Procurement between July 2016 - December 2017. He joined Group Management Committee in July 2016. Mr. Benoît Claveranne has been appointed as Chief Executive Officer for International and New Markets as of December 1, 2017.



HISTORY

1916

Nordstern representation office is established in İstanbul.

1918

İttihadi Milli Osmanlı Sigorta Şirketi is founded.

1956

İttihadi Milli Osmanlı changed business title as "İttihadi Milli Türk Anonim Şirketi" (İMTAŞ).

1968

Oyak Sigorta is founded to provide insurance policies in Life and Non-Lifesegments.

1983

Emlak Bankası, a bank specialized in housing loans, participated in Oyak Sigorta capital with 26% share.

1996

Life portfolio of Oyak Sigorta is transferred to AXA OYAK Hayat Sigorta.

1998

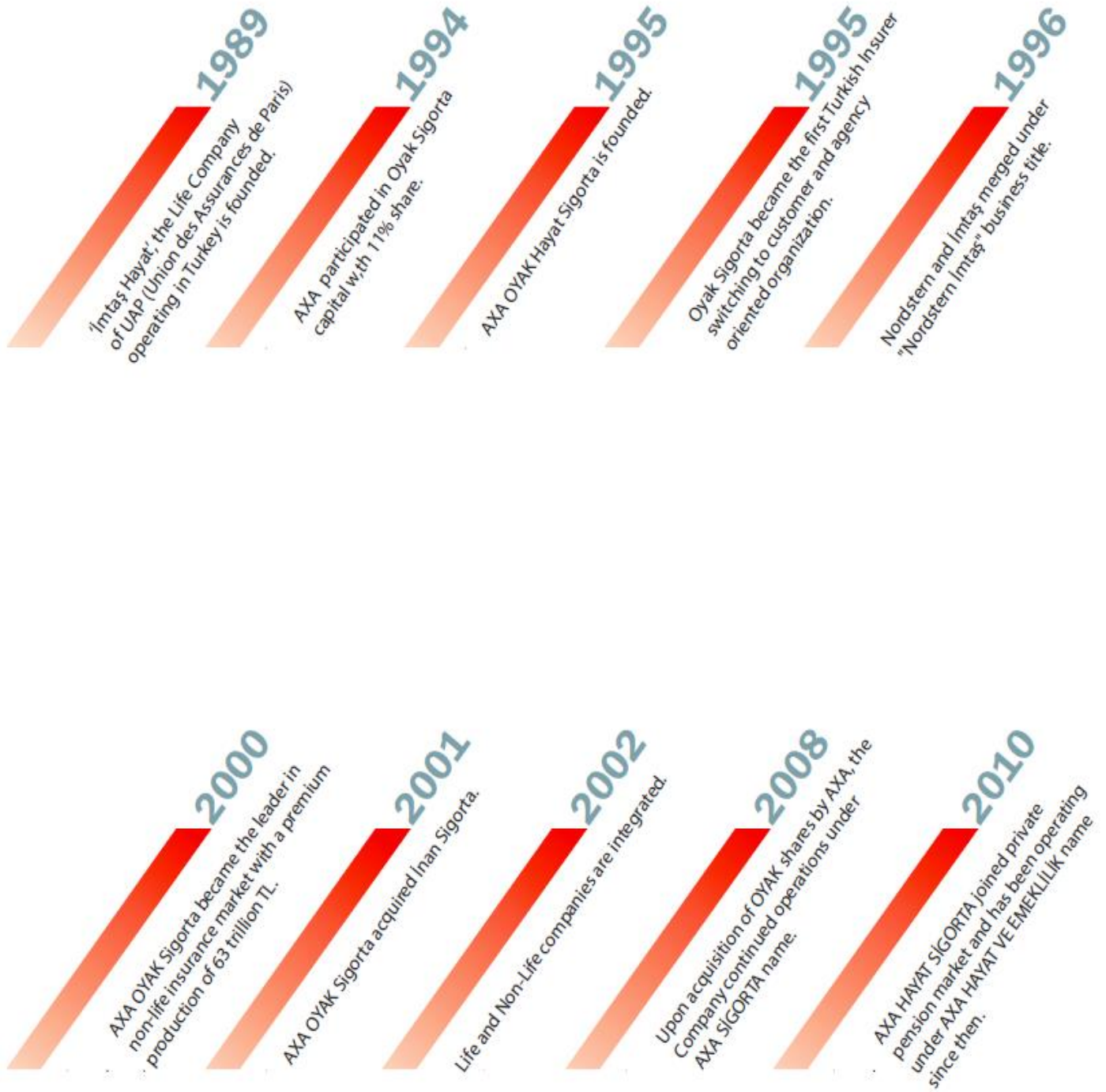
AXA and OYAK decided to gather under a single roof to ensure organizational efficiency of insurance business within Turkey. The 2 companies merged in one single head office.

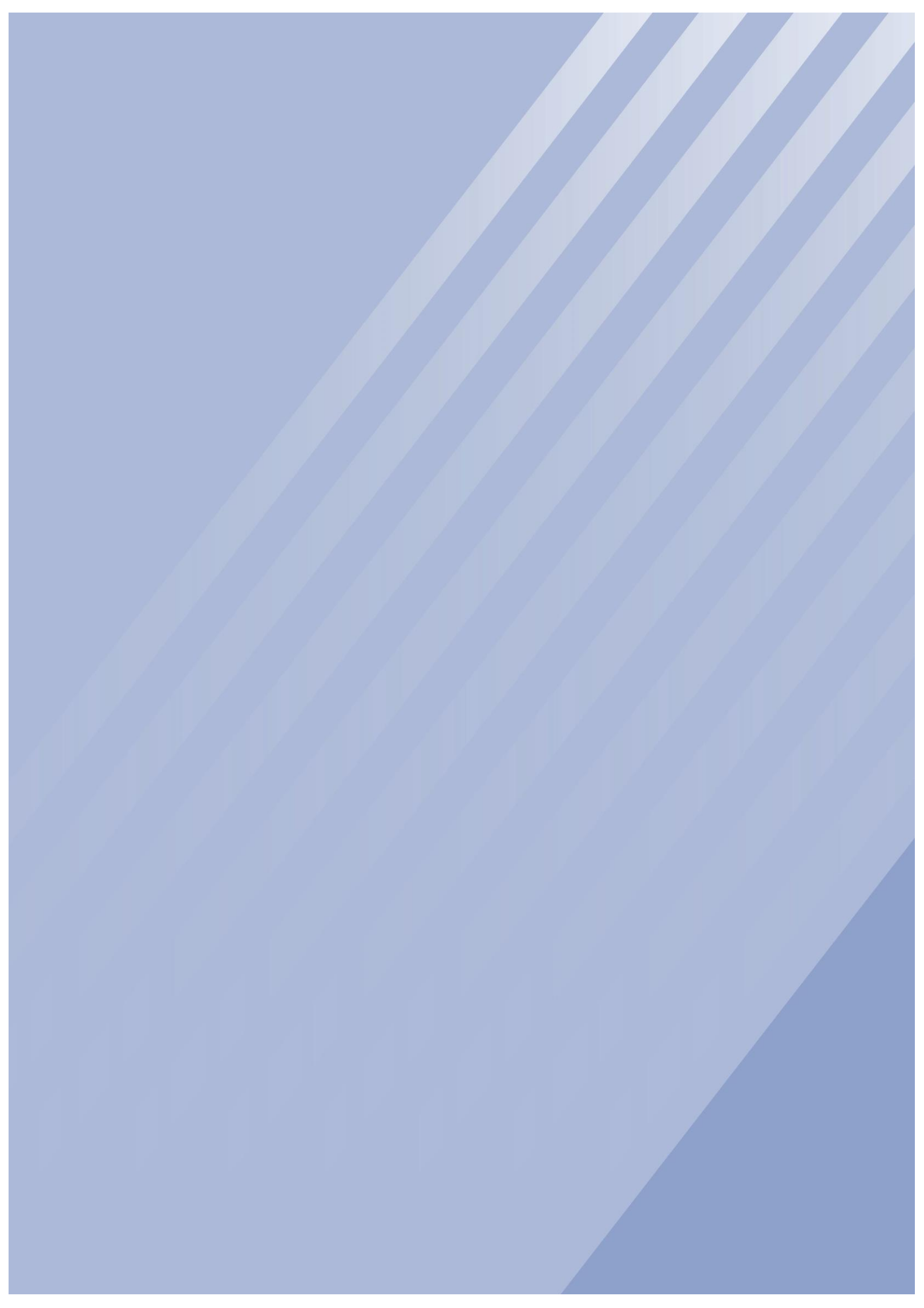
1999

AXA OYAK Holding is founded. AXA and OYAK's shares in Oyak Sigorta, Nordstern İmtaş Sigorta, AXA OYAK Hayat Sigorta and Nordstern İmtaş Hayat Sigorta are transferred to AXA OYAK Holding.

1999

Legal proceedings regarding merger of Oyak Sigorta & Nordstern İmtaş Sigorta and AXA OYAK Hayat Sigorta & Nordstern İmtaş Hayat Sigorta are concluded.





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1

**GENERAL
INFORMATION**

COMMERCIAL TITLE OF THE COMPANY

AXA SIGORTA A.S. HEAD OFFICE



MECLİS-İ MEBUSAN CADDESİ NO: 15SALIPAZARI 34433 ISTANBUL/TURKEY

TAX OFFICE	:	LARGE TAXPAYER OFFICE
TAX ID NUMBER	:	649 003 9946
TRADE REGISTRY	:	TRADE REGISTRY OFFICE OF ISTANBUL
TRADE REGISTRY NO	:	98645
Phone	:	0 212 334 24 24
Fax	:	0 212 252 15 15
e-mail	:	iletisim@axasigorta.com.tr
web	:	www.axasigorta.com.tr

AXA HAYAT VE EMEKLİLİK A.S. HEAD OFFICE



MECLİS-İ MEBUSAN CADDESİ NO: 15SALIPAZARI 34433
ISTANBUL/TURKEY

TAX OFFICE	:	LARGE TAXPAYER OFFICE
TAX ID NUMBER	:	092 000 0019
TRADE REGISTRY	:	TRADE REGISTRY OFFICE OF ISTANBUL
TRADE REGISTRY NO	:	328116
Phone	:	0 212 334 24 24
Fax	:	0 212 252 15 15
e-mail	:	iletisim@axasigorta.com.tr
web	:	www.axahayatemeklilik.com.tr

CONTACT DETAILS

REGIONAL OFFICES

MEDITERRANEAN REGIONAL OFFICE / ANTALYA

Phone: 0 242 247 49 00; Fax : 0 242 242 47 68

BAKIRKOY REGIONAL OFFICE / ISTANBUL

Phone: 0 212 442 15 50; Fax : 0 212 442 15 51

DENIZLI REPRESENTATIVE OFFICE / DENIZLI

Phone: 0 258 213 40 90; Fax : 0 258 213 77 27

AEGEAN REGIONAL OFFICE / IZMIR

Phone: 0 232 464 87 97; Fax : 0 232 464 84 58

ERZURUM REPRESENTATIVE OFFICE / ERZURUM

Phone: 0 442 234 15 65; Fax : 0 442 235 04 75

SOUTHERN ANATOLIA REGIONAL OFFICE / ADANA

Phone: 0322 457 19 65 / Fax: 0 322 457 45 10

ISTANBUL REGIONAL OFFICE / ISTANBUL

Phone: 0 212 334 34 00; Fax : 0 212 252 96 22

KADIKOY REGIONAL OFFICE / ISTANBUL

Phone: 0 216 468 20 20; Fax : 0 216 478 60 87

BLACK SEA REGIONAL OFFICE / SAMSUN

Phone: 0 362 432 60 50; Fax : 0 362 432 53 40

TURKISH REPUBLIC OF NORTHERN CYPRUS BRANCH OFFICE / NICOSIA

Phone: 0 392 228 73 85; Fax : 0 392 228 73 91

MARMARA REGIONAL OFFICE / BURSA

Phone: 0 224 222 02 22; Fax : 0 224 225 02 25

CENTRAL ANATOLIA REGIONAL OFFICE / ANKARA

Phone: 0 312 218 68 68; Fax : 0 312 219 98 48

TRABZON REPRESENTATIVE OFFICE / TRABZON

Phone: 0 462 372 70 54; Fax : 0 462 372 70 51

ORGANIZATION CHART

Director of
Internal Audit
Özlem Zaman

Manager
Fahri SEKRETER

Sales and Marketing
Firuzan Işcan

Support for Non-Bank Sales Channels and
Regions İlknur ÖZTÜRK

Ege / Tolga TIKNAZ
Bakirkoy/Zafer ATILLA
Black Sea / Barış MACİT
İstanbul /Sevil DURAL
Kadikoy/Ebru KOLEGE
Marmara / Önder AKKAYA
Mediterranean / Murat CAN
Central Anatolia / Ebru TOSUNOĞLU
Southern Anatolia / Öner OKLAN
Agency Personnel Affairs Cihat
SÖNMEZ

Bank Financial Institutions Director Feyza
HASIRCILAR

Corporate and Commercial
Bancassurance Korkut ÖZAKAN

Cyprus Representative
Önder CESUR

Individual and Small-sized
Enterprises Bancassurance
Adem KIRCA

Director of Marketing Alper
TANYER

Digital Marketing
Mustafa Onur GÜL

Marketing
Özge ALTINTAŞ

Customer Experience and Customer 4.0
Ender ERTUĞRAL

Car Dealers and Sales Channels
Gökhan ÖZDEN

Sales Strategy and Development
Performance Management
Can ULUSOY

Sales and Marketing 4.0
Nazlı Derya ÖZTÜRKMEN

Innovative Cooperation Management and
Business Development
Cemre İPEK

Corporate Technical
and Damage
Mert Ekitmen

Damage Director
Eray KANGAL

Car Damage Operation Center
Alper SAY

Damage Partner Management
Ramazan Anıl DEMİR

Recourse
Hande ASATOĞLU

Damage
Communication Center
Tülin NEDİM

Body Damages Operation
Center Emre ULA

Non-Car Damage Operation
Centre Emre ULA

Corporate Commercial
Technical
Atilla ZORKİRİŞÇİ

Sales Support of Commercial and
Corporate Risks
Fatma Berna YAĞCI

Reinsurance
GÜZİN PALA

Director of Operational Excellence and Process 4.0
Bülent DAĞ

Process Management
Bilge GÜRGEĐİK

Damage Survey
Sedat GÜRMEN

Individual Technical
and Health
Sanem Çingay

Pricing and Reserve
Aylin Akınlı KAYA

Individual Technical
Fatih GÖZE

Health
Korhan KÖMÜKSU

Contracted Health Care
Providers and Compensation
Management
Kağan ASKER

Technical Operation
Bora TURHAN

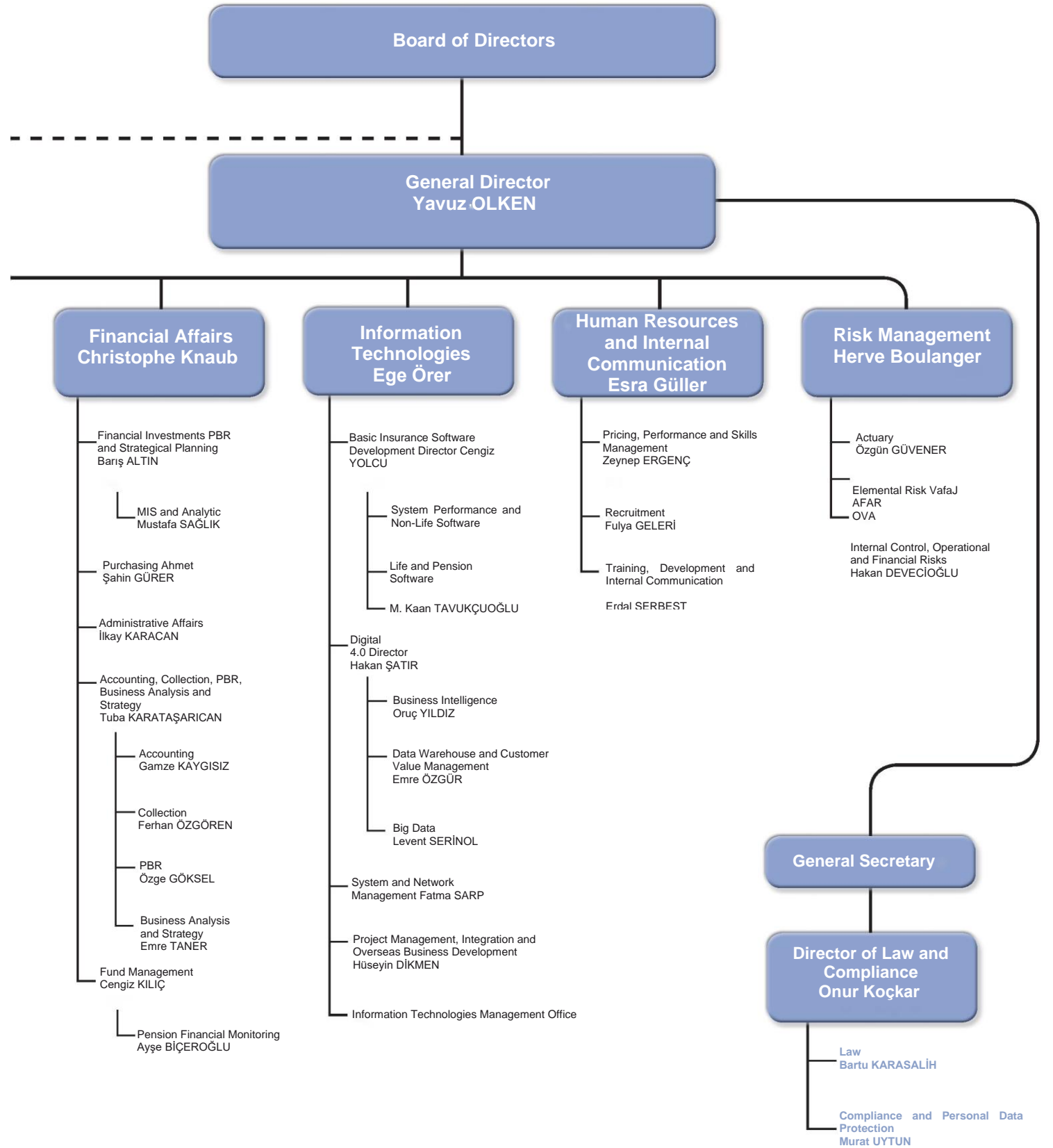
Life Pension
Olgun Küntay

Life Pension Technical and
Operational Director
Berk BASKIN

Life Pension Technical and
Compensation Management

Life Pension Operation Center
Müge MAKAROĞLU

Life Pension System
Development and Operation
Emre ŞENOL



2019 AXA SIGORTA EXECUTIVE BOARD



1 Yavuz OLKEN
CEO and Board Member

4 Sanem Çingay
Chairman and Executive Board
Member (Individual Technical and
Damage)

7 Ege Örer
Chairman and Executive Board
Member
(Information
Technologies)

2 Firuzan Çingay
Chairman and Executive Board
Member (Sales and Marketing)

5 Olgun Küntay
Chairman and Executive Board
Member (Life and Pension)

8 Esra Güller
Chairman and Executive Board
Member (Human Resources and
Internal Communication)

3 Mert Ekitmen
Chairman and Executive Board
Member (Corporate Technical and
Damage)

6 Christophe Knaub
Chairman and Executive Board
Member (Financial Affairs)

9 Barış Altın
Chairman and Executive Board
Member (Risk Management)

2019 DEPUTY GENERAL MANAGER

Christophe Knaub

Financial Affairs

Deputy General Manager

Knaub graduated from Ecole des Mines de Paris. Having started his business life in 2000 and participated in AXA Group, Knaub has been working as director of many departments in AXA Sigorta including Fund Management, Accounting, PBR, Purchasing, Administrative Affairs, Business Analysis and Strategy and all units affiliated to these departments as September 1, 2015.

Firuzan İşcan

Deputy Sales and
Marketing General
Manager

Knaub graduated from Ecole des Mines de Paris. Having started his business life in 2000 and participated in AXA Group, Knaub has been working as director of many departments in AXA Sigorta including Fund Management, Accounting, PBR, Purchasing, Administrative Affairs, Business Analysis and Strategy and all units affiliated to these departments as September 1, 2015.

İbrahim Olgun Küntay

Life and Pension Deputy
General Manager

1961, Ankara. Küntay graduated from Department of Statistics at Hacettepe University in 1983. He received Ph.D in Statitics at the same university. Having started his career in 1983, Küntay has been working in our company since 1999 and he is currently director of Life, Life System Development, Life Pension Operation Center Departments and all units affiliated to these departments at AXA Hayat ve Emeklilik A.S.

Sanem Çingay

Individual Technical and Health /
Deputy General Manager

Çingay graduated from Department of Mathematics at Middle East Technical University in 1998. She completed her Ph.D in Economy at Lancaster University in 1999, then Ph.D in Actuary Science at Caas Business School in 2009. Having started her business life in 2000, Çingay has been working in AXA Sigorta as director of Individual Technical, Technical Operation, Pricing and Reserve, Health Departments and all units affiliated to these departments as of May 2018.

Şükrü Mert Ekitmen

Head of Corporate Technical and Damage

Ekitmen graduated from Civil Engineering Department at Istanbul Technical University in 1995 and received Master's degree in MBA at Dogus University. Having started his career in 1996, Ekitmen has been working in AXA Sigorta as director of Damage, Corporate and Commercial Technic, Corporate and Commercial Risks Sales Support, Operational Excellence and Process 4.0, Reinsurance, Recourse Departments and all units affiliated to these departments as from June 2017.

Bariş Altın

Head of Risk Management Department

After he gained experience in financial control for two years in banking sector, he participated in AXA Group in 2000. He worked in PBR team until 2009 when he founded Risk Management team in AXA Turkey. He played an active role in extension of Risk Management Framework for insurance, financial and operational risks. Having responsible for risk management and actuary team for 7 years, he returned to finance department as head of Investment, PBR and Strategy Department in 2006. He was appointed as Head of Risk Management Department and Executive Board Member of AXA Sigorta as of January 1, 2019. Barış Altın is bachelor of Economy and Business Administration.

DIRECTORS OF INTERNAL SYSTEMS AND COMPLIANCE DEPARTMENTS

Özlem Zaman

Director of Internal Audit

Zaman graduated from Department of Management Engineering at Istanbul Technical University in 1999. She received Master's Degree in Actuary from Bahcesehir University. Having started her business life in 1999 and worked in AXA Sigorta since 2008, Zaman has been working as Director of Internal Audit.

Cevat Murat Uytun

Manager of Compliance and Business Continuity

Uytun graduated from Department of Tourism and Hospitality Management at Bilkent University in 1992. He received Master's Degree in International Business from Istanbul University. Having started his business life in 1993 and worked in AXA Sigorta since 1999, Uytun has been working as Director of Compliance and Business Continuity Department.

Hakan Devecioğlu

Internal Control, Operational and Financial Risks
Manager

Devecioğlu graduated from Department of Public Finance at Celal Bayar University in 2003. He got MBA in Istanbul Technical University. Having started his business life in 2004 and worked in AXA Sigorta since 2005, Devecioğlu has been working as Director of Internal Control, Operational and Financial Risk Department.

DIRECTORS



1 **Alper Tanyer**
Head Office Manager and
Extended Executive Board
Member

2 **Eray Kangal**
Head Office Manager and
Extended Executive Board
Member

3 **Celine Mireille Madeleine
Bussiere**
Head Office Manager and
Extended Executive Board
Member

4 **Feyza Hasircilar**
Head Office Manager and
Extended Executive Board
Member

5 **Cengiz Yolcu**
Head Office Manager and
Extended Executive Board
Member

6 **Ender Çapar**
Head Office
Manager and Extended
Executive Board Member

7 **Ender Ertuğral**
Head Office
Manager and Extended Executive
Board Member

8 **Hakan Şatır**
Head Office
Manager and Extended
Executive Board Member

9 **İlknur Öztürk**
Head Office Coordinator and
Extended Executive Board Member

10 **Onur Koçkar**
Head Office Manager and
Extended Executive Board
Member

11 **Bülent Dağ**
Head Office Manager and
Extended Executive Board
Member

12 **Özlem Zaman**
Head Office Manager and
Extended Executive Board
Member

13 **Şeyda Atan**
Head Office Manager and
Extended Executive Board
Member

14 **Tuba Karataş Arıcan**
Head Office Manager and
Extended Executive Board
Member

DIRECTORS



15 Barış Macit
Regional Coordinator of Black Sea Regional Directorate

21 Sevil Düral
Regional Coordinator of Istanbul Regional Directorate

27 Ayşe Şafak
Accounting Manager

16 Barış Orhunbilge
Regional Coordinator of Aegean Regional Directorate

22 Zafer Atıla
Regional Coordinator of Bakırköy Regional Directorate

28 Bartu Karasaliş
Law Manager

17 Ebru Kölege
Regional Coordinator of Kadıköy Regional Directorate

23 Murat Can
Regional Coordinator of Mediterranean Regional Directorate

29 Bekir Gönültaş
Regional Sales Manager

18 İsmihan Ebru Tosunoğlu
Regional Coordinator of Central Anatolian Regional Directorate

24 Adil Korkut Özakan
Manager of Non-Car Damage Operation Center

30 Bora Turhan
Manager of Technical Operation Center

19 Önder Akkaya
Regional Coordinator of Marmara Regional Directorate

25 Ahmet Şahin Gürer
Purchasing Manager

31 Cengiz Kılıç
Fund Management Manager

20 Öner Oklan
Regional Coordinator of Southern Anatolian Regional Directorate

26 Atilla Zorkirişçi
Corporate and Commercial Technical Manager

32 Cevat Murat Uytun
Manager of Compliance and Business Continuity

DIRECTORS



33 Emre Özgür
Manager of Data Warehouse and
Customer Value Management
Department

34 Çiğdem Özbatak
Digital Marketing
Manager

35 Çağrı Erdönmez
Manager of Agency Sales
Development and
Performance Management
Department

36 Emre Ula
Law Manager

37 Erdal Serbest
Manager of Training,
Development and Internal
Communication Department

38 Fahri Sekreter
Director of Internal Audit

39 Fatih Göze
Individual Technical
Manager

40 Fatma Berna YAĞCI
Sales Support Director of Commercial
and Corporate Risks

41 Fatma Sarp
System and Network
Management Director

42 Güzin Pala
Reinsurance
Manager

43 Hakan Devecioğlu
Manager of Internal Control,
Operational and Financial Risk
Department

44 Hande ASATOĞLU
Director of Recourse
Department

45 Hüseyin Dikmen
Project Management, Integration
and Overseas Business
Development Manager

46 İlkey Karacan
Administrative Affairs
Manager

47 Korhan Kömüksu
Director of Health
Department

48 Ebru Çağlar
Central Anatolian Regional
Office Manager

49 Levent Serinol
Manager of Big Data

50 Mehmet Suyolcu
Bank Financial Institutions and Life
BES Sales
Manager

DIRECTORS



51 **Abdullah Özcan**
Regional Sales Manager

57 **Souad Mfith**
Pricing and Reserve Directorate
Manager

63 **Levent Yıldırım**
Regional Sales Manager

52 **Murat Kaan Tavukçuoğlu**
Life and Pension Software Manager

58 **Tolga Tıkız**
Regional Sales
Manager

64 **Coşkun Topçu**
Regional Sales
Manager

53 **Müge Makaroğlu**
Life Pension Operation Center
Manager

59 **Mustafa Sağlık**
Health and Recourse Damage
Analytics Manager

65 **Bilge Kağan Asker**
Contracted Health Care
Providers and Compensation
Management Manager

54 **Okyar Karabulut**
Damage Analysis and
Reporting Manager

60 **Ramazan Anıl Demir**
Damage Partner Management
Manager

66 **Lale Alatekin**
Head Office Manager

55 **Sema Deliorman Asal**
Marketing
Manager

61 **Mehmet Erhan Doğan**
Regional Sales Manager

67 **Aylin Akınlı Kaya**
Head Office Manager

56 **Sinan Sayıoğlu**
Regional Sales
Manager

62 **Araş Taylan Ertuğrul**
Regional Sales Manager

68 **Ahmet Can Ulusoy**
Head Office Manager

DIRECTORS



69



70



71



72



73



74



75

69 Gökhan Özden
Head Office Manager

71 Zeynep Ergenç
Head Office Manager

74 Cemre İpek
Head Office Manager

70 Özge Altıntaş
Head Office Manager

72 Adem Kırca
Head Office Manager

75 Eda Sertan
Kadıköy Regional Office
Assitant Manager

73 Alper Say
Head Office Manager

MANAGEMENT COMMITTEE, SENIOR EXECUTIVES AND PERSONNEL

AXA SIGORTA A.S AND AXA HAYAT VE EMEKLILIK A.S have been providing services with nine regional offices, three regional representative office and one branch office as well as head office departments. These offices are as follows: Bakırköy Regional Office, Kadıköy Regional Office and İstanbul Regional Office in İstanbul; Marmara Regional Office in Bursa; Aegean Regional Office in İzmir and Denizli Representative Office; Mediterranean Regional Office in Antalya; Southern Anatolian Regional Office in Adana; Central Anatolian Regional Office in Ankara; Black Sea Regional Office in Samsun and its affiliated Erzurum Representative Office, Trabzon Representative Office and Cyprus Branch Office in TRNC.

General profile of employees working in AXA SIGORTA AND AXA HAYAT VE EMEKLILIK A.S is as follow as of 31.12.2018:

GENDER:

	Number of Employees:	Percentage:
Female	370	51,4%
Male	350	48,6%
Total	720	

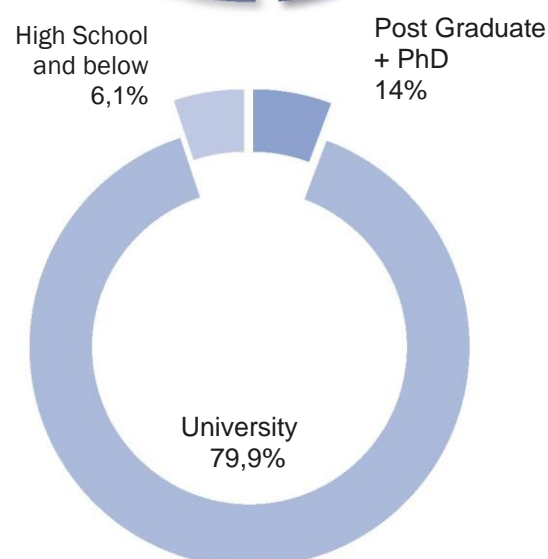
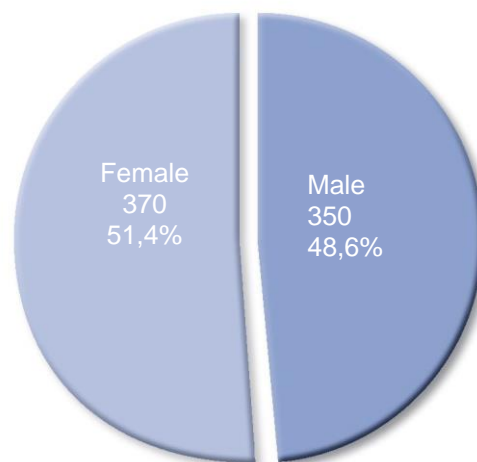
DISTRIBUTION OF LOCATION

Building	Life	Insurance
Region	7	279
Head Office	40	394
Total	47	673

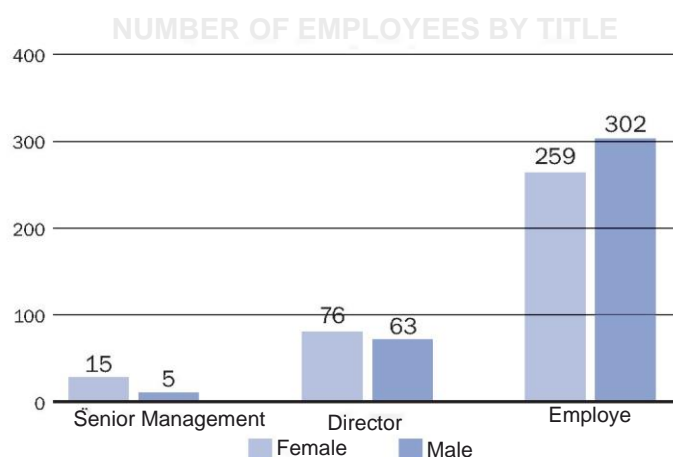
DISTRIBUTION OF EDUCATION

Post Graduate + PhD	101	14%
University	575	80%
High School and below	44	6%
Grand Total	720	

By Title	Female	Male
Senior Management	5	15
Director	63	76
Employee	302	259
Total	370	350



The rate of higher education among our employees are increasing year by year.



AXA Sigorta is a Group Company with a good ratio in terms of Female/Male employees according to the AXA Group Diversity Principle.

FINANCIAL RIGHTS PROVIDED TO MEMBERS OF MANAGEMENT COMMITTEE AND SENIOR EXECUTIVES

AXA SIGORTA A.S./ AXA HAYAT VE EMEKLILIK A.S. Consolidated

Allowance and General Expenses Payment Allocated to Board Members and Senior Executives in 2018

	TL
Travel Expenses	201.027
Representation Expenses	108.038
Other	11.611
Total	320.677

Financial Rights Provided to Board Members and Senior Executives (*)

	TL
Wage Payment	12,080,951
Success Fee	6,318,255
Insurance Payment	814.618
Other payment	864.229
Total	20,078,053

* Consists of Chairman and Member of Board, General Manager, Assistant General Manager, Director and Extended Executive Board Members.

CAPITAL AND PARTNERSHIP STRUCTURE

AXA SIGORTA A.S. TABLE OF CAPITAL DISTRIBUTION 31.12.2018

NAME OF PARTNER	PARTICIPATION RATE (%)	Total Capital (TL)	NUMBER OF SHARES (1 KR)
AXA HOLDING A.S.	92,61%	1,135,204,390	113.520.439.0131
T.C. ZIRAAT BANKASI A.S.	7,31%	89,547,369	8,954,736,910
GROUPAMA SİGORTA A.Ş.	0,04%	540,906	54,090,627
OTHER*	%0,04	446,522	44,652,142
TOTAL	100,00%	1,225,739,187	122,573,918,691

*Some of Board Members have one share in the said amount and the number of shares held by board members shall be effective during their membership period.

Our company did not increase its capital in 2018 and there is no privileges on shares representing the capital or the company has no its own shares.

AXA HAYAT VE EMEKLİLİK A.S. TABLE OF CAPITAL DISTRIBUTION 31.12.2017

NAME OF PARTNER	PARTICIPATION RATE(%)	Total Capital (TL)	NUMBER OF SHARES (1 KR)
AXA HOLDING A.S.	%99,996	62,972,743	6,297,247,319
OTHER*	%0,004	2,257	225,681
TOTAL	%100,00	62,975,000	6,297,500,000

*Some of Board Members have one share in the said amount and the number of shares held by board members shall be effective during their membership period.

Our company did not increase its capital in 2018 and there is no privileges on shares representing the capital or the company has no its own shares.

AXA SIGORTA A.S.

COMPLIANCE OPINION RELATED TO ANNUAL REPORT



INDEPENDENT AUDITOR'S REPORT RELATED TO ANNUAL REPORT OF BOARD OF DIRECTORS

To Board of Directors of Axa Sigorta A.S

1) Opinion

We have audited financial statements of Axa Sigorta A.S ("Company") and accompanying annual report for the year ended 31 December 2018.

In our opinion, the financial information included in the annual report and discussion of Board of Directors on Company's status are consistent, in all significant aspects, with the audited financial statements and information we obtained during independent audit and provide a fair presentation.

2) Basis for Opinion

Our audit has been conducted in accordance with Independent Auditing Standards ("BDS") which is inseparable part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("KGK") and with regulations on the independent auditing principles in force as required by insurance legislation. Our responsibilities under these Standards are explained in detail in the section of *Responsibilities of the Independent Auditor for the Independent Auditing of Annual Report* of our report. We hereby declare that we are independent of the Company in accordance with the *Code of Ethics* ("Code of Ethics") for Independent Auditors issued by the KGK and the ethical provisions in the relevant legislation. Other responsibilities regarding the Code of Ethics and the ethics covered by the legislation have also been fulfilled by us. We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.

3) Auditor's Opinion on Financial Statements

We have expressed a positive opinion regarding the financial statements of the Company for the period 1 January 2018 - 31 December 2018 in our auditor report dated 8 March 2019.

4) Board of Directors' Responsibility for the Annual Report

Pursuant to the articles 514 and 516 of the Turkish Commercial Code ("TCC") numbered 6102 and provisions of the Regulation on "Financial Structure of Insurance, Reinsurance and Pension Companies" ("Regulation") published in the Official Gazette No. 26606 dated 7 August 2007, company management is responsible for the following:

a) The Board of Directors prepares annual report within the first three months of the fiscal period following the balance sheet day, and submits them to the General Assembly.

AXA SIGORTA A.S.

COMPLIANCE OPINION RELATED TO ANNUAL REPORT



MAZARS DENG E

b) The Board of Directors prepares annual report and flow of business of the Company in accurate, complete, truthful, honest and fair manner. In this report, the financial status is evaluated in accordance with financial statements. In the report, the development of the Company and the potential risk to be encountered are clearly indicated. Assessment of Board of Directors on these issues are also included in this report.

c) The annual report also includes the following:

- Crucial events occurred in the company after the end of activity year,
- Research and development studies of the Company,
- Financial rights such as wages, premiums, bonuses, allowances, expenses of travel, accommodation and representation, in kind and cash benefits, insurance and similar guarantees paid to the members of the Board of Directors and senior executives.

The Board of Directors pays also regard to secondary legislative arrangements issued by Ministry of Customs and Trade and the relevant authorities during preparation of the annual report.

5) Independent Auditor's Responsibility for Independent Audit of the Annual Report

Our purpose is to present an opinion in accordance with provisions of TCC whether the financial information included in the annual report and examinations of Board of Directors are consistent with the audited financial statements of the Company and information we obtained during independent audit and provide a fair presentation and to prepare a report containing our opinion.

Our audit has been conducted in accordance with Independent Auditing Standards and regulations on independent auditing principles in force as required by insurance legislation. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial information and examinations of Board of Directors are consistent with financial statements and the information obtained during audit and provide a fair presentation.

The responsible auditor who conducts and finalizes this independent audit is Nesli Erdem.

DENG E BAĞIMSIZ DENETİM SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

(Signed, Sealed)

Nesli Erdem. CPA

Authorized Auditor

Istanbul- March 8, 2019

AXA HAYAT VE EMEKLİLİK A.S. COMPLIANCE OPINION RELATED TO ANNUAL REPORT



MAZARS DENCE

INDEPENDENT AUDITOR'S REPORT RELATED TO ANNUAL REPORT OF BOARD OF DIRECTORS

To the Board of Directors of Axa Hayat Emeklilik A.S

1) Opinion

We have audited financial statements of Axa Hayat ve Emeklilik A.S ("Company") and accompanying annual report for the year ended 31 December 2018.

In our opinion, the financial information included in the annual report and discussion of Board of Directors on Company's status are consistent, in all significant aspects, with the audited financial statements and information we obtained during independent audit and provide a fair presentation.

2) Basis for Opinion

Our audit has been conducted in accordance with Independent Auditing Standards ("BDS") which is inseparable part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("KGK") and with regulations on the independent auditing principles in force as required by insurance legislation. Our responsibilities under these Standards are explained in detail in the section of *Responsibilities of the Independent Auditor for the Independent Auditing of Annual Report* of our report. We hereby declare that we are independent of the Company in accordance with the *Code of Ethics* ("Code of Ethics") for Independent Auditors issued by the KGK and the ethical provisions in the relevant legislation. Other responsibilities regarding the Code of Ethics and the ethics covered by the legislation have also been fulfilled by us. We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.

3) Auditor's Opinion on Financial Statements

We have expressed a positive opinion regarding the financial statements of the Company for the period 1 January 2018 - 31 December 2018 in our auditor report dated 01 March 2019.

4) Board of Directors' Responsibility for the Annual Report

Pursuant to the articles 514 and 516 of the Turkish Commercial Code ("TCC") numbered 6102 and provisions of the Regulation on "Financial Structure of Insurance, Reinsurance and Pension Companies" ("Regulation") published in the Official Gazette No. 26606 dated 7 August 2007, company management is responsible for the following:

- a) The Board of Directors prepares annual report within the first three months of the fiscal period following the balance sheet day, and submits them to the General Assembly.

AXA HAYAT VE EMEKLİLİK A.S. COMPLIANCE OPINION RELATED TO ANNUAL REPORT



MAZARS DENG E

b) The Board of Directors prepares annual report and flow of business of the Company in accurate, complete, truthful, honest and fair manner. In this report, the financial status is evaluated in accordance with financial statements. In the report, the development of the Company and the potential risk to be encountered are clearly indicated. Assessment of Board of Directors on these issues are also included in this report.

c) The annual report also includes the following:

- Crucial events occurred in the company after the end of activity year,
- Research and development studies of the Company,
- Financial rights such as wages, premiums, bonuses, allowances, expenses of travel, accommodation and representation, in kind and cash benefits, insurance and similar guarantees paid to the members of the Board of Directors and senior executives.

The Board of Directors pays also regard to secondary legislative arrangements issued by Ministry of Customs and Trade and the relevant authorities during preparation of the annual report.

5) Independent Auditor's Responsibility for Independent Audit of the Annual Report

Our purpose is to present an opinion in accordance with provisions of TCC whether the financial information included in the annual report and examinations of Board of Directors are consistent with the audited financial statements of the Company and information we obtained during independent audit and provide a fair presentation and to prepare a report containing our opinion.

Our audit has been conducted in accordance with Independent Auditing Standards and regulations on independent auditing principles in force as required by insurance legislation. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial information and examinations of Board of Directors are consistent with financial statements and the information obtained during audit and provide a fair presentation.

The responsible auditor who conducts and finalizes this independent audit is Nesli Erdem.

DENG E BAĞIMSIZ DENETİM SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of MAZARS
(Signed, Sealed)

Nesli Erdem, CPA

Authorized Auditor

Istanbul- March 1, 2019

STATEMENT REGARDING ANNUAL REPORT

Statement Regarding 2018 Annual Report

We hereby declare that the financial statements drawn up as of 31 December 2018, and related statements and footnotes have been prepared in accordance with the accounting principles and standards in effect as per the insurance legislation and are consistent with the relevant legislation and the records of the company and that the information and documents included in the 2018 annual report have been prepared in accordance with the provisions of Regulation on Financial Structure of Insurance, Reinsurance and Private Pension Companies published in Official Gazette No. 26606 dated 7 August 2007.

Istanbul,08/03/2019

AXA SIGORTA A.S.

AXA HAYAT VE EMEKLILIK A.S.

(Signature)

Yavuz OLKEN

Deputy Chairman of Board
and General Manager

(Signature)

**Christophe Stephane
KNAUB**

Deputy General Manager
of Finance

(Signature)

Gamze KAYGISIZ

Accounting Manager

FINANCIAL INFORMATION

AXA SIGORTA A.S.

<i>TL 1,000</i>	2018	2017	2016	2015	2014
Premiums Received	3,374,670	2,908,210	3,562,467	3,065,688	3,078,115
Claims Paid	2,014,216	1,916,862	1,977,440	2,120,609	1,739,274
Technical Profit / (Loss)	532,238	-359,112	269,720	-311,004	349,883
Profit / (Loss) Before Tax	371,280	-335,120	150,803	-280,316	274,354
Net Profit / (Loss)	371,280	-335,120	150,803	-280,316	267,303
Paid -In Capital	1,225,739	1,225,739	1,225,739	1,225,739	1,225,650
Total Assets	6,692,842	6,022,373	5,530,089	4,899,657	4,678,732

AXA HAYAT VE EMEKLILIK A.S.

<i>TL 1,000</i>	2018	2017	2016	2015	2014
Premiums Received	11,448	20,347	28,784	23,017	36,244
Compensation Paid	38,488	45,146	57,056	79,149	82,401
Technical Profit / (Loss)	-4,692	-9,669	-13,312	-18,938	-13,797
Profit / (Loss) Before Tax	13,489	3,824	-1,644	-6,733	2,348
Net Profit / (Loss)	13,489	3,824	-1,644	-6,733	248
Paid -In Capital	62,975	6,275	62,975	62,975	62,975
Total Assets	673,934	583,578	471,274	416,403	395,362

ASSESSMENTS OF FINANCIAL SITUATION

Evaluation of financial condition, profitability and solvency (5.11)

AXA Sigorta A.S ends Year 2018 with an operating profit of TL 371,3 million, whereas AXA Hayat ve Emeklilik A.S ends the year with an operating profit of TL 13,5 million. Details on financial results of both companies are given in the section of "Audit Reports".

Sum of cash and securities and financial assets of AXA Sigorta A.S forms 80% of total assets while this percentage in Axa Hayat ve Emeklilik A.S is 29%. Both of our companies meet all their legal and commercial obligations without any financial difficulties thanks to their strong financial structure with high liquidity ratio.

Determination and Assessment on capital of the Company (5.4)

As a company with the highest paid-in capital of TL 1.2 billion in the sector, AXA Sigorta A.S is also one of the companies having the most powerful equity ratio. AXA Hayat ve Emeklilik A.S has sufficient equity ratio to meet its existing and potential risk and obligations, as well.

Besides, capital adequacy calculations of both companies are conducted in accordance with the principles of "Regulation on Measurement and Assessment of Capital Adequacy of Insurance, Reinsurance and Pension Companies" published in the Official Gazette No. 29454 dated 23 August 2015. According to the results of calculation made in accordance with these principles, capital adequacy ratio of AXA Sigorta A.S is 116% in 2018 but this ratio of AXA Hayat ve Emeklilik A.S is 1345%.

Analysis and evaluation of the management body regarding the financial condition and results of activities, the level of realization of the planned activities, company's situation against the determined strategic goals (5.2)

AXA Sigorta A.S and AXA Hayat ve Emeklilik A.S have continued to focus on sustainable profitability objectives and fulfilled strategical actions based on objectives determined by their management bodies in 2018. They have continued to make necessary investments for digital change and in order to provide right solutions for customer needs that are at the center of company strategies. Besides, they have made improvements in pricing and reserve management to strengthen the financial structure for the purpose of meeting its obligations to the insured. And consequently, they have achieved the targets determined in key performance indicators such as profitability, productivity, capital adequacy calculated by both locally and internationally accepted standards.

Our companies continue their activities for the profitable growth by providing the highest customer satisfaction without sacrificing service quality and inquire constantly their performance and determine actions to improve our service quality in line with the results they obtained. Accordingly, depending on results of various researches we conducted, it is observed that agency satisfaction ratio regarding our companies is 90%. According to the Pulse survey conducted for the measurement of employee satisfaction, there was an increase of +49 score compared to the previous year. All these results have shown that our activities/operations have successfully continued in 2018 as well.

TURKEY AND WORLD'S ECONOMY

World Economy

The world economy has been going through a difficult period. Generally speaking:

- The uncertainty of the road map that Britain should determine on the process of leaving the EU, which has decided to leave the EU membership as a result of its referendum (Brexit), on the other hand, the lack of economic conditions in Euro zone and the continuation of the adaptation process of the new member countries after 2004 have created question marks about future of EU.
- As it was expected, Fed increased interest rates by 2.25-2.5% range with an increase of 25 basis points in its meeting held on December 18-19. Fed members have reduced the interest rate hike of 3 to 2 for the Year 2019, but kept additional interest rate hike of 1 for 2020. However, pricing in the market demonstrates that Fed's single interest rate hike in 2019 has been even discredited.
- The Chinese economy, which has been affected negatively from increase the customs tariff imposed by US, also shows the signs of weakening. Although it is believed that the in the negotiations China and the US authorities can reach to an agreement on not making any tax changes, the possibility of continuing protectionist practices is on the carpet and creates pressure on global growth.
- There is a fluctuations in global risk appetite due to the above-mentioned reasons, which causes fluctuations in capital inflows to the emerging countries and thus leading to fluctuations in currencies of these countries. The rapid increases affect the countries owing debt in foreign currency the most.

Consequently, EU should solve growth problem in the coming period, Brexit should ease the Brexit pressure with a plan and reconciliation that will not unsettle the British and EU economy and US regulations on protective practices and Fed's interest rate hikes should be follow-up taking into account of global economy in order to ensure the stability in the global economy; in parallel, it is predicted that it is important for emerging countries to reduce their indebtedness ratio with structural reforms and budget discipline.

ECONOMY OF TURKEY

Turkey has aslo been going through a very difficult peroid similar to world economy. Generally speaking:

- The average currency basket, consisting of dollar and euro completed July at the level of 5.33, has climbed over 7.00 in August and decreased to the level of 5.50 in November. The partial reversal of the sharp depreciation in the summer months was considered as supportive situation on the leading indicators of real economy.
- The situations such as Central Bank's interest rate hike of 625 basis points in September, the determination of decrease in inflation and current deficit in New Economical Program published in October and relatively positive progress in currencies of emerging countries have been regarded as supportive developments for assets in Turkish Lira.

INSURANCE AROUND THE WORLD

In 2017, the world's premium production has reached up to USD 4.9 trillion with a growth of 4.0% per year. The share of developed economies in total premium production has reached to 78% with a decrease of 2 points compared to the previous year. The share of life insurance in total premium production is 54,3% with a decrease of 1 point compared to the previous year. The growth ratio in non-life insurance is at the level of 5,4%.

According to the 2017 data, when insurance density (based on premium production in USD per average population during the year) and the insurance penetration (based on the ratio of premium production in USD to Gross Domestic Product in the same currency) were analysed, the results obtained were as follows: The insurance density was US \$ 650, but the density for life insurance was US \$ 353 whereas this figure for non-life insurance was US \$ 297. Insurance penetration was at the level of 6,13% but the penetration for life insurance decreased up to 3,33% whereas this figure for non-life insurance remained at the level of 2,80%.

According to Aon Benfield's Weather, Climate and Catastrophe Report in 2018, natural catastrophe events generated economic losses of US \$ 225 billion while economic losses due to weather events remained at the level of US \$ 215 billion in 2018. In the same report, it was stated that the ratio of uninsured risks in terms of weather and natural catastrophes was 60%.

In the report titled "Global Insurance Market Trends in 2018" published by OECD, some countries are reported to transfer investment risk from insurance companies to the insured by turning towards investment funded insurance products rather than guaranteed life insurance products.

According to the report titled "Reinsurance Market Outlook- January 2019" published by Aon Benfield, insured catastrophe losses in 2018 created a new peak at approximately US \$ 147 billion, higher than average of US \$ 56 billion in 2000-2017.

INSURANCE IN TURKEY

The number of non-life insurance companies in business was 38 as of the year-end of 2018 and a premium production of TL 47,7 billion was also generated in non-life branches with a growth of 20% compared to the previous year.

The major branches achieving growth are traffic, motor insurance, fire and natural disasters, disease and health by premium size, respectively. The share of these five branches in total non-life premium production was 87,2% with a premium increase of 20,5% in total compared to the previous year. The production in traffic branch corresponds to 32,0% of non-life premium production, showing a growth of 22.6% compared to year 2017.

Although there was a technical profit of TL 3.4 billion in non-life branches in 2018, the technical loss in traffic branch reached up to TL 726,7 million in 2018 with an increase of 35,6% compared to 2017 when technical loss was TL 535 million. The main reason for this scene in traffic branch was price cap application that came into force on April 2, 2017.

Life Insurance, Private Pension System and Automatic Participation System in Turkey

As of year-end 2018, the number of life and life/pension insurance companies in business is 22. The non-life premium production has reached up to TL 6,9 billion with an increase of 1.1% compared to 2017. The reason for the minor growth is based on the decrease in consumer loan demands due to increase of loan rate arising from economic developments.

Technical profit in life branch has been TL 1.4 billion in 2018.

There are 18 companies and 406 pension mutual funds operating in private pension system as of year-end 2018. At the end of 2018, the number of participants has decreased by 49 thousand and total fund amount including state contribution has increased up to TL 88 billion compared to the previous year.

Automatic participation system entered into force on 1 January 2017 included companies employing 50-99 people as of 1 January 2018, local administrations and public economic enterprises but companies hiring 10-49 employee on 1 July 2018. At the end of 2018,

the number of employees in this system has reached to TL 5 billion with an increase of 1.6 million and total fund amount has reached up to TL 4,6 billion compared to the previous year.

Technical profit in pension branch has been TL 431.8 billion in 2018.

When taking into account of net contribution share in pension branch, the share of life and pension branches in total market has been at the level of 24% in 2018.



2

RESEARCH
AND
DEVELOPMENT
WORKS

MARKETING ACTIVITIES

AXA SIGORTA and AXA HAYAT VE EMEKLILIK have also continued to carry out marketing activities for its national and international customers in 2018. They have organized trainings, campaigns and meetings for their distribution channels; however, they have also reached its customers through TV, radio, press, internet and social media advertising campaigns.

Distribution Channels

Having one of Turkey's most powerful and competent agency network, AXA SIGORTA has 2.200 agency as of the year-end 2018. AXA SIGORTA has been managed by Regional Offices for the purpose of create more effective and dynamic organization structure for its distribution channels based in all provinces of Turkey. AXA Sigorta effectively manages its distribution channels through a total of 9 Regional Offices including Kadikoy, Bakirkoy, Istanbul, Marmara, Central Anatolian, Black Sea, Aegean, Mediterranean and Southern Anatolia and 4 Representative Offices based in Erzurum, Denizli, Trabzon and TRNC.

In 2018, AXA SIGORTA has continued to sell its products through 7 banks in total including Denizbank with which it cooperated exclusively in non-life insurance products . In 2018, AXA SIGORTA has continued to sell its products through 9 banks in total including Denizbank with which it cooperated exclusively in non-life insurance products since 2011. AXA SIGORTA has been providing services to its customers with 966 branches through banks in its portfolio. In 2018, the banks through which AXA SIGORTA carries out to sell its products are as follows: DenizBank, Alternatif Bank, Burgan Bank, ICBCTurkey Bank, Odeabank, ING Bank in Turkey; Nova Bank, Garanti Bank and Albank in TRNC.

Studies on Efficiency of Distribution Channel

AXA SIGORTA has no an individual sales channel within its sales organization and distributes its products through agencies. Agencies have the highest share of the Company's distribution channel in terms of both quantity and weight in production. The share of the agencies in total non-life production was 87% in 2018.



MARKETING ACTIVITIES

Various trainings, seminar, development program, meeting and campaigns have been organized for the purpose of ensuring that resolutions of the Company were adopted more and increasing motivation in short term but in the long term for the purpose of make the business processes of the agencies more efficient and contributing to the company's targets in future by developing economical, sectoral and customer-oriented perspectives and competencies.

AXA SIGORTA holds various meeting ever year in order to move its agencies forward in accordance with its marketing vision. The Millionaires Club and Provincial Champions Club, which were established in order to emphasize the appreciation of activities of the agencies that make a difference by applying the company's strategies in accordance with criteria determined every year and to maintain their motivation and which provide various awards and privileges to their members, has continued their existence in their tenth year, 2018. Within the framework of club activities designed to create loyalty and continuity in the agencies that reach a certain level in total premium production, an event has been organized for Millionaire and Provincial Champion agencies. At the Millionaires Club Meeting held on Lisbon in 2018, the strategies were reviewed with assessments on insurance market and figures of AXA SIGORTA along with presentations of CEO and Presidents as well as tours. In Provincial Champions Meeting held in Istanbul, agencies came together with Senior Executives of AXA SIGORTA thanks to organized tours and meetings. Apart from these two clubs, the third meeting of BES (Private Pension System) Stars Club established in 2014 was held in Bursa on 2018. CEO and Presidents shared general overview of pension sector, the figures of pension production and profits of AXA HAYAT VE EMEKLILIK with BES Stars Agencies and addressed new issues in 2018 pension system, expectations in the industry and potential of pension market.

2018 Agencies Meeting, which has been organized for many years and in which all studies cover a different concept each time, was held in Antalya with the theme "We're AXA, we're number one". Emphasizing the developments in World and Turkish economy and insurance market, Yavuz Olken, CEO of AXA SIGORTA, stated that they are going to give support to agencies and grow with them. Firuzan Işcan, Sales and Marketing Manager and Executive Board Member of AXA SIGORTA, said that they are going to be closer to their agencies and customers with Powerful Zone Strategy.

Within the scope of AXA Talks apart from meetings in Agency Meeting, Sanem Otkar (President of the Women Entrepreneurs Association of Turkey [KAGIDER]), Tülin Akın (Founder of TABIT), Ex Volleyball Player Neslihan Demir (a.k.a Iron Lady),

Yusuf Tonguç (Founder of Sivrice Dream), Damla Yalçın (Base Istanbul 2017 Artist) and Ali Kerem Bilge (Founder of Base Istanbul) shared their experiences with the agencies.

Apart from ongoing works, diversified campaigns has been carried out depending on distribution channel and product and accordingly positive feedbacks have been obtained from the agencies and these positive results have also reflected on sales figures. Additional commission income has been provided to the agencies with the campaigns organized in certain periods during the year for the purpose of increasing the cross-sales ratios of agencies as well as awards such as travel to Russia and Cyprus.

Target Point Campaign has continued in 2018, in which the agencies gained a predetermined score depending on the sales volume and insurance product and obtained the opportunity to purchase many products from a contracted online store without any charges.

For each of more than 2.300 agencies of AXA SIGORTA in 81 provinces, there are sales representative at the relevant Regional Office. Various motivational trainings and campaigns have also been organized for these representatives responsible for finding solutions to all kinds of requests, questions and problems of the agencies within the shortest time, giving company's goals to the agencies in a correct and complete manner by providing mutual information flow between the company and agency. Regional Offices are scored based on certain criteria and according to the realization of their goals with "Region Rating Report" prepared on a monthly basis and champion regional office is determined every month. As a result of defined criteria in parallel with yearly target, it is possible to extend the studies on yearly targets and thus to obtain healthy results in this regard, which allows regional offices improve themselves according to their weakness and strengths. Thanks to this application where champion regional office is obtained various awards at the end of the year, efficiency of the regional offices can be maintained high during the year.

Dert Varsa 😞 Derman AXA 😊

MARKETING ACTIVITIES

In the “Sales Representative Report” that is prepared regularly every month and has a similar structure with region rating report, unlike rating, the performance of each sales representative is evaluated and scored. Within the framework of the scores received, club membership is awarded and sales representatives in top club are given gifts. In line with this report, sales representatives have a opportunity to observe their performance in detail and to benefit these data in road maps to success.

Advertising Campaigns

In 2018, the company organized various advertising campaigns for the purpose of increasing brand awareness, becoming a preferred brand, supporting sales and improving its growth rate further. The company believes that its mission is to bring new products and services to consumers by showing the benefits of thereof and draws attention to the importance of becoming insured before they experience difficult moment by using the insight of “value it before you lose it”. The campaign motto “Dert Varsa Derman AXA” emphasizes that we, as a company making customer’s life easier, stand by you not only in tough times but also all the time.

Viral Campaigns and Social Media Accounts

In 2018, the company published viral ads for its products such as Maximum Motor Insurance, Economical Motor Insurance, Complementary Health Insurance and Complementary Health Insurance for SME’s with the motto “Value it before you lose it”.

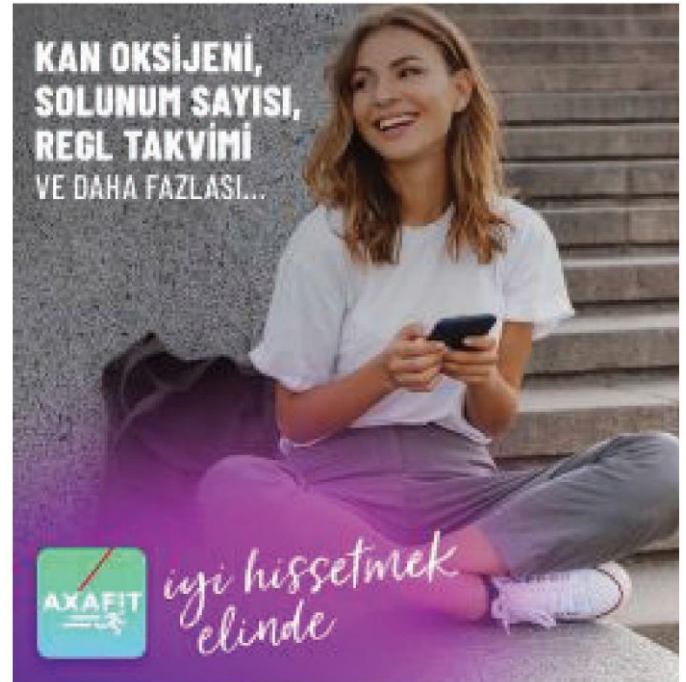
AXA SIGORTA and AXA HAYAT VE EMEKLILIK take part in social media platforms such as Facebook, Instagram, Twitter and Youtube under the name of AXA Turkey since 2013 in order to take place in each media where they can give support their customers, to reach large masses, to be accessible from every platform in the digitalized world.

Mobile Applications

AXA Acentem

AXA SIGORTA enables agencies to follow-up their portfolios on their mobile devices through mobile application “AXA Acentem”. Agencies can easily access the production and performance figures of their own agencies from all mobile devices through the application “AXA Acentem”.

Thanks to the application, they can give offer, follow-up renewal of thereof and also monitor many information on production, target, collection, damage, campaign, customer details etc. on a daily or even immediate basis. It is aimed to provide convenience and contribution to the business of agencies with the application. In 2018, the application “AXA Acentem” was renewed as to form and substance so that agencies used it more effectively.



AXA Fit:

AXAFit is a user-friendly application that is considered as good life, sports and activity companion, that provides customizability properties based on user’s exercise and needs and in which users can easily access current good living contents.

Unlike standard insurance application, AXAFit can be regarded as an application that is often used during the day and provides content and support to its users about life and health.

We aim to reach not only AXA Sigorta’s customers but also all users interested in healthy living through this application.

AXAFit consists of two sections:

- AXA / Everything about Insurance;
- Fit / Healthy living;

The followings options are available in the AXA section of the application.

MARKETING ACTIVITIES

- My policies
- I had an accident
- AXAAssistance
- Invoice
- Doctor's appointment
- Hospitals
- Contracted Institutions
- Medical Advisor
- Ambulance
- Customer Services

You don't need to be AXA Sigorta's customer to use Fit section of the application.

The followings options are available in the Fit section of the application.

- Step / run tracking
- Your doctor
- Exercises
- Taking Pulse
- Blood oxygen measurement
- Calorimeter
- Respiratory rate
- Water consumption tracking
- Period Calendar
- Sleep tracking
- Meditation

Our aim regarding Fit section of the application is to help the users to adopt healthy life style and to feel AXA Sigorta's support all the time.

We support the users not only in compensation payment but also in the prevention of problems that may occur especially in terms of health thanks to this application.

AWARDS

AXA Sigorta won the following awards in 2018:

STEVIE AWARDS

AXAFit

"Lifestyle" category / Gold Stevie 2018

"Best New Product or Service of the Year" category / Bronze Stevie 2018

"Health" category / Bronze Stevie 2018

"Dert Varsa Derman AXA" campaign

"MarketingCampaign oftheYear - Insurance" category / Gold Stevie 2018

"Telefon Kazasına Son" campaign

"Communications or PR Campaign/Program of the Year - Communications Research" category / Gold Stevie 2018

"Communications or PR Campaign of the Year - Corporate Communications" category Bronze Stevie 2018

"GÖRSÜNLER" - Women's day video

"Motivational" category Bronze Stevie 2018

AXA Sağlığım

"Stevie International BusinessAwards" category Bronze Stevie 2018



RESEARCHES

Customer Satisfaction Survey

AXA Group conducts “Customer Satisfaction Field Survey” in all countries where AXA operates in. In the survey conducted by an independent research company in 2018, the satisfaction of the customers buying Motor Insurance and Housing has been measured. According to the research results, AXA SIGORTA’s Customer Net Advise Score in 2018 has increased up to 10 points compared to 2017. The result AXA SIGORTA obtained stands out as one of the highest scores among AXA countries.

Agency Satisfaction Survey

AXA SIGORTA has been aware of requirement of having high motivation of all stakeholders in contact with the customer and has been improving its business processes in order to provide better service to its customers. In this regard, satisfaction from services and support provided to agencies is measured through independent research companies. Agency Satisfaction survey, which measures the satisfaction rate of AXA INSURANCE agencies regarding the services and company activities received from all units of our company, was conducted by an independent research company, Nielsen in 2018. In the survey, where 1.281 agencies responded without specifying name and title pursuant to confidentiality principles, 89% of agencies stated that they were satisfied with working conditions of AXA SIGORTA. The rate of participation in the research, which showed how high satisfaction rate with AXA SIGORTA applications is, was 73%. In the research, 93% of the agencies responded “Yes” to the question “ Are you satisfied with working conditions of AXA SIGORTA?” In the survey evaluated the satisfaction ratio of agencies with AXA SIGORTA’s departments, the satisfaction with sales support was 90%, while this ratio was 90% in technical and operational departments; satisfaction ratio with services from collection department was 96% whereas this ratio was 91% in damage department.



3

**SIGNIFICAN
DEVELOPMENTS**

INFORMATION ON INVESTMENTS MADE BY THE COMPANY

INFORMATION TECHNOLOGY (IT) INVESTMENTS

IT investments are established based on meeting needs of capacity and technology developing in parallel with company growth and maintaining system security and business continuity. Inventory which became old and cannot meet the current transaction volume is fed in hardware purchasing. The novel needs arising from the change of daily business way due to the occurrence of new technologies and trends are also provided by new investments. The most important investments in 2018 has been made for the purpose of enhancing capacity in line with the efforts in digital insurance, information and system security and company's growth targets. Besides, investments on licences has been also made.

RESEARCH AND DEVELOPMENT WORKS	31.12.2018 (TL)
Software / License	13,868,815
IT Fixtures	1,319,680
TOTAL	15,188,495

DONATIONS/ GRANTS AND SOCIAL RESPONSIBILITY PROJECTS EXPENSES

2018 - DONATIONS AND GRANTS(TL)

KOC UNIVERSITY	140,000
TURKISH EDUCATION FOUNDATION	9,080
TURKISH FOUNDATION FOR CHILDREN IN NEED OF PROTECTION	6,000
MARDIN SIVRICE COLLEGE	5,448
OTHER	14,901
	175,429

INTERNAL AUDIT

Internal Audit Department of our company exists to help the Board and Executive Management protect the assets, reputation and sustainability of the organization by providing an independent and objective assurance activity designed to add value and improve the organization's operations. It helps the organization meet its objectives by bringing a systematic, disciplined approach to challenge Executive Management and evaluate the effectiveness of risk management, control and governance processes.

The duties, authorities and responsibilities of the Internal Audit are defined by the "Internal Audit Regulation" approved by the Board and the Audit Committee. The independence of Internal Audit is ensured by the Internal Audit Regulation and the relevant regulation is reviewed every year and updates are made if necessary.

The Internal Audit conducts its activities in line with the "Regulation on Internal Systems of Insurance and Reinsurance and Pension Companies" and the AXA internal audit standards, directly reporting to the Chairman of the Board and the Audit Committee. Also, it reports functionally to AXA Group Audit Directorate and AXA Group Audit Committee.

The Audit Committee has three members, one of whom is also a member responsible for the internal systems of the Board. The annual meeting agenda is determined by the Committee and accordingly various directors of our company and representatives of independent audit companies are invited to the meeting to inform the Audit Committee.

The Internal Audit Department builds the annual audit plan depending on the levels of structural risk and control and applies the plan with the approval of the Audit Committee and the Board. During the preparation of the audit plan, the company's strategy and objectives, customer complaints, audit and control results and the Risk Management Department's operational risk assessments are reviewed and the risk scaling obtained and risk perceptions of the managers are also taken into account.

Apart from the audits within the scope of the annual plan, the Internal Audit is also involved in carrying out investigations and examinations when necessary, raising awareness of the abuse indicators and supervising private pension funds.

The result of each audit activity is put into report form and submitted to the Audit Committee and the Board. Audit reports included the scope and purpose of the audit, findings and suggestions for solutions, the responsible unit and the date of the action. It is also followed periodically whether these actions are carried out or not and the results are reported to Management, Audit Committee and Board of Directors.

In 2018, Internal Audit Department carried out 10 audits and 1 examination/investigation. Action plans and dates were taken from the process owners and reports regarding the audit results were prepared.

There are tools defined for follow-up and continuous review of performance criteria of audit operations, results and performance of Internal Audit Department are monitored by the Audit Committee on a regular basis and Board of Directors is informed accordingly.

The Internal Audit Department consists of two directors and two auditors as from the end of 2018. The audit team holds internationally recognized certifications (CIA, CFSA, CISA, CRMA) and the employees are supported for continuous development of the team.

In audits, adding value to the activities of the unit and the company in cooperation with the audited unit is embraced as the basic approach.

Risk Control and Audit Committee has been conducted in order to increase the coordination among the internal system functions; Control Functions Committee (monthly) and Executive Board Members (quarterly) have participated in this committee, in which defined agenda and current and serious issues have been discussed. As a result of internal audit activities coordinated with the functions of other internal systems, it is aimed to continuously improve the control structure so as to contribute to the achievement of the company's objectives.

INTERNAL CONTROL SYSTEM

Internal Control Department was established on August 2008 for the purpose of monitoring the performance of company's activities and examining and controlling within the scope of risk based approach as per "Regulation on Internal Systems of Insurance, Reinsurance and Pension Companies" entered into force and published in the Official Gazette No. 26913 dated 21 June 2008 and this department was authorized to enable the effective evaluation of internal control medium. The scope of internal control activities is defined in "Internal Control Regulation" approved by Board of Directors.

Internal Control System has been established to ensure the protection of company's assets, the performance of business activities effectively and efficiently in accordance with Law and related legislation, internal policies and rules and insurance practices, the reliability and integrity of accounting and financial reporting system and availability of information in time. Functional duties and responsibilities of all units within the administrative structure of the company have been determined. Job descriptions for all employee positions have been established. The job descriptions have clearly indicated the authorization, responsibilities and employee qualification required by job. This job descriptions are accessible to all employees and directors and are updated when needed.

Directives, work instructions and work flow diagrams have been prepared for all business processes of the company and recorded in electronic environment. These documents include application details, process manager, control areas for each process and cover the functions in Head Office Departments, Regional Offices and Representative Offices. These documents are published in an integrated management system in such a way as to be available to all employees. In case of any changes in application principles stated in these documents, it is updated quickly and reviewed periodically twice a year.

The directors take necessary measures in order to carry out the business activities in accordance with legislation, company's policies, procedures and targets for the departments they are responsible for. In this regard, internal control activities are considered as inseparable part of daily activities of the company. It is ensured that the implementation procedures for internal control are developed primarily by the personnel carrying out the activity and secondarily by the personnel carrying out the internal control activity with a risk-based approach. Within the scope of the working plan, control studies are conducted and the results are reported by Internal Control Department in order to evaluate the structure and effectiveness of the controls in the defined areas and to increase the effectiveness of thereof.

Risk and risk limit Company may exposed to are determined and monitored regularly by Risk Management Department.

The insurance information systems used in our company are integrated to cover the practices of all insurance branches and products in business and the controls of the processes and to enable risk and price analysis and reporting of thereof. All information systems of our company such as the infrastructure, server, security, etc. are up-to-date in terms of both software and hardware and meet the requirements related to company activities. Accounting and financial reporting system has been designed so as to keep accounting records in accordance with insurance account plan and registration statement on transaction basis and to prepare financial statements in a healthy way. Necessary measures are taken to ensure that all information about the Company is stored, used, backed up in electronic environment and maintained in an uninterrupted manner. A business continuity plan is prepared, reviewed regularly and tested periodically by the related department for the risks and problems that may arise in case of sudden and unexpected events.

Authorizations for each work step have been determined taking account of the nature of the work, duties and positions in our company. It is adopted to put the specified authorizations into the system in the form of parametric controls in all business steps. Therefore, authorization levels in the company systems are determined within the scope of authorization system for all users. Signing authorities are included in the signatory circular of the company.

E-mail addresses has been assigned for all users to ensure internal communication. Besides, many information and announcements are published and presented to the users on the intranet media, which is one of communication instruments, regarding the issues, especially the company activities that the personnel should be informed about. Portals of various functions of the company in the same environment are also an significant element of communication channels. Legislation and legislative amendments for which the Company is responsible are published on the intranet media in such a way as to be accessible to all users.

The efficiency and adequacy of the internal control system is individually audited by our Company's Internal Audit Department on a risk-based basis within the scope of the audit plan.

Within the scope of controls or analysis based on general or specific observations and monitoring through various documents and tools concerning the internal control system; the Company's Internal Control System is considered to have the necessary elements in terms of protection of company assets, carrying out business activities in an effective and efficient manner in accordance with the legislation, internal policies and rules and insurance practices, and ensuring the reliability, integrity of the accounting and financial reporting system and availability of information in time.

LONG-TERM MARKETABLE SECURITIES

AXA SİGORTA A.Ş.

Name of Affiliate	Participation rate (%)	Capital (TL)	Number of Share	Nominal Amount of Share (TL)	Participation Book Value (TL)
ASELSAN ELEKTRONİK SAN. VE TİC. A.Ş.	0.1156%	1,000,000,000	115,569,090	1,155,691	27,787,432
MİLLÎ REASÜRANS T.A.Ş.	0.0914%	660,000,000	60,334,560	603,346	574,279
TARSİM A.Ş. (TARIM SİGORTALARI HAVUZ İŞLETMESİ A.Ş.)	4.17%	10,320,775	43,003,229	430,032	430,032
TOTAL				2,189,069	28,791,743

AXA HAYAT VE EMEKLİLİK A.Ş.

Name of Affiliate	Participation rate (%)	Capital (TL)	Nominal Amount of Share (TL)	Participation Book Value (TL)
EMEKLİLİK GÖZETİM MERKEZİ A.Ş.	5.56	4,275,225	237,500	427,810

REMARKS

REMARKS ON SPECIAL AND PUBLIC AUDIT CARRIED OUT IN THE ACCOUNTING PERIOD:

AXA SIGORTA A.S.

Our company is subject to limited independent audit biannually and full independent audit annually carried out by the independent auditing company DENGİ BAĞIMSIZ DENETİM SERBEST MUHASEBECİ MALİ MÜŞAVİR A.Ş.

AXA HAYAT VE EMEKLİLİK A.S.

Our company is subject to limited independent audit biannually and full independent audit annually carried out by the independent auditing company DENGİ BAĞIMSIZ DENETİM SERBEST MUHASEBECİ MALİ MÜŞAVİR A.Ş. Besides, State contribution transaction has been audited by Insurance Auditing Board of the Undersecretariat of Treasury.

Lawsuits against the Company: None

OTHER ISSUES

Information on the transactions and activities made by members of the management body with the company on behalf of themselves or anyone else within the scope of the prohibition of competition as per permission granted by the General Assembly

Members of Management Body have been granted the necessary permission as per Resolution of General Assembly dated 29 March 2018 and articles of 395 and 396 of Turkish Commercial Code and there are no transactions and activities made by members of management body with AXA Sigorta A.S and AXA Hayat ve Emeklilik A.S on behalf of themselves or anyone else within the scope of the prohibition of competition.

Remarks on the crucial events occurred in the company after the end of activity year that may affect the rights of partners, creditors and other relevant persons and organizations

There is no the crucial events occurred in the company after the end of year 2018 that may affect the rights of partners, creditors and other relevant persons and organizations.

AXA SİGORTA A.S. MINUTES AND RESOLUTIONS OF ORDINARY GENERAL MEETING DATED MARCH 29, 2018

AXA SİGORTA ANONİM ŞİRKETİ

MINUTES OF THE ORDINARY GENERAL MEETING REGARDING 2018 FINANCIAL YEAR

HELD ON 29/03/2019

The ordinary general meeting of AXA Sigorta A.S for the financial year 2018 was held on 29/03/2019 02:30 pm at Meclis-i Mebusan Cad. No: 15 34433 Salıpazarı, Beyoğlu / İSTANBUL (address of Head Office) under the supervision of the Ministry representative Sevda ÇEÇEN, who was assigned with the letters dated 28/03/2019 and numbered 43025529 of the Provincial Directorate of Commerce of the Turkish Ministry of Customs and Trade.

The call for the meeting was held as stipulated in the law and the Articles of Association, so as to contain the agenda, thereby being promulgated in the Turkish Trade Registry Gazette dated 12.03.2019 and numbered 9785, and also by registered mail from Karaköy Post Office to the owners of bearer shares by notifying about the meeting date and agenda on 13.03.2019.

Upon the examination of the list of attendees, of 1.225.739.186,91 -TL total nominal value of the company shares; it has been seen that of 122.573.918.691 shares with a total nominal value of 0.1- TL, 25.207.308 shares of which were principally represented and 113.574.529.642 shares of which were represented by proxy in the meeting, namely a total of 113.599.736.950 shares, therefore upon observing that the minimum quorum foreseen in both the Law and the main contract is present in the meeting, the meeting was opened by YAVUZ OLKEN, Vice President of the Executive Board and General Manager, and the discussion of the agenda was started.

1. As per the first clause of the agenda, it was resolved to be appointed Onur KOÇKAR as Chairman of the meeting, Bartu KARASALİH as Clerk, Gamze KAYGISIZ as Vote Collector and to be established Presidential Committee consisting of these people.

Then, it was unanimously decided to authorize Presidential Committee to sign the minutes of the General Meeting.

2. As per second clause of the agenda, it was unanimously decided to approve the 2018 Annual Report prepared based on financial statements approved by Board of Directors in accordance with Article 514 of Turkish Commercial Code No. 6102 upon proposal and with the principles set forth in Article 16 and cont'd of Fifth Section of the Regulation on Financial Structure of Insurance, Reinsurance and Pension Companies" entered into force and published in the Official Gazette dated 7 August 2007.
3. As per third clause of the agenda, the independent auditor's report for 2018 was read and negotiated by Mr. Necip ÇAKMAKOĞLU, executive of independent auditing company. Since no one take the floor, the statements were accepted unanimously.
4. As per fourth clause of the agenda, it was unanimously decided to approve, accept and confirm balance sheet, profit and loss accounts and financial statements individually upon negotiations for 2018 Balance Sheet and Income Statements accounts issued by Board of Directors. Whereas;

AXA SIGORTA A.S. MINUTES AND RESOLUTIONS OF ORDINARY GENERAL MEETING DATED MARCH 29, 2018

The company's profit for the year 2018

is TL 371.280.445,61 (three hundred seventy one million two hundred and eighty thousand four hundred forty-five Turkish Liras and sixty one piastre) and it was unanimously decided not to make distribution of the profit since the Company's profit for the year 2018 has been used to clear the previous years' loss in accordance with the relevant articles of the Turkish Commercial Code and other relevant legislation,

5. As per fifth clause of the agenda, it was unanimously decided to acquit each member of Board of Directors individually due to their activities of the fiscal year 2018. Members of Board of Directors holding shares did not exercise their voting rights arising from the shares and authorizations they hold in their acquittance.

6. As per sixth clause of the agenda, it was unanimously decided to appoint the following as Members of Board of Directors for a period of 3 (three) years:

Yavuz ÖLKEN, national of Turkey and holder of T.R ID No.11768536748

Wilm LANGENBACH, national of Germany and holder of Tax ID No.3130614736

Benoit Michel CLAVERANNE, national of France and holder of Tax ID No.2111029313

Guillaume Herve Marie Xavier LEJEUNE, national of France and holder of Tax ID No.6080629721

Celalettin Ali ERLAT, national of Turkey and holder of T.R ID No.38428491896

Andre WEILERT, national of Germany and holder of Tax ID No.8011271234.

7. As per seventh clause of the agenda, It was unanimously decided that

PWC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.S. registered at Istanbul Registry of Commerce with 201465 and mersis no.0146002240500015, operating in BJK Plaza, Süleyman Seba Cad. No. No.48 B Blok K.9 Akaretler Beşiktaş / Istanbul, registered to Boğaziçi Corporate Tax Office with registration number 1460022405, has been appointed as independent auditor's company to conduct the independent, legal, IFRS external audit of accounts and transactions of the company for 2019 in accordance with Turkish Commercial Code No. 6102 and the relevant legislation and that General Manager of the Company has been authorized to sign the contract in which work plan, price and payment conditions are going to be determined.

8. As per eighth clause of the agenda, it was unanimously decided not to give daily allowance and remuneration regarding the fiscal year 2019 to member of Board of Directors.

AXA SIGORTA A.S. MINUTES AND RESOLUTIONS OF ORDINARY GENERAL MEETING DATED MARCH 29, 2018

9. As per ninth clause of the agenda, it was unanimously decided to approve the resolution of Board of Directors regarding the distribution of success fee of 20.807.397,84 (twenty million eight hundred and seventy thousand three hundred ninety seven Turkish Liras and eighty four piastre) allocated for the year 2018 to the personnel working in the company at the date of distribution until 25 April 2019 by taking into account of their loyalty to the company, knowledge, skills, success and efficiencies in order to be effective in the recruitment of the personnel and/or in the maintenance in the workplace, without the right acquired by the personnel and within the scope of criteria determined by Board of Directors, and it was unanimously resolved to distribute this success fee and authorize General Manager for detection way and date of payment and amount.
10. As per tenth clause of the agenda, it was unanimously decided to give necessary permission to the members of Board of Directors pursuant to Article 395 and 396 of Turkish Commercial Code.
11. As per eleventh clause of the agenda, it was stated that the decisions taken in General Meeting would be beneficial for our Company and we wish a successful year of 2019.

Presidential Committee closed the meeting since there were no issues left on the agenda other than the decisions taken above. The minutes of the meeting were signed by the Presidential Committee at the place of meeting.

(Signature)
CHAIRMAN OF MEETING
Onur Koçkar

(Signature)
CLERK
Bartu KARASALİH

(Signature)
VOTE COLLECTOR
Gamze KAYGISIZ

Representative of Ministry of Commerce
Sevda ÇEÇEN
(Signature)

AXA HAYAT VE EMEKLİLİK A.S. MINUTES AND RESOLUTIONS OF ORDINARY GENERAL MEETING DATED MARCH 29, 2018

AXA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

MINUTES OF THE ORDINARY GENERAL MEETING REGARDING 2018 FINANCIAL YEAR HELD ON 29/03/2019

The ordinary general meeting of Hayat ve Emeklilik A.S for the financial year 2018 was held on 29/03/2019 2:00 pm at Meclis-i Mebusan Cad. No: 15 34433 Salıpazarı, Beyoğlu / İSTANBUL (address of Head Office) under the supervision of the Ministry representative Sevda ÇEÇEN, who was assigned with the letters dated 28/03/2019 and numbered 43025450 of the Provincial Directorate of Commerce of the Turkish Ministry of Customs and Trade.

The call for the meeting was held as stipulated in the law and the Articles of Association, so as to contain the agenda, thereby being promulgated in the Turkish Trade Registry Gazette dated 12.03.2019 and numbered 9785, and also by registered mail from Karaköy Post Office to the owners of bearer shares by notifying about the meeting date and agenda on 13.03.2019.

Upon the examination of the list of attendees, of 62.975.000,00 -TL total nominal value of the company shares; it has been seen that of 6.297.500.000 shares with a total nominal value of 0.1-TL, 6.297.274.322 shares were represented by proxy in the meeting, therefore upon observing that the minimum quorum foreseen in both the Law and the main contract is present in the meeting, the meeting was opened by YAVUZ OLKEN, Vice President of the Executive Board and General Manager, and the discussion of the agenda was started.

1. As per the first clause of the agenda, it was resolved to be appointed Onur KOÇKAR as Chairman of the meeting, Bartu KARASALİH as Clerk, Gamze KAYGISIZ as Vote Collector and to be established Presidential Committee consisting of these people.

Then, it was unanimously decided to authorize Presidential Committee to sign the minutes of the General Meeting.

2. As per second clause of the agenda, it was unanimously decided to approve the 2018 Annual Report prepared based on financial statements approved by Board of Directors in accordance with Article 514 of Turkish Commercial Code No. 6102 and with the principles set forth in Article 16 and cont'd of Fifth Section of the Regulation on Financial Structure of Insurance, Reinsurance and Pension Companies" entered into force and published in the Official Gazette dated 7 August 2007.
3. As per third clause of the agenda, the independent auditor's report for 2018 was read and negotiated by Mr. Necip ÇAKMAKOĞLU, executive of independent auditing company. Since no one take the floor, the statements were accepted unanimously.
4. As per fourth clause of the agenda, it was unanimously decided to approve, accept and confirm balance sheet, profit and loss accounts and financial statements individually upon negotiations for 2018 Balance Sheet and Income Statements accounts issued by Board of Directors. Whereas;

AXA HAYAT VE EMEKLİLİK A.Ş. MINUTES AND RESOLUTIONS OF ORDINARY GENERAL MEETING DATED MARCH 29, 2018

It was unanimously decided to reserve the amount of TL 674.465,94 (six hundred seventy four thousand four hundred sixty five Turkish Liras and ninety four piastre) as primary reserve, to reserve the amount of TL 1.165.562,99 (one million hundred sixty five thousand five hundred sixty two Turkish Liras and ninety-nine piastre) as secondary reserve as a result of adding the net profit remaining after deducting the tax and other financial liabilities to be paid from the Company's 2018 profit, amounting to TL 13.489.318,74 (thirteen million four hundred eighty nine thousand hundred eighteen Turkish Liras and seventy-four piastre) and the reserve fund of TL 1.989.527,14 (one million nine hundred eighty nine thousand five hundred twenty seven Turkish Liras and fourteen piastre) reserved from 2017 profit into profit distributon;

and to distribute the remaining amount to the partners in cash until May 31, 2019.

5. As per fifth clause of the agenda, it was unanimously decided to confirm the attached report prepared by Board of Directors in accordance with Article 473/1 of Turkish Commercial Code which includes the reasons and objectives for the capital decrease and the manner this decrease will be performed; the report issued by Certified Public Accountant numbered YMM 1281-383/4637-21 dated 01.03.2019 in which the company has assets enough to meet completely the rights of the creditors in spite of capital decrease; the report issued by Certified Public Accountant numbered YMM 1281-383/4636-20 dated 01.03.2019 indicating that company capital is maintained in equity and the company has actually the amount of the internal resources in case the capital increase has been made from internal resources; the report issued by Certified Public Accountant numbered YMM 1281-383/4635-19 dated 01.03.2019 indicating that the whole capital has been paid, and that whether the capital remain unsecured or not, of detection of equities and that he company has actually the amount of the internal resources.
6. As per sixth clause of the agenda, it was unanimously decided to make capital decrease in amount of TL 52.031.222 from company's paid-in capital TL 62.975.000 and thereby to decrease the paid in capital of the company to TL 10.943.778; to make capital increase, simultaneously, for being paid from secondary reserves and thus to increase paid-in capital of the Company up to TL 20.000.000 and to refund the remaining amount to the shareholders in proportion to shares they hold by means of capital decrease.
7. As per seventh clause of the agenda, it was unanimously decided that Clause 7 of Articles of Association titled "Capital and Share" shall be adopted in the same way as amendment draft attached to the letter issued by General Directorate of Domestic Trade of Turkish Ministry of Commerce numbered 50035491-431.02-E-00042972894 dated 27.03.2019.
8. As per eighth clause of the agenda, it was unanimously decided to make the necessary applications before registry office and the other authorities; to obtain the necessary permission and to authorize Board of Directors in order to perform all transactions and proceedings required for profit distribution, capital decrease and capital increase. Simultaneously pursuant to legislation.
9. As per ninth clause of the agenda, it was unanimously decided to acquit each member of Board of Directors individually due to their activities of the fiscal year 2018. Members of Board of Directors holding shares did not exercise their voting rights arising from the shares and authorizations they hold in their acquittance.

AXA HAYAT VE EMEKLİLİK A.Ş.

MINUTES AND RESOLUTIONS OF ORDINARY GENERAL MEETING DATED MARCH 29, 2018

10. As per tenth clause of the agenda, it was unanimously decided to appoint the following as Members of Board of Directors for a period of 3 (three) years:

Yavuz ÖLKEN, national of Turkey and holder of T.R ID No.11768536748

Wilm LANGENBACH, national of Germany and holder of Tax ID No.3130614736

Benoit Michel CLAVERANNE, national of France and holder of Tax ID No.2111029313

Guillaume Herve Marie Xavier LEJEUNE, national of France and holder of Tax ID No.6080629721

Celalettin Ali ERLAT, national of Turkey and holder of T.R ID No.38428491896

Andre WEILERT, national of Germany and holder of Tax ID No.8011271234.

11. As per eleventh clause of the agenda, It was unanimously decided that

PWC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. registered at Istanbul Registry of Commerce with 201465 and mersis no.0146002240500015, operating in BJK Plaza, Süleyman Seba Cad.

No.48 B Blok K.9 Akaretler Beşiktaş / Istanbul, registered to Boğaziçi Corporate Tax Office with registration number 1460022405, has been appointed as independent auditor's company to conduct the independent, legal, IFRS external audit of accounts and transactions of the company for 2019 in accordance with Turkish Commercial Code No. 6102 and the relevant legislation and that General Manager of the Company has been authorized to sign the contract in which work plan, price and payment conditions are going to be determined.

12. As per twelfth clause of the agenda, it was unanimously decided not to give daily allowance and remuneration regarding the fiscal year 2019 to member of Board of Directors.

13. As per thirteenth clause of the agenda, it was unanimously decided to approve the resolution of Board of Directors regarding the distribution of success fee of 1.933.075,62 (onemillionie hundredthirtythree thousandseventyfive Turkish Liras and sixty-two piastre) allocated for the year 2018 to the personnel working in the company at the date of distribution until 25 April 2019 by taking into account of their loyalty to the company, knowledge, skills, success and efficiencies in order to be effective in the recruitment of the personnel and/or in the maintenance in the workplace, without the right acquired by the personnel and within the scope of criteria determined by Board of Directors, and it was unanimously resolved to distribute this success fee and authorize General Manager for detection way and date of payment and amount.

14. As per fourteenth clause of the agenda, it was unanimously decided to give necessary permission to the members of Board of Directors pursuant to Article 395 and 396 of Turkish Commercial Code.

15. As per fifteenth clause of the agenda, it was stated that the decisions taken in General Meeting would be beneficial for our Company and we wish a successful year of 2019.

AXA HAYAT VE EMEKLİLİK A.Ş. MINUTES AND RESOLUTIONS OF ORDINARY GENERAL MEETING DATED MARCH 29, 2018

Presidential Committee closed the meeting since there were no issues left on the agenda other than the decisions taken above. The minutes of the meeting were signed by the Presidential Committee at the place of

(Signature)
CHAIRMAN OF MEETING
Onur Koçkar

(Signature)
CLERK
Bartu KARASALIH

(Signature)
VOTE COLLECTOR
Gamze KAYGISIZ

REPRESENTATIVE OF MINISTRY OF COMMERCE
Sevda ÇEÇEN
(Signature)

AXA SIGORTA A.S. AFFILIATED COMPANY REPORT



AFFILIATED COMPANY REPORT

Report Date: 18.02.2019

It is a report issued by Board of Directors regarding relationships with controlling and affiliated companies pursuant to paragraph 1 of Article 1999 of Turkish Commercial Code No.6102:

a) All legal transactions made by AXA Sigorta A.S under the guidance of controlling company, a company affiliated to controlling company in favour of therein or its subsidiary and all other measures taken or avoided in favour of controlling company or a company affiliated to controlling company:

Transactions conducted with controlling and affiliated companies within the Group are common commercial activities and there are no transactions made under or without the guidance of a controlling company in favour of controlling company or one of affiliated companies and also no measures taken or avoided within this framework.

b) Whether an appropriate contra action was ensured or not in each legal transaction and whether the measures taken or avoided damages the corporation or not according to the case and circumstances known to AXA Sigorta A.S in event that legal transaction was made or measure was taken or avoided:

There is no legal transaction within this framework and thus no need of contra action; there are no measures taken or avoided, therefore no loss was incurred.

(Signature)
Yavuz ÖLKEN
Deputy Chairman of Board
and General Manager

(Signature)
Celalettin Ali ERLAT
Managing Member of Board

AXA HAYAT VE EMEKLİLİK A.S. AFFILIATED COMPANY REPORT



AFFILIATED COMPANY REPORT

Report Date: 18/02/2019

It is a report issued by Board of Directors of AXA Hayat ve Emeklilik A.S regarding relationships with controlling and affiliated companies pursuant to paragraph 1 of Article 1999 of Turkish Commercial Code No.6102:

a) All legal transactions made by AXA Hayat ve Emeklilik A.S under the guidance of controlling company, a company affiliated to controlling company in favour of therein or its subsidiary and all other measures taken or avoided in favour of controlling company or a company affiliated to controlling company:

Transactions conducted with controlling and affiliated companies within the Group are common commercial activities and there are no transactions made under or without the guidance of a controlling company in favour of controlling company or one of affiliated companies and also no measures taken or avoided within this framework.

b) Whether an appropriate contra action was ensured or not in each legal transaction and whether the measures taken or avoided damages the corporation or not according to the case and circumstances known to AXA Hayat ve Emeklilik A.S in event that legal transaction was made or measure was taken or avoided:

There is no legal transaction within this framework and thus no need of contra action; there are no measures taken or avoided, therefore no loss was incurred.

(Signature)

Yavuz ÖLKEN

**Deputy Chairman of Board and
General Manager**

(Signature)

Celalettin Ali Erlat

Managing Member of Board

COMPLIANCE AND PERSONAL DATA PROTECTION

Compliance and personal data protection are responsible for the following two issues in “AXA SIGORTA A.S” and “AXA HAYAT VE EMEKLILIK A.S” as of January 11, 2010.

- 1) Compliance Management
- 2) Personal Data Protection Management

Compliance Management

It is 2nd line of Defence Department which has development and monitoring functions in line with “AXA Group Compliance Policy”. Reporting is provided to Legal and Compliance Directorate. Primary responsibilities are as follows:

- Determination of compliance risks along with job families,
- Helping Management Body in establishing control and procedures required for reducing defined compliance risks and in adjusting thereof within the company,
- Monitoring compliance with local legislation, compliance and ethical standards,
- Reporting to Senior Executives, the relevant Committee and AXA Group regularly.

Compliance risk should be considered as legal or regulatory sanctions, material or reputational loss the company faces when it fails to act in accordance with laws, regulations and administrative provisions. In this regard, compliance risks are determined / updated every year as a result of risk evaluation in detail performed with job families by taking into account of local and international regulations Turkey is subjected to (FATCA, UK, Bribery Act, UN-US-EU Sanctions etc.). Then, a process whose general principles are determined by AXA Group Risk Management put in place for the purpose of reducing these risks in cooperation with Internal Control, Operational and Financial Risks Department at the national level.

Subject headings for compliance risks taken into consideration in risk assessment process are listed in the table below:

Antitrust

Prevention of Discrimination

Information Abuse

Conflicts of Interest

Distribution Channel Marketing

Regulatory risks related to outsourcing

Economic Sanctions and Embargo

Financial Crimes Anti-Money Laundering/ Prevention on Laundering of Crime Revenues and on Financing Terrorism

Misconduct

Customer Complaint Trends

Customer Data Protection and Responsible Use Anti-bribery / Anti-Corruption

Sales Channel compensation / billing

Sales Applications

Insurance Brokers and rules of distribution channel

Cross-border transactions

Social Media Association

Prevention of Abuse

Product Compliance

Compliance & Ethics

Scope of Compliance Risks Analysis

Internal Fraud related to Compliance, Financial Crimes and Ethics

Compliance management works are determined in accordance with “Compliance Plan” prepared annually and are put into effect upon approval of Executive Board. Compliance Plan is a framework program which includes preparation of annual control plan, risk assessment and update efforts, determination of monitoring program, compliance reporting etc.

AXA Group has put Group Standards into effect in order to maintain its business activities at high level in every countries where it operates insurance activities. Compliance Manager gives all kinds of supports to ensure that all insurance activities of Management Body and job families comply with AXA Group Standards as well as national legislation. Compliance AXA Group Standards is recorded every year through “certification” process of Senior / Middle Level Executives and the relevant job families.

Compliance studies are audited by Compliance Managers from various AXA Companies affiliated to AXA Group and International & New Markets Regions in accordance with “Compliance Support and Development Program” carried out biyearly by AXA Group. Following audit, possible findings are reported to the CEO and Compliance Manager of audited AXA Group Company. Necessary improvement activities are monitored periodically by AXA Group, International & New Markets and local Internal Audit Department.

COMPLIANCE AND PERSONAL DATA PROTECTION

Anti-Corruption, Prevention on Laundering of Crime Revenues and Financing Terrorism are among the significant compliance issues. Control and awareness actions are put into practice in accordance with “Anti-corruption Program” approved by Board of Directors at the beginning of the year. Studies on Prevention of Laundering of Crime Revenues and Financing Terrorism are carried out in accordance with “Compliance Program” issued by MASAK Compliance Team within the framework of national legislation and AXA Group Standards. Necessary improvement activities taken are monitored periodically by AXA Group and International & New Markets Zone. Processes are recorded every year through “certification” procedure of “Anti-corruption” and “AXA Group Compliance and Ethics Standards” of Senior / Middle Level Executives and the relevant job families.

Personal Data Protection Management

The processing of personal/private data in accordance with national legislation and AXA Group Data Protection Policy is carried out through necessary technical/legal investigations (“Privacy by Design”) by Legal and Information Technologies Department before domestic data transfer and the projects to be implemented by job families by In this regard, Legal and Compliance Department are directly reported and primary responsibilities are as follows:

- Development and adaptation of AXA SIGORTA Data Protection Policy,
- Providing training and giving technical opinion about data protection to different departments in various areas,
- Contacting with regulatory authorities,
- Helping the preparation of internal and external Non-disclosure Agreements,
- Examination and follow-up business activities and supplier contracts for the purpose of ensuring compliance with legislation provisions and AXA SIGORTA Data Protection Policy,
- Approval of projects or processes in compliance with the legislation,
- Ensuring compliance of data processing application and procedures with the legislation,
- Giving information Senior Management and Executives of Data Protection Policy and their responsibilities in this regard.

OPERATIONAL STABILITY AND PHYSICAL SECURITY MANAGEMENT

Operational Stability and Physical Security Management Department are responsible for the following two issues in “AXA SIGORTA A.S” and “AXA HAYAT VE EMEKLILIK A.S”.

1) Operational Stability Management

2) Physical Security Management

Operational Stability Management

Operational Stability Management Department is the unit that defines and manages the procedure to follow in case of failure in critical processes related to “Production” and “Damage”.

AXA Sigorta uses lost of resources in order to carry out business activities. AXA Group has declared the most important 5 dangers that may affect these resources: Cyber Attack, Earthquake, Fire, Civil Disorder/Terrorism and Epidemics. Our department is responsible for ensuring the following advantages and continuity of thereof:

- To define the risks that may hinder/terminate business activities and to reduce/eliminate them proactively,
- To ensure and maintain reputational integrity,
- To provide the best service quality,
- To recover within the shortest time after crisis,
- To develop constantly,

The results of “Risk Analysis” and “Business Impact Analysis” updated by job families every year are evaluated under the coordination of our department in accordance with various identified risk scenarios. Disaster recovery studies are carried out in coordination with Information Technologies Directorate while the quantification studies are performed together with Risk Management Directorate.

CEO of AXA Sigorta is responsible for operational stability policy and development and implementation of thereof. CEO has appointed Olgun Kuntay from Executive Committee as Managing Director in order to audit the activities related to operational stability in this regard. Business Continuity Sponsor, IT Service Continuity Sponsor and Crisis Officer lend assistance to Olgun Kuntay in this process.

Besides, Operational Stability Executive Committee consisting of Crisis Officer, Senior Manager Responsible for Business Continuity, Crisis Coordinator, Coordinator Responsible for Disaster Recovery, CIO and General Secretary

closely monitor business continuity works and level of preparation against risk scenario and meet in case of extraordinary situations. Furthermore, Operational Stability Committee convene twice a year to evaluate periodic activities in this regard and set a road map for compliance with AXA Group Operational Stability strategy.

Awareness level of employees and stakeholders is ensured to be maximized with the tests and practices performed in different categories every year. All activities are controlled by AXA Group / AXA International & New Markets at local level. AXA Group is reported regularly every year.

Physical Security

It is aimed to protect employees and assets against “barratry” actions. Barratry actions includes actions due to crime, terrorism, political or social instability. AXA Group Management Committee confirmed a physical security road map in April 2015. This confirmation requires AXA Companies to align or create physical security measures with AXA Physical Security Method prepared pursuant to the best practices in the world.

Christophe Knaub is directly reported in this regard. The four main legs of AXA Group Physical Security are as follows:

- Security Organization: Creating a clear and formal physical security structure within the company is an significant step for effective physical security management.
- Travel Safety: Management of International business travel and trips requires risk-based safety procedure and safety measures.
- Space Safety: A physical security plan should be established in order to ensure safety, in which all taken measures are specified.
- Incident Intervention: Need to be prepared in order to reduce potential impact of physical security incidents on company reputation, employees and assets.

PROMINENT AMENDMENTS ON INSURANCE LEGISLATION IN 2018

No legislative amendments directly affecting our sector in 2018.



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**RISK
MANAGEMENT**

RISK MANAGEMENT

Risk management policies and procedures of AXA SIGORTA A.S. and AXA HAYAT VE EMEKLİLİK A.S. have been developed in parallel to AXA Group Risk Management Standards, to ensure monitoring, checking, and where necessary revising the risk and return structure of the company's future cash flows, and the characteristics and level of the associated activities. The purpose of these standards determined by AXA Group is to ensure systematic identification, measurement, management and control of any risks the group companies may encounter with. The risk groups the companies may be exposed to are incorporated in these standards in line with their extent, characteristics, and complexities as well as experiences from previous periods. AXA SIGORTA A.S. and AXA HAYAT VE EMEKLİLİK A.S. have adopted AXA Group Risk Management standards within the framework of Risk Management Activities; the Company works in close cooperation with and regularly report to AXA Group and the affiliated AXA International New Markets Management teams.

The primary purpose of our Risk Management operations, constituting an integral part of all our business operations in line with AXA Group Risk Management standards, is collective monitoring of financial, insurance, and operational risk exposures, as well as measuring the impacts of these exposures on significant financial indicators (profitability, company value, capital, liquidity).

All these activities are conducted by the Risk Management Department within AXA SİGORTA A.Ş. and AXA HAYAT VE EMEKLİLİK A.Ş. While performing these assessments, the Risk Management shall be held responsible particularly for implementation of AXA Risk Management standards and fulfilment of responsibilities set forth in local regulations and for meeting all requirements within this context. Roles and responsibilities of Risk Management Department, which directly reports to Risk Management Directorate, is approved by the Board.

In accordance with national and international legislation, insurance companies are required to actively manage the risks that they are exposed to, which are comparable to the nature and complexity of the activities they engage in and which can affect their ability to meet their obligations or fulfill their corporate objectives. Also they are required to establish an effective and adequate risk management system that allows them to be assessed. The system has to be integrated into the company and it is essential that the roles played by key personnel are formally identified.

Insurance companies, within the framework of the necessities of legislative regulation, through a rigorous analysis process, must be able to understand the nature of the identified risks, their origin, the likelihood or need to control them and must understand also the effects that may arise from them in terms of possible losses and opportunities.

In particular, the role of risk management is not to prevent risk taking by insurers and investment managers, but to selectively develop a risk-taking culture of AXA SIGORTA A.Ş. and AXA HAYAT VE EMEKLİLİK A.S. with the tools and metrics to help consciously select the risks that it really wants to carry. Considering these requirements, AXA SİGORTA A.Ş. and AXA HAYAT VE EMEKLİLİK A.Ş. have established a framework of Corporate Risk Management which is a complex framework based on a set of standards, policies, procedures, committees and governance. Five key processes have been identified as relevant to this framework, fixed with a strong risk culture:

a) Organization and Management: AXA SIGORTA A.S. and AXA HAYAT VE EMEKLİLİK A.S. have a Risk Governance Scheme established and structured by Risk Management policies and procedures.

b) Risk Appetite Framework: The role of the Risk Management team is to make sure that senior management has approved actionable risks, understands the consequences of adverse developments in risk and has actionable plans when things start to deteriorate. This is achieved through the Risk Appetite framework, which shows the risks involved in causes, company value, capital and liquidity under different scenarios.

c) Secondary Opinion: Risk Management is to be able to look at risk areas and identify these areas by measuring, inspecting financial risks, insurance risks and operational risks, and to be vigilant against extremes and to think about them. Risk management has processes and governance to ensure that AXA Turkey's major decision-making processes receive a systematic and independent second opinion.

d) Underwriting Rules and Product Approval: The release of new products or the re-pricing / re-design of products allows the senior management to evaluate the long-term consequences of such actions and to determine the profitability objectives determined based on the risk in order to realize the strategy of AXA.

RISK MANAGEMENT

e) Internal Model (STEC - Short Term Economic Capital): can provide a concrete and powerful metric that controls and measures most of the exposed risk. The AXA STEC model is also designed as a consistent and wide-ranging risk management tool that is an important component in capital management, planning process and performance measurement process.

Risk Classification

In line with AXA Group standards, the risk management practices of AXA SIGORTA A.S. and AXA HAYAT VE EMEKLILIK A.S. assess the Risk Portfolio in 3 primary groups, which are also divided into various sub-groups.

I. Financial Risks

This category covers the impact of interest rate, exchange rate and real estate price variations to be caused by potential fluctuations in financial markets and various investment instruments on the company's financial indicators. These assessments allow the implementation of action plans to ensure that the potential impacts remain below the risk limits defined.

On the other hand, the Asset-Liability management is crucial particularly for the preservation of earnings on long term portfolios and liquidity; assessments performed in this respect guide the investment decisions taken to assure cash flows for our obligations.

Furthermore, our reinsurance structure is reviewed on company basis within the scope of financial analyses activities, classified in accordance with the ratings issued by international rating agencies and the reinsurance risks are assessed with the models utilized in AXA Group standards.

II. Insurance Risks

These risks are grouped in two primary segments: Life and Non-Life.

Within the scope of these risks arising from insurance agreements, the financial loss which may occur due to realization of the insured event are measured through statistical methods, which in return determines the minimum capital level the company should keep to cover these risks. These measurements are made in accordance with the internal models established in line with AXA Group standards and by the Undersecretariat of Treasury, and are reported regularly.

III. Operational Risks

These risks refer to the losses which may be incurred, directly or indirectly, due to external events, or inadequate or failed internal processes, personnel, and systems. The task of Risk Management unit is to identify, measure, and monitor the operational risks which may be exposed to. The risk scenarios identified on self-assessment basis are updated annually and measured at AXA Group Standard levels through use of statistical methods. The risks identified are monitored by the relevant unit and Internal Audit department and reviewed by the Operational Risk Committee.

The table identified in line with AXA Group Risk Management standards that indicates the risk groups AXA companies are exposed to, is as follows:

RISK MANAGEMENT

Primary Risk Group	Secondary Risk Group	Subject of Risk
Financial Risks	Market Risks	Stock Risks
		Real Estate Risks
		Interest Rate Risk
		Private Sector Bonds Risk
		Asset Based Financial Investment Risk
		Alternative Investment Risks
		Foreign Currency Risk
		Volatility Risk
		Base Risk
	Credit Risk	Country Risk Counter-Party Risks
	Liquidity Risk	Liquidity Risk
Non Life Insurance Risks	Reserve Risk	Insufficient Reserve Risk Rising Risks (e.g. Asbestos)
	Insurance Risk	Underwriting Risk Pricing Risk Customer Value Risk
		Catastrophe Risk - Natural Disaster Catastrophe Risk - Human
	Catastrophe Risk	
Life Insurance Risks	Reserve Risk	Mortality Risk Longevity Risk Surrender Risk Expense Risk
	Insurance Risk	Disability Risk Long-Term Care Risk Health Risks
	Catastrophe Risk	Catastrophe Risk - Epidemic
Operational Risks	Internal Misconduct	Internal Misconduct and Unauthorized Transactions
	External Misconduct	External Misconduct and System Security
	Workplace security and employment practices	Employee relations, discrimination Safe work environment (e.g. Epidemic) Personnel Management (loss of key personnel)
	Customer, product and business practices	Compliance, reporting and product responsibilities (e.g. incorrect sales, aggressive sales, misleading marketing materials...) Non-compliant and illegal business and market practices (antitrust, unlicensed sales, illicit money, non-compliance with regulations) Product defects (product shortcomings and model defects)
	Potential Damage on Material Assets	Natural disasters and other disasters caused by humans
	System Failure and Work Disruption	Information Security System Disruption
	Transaction, management and process errors	Transaction Errors (e.g. Incorrect claim payments...) Errors in underwriting and claims processes Public disclosure and reporting errors Project Management Errors Errors or low performance by internal service providers (associated agencies, sales and provision teams) Errors and low performance by external service providers

RISK MANAGEMENT

Risk Limits

By taking the financial structures of the companies into account, the impact of sub risk groups on the most critical financial indicators of the company, namely profitability, company value and capital adequacy are considered during determination of risk limits in accordance with AXA Group standards. While the risk limits vary by the diversity and scale of the company's financial asset investments, the operational limits set on a per-personnel or per-unit basis may also vary with reference to the complexity of the transactions performed, and the characteristics of the products.

The limits set are then reviewed annually with reference to the market circumstances, the financial state and strategies of the company, and AXA standards. Any excess of limits are monitored both through the alerts defined in the system by responsible units, and on a collective basis; the operations are executed through a structure which allows immediate intervention and reporting in case of any limit excess.

A detailed explanation regarding the risk group of the company and its transactions is provided in footnote 45, attached to the Independent Audit Reports provided in the Annual Report.

The background is composed of several geometric elements. On the left, there are diagonal stripes in various shades of green and grey. A thick red line runs diagonally from the top right towards the center. The number '5' is placed over this red line.

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OTHER ISSUES

AXA SIGORTA A.S. AND AXA HAYAT VE EMEKLILIK A.S. MEETING OF BOARD OF DIRECTORS

Company	Date of Meeting	Members who must present in the meeting	Participation	Participation Rate
AXA SIGORTA A.S.	30.01.2018	Guillaume Herve Marie Xavier LEJEUNE	Yes	83%
AXA SIGORTA A.S.	30.01.2018	Wilm LANGENBACH	Yes	
AXA SIGORTA A.S.	30.01.2018	Celalettin Ali ERLAT	Yes	
AXA SIGORTA A.S.	30.01.2018	Marc Paul BERNARDIN	Yes	
AXA SIGORTA A.S.	30.01.2018	Ömer Pekin BARAN	Yes	
AXA SIGORTA A.S.	30.01.2018	Ronald GRUNBERG	No	

AXA SIGORTA A.S.	23.05.2018	Yavuz OLKEN	Yes	83%
AXA SIGORTA A.S.	23.05.2018	Wilm LANGENBACH	Yes	
AXA SIGORTA A.S.	23.05.2018	Celalettin Ali ERLAT	Yes	
AXA SIGORTA A.S.	23.05.2018	Marc Paul Andre BERNARDIN	Yes	
AXA SIGORTA A.S.	23.05.2018	Benoit Michel CLAVERANNE	Yes	
AXA SIGORTA A.S.	23.05.2018	Guillaume Herve Marie Xavier LEJEUNE	No	

AXA SIGORTA A.S.	24.07.2018	Yavuz OLKEN	Yes	83%
AXA SIGORTA A.S.	24.07.2018	Wilm LANGENBACH	Yes	
AXA SIGORTA A.S.	24.07.2018	Celalettin Ali ERLAT	Yes	
AXA SIGORTA A.S.	24.07.2018	Marc Paul Andre BERNARDIN	Yes	
AXA SIGORTA A.S.	24.07.2018	Benoit Michel CLAVERANNE	No	
AXA SIGORTA A.S.	24.07.2018	Guillaume Herve Marie Xavier LEJEUNE	Yes	

AXA SIGORTA A.S.	23.10.2018	Yavuz OLKEN	Yes	67%
AXA SIGORTA A.S.	23.10.2018	Wilm LANGENBACH	Yes	
AXA SIGORTA A.S.	23.10.2018	Celalettin Ali ERLAT	Yes	
AXA SIGORTA A.S.	23.10.2018	Marc Paul Andre BERNARDIN	Yes	
AXA SIGORTA A.S.	23.10.2018	Benoit Michel CLAVERANNE	No	
AXA SIGORTA A.S.	23.10.2018	Guillaume Herve Marie Xavier LEJEUNE	No	

AXA SIGORTA A.S.

CORPORATE MANAGEMENT COMMITTEE REPORT-2018

CORPORATE MANAGEMENT COMMITTEE

AXA Sigorta A.S (hereinafter referred to as “Company”) established a Corporate Management Committee in June 2011 to follow-up the compliance with the principles set out in the Circular “on Corporate Management Principles in Insurance, Reinsurance and Pension Companies (2011/8) The members of Corporate Management Committee are as follows:

Mr. Marc BERNARDIN	Chairman	Board Member
Mrs. Esra GÜLLER	Member	Head of Department and Executive Board Member- Human Resources and Internal Communication
Mr. Hakan DEVECIOĞLU	Member	Manager - Internal Control, Operational and Financial Risks
Mr. Murat UYTUN	Member	Manager- Compliance and Personal Data Protection

The duties of the Committee are as follows: to perform the necessary activities for the purpose of ensuring compliance with the principles, to give suggestions to the Board of Directors in this regard and to monitor Company's compliance with the principles.

Corporate Management Committee prepares a report indicating the evaluations and submits it to Board of Directors in March every year. A copy of the report is submitted to Turkish Ministry of Treasury and Finance.

THE PRINCIPLES AXA SIGORTA A.S HAS ADOPTED

PRINCIPLE1. Corporate Management Principles

The company has established its corporate management principles by taking into account of the principles of “equality”, “transparency”, “accountability” and “responsibility” (AXA SIGORTA Compliance and Ethics Guide III- Compliance and Code of Ethics Article I- “Our Values”). These principles are guaranteed in consideration of the following policy, procedure and guidelines within the company.

In addition to local legislation, AXA Grup (hence in practice AXA Sigorta A.S) joined in the United Nations Global Compact in February 2003 and formally undertook to conform the “Ten Principles” of the Organization (AXA Sigorta Compliance and Ethics Guide Article 4.1. Compliance with Laws, Rules and Regulations).

► Equality

- AXA SIGORTA Compliance and Ethics Guide AXA SIGORTA Compliance and Ethics Guide Article 2.1 Conflicts of Interest,

► Transparency

- AXA SIGORTA Compliance and Ethics Guide AXA SIGORTA Compliance and Ethics Guide Article 4-Compliance with Laws and Regulations/ Examinations of Regulatory Authorities and Litigation
- AXA SIGORTA Compliance and Ethics Guide AXA SIGORTA Compliance and Ethics Guide Article 6- Reporting of Irregularities,
- 98.11.P.001-AXA SIGORTA Human Resources Regulation,
- 98.11.P.005-AXA SIGORTA Data Privacy Policy,
- 98.11.P.006-AXA SIGORTA Information Security Policy,

► Accountability

- AXA SIGORTA Strategical Plan,
- 98.11.P.007-Competition and Anti-Trust Policy,

► Responsibility

- 26913-Regulation on Internal Systems of Insurance, Reinsurance and Pension Companies,
- AXA SIGORTA Compliance Standard,
- AXA Group Standards,
- 18.01.Y.003- Internal Control Activities Directive
- 17.01.Y.001- Internal Audit Directive,
- 17.01.Y.002- Directive on Prevention of Abuse and Corruption,
- 98.11.P.002-AXA SIGORTA Anti-Corruption Policy,
- 98.11.P.003-AXA SIGORTA Abuse Control Policy,
- 17.01.Y.003- Black Money Audit Directive,
- 98.11.P.005-Media Relations Guidelines,
- 98.11.P.006-Employee Social Media Guidelines,
- 17.02.T.001-Contradictions and Irregularities Reporting Instruction,
- Audit Committee Regulation,
- Internal Audit Regulation,

AXA SİGORTA A.S.

CORPORATE MANAGEMENT COMMITTEE REPORT-2018

PRINCIPLE 2 - Principles on Exercise of Share Ownership's Rights

All shareholders are treated equally in accordance with the principles.

No distinction is made between shareholders in exercise of the right to demand information and examination. Any information that may affect the exercise of shareholder's rights is accessible to shareholders in electronic environment.

The company shall take all necessary measures to ensure the participation of shareholders in General Meeting in a timely manner and provide information on the agenda in such a way so as not to create any hesitation and to provide shareholders with the opportunity to make necessary arrangements. The issues set out the agenda are transferred in an objective and detailed manner with a clear and understandable way in General Meeting; shareholders are given opportunity to express their opinions and ask questions under equal conditions by creating a healthy discussion environment.

Practices that make the exercise of voting difficult are avoided. Each shareholder is given an opportunity to exercise his/her right of voting in the easiest and most appropriate manner.

The voting procedure is announced to all shareholders before and at the beginning of the meeting.

The company shows utmost care to the exercise of minority rights.

The company avoids the practices that make it difficult for shareholders to transfer their shares freely.

The company has a specific and coherent profit distribution policy. Our company performs the profit distribution in accordance with laws and regulations to which it is subjected. The following items are taken into consideration during profit distribution: our long-term group strategies, investment and financing policies, profitability and cash positions, and above all, capital adequacy ratio. Profit distribution decisions are taken by the shareholders in General Meeting held in March every year in accordance with Company's Capital Adequacy Forecasts and company's targets.

Accordingly, profit distribution is made in cash or non-paid up shares over the net profit for the period in the financial statements prepared in accordance with legislation and subjected to independent audit as well as the "distributable profit" calculated pursuant to the relevant legislation.

PRINCIPLE 3- Transparency in Activities and Transactions

The Company undertakes to announce all kinds of up-to-date information that will be disclosed to the public and that may have an impact on its financial condition and operating results.

Certified Information on financial condition of the company, which is also used in public disclosure, is easily available in "Financial Info" of "AXA SİGORTA" section through www.axasigorta.com.tr. All annual reports are available electronically on the company's website since 2003.

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- f) Company's mission and vision.

The content of the dedicated part of our company's website which should be available has started to be kept in a secure environment, to be made available for company's access and to be archived by signing a protocol with Central Registry Agency (CRA) pursuant to Regulation on Website of Equity Companies published in the Official Gazette numbered 28663 and dated 31 May 2013.

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CORPORATE MANAGEMENT COMMITTEE REPORT-2018

The company's code of ethics are listed under the "Corporate Code of Ethics". Besides, the internal code of ethics Company employees should follow are gathered under the name of "AXA SIGORTA Compliance and Ethics Guide" and Senior Management and Directors declare, in written, every year, that they are working in compliance with the principles in the Guide during the year. This process is called Compliance and Ethics Guide Certification.

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PRINCIPLE 4 - Protection of Stakeholders' Rights

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The company takes all measures to ensure customer satisfaction in delivery of products and services. AXA Group "Know Your Customer" Process is aligned with all company's processes. In this regard, a customer-driven organizational structure has been adopted. In addition to local legislation, AXA Group "Product Approval Process-PAP" is followed for product development under the responsibilities of Internal Control, Operational and Financial Risks Department and before technical, financial, marketing, legal, internal control, actuary, compliance and information technologies departments.

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- Everyone contributes by going beyond their teams and departments.

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CORPORATE MANAGEMENT COMMITTEE REPORT-2018

INTEGRITY

• Integrity is our compass. We are guided by strong moral principles, trusting our internal judgement to do the right thing for our customer, employees, stakeholders and partners.

• Everyone is responsible for helping each other, working together and maintaining our moral and ethical standards.

Examples of the exchange of views between the employee-agency-customer throughout the year are as follows: the organization called “Being an AXA” organized with the participation of all Company employees in order to strengthen a participatory management environment; “Agencies Meetings” where information and evaluations are provided for agencies; “Regional Meetings”, which enable agencies to meet face-to-face with the top executives of the company and in which the issues related to the economy or personal development have been discussed; “Employee Satisfaction Survey” where employee satisfaction is determined online; Agency Satisfaction Survey where agency satisfaction is determined; various satisfaction surveys conducted by independent organizations; Personnel Health Insurance informations benefited by employees and their relatives and Orientation Training Program for new employees.

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The decisions taken or development regarding the employees are shared with all employees via e-mail and/or intranet by HR-Training, Development and Internal Communication Department.

- In 2018, the company implemented various projects in order to enable communication and socialization with the aim of increase the interaction within the company.
- In this regard, the organization called “Being an AXA” was held in Antalya with the participation of all our employees this year. In the organization with the motto “We’re AXA, we’re number one”, our employees took opportunity to listen to the strategies of company for future from Senior Executives and to have fun.
- In parallel with Company’s Digitalization strategy, the company conducted studies with tools such as announcement, survey etc. in 2018 for the purpose of increase the use of ONE, global intranet program, having been used by all company employees as of 2015.

- Furthermore, the studies have been carried out in order to disseminate the use of YesLearning, a global training and management system that allows employees to follow their programs in all countries where AXA operates globally, by all employees as an active portal where people can follow training details, make evaluation after training and see calendar details.
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- The projects and activities carried out in 2018 can be listed as follows:
 - As a result of “New Friends for Lonely Toys” campaign, which we organized with the cooperation of GEA, the toys collected with the support of our colleagues met with the children as a report card gift with the participation of volunteers in AXA Hearts in Action. The volunteers had also informed children of “Accidents due to telephone” and contributed to raising awareness in this regard.
 - We visited to Sivrice Village to show our support for the projects carried out by children of Mardin, Midyat, Sivrice Villages with extraordinary success.

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During our visit for the purpose of supporting the education of innovative and talented young people, we felt the energy of children and had the opportunity to see support opportunities on the site. The students here have been trying to realize their dreams despite all difficulties and impossibilities. We have supported these children who have achieved many successes with their teams called “Sivrice Dream” and are trying to maintain our support. We also presented various stationery equipments, coding and attachment set to them as a gift. Thereafter, we had covered all empty walls of Mardin Sivrice School with the pictures of “Science and Maths Street” concept. Then, we gave printer and mind developing toys as a gift for the purpose of helping children in their class and project studies.

- We are now going on the support we have started in Mardin for Muğla Ören Secondary School. We have sponsored “Science Heroes” Project carried out Muğla Ören Secondary School. We continue to contribute in issues such as project registration fee, theme set, project table in order to support our children.
- We have carried out activities at Petrol Ofisi gas stations in order to raise awareness among drivers about risks imposed by telephone use while driving within the scope of the campaign titled “Stop Traffic Accident due to Phone”.
- We made a move in order to realize Merve Nur’s dream of becoming a princess thanks to the workshop we carried out in cooperation Make a Wish Association.
- We conducted a seminar titled “Eat Healthily, Live Healthily” in our Head Office.
- We visited the elderly in Almshouse and had opportunity to chat with them and to create a smile on their faces together with All Volunteers of AXA Heart in Actions and colleagues who wanted to accompany. During our visits, we had a great time by chatting with them and also gave presents to them.
- We conducted a seminar titled “Treatment and Conscious Approach in Frequent Diseases in Children” discussed these diseases and what we can do to prevent or fight these diseases as parents.
- We established a booth in our Head Office Building to be used in the treatment costs of children with autism in order to contribute to “Tohum Autism Foundation”.
- We visited our lovely friend with our volunteers in Yedikule Animal Shelter that currently hosts more than 3000 animals by supplying their needs such as milk, dry food, old newspaper and leftovers from our supplier company from which we provided cafe services.
- We said “Blood Donation saves lives” and we wanted to be hope and save lives for others and thus we donated blood in cooperation with Red Crescent.
- We established a Smile Shop stand in our Head Office Building to contribute to Foundation for the Handicapped since we were aware of healthy food and healthy nutrition.
- We discussed on stem cell donation in the seminar titled “Maybe It’s You” in cooperation with “Maybe It’s You” Foundation. Then, we donated blood and stem cell in Head Office Building in cooperation with Red Crescent on November. Our regional offices also participated in this campaign.
- We performed walking activities in order to draw attention to the studies on reducing our carbon footprint. All our colleagues supported this activity by participating in walking in the relevant locations.
- We had a lunch at Dow Cafe that aims to support the families of Children with down syndrome as well as holding these children on to life and had a great time with our children together with the volunteers of AXA Hearts in Action.
- AXA SIGORTA Head Office Building, which meets the required criteria in waste and paper consumption thanks to awareness activities, has been awarded to get “Green Office” certificate by WWF World Wildlife Foundation as of 2014. We have started and expanded the same studies at Regional Offices Buildings in both Istanbul and all over Turkey in the years of 2015,2016,2017 and 2018.
- Waste materials such as waste batteries, paper, cartridges, bulbs and covers have been collected thanks to the “recycling corners” established in order to get all employees adopt environmental awareness and recycling habit. In 2018, we have delivered papers of appr. 11.730 kg to Municipalities and the Turkish Foundation for Combating Erosion Reforestation and the Protection of Natural Habitats (TEMA) in this regard.
- We visited the universities giving insurance education and locating at various provinces and and provided seminars to the students for the purpose of improving the cooperation between sector and university. In these seminars given by AXA SIGORTA Executives; sectoral information, business world and the clues to help the students in career choices are shared.

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CORPORATE MANAGEMENT COMMITTEE REPORT-2018

- One of our most significant principles, as a company, is to support children and young people. Accordingly, we have provided financial and in-kinds aids throughout the year to the schools and institutions within the framework of Our Corporate Social Responsibility mentality. We have granted “stationery equipments, book, computer, clothes, sports equipments, shoes etc.” depending on the messages regarding need our company received.
- We also become the Book Parent to 25 students studying on scholarship in Darüşşafaka Elementary School. We have presented one-year prepaid book cards thanks to this sponsorship. Thus, students have an opportunity to exchange books with the equal opportunities provided.
- We have continued Corporate Responsibility Activities throughout the year. The amount our colleagues gave was deducted from their monthly meal cards through a survey conducted and collected to be donated to the foundation named “Let You Have Fingers in the Pie” with the initiative called “Pending Bagel Campaign”. We also took part in the organization of soup delivery the homeless on Taksim Gezi Park together with our volunteer colleagues.
- All our colleagues pinned a pink ribbon badge in October under the name of “PinkOctober” in order to raise awareness of breast cancer and we conducted a seminar on “Breast Cancer Awareness” at our Head Office in cooperation with Liv Hospital. We decorated all our locations with the pink balloons and shared broadcasts with the hashtag “#PinkOctober” in social media.
- We also carried out various activities with all our colleagues in November under the name “Movember” in order to raise awareness of prostate cancer, simultaneously with AXA Group In our organization named “Being an AXA” in Antalya, we built “AXA” on floor and took photo with a black model moustaches with all our employees. We decorated all our locations with black balloons. We also joined in a campaign in which AXA Group supported the Movember initiative. AXA granted 50 euros per person, in return for walking/running 60 km, to prostate cancer research fund. We shared our photos with moustaches and photos of walking/running on digital platform under the hashtag of #Movember on social media.
- In 2018 just like every year, the participation fee paid by agencies for the trainings conducted within the AXA Academy has been granted to Turkish Education Foundation (TEV) and we have contributed to the development of Turkey’s future generation with these donation amount.

PRINCIPLE 5 - Activities of Board of Directors and Executives

Board of Directors determines company’s policy and strategies, the ways to be followed in achieving these strategies and policies, development related to them and the processes to be followed in supervision and evaluation. The Board of Directors, constantly and effectively, reviews the degree to which the Company has achieved its goals, activities and past performance of thereof. And, it takes precautions promptly and before the problem occurs if required.

The Board of Directors looks out for the compliance of company’s business activities with legislation, articles of association, internal regulations and policies established.

The Board of Directors plays a leading role in removal any possible disputes between Company and shareholders.

The authorities and responsibilities of members of Board of Directors and other Executives are clearly and understandably determined and included in the annual report.

The member of Board of Directors performs her/his duties circumspectly and well-meaningly. Performing the duty circumspectly and well-meaningly means that the minimum attention and care have been taken under similar situations and circumstances. The member of Board of Directors should take enough time for the company’s business. Meetings of Board of Directors are planned and held effectively and efficiently.

Necessary mechanisms have been established to ensure that all members of Board of Directors have access to all kinds of information in time to ensure the performance of their duties.

The Board of Directors is responsible for the preparation and presentation of financial statements in accordance with the existing legislation and international accounting standards and the authenticity and accuracy of thereof. The Board of Directors takes an individual decision on acceptance of the periodic financial statement and annual report.

Directors ensure the performance of company’s activities pursuant to mission, vision, targets, strategies and policies and act in accordance with financial and operational plans approved by Board of Directors every year. Directors follow the rules of legislation, articles of association, internal regulations and policies while performing their duties.

Directors have necessary qualifications to perform their duties.

AXA SIGORTA A.S.

CORPORATE MANAGEMENT COMMITTEE REPORT-2018

Directors shall not use confidential and non-public information about Company in favour of themselves or anyone else and shall not give false, misleading, groundless information about Company and shall not disseminate and comment about Company.

PRINCIPLE 6 - Wages Policies

General policy regarding wages to be paid to the members of Board of Directors, senior executives and other employees is determined by the Board of Directors. The wages to be paid to the members of Board of Directors are calculated per meeting and valid only for the independent members; however, the members of Board of Directors who are the employees of any AXA company at the same time are not paid salary.

The qualifications of the employees and their contributions to the Company are taken into consideration in determination of the wages and other benefits to be given to the directors and employees. The company performed a clear and target-oriented performance evaluation consisting of all complete target and competency assessments. The results obtained and the attitudes and behaviours to these results are taken into account during performance evaluation. Performance Evaluation System runs online through e-IKYS and is based on the evaluation of targets and competencies entered into the system, with face-to-face meetings between the Director and the employee. All transactions performed in electronic environment regarding performance evaluation system are carried out with personal passwords and the records of thereof is monitored by the system.

These applications are carried out through the portal called "Personal Training and Management Systems (KEYS)" that is available to all users and accessible over intranet. Wages, Payroll, meetings and travels, Business Travels, expense incurred for the company are recorded/managed automatically through the portal called "e-IKYS" under this main portal by means of using representation, expenses applications.

AXA HAYAT VE EMEKLILIK A.S. CORPORATE MANAGEMENT COMMITTEE REPORT-2018

CORPORATE MANAGEMENT COMMITTEE

AXA Hayat ve Emeklilik A.S (hereinafter referred to as "Company") established a Corporate Management Committee in June 2011 to follow-up the compliance with the principles set out in the Circular "on Corporate Management Principles in Insurance, Reinsurance and Pension Companies (2011/8) The members of Corporate Management Committee are as follows:

Mr. Marc BERNARDIN	Chairman	Board Member
Mrs. Esra Güller	Member	Head of Department- Human Resources and Internal Communication
Mr. Hakan DEVECIOĞLU	Member	Manager - Internal Control, Operational and Financial Risks
Mr. Murat UYTUN	Member	Manager- Compliance and Personal Data Protection

The duties of the Committee are as follows: to perform the necessary activities for the purpose of ensuring compliance with the principles, to give suggestions to the Board of Directors in this regard and to monitor Company's compliance with the principles.

Corporate Management Committee prepares a report indicating the evaluations and submits it to Board of Directors in March every year. A copy of the report is submitted to Turkish Ministry of Treasury and Finance.

THE PRINCIPLES AXA HAYAT VE EMEKLILIK A.S HAS ADOPTED

PRINCIPLE 1. Corporate Management Principles

The company has established its corporate management principles by taking into account of the principles of "equality", "transparency", "accountability" and "responsibility" (AXA SIGORTA Compliance and Ethics Guide III- Compliance and Code of Ethics Article I- "Our Values"). These principles are guaranteed in consideration of the following policy, procedure and guidelines within the company.

In addition to local legislation, AXA Grup (hence in practice AXA Hayat ve Emeklilik A.S) joined in the United Nations Global Compact in February 2003 and formally undertook to conform the "Ten Principles" of the Organization (AXA Sigorta Compliance and Ethics Guide Article 4.1. Compliance with Laws, Rules and Regulations).

► Equality

- AXA SIGORTA Compliance and Ethics Guide AXA SIGORTA Compliance and Ethics Guide Article 2.1 Conflicts of Interest,

► Transparency

- AXA SIGORTA Compliance and Ethics Guide AXA SIGORTA Compliance and Ethics Guide Article 4-Compliance with Laws and Regulations/ Examinations of Regulatory Authorities and Litigation
- AXA SIGORTA Compliance and Ethics Guide AXA SIGORTA Compliance and Ethics Guide Article 6- Reporting of Irregularities,
- 98.11.P.001-AXA SIGORTA Human Resources Regulation,
- 98.11.P.005-AXA SIGORTA Data Privacy Policy,
- 98.11.P.006-AXA SIGORTA Information Security Policy,

► Accountability

- AXA SIGORTA Strategical Plan,
- 98.11.P.007-Competition and Anti-Trust Policy,

► Responsibility

- 26913-Regulation on Internal Systems of Insurance, Reinsurance and Pension Companies,
- AXA SIGORTA Compliance Standard,
- AXA Group Standards,
- 18.01.Y.003-Internal Control Directive,
- 17.01.Y.001- Internal Audit Directive,
- 17.01.Y.002- Directive on Prevention of Abuse and Corruption,
- 98.11.P.002-AXA SIGORTA Anti-Corruption Policy,
- 98.11.P.003-AXA SIGORTA Abuse Control Policy,
- 17.01.Y.003- Black Money Audit Directive,
- 98.11.P.005-Media Relations Guidelines,
- 98.11.P.006-Employee Social Media Guidelines,
- 17.02.T.001-Contradictions and Irregularities Reporting Instruction,
- Audit Committee Regulation,
- Internal Audit Regulation,

AXA HAYAT VE EMEKLILIK A.S. CORPORATE MANAGEMENT COMMITTEE REPORT-2018

PRINCIPLE 2 - Principles on Exercise of Share Ownership's Rights

All shareholders are treated equally in accordance with the principles.

No distinction is made between shareholders in exercise of the right to demand information and examination. Any information that may affect the exercise of shareholder's rights is accessible to shareholders in electronic environment.

The company shall take all necessary measures to ensure the participation of shareholders in General Meeting in a timely manner and provide information on the agenda in such a way so as not to create any hesitation and to provide shareholders with the opportunity to make necessary arrangements. The issues set out the agenda are transferred in an objective and detailed manner with a clear and understandable way in General Meeting; shareholders are given opportunity to express their opinions and ask questions under equal conditions by creating a healthy discussion environment.

Practices that make the exercise of voting difficult are avoided. Each shareholder is given an opportunity to exercise his/her right of voting in the easiest and most appropriate manner.

The voting procedure is announced to all shareholders before and at the beginning of the meeting.

The company shows utmost care to the exercise of minority rights.

The company avoids the practices that make it difficult for shareholders to transfer their shares freely.

The company has a specific and coherent profit distribution policy. Our company performs the profit distribution in accordance with laws and regulations to which it is subjected. The following items are taken into consideration during profit distribution: our long-term group strategies, investment and financing policies, profitability and cash positions, and above all, capital adequacy ratio. Profit distribution decisions are taken by the shareholders in General Meeting held in March every year in accordance with Company's Capital Adequacy Forecasts and company's targets.

Accordingly, profit distribution is made in cash or non-paid up shares over the net profit for the period in the financial statements prepared in accordance with legislation and subjected to independent audit as well as the "distributable profit" calculated pursuant to the relevant legislation.

PRINCIPLE 3- Transparency in Activities and Transactions

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• As a result of “New Friends for Lonely Toys” campaign, which we organized with the cooperation of GEA, the toys collected with the support of our colleagues met with the children as a report card gift with the participation of volunteers in AXA Hearts in Action. The volunteers had also informed children of “Accidents due to telephone” and contributed to raising awareness in this regard.

AXA HAYAT VE EMEKLILIK A.S. CORPORATE MANAGEMENT COMMITTEE REPORT-2018

- We visited to Sivrice Village to show our support for the projects carried out by children of Mardin, Midyat, Sivrice Villages with extraordinary success. During our visit for the purpose of supporting the education of innovative and talented young people, we felt the energy of children and had the opportunity to see support opportunities on the site. The students here have been trying to realize their dreams despite all difficulties and impossibilities. We have supported these children who have achieved many successes with their teams called "Sivrice Dream" and are trying to maintain our support. We also presented various stationery equipments, coding and attachment set to them as a gift. Thereafter, we had covered all empty walls of Mardin Sivrice School with the pictures of "Science and Maths Street" concept. Then, we gave printer and mind developing toys as a gift for the purpose of helping children in their class and project studies.
- We are now going on the support we have started in Mardin for Muğla Ören Secondary School. We have sponsored "Science Heroes" Project carried out Muğla Ören Secondary School. We continue to contribute in issues such as project registration fee, theme set, project table in order to support our children.
- We have carried out activities at Petrol Ofisi gas stations in order to raise awareness among drivers about risks imposed by telephone use while driving within the scope of the campaign titled "Stop Traffic Accident due to Phone".
- We made a move in order to realize Merve Nur's dream of becoming a princess thanks to the workshop we carried out in cooperation Make a Wish Association.
- We conducted a seminar titled "Eat Healthily, Live Healthily" in our Head Office.
- We visited the elderly in Almshouse and had opportunity to chat with them and to create a smile on their faces together with All Volunteers of AXA Heart in Actions and colleagues who wanted to accompany. During our visits, we had a great time by chatting with them and also gave presents to them.
- We conducted a seminar titled "Treatment and Conscious Approach in Frequent Diseases in Children" discussed these diseases and what we can do to prevent or fight these diseases as parents.
- We established a booth in our Head Office Building to be used in the treatment costs of children with autism in order to contribute to "Tohum Autism Foundation".
- We visited our lovely friend with our volunteers in Yedikule Animal Shelter that currently hosts more than 3000 animals by supplying their needs such as milk, dry food, old newspaper and leftovers from our supplier company from which we provided cafe services.
- We said "Blood Donation saves lives" and we wanted to be hope and save lives for others and thus we donated blood in cooperation with Red Crescent.
- We established a Smile Shop stand in our Head Office Building to contribute to Foundation for the Handicapped since we were aware of healthy food and healthy nutrition.
- We discussed on stem cell donation in the seminar titled "Maybe It's You" in cooperation with "Maybe It's You" Foundation. Then, we donated blood and stem cell in Head Office Building in cooperation with Red Crescent on November. Our regional offices also participated in this campaign.
- We performed walking activities in order to draw attention to the studies on reducing our carbon footprint. All our colleagues supported this activity by participating in walking in the relevant locations.
- We had a lunch at Dow Cafe that aims to support the families of Children with down syndrome as well as holding these children on to life and had a great time with our children together with the volunteers of AXA Hearts in Action.
- Head Office Building, which meets the required criteria in waste and paper consumption thanks to awareness activities, has been awarded to get "Green Office" certificate by WWF World Wildlife Foundation as of 2014. We have started and expanded the same studies at Regional Offices Buildings in both Istanbul and all over Turkey in the years of 2015,2016,2017 and 2018.

Waste materials such as waste batteries, paper, cartridges, bulbs and covers have been collected thanks to the "recycling corners" established in order to get all employees adopt environmental awareness and recycling habit. In 2018, we have delivered papers of appr. 11.730 kg to Municipalities and the Turkish Foundation for Combating Erosion Reforestation and the Protection of Natural Habitats (TEMA) in this regard.

AXA HAYAT VE EMEKLILIK A.S. CORPORATE MANAGEMENT COMMITTEE REPORT-2018

- We visited the universities giving insurance education and locating at various provinces and and provided seminars to the students for the purpose of improving the cooperation between sector and university. In these seminars given by Company executives; sectoral information, business world and the clues to help the students in career choices are shared.
- One of our most significant principles, as a company, is to support children and young people. Accordingly, we have provided financial and in-kinds aids throughout the year to the schools and institutions within the framework of Our Corporate Social Responsibility mentality. We have granted “stationery equipments, book, computer, clothes, sports equipments, shoes etc.” depending on the messages regarding need our company received.
- We also become the Book Parent to 25 students studying on scholarship in Darüşşafaka Elementary School. We have presented one-year prepaid book cards thanks to this sponsorship. Thus, students have an opportunity to exchange books with the equal opportunities provided.
- We have continued Corporate Responsibility Activities throughout the year. The amount our colleagues gave was deducted from their monthly meal cards through a survey conducted and collected to be donated to the foundation named “Let You Have Fingers in the Pie” with the initiative called “Pending Bagel Campaign”. We also took part in the organization of soup delivery the homeless on Taksim Gezi Park together with our volunteer colleagues.
- All our colleagues pinned a pink ribbon badge in October under the name of “PinkOctober” in order to raise awareness of breast cancer and we conducted a seminar on “Breast Cancer Awareness” at our Head Office in cooperation with Liv Hospital. We decorated all our locations with the pink balloons and shared broadcasts with the hashtag “#PinkOctober” in social media.
- We also carried out various activities with all our colleagues in November under the name “Movember” in order to raise awareness of prostate cancer, simultaneously with AXA Group. In our organization named “Being an AXA” in Antalya, we built “AXA” on floor and took photo with a black model moustaches with all our employees. We decorated all our locations with black balloons. We also joined in a campaign in which AXA Group supported the Movember initiative. AXA granted 50 euros per person, in return for walking/running 60 km, to prostate cancer research fund.

We shared our photos with moustaches and photos of walking/running on digital platform under the hashtag of #Movember on social media.

- *In 2018 just like every year, the participation fee paid by agencies for the trainings conducted within the AXA Academy has been granted to Turkish Education Foundation (TEV) and we have contributed to the development of Turkey’s future generation with these donation amount.*

PRINCIPLE 5 - Activities of Board of Directors and Executives

Board of Directors determines company’s policy and strategies, the ways to be followed in achieving these strategies and policies, development related to them and the processes to be followed in supervision and evaluation. The Board of Directors, constantly and effectively, reviews the degree to which the Company has achieved its goals, activities and past performance of thereof. And, it takes precautions promptly and before the problem occurs if required.

The Board of Directors looks out for the compliance of company’s business activities with legislation, articles of association, internal regulations and policies established.

The Board of Directors plays a leading role in removal any possible disputes between Company and shareholders.

The authorities and responsibilities of members of Board of Directors and other Executives are clearly and understandably determined and included in the annual report.

The member of Board of Directors performs her/his duties circumspectly and well-meaningly. Performing the duty circumspectly and well-meaningly means that the minimum attention and care have been taken under similar situations and circumstances. The member of Board of Directors should take enough time for the company’s business. Meetings of Board of Directors are planned and held effectively and efficiently.

Necessary mechanisms have been established to ensure that all members of Board of Directors have access to all kinds of information in time to ensure the performance of their duties.

The Board of Directors is responsible for the preparation and presentation of financial statements in accordance with the existing legislation and international accounting standards and the authenticity and accuracy of thereof. The Board of Directors takes an individual decision on acceptance of the periodic financial statement and annual report.

AXA HAYAT VE EMEKLILIK A.S. CORPORATE MANAGEMENT COMMITTEE REPORT-2018

Directors ensure the performance of company's activities pursuant to mission, vision, targets, strategies and policies and act in accordance with financial and operational plans approved by Board of Directors every year. *Directors follow the rules of legislation, articles of association, internal regulations and policies while performing their duties.*

Directors have necessary qualifications to perform their duties.

Directors shall not use confidential and non-public information about Company in favour of themselves or anyone else and shall not give false, misleading, groundless information about Company and shall not disseminate and comment about Company.

PRINCIPLE 6 - Wages Policies

General policy regarding wages to be paid to the members of Board of Directors, senior executives and other employees is determined by the Board of Directors. No remuneration is paid to the members of Board of Directors.

The qualifications of the employees and their contributions to the Company are taken into consideration in determination of the wages and other benefits to be given to the directors and employees. The company performed a clear and target-oriented performance evaluation consisting of all complete target and competency assessments. The results obtained and the attitudes and behaviours to these results are taken into account during performance evaluation. Performance Evaluation System runs online through e-IKYS and is based on the evaluation of targets and competencies entered into the system, with face-to-face meetings between the Director and the employee. All transactions performed in electronic environment regarding performance evaluation system are carried out with personal passwords and the records of thereof is monitored by the system.

These applications are carried out through the portal called "Personal Training and Management Systems (KEYS)" that is available to all users and accessible over intranet. Wages, Payroll, meetings and travels, Business Travels, expense incurred for the company are recorded/managed automatically through the portal called "e-IKYS" under this main portal by means of using representation, expenses applications.

HUMAN RESOURCES PRACTISES

We have carried out the PULSE employee satisfaction survey, in which we have implemented to measure Satisfaction and Commitment of Employee as of November 2017, twice in 2018 (June and December) on a global level. In September 2018, we also carried out the Pulse employee satisfaction survey for the first time on a local level.

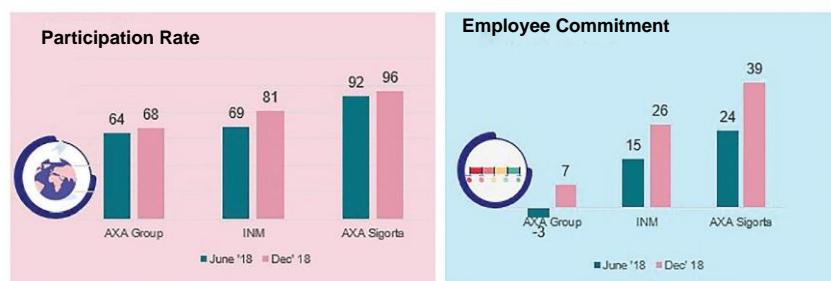
This PULSE survey consisting of short and few questions plays a significant role in commitment of our employees to our company and its applications in the successful performance of our Company.

The PULSE survey carried out through an online application named CultureIQ has been participated at the rate of 92% on June 2018 and 96% on December 2018.

There has been a participation of %91 in the PULSE survey we carried out for the first time on a local level in September 2018.

Our colleagues' participation ratio in the PULSE survey and their opinions in this regard allow us make our values "ONE AXA" and "Courage" happen.

According to the result of the survey we carried out with the motto "Your voice is important for us", commitment ratio has increased to 24 in June 2018 and 39 in December 2018. When analysed our commitment ratio within INM and AXA Group, we are pleased to say that this ratio is at a good level.



The fact that we have been awarded to get "Great Place to Work" prize for fifth time in a row indicates that this feedback is directly proportionate to the data we obtained.

TRAINING AND DEVELOPMENT

In 2018 just like in ever year, AXA Sigorta has acted in accordance with development plans and needs of its employees by being aware of contribution of Training and Development activities to the performance of companies and employees and taking into account of the needs of the developing world. Accordingly, in 2018 just like in previous years, the company has implemented different training programs with the experience of global environment and the support of local solutions and continued to make a difference in the sector in terms of both employee and distribution channels.

The different development opportunities arising from being a part of global force reflects credit upon the programs conducted within the company. The program contents are designed to support the company culture and to provide contribution to development journey of the employees and specialization in business processes. There is a system that blends and builds the differences inclusively in these programs which aim to develop the employees both individually and professionally. In the programs developed with AXA University and expert foreign institutions on a global scale and with national universities and consultancy firms on a local scale for this purpose, employees are supported with all kinds of development tools in order to think multi-directionally and to acquire other competencies required for performing their duties at the expected level outside their main responsibility areas. AXA Sigorta has continued to provide regular contributions to the development of its employees and agencies in 2018 just like in every year thanks to the training programs carried out with this understanding the contributions of different solution partners.

Employee Training

AXA Sigorta Directors have the opportunity to increase their skills in corporate culture as well as professional business competencies with customized and applicable training and development programs within the scope of creating values of “Customer First, Courage, Integrity and ONE AXA” targeted on a global level and maintaining thereof.

- Development Programs for Executives

The executives of our company have participated in the technical and management trainings carried out in cooperation with AXA University on a global scale and increased their knowledge and had an opportunity to share their experiences.

The Manager@AXA program, which was developed within AXA University and aimed to improve the managerial competencies of our executives and launched to be implemented in 2013, has also continued with all AXA Group companies in 2018.

This program consisting of 12 different topics and 3 different modules (each of which lasts 2 days) has been segmented as new Executives and experienced Executives, and 11 Executives had the chance to participate in the training program in 2018.

“AXELERATE” development program prepared by AXA Group, which aims to spread the strategies and targets determined by the AXA Group starting from the Executives to the entire company, was also localized at AXA Sigorta. 132 Executives with a total of 8 groups have participated in this program on June-November 2018.

The 5-day “Executive Mini MBA Program” carried out in cooperation with Boğaziçi University Lifelong Learning Center (BUYEM) has been participated by 19 Employees.



The Executive Meetings held every year on 3 different subject on 3 different dates were held on March, May and July this year and the specialists make a great contributions to awareness of our Executives by making special sharing for the relevant period.

- Technical Training Program

AXA Sigorta has carried out training programs in order to allow its Employees keep and develop their technical know-how up-to-date with national and international programs.

- The 35th term of Basic Insurance Training Program issued by TSEV has been participated by 4 employees.

- English Development Program

Working in a global company requires special emphasis on foreign language development. Moreover, foreign language development contributes significantly to personal growth.

TRAINING AND DEVELOPMENT

In this regard, the 3rd term of the foreign language development program, which primarily included the Head Office Executives, followed by Executive Assistants and Specialist Employees and was implemented in 2016, has also been carried out in 2018.

After the determination of the English language level of the employees by test method, the development opportunities offered to them through different English Development Methods (e-learning and individual development with the contribution of the company) were also applied for the third term. For 51 employees who would like to benefit from the development methods provided, their planning practices were continued depending on development methods they preferred.

• Internship Program

In 2018, we have also employed 58 university trainees from different schools and departments in different regions and departments of our company in order to gain experience as well as to create qualified human resources for our sector and pursuant to our Corporate Social Responsibility mentality.

We have supported internship program pursuant to the agreements with universities and Non-governmental Organizations in line with this mentality as well.

• Personal Development Program

In 2018, we have carried out “Multi-Dimensional Communication” program with 2 groups and “Expand Your Impact Area and Become the Leader of Your Business” training programs with 10 groups for the employees of departments that are in peer-to-peer communication with the customer in order to improve communication quality and increase efficiency.

• Rotation Program

A total of 7 colleagues made use of Rotation trainings, which were designed to provide information about different applications and business processes between different departments and regional offices.

• Orientation Program

We have organized an Orientation Program with 2 groups consisting of 46 employee in order to enable new employees learn about the corporate culture and general work flow. We have also carried out an Orientation Program for 10 Executives.

• Overseas Training Program

A total of 27 employees from AXA Sigorta have participated in overseas trainings within the AXA Group in order to ensure the development of related specialities. These trainings include contents for technical knowledge of the participants' specialities.



TRAINING AND DEVELOPMENT

Trainings for Distribution Channel

• Technical Application and Product Training

We have continued to increase the technical know-how and skills of our Agencies through trainings on product and system usage in the branches of Elemental, Life & Pension and Health in our regional offices this year.

AXA Sigorta Academic Trainings

AXA Insurance Academy is designed in order to enable our agencies to improve their competencies in business management as well as technical know-how and to make use of their academic knowledge and practices by combining them with facts of business world. We conducted different programs throughout the year in cooperation with Boğaziçi University Lifelong Learning Center (BUYEM) and professional consulting firms. Besides, the program titled “Digital and Social Media Marketing Certificate”, which is carried out in cooperation with Boğaziçi University, aims to enable our Agencies to use social media in their business lives effectively.

Programmes:

- Digital and Social Media Marketing Certificate Program
- Successful Leader AXA Agency Certificate Program
- Professional Sales Workshop Certificate Program
- New Trends in Sales
- Negotiation Skills Program
- Executive Mini MBA (Agency)

Figures:

Number of People participating in the training: 323 people

Number of Trainings: 17 Trainings

Period of Training: 41 days

INTERNAL COMMUNICATION

In 2018, the AXA Sigorta implemented various projects in order to enable communication and socialization with the aim of increase the interaction within the company.

In this regard, the organization called “Being an AXA” was held in Antalya with the participation of all our employees this year. In the organization with the motto “We’re AXA, we’re number one”, our employees took opportunity to listen to the strategies of company for future from Senior Executives and to have fun.

In parallel with Company’s Digitalization strategy, the company conducted studies with tools such as announcement, survey etc. in 2018 for the purpose of increase the use of ONE, global intranet program, having been used by all AXA Sigorta’s employees as of 2015.

Furthermore, the studies have been carried out in order to disseminate the use of YesLearning, a global training and management system that allows employees to follow their programs in all countries where AXA operates globally, by all employees as an active portal where people can follow training details, make evaluation after training and see calender details.

The company concluded an agreement with the platform of Coursera that brings together the online certificate programs offered by the leading universities under the same roof and thus made an announcement that all employees could benefit the advantages of this platform freely.

Many of our colleagues completed the certificate program through Coursera.

Besides, the information sharing was provided through digital screen at the Head Office and all other locations. Moreover, a new environment had been prepared for practical information and training activities through the platform called “AXA Vizyon” where information could be shared with short videos.

In 2018, the AXA Sigorta has focused on the dimensions of corporate responsibility ranging from society, environment, customer, employees and suppliers and implemented many projects with the support of increasing voluntary participation that it embraced and applied in every sphere of life. However, the AXA Sigorta that has acted with the aim of dissemination of this awareness continued to lead many activities where the corporate responsibility approach touched the “society”. As Turkey’s largest insurance company with international identity, one of our main responsibility is to empower people to live a better life.

The projects and activities carried out in 2018 can be listed as follows:

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INTERNAL COMMUNICATION

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INTERNAL COMMUNICATION



We visited our lovely friend with our volunteers in Yedikule Animal Shelter that currently hosts more than 3000 animals by supplying their needs such as milk, dry food, old newspaper and leftovers from our supplier company from which we provided cafe services. Our colleagues working in Regional Offices also visited Animal Shelters in the relevant cities.

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We discussed on stem cell donation in the seminar titled “Maybe It’s You” in cooperation with “Maybe It’s You” Foundation. Then, we donated blood and stem cell in Head Office Building in cooperation with Red Crescent on November. Our regional offices also participated in this campaign.

We performed walking activities in order to draw attention to the studies on reducing our carbon footprint. All our colleagues supported this activity by participating in walking in the relevant locations.

We had a lunch at Dow Cafe that aims to support the families of Children with down syndrome as well as holding these children on to life and had a great time with our children together with the volunteers of AXA Hearts in Action.

AXA SIGORTA Head Office Building, which meets the required criteria in waste and paper consumption thanks to awareness activities, has been awarded to get “Green Office” certificate by WWF World Wildlife Foundation as of 2014. We have started and expanded the same studies at Regional Offices Buildings in both Istanbul and all over Turkey in the years of 2015,2016,2017 and 2018.

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INTERNAL COMMUNICATION



We also took part in the organization of soup delivery the homeless on Taksim Gezi Park together with our volunteer colleagues.

All our colleagues pinned a pink ribbon badge in October under the name of “PinkOctober” in order to raise awareness of breast cancer and we conducted a seminar on “Breast Cancer Awareness” at our Head Office in cooperation with Liv Hospital. We decorated all our locations with the pink balloons and shared broadcasts with the hashtag “#PinkOctober” in social media.



INTERNAL COMMUNICATION



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A large, stylized white number '6' with a black outline, positioned on a thick red diagonal line that runs from the top left towards the bottom right. The background is a dark blue-grey color with a pattern of lighter blue-grey diagonal stripes on the left side.

6

**AXA SİGORTA A.Ş.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDIT
REPORT for JANUARY 1 -
DECEMBER 31, 2018
PERIOD**

AXA SİGORTA A.Ş.

FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORT for JANUARY 1 - DECEMBER 31, 2018 PERIOD



CONVENIENCE TRANSLATION of INDEPENDENT A UDITOR'S REPORT

To the Board of Directors of Axa Sigorta A.Ş.

A) **Audit of Financial Statements**

1) **Opinion**

We have completed the audit on Axa Sigorta A.Ş.'s ("Company") financial statements drawn up as of December 31, 2018, comprising of detailed Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity, Statement of Cash Flows and Notes to these financial statements, including summary of significant accounting policies.

In our opinion, enclosed Financial Statements present fairly, in all material respects, the Company's financial position as at and the financial performance and cash flows for the period ended on December 31, 2018 in accordance with the regulations regarding accounting and financial reporting under the currently applicable insurance legislation and in accordance with the "Regulation on Accounting and Financial Reporting for Insurance Companies" on issues not covered by the aforementioned legislation.

2) **Basis of Opinion**

The independent audit has been conducted in accordance with the regulations regarding independent audit principles in effect pursuant to the insurance legislation and with the Independent Audit Standards ("IAS") as part of Turkish Audit Standards issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under these Standards are explained in detail under "Independent Auditor's Responsibility for Independent Audit of Financial Statements" section provided below. We hereby represent that we are independent of the Company in accordance with the Code of Conduct for Independent Auditors ("Code of Conduct") issued by POA and with the ethical rules and requirements set forth in the legislation regarding independent audit of financial statements. We have also fulfilled other ethical responsibilities assigned to independent auditors in Code of Conduct and the relevant legislation. We believe the independent audit evidences obtained during the independent audit activity constitute adequate and appropriate grounds in forming our opinion.

AXA SİGORTA A.Ş.

FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORT for JANUARY 1 - DECEMBER 31, 2018 PERIOD



MAZARS DENGE

3) Key Audit Issues

Key audit issues are the most critical issues according to our professional judgment for independent audit of financial statements belonging to the current period. Key audit issues are already considered as a whole during the independent audit of and in forming our professional opinion about Company financial statements, therefore a separate opinion in this regard shall not be provided additionally.

<i>Key Audit Issue</i>	<i>How Key Audit Issue Is Considered during Audit</i>
Estimates and Assumptions used in Calculation of Insurance Contract Liabilities	
Total insurance technical reserves of the Company is 5,165,154,209 TRY as of December 31, 2018, constituting 77% of Company's total liabilities and shareholders' equity. Company has reserved 3,456,033,401 TRY for outstanding claims for insurance contracts which may be paid in the future. Company management used the actuarial assumptions and estimates detailed in Notes 2 & 17 in calculation of the reserve for Incurred But Not Reported ("IBNR") losses (1,709,450,670 TRY, net) recorded under the mentioned outstanding claims reserves. IBNR calculations include uncertainty for estimations and managerial judgment by nature, therefore this point is selected as a key audit issue.	Audit procedures regarding the actuarial assumptions explained in Notes 2 & 17 were conducted together with the actuary auditor as a member of our audit team. These procedures include assessment of whether appropriate estimations and methods have been used by the Company for calculation of outstanding claims reserve figure. In this regard, we have conducted audit procedures regarding accounting entries & booking of the incurred outstanding claim files; tested and analyzed these files we have obtained through sampling; and a formal confirmation letter written by the Company attorney was provided for the files subject to legal proceedings. We have assessed the average claim file amount and opening claim file amounts determined by the Company's actuary; have performed the audit procedures related to the completeness of the data used in correct calculation of insurance contract liabilities; assessed the convenience of the IBNR calculation method used by the Company for each line of business in terms of both the characteristics of the relevant claim 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 actuary and questioned these analyzes in terms of suitability and consistency of both legislation and Company past experience; and assessed whether the explanation in the notes of the consolidated financial statements were sufficient.

AXA SİGORTA A.Ş. FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORT for JANUARY 1 - DECEMBER 31, 2018 PERIOD



4) Responsibilities of Management and Those in Charge of Governance for Company Financial Statements

Company Management is responsible for ensuring preparation and fair presentation of financial statements in accordance with the applicable Insurance Accounting and Financial Reporting Legislation and for the internal control required to prepare true and fair financial statements free of material mistakes arising from errors or fraud

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 the 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 in charge of governance are responsible for overseeing the Company's financial reporting process.

5) Auditor's Responsibilities for Independent Audit of Financial Statements

As independent auditors, our responsibilities for an independent audit are as follows:

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 does not guarantee that an audit conducted in accordance with the regulations regarding independent audit principles in effect under insurance legislation and with IASs shall always detect a material misstatement whenever it exists. Misstatements can arise from fraud or error and these are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of "material misstatement" in financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence 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.

AXA SİGORTA A.Ş.

FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORT for JANUARY 1 - DECEMBER 31, 2018 PERIOD



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- 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 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 financial statements, including disclosures, and whether financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those in charge of Company 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 have informed those in charge of company governance with a statement that we have complied with relevant ethical requirements regarding independence. Moreover, we have also communicated 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 officers in charge of Company governance, we determine those matters that were of most significance in the audit of financial statements for the current period, which therefore constitute the key audit issues. We describe these matters in our auditor's report unless existing laws or regulations preclude public disclosure about the issue or when, in extremely rare circumstances, we determine that an issue 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.

Report on Other Legal and Regulatory Requirements

Pursuant to Article 402.4 of Turkish Commercial Code no.6102 ("TCC"), no significant item was found in the Company's bookkeeping pattern during and financial statements belonging to January 1 - December 31, 2018 accounting period showing non-compliance with the provisions of TCC and Company Articles of Establishment regarding financial reporting.

Pursuant to Article 402.4 of TCC, Company Board of Directors made the necessary disclosures and provided the documents requested during the audit activity.

The name of chief auditor who supervised and concluded this audit is Nesli Erdem.

DENGE BAĞIMSIZ DENETİM SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of MAZARS

(Stamp & Signature)

Nesli Erdem, SMMM

Chief Auditor in Charge

İstanbul, March 08, 2019

AXA SİGORTA A.Ş.
FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORT for
JANUARY 1 - DECEMBER 31, 2018 PERIOD

**OUR STATEMENT regarding COMPANY FINANCIAL STATEMENTS DRAWN
UP as of DECEMBER 31, 2018**

We hereby declare that the attached financial statements drawn up as of December 31, 2018 and related notes have been prepared in accordance with the accounting principles and standards in effect as per the insurance regulations and are consistent with the relevant regulations and the records of the Company.

AXA SİGORTA A.Ş. General Management

Istanbul, March 8

(Signature)
Yavuz ÖLKEN
BoD Deputy
Chairman and
General Manager

(Signature)
**Christophe Stephane
KNAUB**
Chief Financial
Officer

(Signature)
Gamze KAYĞISIZ
Accounting Manager

(Signature)
Özgün Güvener
Actuary

AXA SİGORTA A.Ş.
FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORT for
JANUARY 1 - DECEMBER 31, 2018 PERIOD

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AXA SİGORTA A.Ş.

CONVENIENCE TRANSLATION of the DETAILED BALANCE SHEET as at DECEMBER 31, 2018

I- Current Assets	Note	Audited December 31, 2018	Rearranged Audited December 31, 2017
A- Cash and Cash Equivalents	2.12 and 14	1,165,030,458	1,077,899,124
1- Cash		-	-
2- Checks Received		-	-
3- Banks	2.12 and 14	738,201,075	745,086,263
4- Checks and Payment Orders Issued (-)		-	-
5- Bank Guarantees and Three Months Short Term Credit Cart Receivables	2.12 and 14	426,829,383	322,146,107
6- Other Cash and Cash Equivalents	2.12 and 14	-	10,666,754
B- Financial Assets and Financial Investments at Policyholders' Risk	11.1, 11.4 and 11.7	4,185,927,261	3,811,805,680
1- Available for Sale Investments	11.1, 11.4 and 11.7	4,188,020,228	3,813,904,875
2- Held to Maturity Investments		-	-
3- Trading Investments		-	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Financial Assets at Policyholder's Risk		-	-
7- Company Shares		-	-
8- Provision for Impairment of Financial Assets (-)	11.7	(2,092,967)	(2,099,195)
C- Receivables from Operations	2.8, 11.1 and 12.1	818,755,198	601,530,448
1- Due from Insurance Operations	12.1 and 12.5-12.7	894,687,857	674,258,938
2- Provision for Due from Insurance Operations (-)	12.1 and 12.5-12.7	(148,175,715)	(130,337,163)
3- Due from Reinsurance Operations		-	-
4- Provision for Due from Reinsurance Operations (-)		-	-
5- Cash Deposited with Insurance and Reinsurance Companies	12.1 and 45	72,243,056	57,608,673
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Due from Private Pension Operations		-	-
9- Doubtful Receivables from Main Operations	12.1	534,122,841	460,940,507
10- Provision for Doubtful Receivables from Main Operations (-)	12.1	(534,122,841)	(460,940,507)
D- Due from Related Parties		238,478	488,101
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint-Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties	45	238,478	488,101
7- Rediscount on Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
E- Other Receivables		14,942,490	22,276,762
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		192,647	100,470
4- Other Receivables	47.1	14,749,843	22,176,292
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
F- Deferred Expenses and Income Accruals		278,025,371	244,190,252
1- Deferred Production Expenses	17.15-17.19	245,343,363	216,535,589
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Deferred Expenses	47.1	32,682,008	27,654,663
G- Other Current Assets		14,359,510	17,678,028
1- Prepaid Office Supplies		2,825	3,915
2- Prepaid Taxes and Funds	2.18 and 35	14,307,537	17,623,574
3- Deferred Tax Assets		-	-
4- Cash Advances		9,803	37,501
5- Advances to Personnel		39,345	13,038
6- Count Shortages		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		6,477,278,766	5,775,868,395

AXA SİGORTA A.Ş.

CONVENIENCE TRANSLATION of the DETAILED BALANCE SHEET as at DECEMBER 31, 2018.

II - Non-Current Assets	Note	Audited December 31, 2018	Rearranged Audited December 31, 2017
A- Receivables from Operations		-	-
1- Due from Insurance Operations		-	-
2- Provision for Due from Insurance Operations (-)		-	-
3- Due from Reinsurance Operations		-	-
4- Provision for Due from Reinsurance Operations (-)		-	-
5- Cash Deposited with Insurance and Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Due from Private Pension Operations		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations (-)		-	-
B- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint-Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
C- Other Receivables		-	-
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
D- Financial Assets	45.2	28,791,743	37,327,526
1- Investment Securities	45.2	28,791,743	37,327,526
2- Affiliates		-	-
3- Affiliates Capital Commitments (-)		-	-
4- Subsidiaries		-	-
5- Subsidiaries Capital Commitments (-)		-	-
6- Joint Ventures		-	-
7- Joint Ventures Capital Commitments (-)		-	-
8- Financial Assets and Financial Investments at Policyholders' Risk		-	-
9- Other Financial Assets		-	-
10- Provision for Impairment of Financial Assets (-)		-	-
E- Tangible Assets	2.5 and 2.6	81,763,092	85,326,945
1- Investment Property	7	38,592,440	37,727,791
2- Provision for Diminution in Value of Investment Property (-)		-	-
3- Property for Operational Usage	6	45,426,799	43,965,639
4- Machinery and Equipment		-	-
5- Furniture and Fixtures	6	49,191,857	48,686,150
6- Motor Vehicles		-	-
7- Other Tangible Assets (including leasehold improvements)	6	1,164,442	4,625,651
8- Leased Assets		-	-
9- Accumulated Depreciation (-)	6 and 7	(52,656,506)	(49,722,346)
10- Advances Given for Tangible Assets (including construction in progress)	6	44,060	44,060
F- Intangible Assets	2.7 and 8	46,697,736	39,613,536
1- Rights	8	134,545,337	105,883,785
2- Goodwill		-	-
3- Start-up Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets	8 and 47.6	2,801,468	2,801,468
6- Accumulated Amortization (-)	8	(90,649,069)	(69,071,717)
7- Advances Given for Intangible Assets		-	-
G- Deferred Expenses and Income Accruals		-	-
1- Deferred Acquisition Expenses		-	-
2- Income Accruals		-	-
3- Other Deferred Expenses		-	-
H- Other Non-Current Assets	2.18, 21 and 35	58,310,738	84,236,155
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Prepaid Office Supplies		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	2.18, 21 and 35	58,310,738	84,236,155
6- Other Non-Current Assets		-	-
7- Other Non-Current Assets Depreciation (-)		-	-
8- Provision for Other Non-Current Assets (-)		-	-
II- Total Non-Current Assets		215,563,309	246,504,162
TOTAL ASSETS (I + II)		6,692,842,075	6,022,372,557

AXA SİGORTA A.Ş.

CONVENIENCE TRANSLATION of the DETAILED BALANCE SHEET as at DECEMBER 31, 2018

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

III - Current Liabilities	Note	Audited December 31, 2018	Rearranged Audited December 31, 2017
A- Financial Liabilities		-	-
1- Due to Credit Institutions		-	-
2- Leasing Payables		-	-
3- Deferred Leasing Costs (-)		-	-
4- Short Term Installments of Long Term Borrowings		-	-
5- Issued Debt Securities		-	-
6- Other Issued Debt Securities		-	-
7- Value Differences of Other Issued Debt Securities (-)		-	-
8- Other Financial Payables		-	-
B- Payables from Operations	19	164,619,614	85,406,101
1- Payables from Insurance Operations	4, 10 and 19	152,265,489	73,916,708
2- Payables from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables from Private Pension Operations		-	-
5- Payables from Other Operations	19 and 47.1	12,354,125	11,489,393
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties		4,633	2,568
1- Due to Shareholders	12.2 and 45	2,568	2,568
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel		2,065	-
6- Due to Other Related Parties		-	-
D- Other Payables		99,969,484	92,711,141
1- Deposits and Guarantees Received		7,038,516	5,702,409
2- Payables to SSI regarding Medical Expenses	4 and 19	23,272,555	17,166,017
3- Other Payables	19 and 47.1	69,658,413	69,842,715
4- Rediscount on Other Payables (-)		-	-
E- Insurance Technical Provisions		4,988,162,956	4,546,840,006
1- Unearned Premium Reserve - Net	2.24, 4 and 17	1,477,317,020	1,289,324,446
2- Unexpired Risks Reserve-Net	2.24, 4, 17 and 21	11,677,760	20,507,829
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net	2.24, 4 and 17	3,456,033,401	3,183,101,126
5- Bonus Provision-Net		-	-
6- Other Technical Reserves - Net	47.1	43,134,775	53,906,605
F- Taxes and Other Fiscal Liabilities		39,220,787	33,274,409
1- Taxes and Funds Payable		28,845,008	23,261,106
2- Social Security Withholdings Payable		1,914,159	1,658,750
3- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
4- Other Taxes and Fiscal Liabilities	47.1	8,461,620	8,354,553
5- Corporate Tax Provision and Other Fiscal Liabilities		-	-
6- Prepaid Taxes and Other Similar Liabilities for Profit		-	-
7- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks	2.20 and 23	63,109,569	64,293,641
1- Provision for Employment Termination Benefits		-	-
2- Provision for Social Aid Fund Asset Shortage		-	-
3- Provision for Expense Accruals	2.20 and 23	63,109,569	64,293,641
H- Deferred Income and Expense Accruals		62,276,682	40,526,470
1- Deferred Commissions Income	10, 17 and 19	60,094,632	37,775,625
2- Expense Accruals		-	-
3- Other Deferred Income		2,182,050	2,750,845
I- Other Current Liabilities	47.1	953,497	367,799
1- Deferred Tax Liabilities		-	-
2- Count Overages		-	-
3- Other Current Liabilities	47.1	953,497	367,799
III - Total Current Liabilities		5,418,317,222	4,863,422,135

Enclosed Notes constitute an integral part of financial statements.

AXA SİGORTA A.Ş.

CONVENIENCE TRANSLATION of the DETAILED BALANCE SHEET as at DECEMBER 31, 2018

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

IV – Non-Current Liabilities	Note	Audited December 31, 2018	Rearranged Audited December 31, 2017
A- Financial Liabilities		-	-
1- Due to Credit Institutions		-	-
2- Leasing Payables		-	-
3- Deferred Leasing Costs (-)		-	-
4- Issued Debt Securities		-	-
5- Other Issued Debt Securities		-	-
6- Value Differences of Other Issued Debt Securities (-)		-	-
7- Other Financial Payables		-	-
B- Payables from Operations		-	-
1- Payables from Insurance Operations		-	-
2- Payables from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables from Private Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		-	-
1- Deposits and Guarantees Received		-	-
2- Payables to SSI regarding Medical Expenses		-	-
3- Other Payables		-	-
4- Rediscount on Other Payables (-)		-	-
E- Insurance Technical Provisions		176,991,253	141,888,124
1- Unearned Premium Reserve - Net		-	-
2- Unexpired Risks Reserve - Net		-	-
3- Mathematical Reserves - Net		2,428	4,212
4- Outstanding Claims Reserve - Net		-	-
5- Bonus Provision - Net		-	-
6- Other Technical Reserves - Net	2.24,4,17 and 47.1	176,988,825	141,883,912
F- Other Liabilities and Related Provisions		-	-
1- Other Payables		-	-
2- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
3- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks	22	15,249,864	8,271,716
1- Provision for Employment Termination Benefits	22	15,249,864	8,271,716
2- Provision for Social Aid Fund Asset Shortage		-	-
H- Deferred Income and Expense Accruals		-	-
1- Deferred Commissions Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
1- Other Non-Current Liabilities		-	-
.		-	-
1- Deferred Tax Liabilities		-	-
2- Other Non-Current Liabilities		-	-
IV- Total Non-Current Liabilities		192,241,117	150,159,840

Enclosed Notes constitute an integral part of financial statements.

AXA SİGORTA A.Ş.

CONVENIENCE TRANSLATION of the DETAILED BALANCE SHEET as at DECEMBER 31, 2018

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

V- Shareholders' Equity	Note	Audited December 31, 2018	Rearranged Audited December 31, 2017
A- Share Capital	2.13 and 15	1,225,739,187	1,225,739,187
1- (Nominal) Capital	2.13 and 15	1,225,739,187	1,225,739,187
2- Unpaid Capital (-)		-	-
3- Adjustments to Share Capital		-	-
4- Adjustments to Share Capital (-)		-	-
5- Capital of Expected Registration		-	-
B- Capital Reserves		163,732	-
1- Share Premium		-	-
2- Share Premiums of Canceled Shares		-	-
3- Sales Profit Addition to the Capital		-	-
4- Foreign Currency Translation Differences		-	-
5- Other Capital Reserves	16	163,732	-
C- Profit Reserves		(271,178,421)	26,608,871
1- Legal Reserves	15	51,203,816	51,203,816
2- Statutory Reserves		-	-
3- Extraordinary Reserves		-	-
4- Special Reserves		-	-
5- Valuation of Financial Assets	2.8 and 15	(326,010,922)	(23,690,382)
6- Other Profit Reserves	16, 22 and 23	3,628,685	(904,563)
D- Retained Earnings		-	91,562,316
1- Retained Earnings		-	91,562,316
E- Accumulated Loss (-)		(243,721,208)	-
1- Previous Years' Losses		(243,721,208)	-
F- Net Profit / Loss(-) for the Period	37	371,280,446	(335,119,792)
1- Net Profit for the Period		371,280,446	-
2- Net Loss for the Period (-)		-	(335,119,792)
3- Profit Not Subject to Distribution		-	-
Total Shareholders' Equity		1,082,283,736	1,008,790,582
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (III+IV+V)		6,692,842,075	6,022,372,557

AXA SİGORTA A.Ş.

CONVENIENCE TRANSLATION of the DETAILED INCOME STATEMENT as at DECEMBER 31, 2018

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

I- TECHNICAL SECTION	Note	Audited 01.01.2018 - 31.12.2018	Rearranged Audited 01.01.2017 - 31.12.2017
A- Non-Life Technical Revenues		3,442,679,278	3,146,551,303
1- Earned Premiums (Net of Reinsurer's Share)		2,467,970,596	2,596,763,540
1.1- Written Premiums (Net of Reinsurer's Share)	2.21 and 24	2,647,133,101	2,381,679,526
1.1.1- Gross Written Premiums (+)	24	3,374,669,830	2,908,210,170
1.1.2- Ceded Premiums (-)	10 and 24	(646,702,494)	(459,516,215)
1.1.3- Premiums Ceded to SSI (-)	10 and 24	(80,834,235)	(67,014,429)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17	(187,992,574)	234,951,558
1.2.1- Unearned Premium Reserve (-)	17	(285,489,332)	230,856,855
1.2.2- Reinsurer's Share in Unearned Premium Reserve (+)	10 and 17	99,539,192	39,208,669
1.2.3- SSI Share of Unearned Premiums Reserve	10 and 17	(2,042,434)	(35,113,966)
1.3- Change in Unexpired Risks Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17	8,830,069	(19,867,544)
1.3.1- Unexpired Risks Reserve (-)	17	9,064,772	(24,221,506)
1.3.2- Reinsurer's Share in Unexpired Risks Reserve (+)	10 and 17	(234,703)	4,353,962
2- Investment Income Transferred from Non-Technical Section		886,292,465	480,249,946
3- Other Technical Income (Net of Reinsurer's Share) (+/-)		6,760,348	8,854,373
3.1- Gross Other Technical Income (+/-)		6,760,348	8,854,373
3.2- Reinsurer's Share in Gross Other Technical Income (+/-)			
4- Recovery and Salvage Income Accruals (+)		81,655,869	60,683,444
B- Non-Life Technical Expenses (-)		(2,910,440,898)	(3,505,663,459)
1.1- Incurred Losses (Net of Reinsurer's Share)		(2,151,731,740)	(2,741,878,510)
1.1.1- Paid Claims (Net of Reinsurer's Share) (-)		(1,878,799,467)	(1,807,634,700)
1.1.1.1- Gross Paid Claims (-)		(2,014,216,394)	(1,916,862,334)
1.1.2- Reinsurers Share in Paid Claims (+)	10	135,416,927	109,227,634
1.2- Change in Outstanding Claims Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17	(272,932,273)	(934,243,810)
1.2.1- Outstanding Claims Reserve (+/-)	17	(407,325,535)	(878,791,106)
1.2.2- Reinsurer's Share in Outstanding Claims Reserve (+)	10 and 17	134,393,262	(55,452,704)
2- Change in Bonus and Rebate Reserve (Net of Reinsurers' Share and Reserves Carried Forward)			
2.1- Bonus and Rebate Reserve			
2.2- Reinsurer's Share in Bonus and Rebate Reserve			
3- Change in Other Technical Reserves (Net of Reinsurer's Share and Reserves Carried Forward)(+/-)	17	(35,144,051)	(26,978,341)
4- Operating Expenses	31 and 32	(653,200,358)	(666,719,566)
5- Change in Mathematical Reserves (Net of Reinsurer's Share and Reserves Carried Forward)(+/-)		1,785	2,500
5.1- Mathematical Reserves (-)		1,785	2,500
5.2- Reinsurer's Share in Mathematical Reserves (+)			
6- Other Technical Expenses (-)	47.1	(70,366,534)	(70,089,542)
6.1- Gross Technical Expenses (-)		(70,366,534)	(70,089,542)
6.2- Reinsurer's Share in Gross Technical Expenses (+)			
C- Net Technical Income - Non-Life (A - B)		532,238,380	(359,112,156)
D- Life Technical Revenues		-	-
1- Earned Premiums (Net of Reinsurer's Share)			
1.1- Written Premiums (Net of Reinsurer's Share)			
1.1.1- Gross Written Premiums (+)			
1.1.2- Ceded Premiums (-)			
1.2- Change in Unearned Premiums Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)			
1.2.1- Unearned Premium Reserve (-)			
1.2.2- Reinsurer's Share in Unearned Premium Reserve (+)			
1.3- Change in Unexpired Risks Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)			
1.3.1- Unexpired Risks Reserve (-)			
1.3.2- Reinsurer's Share in Unexpired Risks Reserve (+)			
2- Life Segment Investment Revenues			
3- Unrealized Profits in Investments			
4- Other Technical Income (Net of Reinsurer's Share)			
4.1- Gross Other Technical Income (+)			
4.2- Reinsurer's Share in Gross Other Technical Income (+/-)			
5- Recovery Income Accruals (+)			
E- Life Technical Expenses		-	-
1.1- Incurred Losses (Net of Reinsurer's Share)			
1.1.1- Paid Claims (Net of Reinsurer's Share) (+/-)			
1.1.1.1- Gross Paid Claims (-)			
1.1.2- Reinsurers Share in Paid Claims (+)			
1.2- Change in Outstanding Claims Reserve (Net of Reinsurer's share and Reserves Carried Forward) (+/-)			
1.2.1- Outstanding Claims Reserve (-)			
1.2.2- Reinsurer's Share in Outstanding Claims Reserve (+)			
2- Change in Bonus and Rebate Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)			
2.1- Bonus and Rebate Reserve (-)			
2.2- Reinsurer's Share in Bonus and Rebate Reserve (+)			
3- Change in Mathematical Reserves (Net of Reinsurer's Share and Reserves Carried Forward)(+/-)			
3.1- Mathematical Reserves (-)			
3.1.1- Actuarial Mathematical Reserves (-)			
3.1.2- Profit Share Reserve (Reserves for Policies with Investment Risk Borne by Policyholders)			
3.2- Reinsurer's Share in Mathematical Reserves (+)			
3.2.1- Reinsurer's Share in Actuarial Mathematical Reserves (+)			
3.2.2- Reinsurer's Share in Profit Share Reserve (Reserves for Policies with Investment Risk Borne by Policyholders) (+)			
4- Change in Other Technical Reserves (Net of Reinsurer's Share and Reserves Carried Forward)(+/-)			
5- Operating Expenses (-)			
6- Investment Expenses (-)			
7- Unrealized Losses in Investments (-)			
8- Investment Income Transferred to Non-Life Technical Section (-)			
F- Net Technical Income - Life (D - E)		-	-
G- Private Pension Technical Income		-	-
1- Fund Management Income			
2- Management Cost Charge			
3- Entrance Fee Income			
4- Management Cost Charge in case of Suspension			
5- Special Service Expense Charge			
6- Capital Allowance Value Increase Income			
7- Other Technical Income			
H- Private Pension Technical Expense		-	-
1- Fund Management Expenses (-)			
2- Capital Allowance Value Decrease Expenses (-)			
3- Operating Expenses (-)			
4- Other Technical Expenses (-)			
I- Net Technical Income – Private Pension (G – H)		-	-

Enclosed Notes constitute an integral part of financial statements.

AXA SİGORTA A.Ş.

CONVENIENCE TRANSLATION of the DETAILED INCOME STATEMENT as at DECEMBER 31, 2018

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

II- NON-TECHNICAL SECTION	Note	Audited 01.01.2018 - 31.12.2018	Rearranged Audited 01.01.2017 - 31.12.2017
C- Net Technical Income - Non-Life (A - B)		532,238,380	(359,112,156)
F- Net Technical Income - Life (D - E)		-	-
I - Net Technical Income-Private Pension(G-H)		-	-
J- Total Net Technical Income (C+F+I)		532,238,380	(359,112,156)
K- Investment Income		1,283,299,751	668,019,570
1- Income from Financial Investments	26	388,094,628	276,823,231
2- Income from Liquidation of Financial Investments	26	21,019,411	35,879,172
3- Valuation of Financial Investments	26	411,131,182	196,286,358
4- Foreign Exchange Gains	26 and 36	460,331,135	156,583,455
5- Income from Affiliates		-	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment	7 and 26	2,517,680	2,445,281
8- Income from Derivatives		-	-
9- Other Investments	26	205,715	2,073
10- Investment Income Transferred from Life Technical Section		-	-
L- Investment Expenses (-)		(1,237,935,731)	(642,350,289)
1- Investment Management Expenses - Interest Included (-)	26	(15,573,081)	(9,717,180)
2- Diminution in Value of Investments (-)	26	(3,372,427)	(3,952,768)
3- Loss from Realization of Financial Investments (-)	26	(34,054,310)	(45,073,147)
4- Investment Income Transferred to Non-Life Technical Section (-)		(886,292,465)	(480,249,946)
5- Loss from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	26 and 36	(284,922,406)	(78,946,899)
7- Depreciation Expenses (-)	6.1	(13,721,042)	(24,410,349)
8- Other Investment Expenses (-)		-	-
M- Income and Expenses from Other Operations and Extraordinary Operations (+/-)		(206,321,954)	(1,676,917)
1- Provisions (+/-)	47.5	(99,958,298)	(83,749,431)
2- Rediscounts (+/-)		-	-
3- Special Insurances (+/-)		-	-
4- Inflation Adjustments (+/-)		-	-
5- Deferred Tax Assets (+/-)	21 and 35	-	81,307,719
6- Deferred Tax Liabilities Expenses (-)	21 and 35	(108,093,327)	-
7- Other Income	47.1	2,285,965	1,442,822
8- Other Expenses and Losses (-)	47.1	(556,294)	(678,027)
9- Revenues and Profits from Previous Year		-	-
10- Expenses and Losses from Previous Year (-)		-	-
N- Net Profit or Loss(-) for the Period	37	371,280,446	(335,119,792)
1- Profit/Loss(-) for the Period	37	371,280,446	(335,119,792)
2- Provision for Corporate Tax and Other Fiscal Liabilities (-)		-	-
3- Net Profit/Loss(-) for the Period	37	371,280,446	(335,119,792)
4- Inflation Adjustment		-	-

Enclosed Notes constitute an integral part of financial statements.

AXA SİGORTA A.Ş.

CONVENIENCE TRANSLATION of STATEMENT of CASH FLOWS for JANUARY 1 - DECEMBER 31, 2018 PERIOD

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

	Note	Audited 01.01.2018 - 31.12.2018	Audited 01.01.2017 - 31.12.2017
A. CASH FLOW FROM OPERATING ACTIVITIES			
1. Cash Inflow from Insurance Operations		3,367,468,782	3,860,437,725
2. Cash Inflow from Reinsurance Operations		-	-
3. Cash Inflow from Private Pension Operations		-	-
4. Cash Outflow from Insurance Operations (-)		(3,152,805,135)	(3,783,071,345)
5. Cash Outflow from Reinsurance Operations (-)		-	-
6. Cash Outflow from Private Pension Operations (-)		-	-
7. Net Cash from Operating Activities (A1+A2+A3-A4-A5-A6)		214,663,647	77,366,380
8. Interest Payment (-)		-	-
9. 9- Income Tax Payment (-)	35	(14,307,537)	(17,623,574)
10. Other Cash Inflows		86,215,236	57,889,290
11. Other Cash Outflows (-)		(261,982,798)	(213,131,314)
12. Net Cash Inflow from Operating Activities		24,588,548	(95,499,218)
B. CASH FLOW FROM INVESTMENT OPERATIONS			
1. Sale of Tangible Assets		273,793	707,563
2. Tangible Asset Acquisitions (-)	6 and 7	(4,423,170)	(8,413,718)
3. Financial Asset Acquisitions (-)		(670,192,010)	(511,247,474)
4. Sale of Financial Assets		313,569,238	315,028,369
5. Interest Received		385,751,197	275,228,324
6. Dividends Received	26	2,337,203	1,653,535
7. Other Cash Inflows		2,723,395	2,447,354
8. Other Cash Outflows (-)		(32,437,148)	(24,670,940)
9. Net Cash Inflow from Investment Activities		(2,397,502)	50,733,013
C. CASH FLOW FROM FINANCING OPERATIONS			
1. Issue of Shares		-	-
2. Cash Inflows from Borrowings		-	-
3. Leasing Payments (-)		-	-
4. Dividends Paid (-)		-	-
5. Other Cash Inflows		-	-
6. Other Cash Outflows (-)		-	-
7. Net Cash Inflow from Financing Operations		-	-
D. EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS		67,529,298	12,822,447
E. Net Increase in Cash and Cash Equivalents		89,720,344	(31,943,758)
F. Cash and Cash Equivalents at the Beginning of the Period	2.12	1,042,927,180	1,074,870,938
G. Cash and Cash Equivalents at the End of the Period (E+F)	2.12	1,132,647,524	1,042,927,180

Enclosed Notes constitute an integral part of financial statements.

CONVENIENCE TRANSLATION of STATEMENT of CHANGES in SHAREHOLDERS' EQUITY - AUDITED

PREVIOUS PERIOD - AUDITED	Capital	Own Shares (-)	Increase in Asset Values	Inflation Adjustment on Share Capital	Foreign Currency Translation Differences	Legal Reserves	Statutory Reserves	Other Reserves and Retained Profit	Profit (or Loss) for the Period	Retained Earnings / (Accumulated Loss)	Total
I- Balance at the End of Previous Period (31/12/2016) (previously reported)	1,225,739,187	-	(88,318,582)	-	-	51,203,816	-	(172,388)	102,618,758	(330,961,413)	960,109,378
II- Changes in Accounting Policy (Note 2.1)	-	-	-	-	-	-	-	-	48,184,155	271,720,816	319,904,971
III- New Balance (01/01/2017) (I+II)	1,225,739,187	-	(88,318,582)	-	-	51,203,816	-	(172,388)	150,802,913	(59,240,597)	1,280,014,349
A- Capital Increase (A1 + A2)											
1- Cash											
2- From Internal Sources (Note 2.13)											
B- Own Shares											
C- Gains and Losses Not Included in Income Statement			64,628,200					(732,175)			63,896,025
D- Increase/(Decrease) in Asset Values											
E- Foreign Currency Translation Differences											
F- Other Income and Losses											
G- Inflation Adjustments											
H- Net Profit / (Loss) for the Period									(335,119,792)		(335,119,792)
I- Dividends Paid											
J- Transfer									(150,802,913)	150,802,913	
IV- Balance at Period End (31/12/2017)											
(III+ A+B+C+D+E+F+G+H+I+J)	1,225,739,187	-	(88,318,582)	-	-	51,203,816	-	(172,388)	150,802,913	(59,240,597)	1,280,014,349
CURRENT PERIOD - AUDITED											
1- Balance at the End of Previous Period (31/12/2017)	1,225,739,187	-	(23,690,382)	-	-	51,203,816	-	(904,563)	(335,119,792)	91,562,316	1,008,790,582
II- Changes in Accounting Policy											
III- New Balance (01/01/2018) (I+II)	1,225,739,187	-	(23,690,382)	-	-	51,203,816	-	(904,563)	(335,119,792)	91,562,316	1,008,790,582
A- Capital Increase (A1 + A2)											
1-Cash											
From Internal Sources (Note 2.13) _____ -											
B- Own Shares											
C- Gains and Losses Not Included in Income Statement			(302,320,540)					4,533,248			(297,787,292)
D- Increase in Asset Values								-	-	-	-
E- Foreign Currency Translation Differences								-	-	-	-
F- Other Income and Losses								-	-	-	-
G- Inflation Adjustments								-	-	-	-
H- Net Profit / (Loss) for the Period									371,280,446		371,280,446
1- Dividends Paid - -											
J- Transfer								163,732	335,119,792	(335,283,524)	-
IV- Balance at Period End (31/12/2018)											
(III+ A+B+C+D+E+F+G+H+I+J)	1,225,739,187-	-	(326,010,922)	-	-	51,203,816	-	3,792,417	371,280,446	(243,721,208)	1,082,283,736

Enclosed Notes constitute an integral part of financial statements.

AXA SİGORTA A.Ş.

CONVENIENCE TRANSLATION of NOTES to FINANCIAL STATEMENTS for JANUARY 1 - DECEMBER 31, 2018 PERIOD

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

1. General Information

- 1.1 Name of Parent Company:** Axa Holding A.Ş. is the direct main partner and Axa SA is the ultimate main partner of Axa Sigorta A.Ş. ("Company") as of December 31, 2018 and December 31, 2017.

Pursuant to the Share Purchasing Agreement executed on February 5, 2008 between Axa SA, a partner of Axa Sigorta A.Ş.'s main partner Axa Holding A.Ş. and OYAK, all shares of OYAK in Axa Oyak Holding A.Ş. is transferred to Axa Mediterranean Holding SA. Following the official approvals given by the Undersecretariat of Treasury affiliated to the Turkish Ministry of Treasury and Finance ("Treasury") and Turkish Competition Authority validating the said share transfer, Company's former name Axa Oyak Sigorta A.Ş. is changed as Axa Sigorta A.Ş. with the resolution made in Company Shareholders' Assembly held on August 12, 2008 and the title change is officially registered on the same date. Business title of the Company's main partner Axa Oyak Holding A.Ş. is also changed and registered on the same date as Axa Holding A.Ş.

Regarding completion of the transfer of Axa Hayat Sigorta A.Ş.'s health portfolio and execution of the transfer agreement, Company management decided (with Resolution No.25 made during Company Board of Directors ("BoD") meeting held on October 15, 2009) to execute the transfer over financial statements drawn up as of October 31, 2009, pursuant to the authorization given to BoD during the Extraordinary Shareholders' Assembly meeting held on September 10, 2009. The Undersecretariat of Treasury approved this transfer with the official letter dated August 25, 2009 and the transfer is realized through recognition in Company financial statements drawn up on October 31, 2009 in accordance with the portfolio transfer agreement signed on September 10, 2009.

- 1.2 Company's Legal Residence Address, Legal Structure, Country of Incorporation and Address of Officially Registered Office:** The Company is registered in Istanbul, Turkey and registered address is "Meclis-i Mebusan Cad. No: 15, 34443 Salıpazarı/Istanbul".
- 1.3 Nature of Operations:** The Company operates in fire, accident, motor vehicles, motor vehicles liability, freight, engineering, legal protection, agriculture, general liability and health insurance business areas.
- 1.4 Explanation of Company Activities and Characteristics of Main Operations:** Disclosed in Notes 1.2 and 1.3.
- 1.5 Average Number of Employees During the Period by Category:**

	January 1 - December 31, 2018	January 1 - December 31, 2017
Senior and middle level managers	67	67
Other employees	594	624
Total	661	691

- 1.6** Total amount of remunerations and other benefits provided to senior management such as chairman, members of BoD, general manager, general coordinator, assistant general managers etc. (TRY):
- January 1- December 31, 2018 : 18,808,392
- January 1- December 31, 2017 : 18,329,486
- 1.7** Criteria set for the allocation of investment income and operating expenses (personnel, management, research and development, marketing and sales, outsourcing services and other operating expenses) in financial statements: All investment income generated by investments backing non-life technical provisions is transferred from non-technical to technical section of the income statement. Other investment income is classified under non-technical section. The Company considered the weighted average of the number of policies produced within the current period, amount of gross written premiums and number of loss claim reports realized within last three years for distribution of operating income transferred to the technical section.
- 1.8** Information on financial statements as to whether financial statements include only one firm or a group of firms: **Financial Statements are drawn up for only one company (Axa Sigorta A.Ş.).**
- 1.9 Name and other identification information of the reporting firm and changes in this information from the previous balance sheet date:**
- Company's name and other identification details and changes in the foregoing information from the previous balance sheet date are disclosed in Notes 1.1, 1.2, & 1.3.

1. General Information (continued)

1.10 Events after balance sheet date: Financial statements for the period ended on December 31, 2018 are authorized by Board of Directors on March 8, 2019. Events after Balance Sheet date are disclosed in Note 46.

2. Summary of Significant Accounting Policies**2.1. Basis of Preparation**

The Company prepares the financial statements in accordance with the principles set forth by Undersecretariat of Treasury for insurance and reinsurance companies, the accounting principles and standards specified in applicable regulations under Insurance Law No.5684 ("Insurance Law") promulgated in Turkish Official Journal No.26552 on June 14, 2007, other regulations, communiqués and explanations issued by the Treasury regarding accounting and financial reporting issues and for issues not covered by the foregoing, with the applicable "Insurance Accounting and Financial Reporting Legislation" including provisions set forth in Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards ("TFRS") as issued by TASB.

Standard No. 4 regarding "Insurance Contracts" issued by Public Oversight Accounting and Auditing Standards Authority ("POA") entered into effect on March 25, 2006 to be applicable for accounting periods starting after December 31, 2005. However, TFRS 4 was not to be implemented since the second part of International Accounting Standards Board's (IASB) project regarding insurance contracts had not been completed yet. Subsequently, "Regulation on Technical Reserves of Insurance, Reinsurance And Pension Companies, and Assets in which such Provisions are to be Invested" ("Technical Provisions Regulation") promulgated in Turkish Official Journal No.26606 on August 7, 2007 and covering technical reserves put in effect after January 1, 2008 and a number of communiqués and industry announcements including explanations and arrangements regarding this Regulation have been issued in this regard. Accounting policies implemented regarding the arrangements introduced with the aforementioned Regulation, communiqués and industry announcements are summarized in following sections individually under a dedicated title.

The Company presents its financial statements in accordance with the "Communiqué on Presentation of Financial Statements) which is issued by the Treasury, promulgated in Turkish Official Journal No.26851 on April 18, 2008 and arranged under Insurance Law and the "Regulation on Financial Reporting of Insurance, Reinsurance, and Private Pension Companies" ("Financial Reporting Regulation") which is promulgated in Turkish Official Journal No.26582 on July 14, 2007 and entered into effect after January 1, 2008.

In addition to the foregoing, Turkish Accounting Standards ("TAS") and relevant appendices and comments issued by POA are also taken into consideration for preparation of financial statements.

Financial statements were prepared in TRY and on historical cost basis, being adjusted for inflation until December 31, 2004, excluding the financial assets and various properties measured at fair value.

Based on the above mentioned notification of Treasury, the Company arranged its financial statements as of December 31, 2004 in accordance with the provisions regarding "Adjustment of Financial Statements during Hyperinflation Periods" and started to implement Standard No. 29 "Financial Reporting in Hyperinflationary Economies" issued by POA after January 1, 2005.

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

The Company calculated insurance technical reserves as of December 2018 in accordance with the amended "Technical Provisions Regulation" issued under Insurance Law No.5684, promulgated in Turkish Official Journal No.27655 on July 28, 2010 and entered into effect after September 30, 2010 and with other relevant regulations and reflected these figures to its financial statements (see Note 2.24).

Comparative data is reclassified where required to ensure compliance with the presentation of current period's financial statements.

Accounting policies and measurement and assessment principles used in preparation of financial statements are explained in the notes from ... to 2.24 below.

2.1.1 Changes in Accounting Policies

Significant changes introduced in accounting policies are retrospectively applied and financial statements of previous periods are rearranged. Pursuant to "Circular No.2017/7 on Amendment of Circular No.2016/22 on Discounting of Cash Flows from Outstanding Claims Reserves" issued by the Treasury on September 15, 2017, the Company discounted the net cash flows to be generated by outstanding claims reserves calculated and allocated for General Liability and Motor Vehicles Liability segments according to Insurance Law and relevant Legislation, starting from Company financial statements drawn up as of September 30, 2017 and in accordance with the provisions and principles set forth in "Circular No.2016/22 on Discounting of Cash Flows from Outstanding Claims Reserves" issued by the Treasury on June 10, 2016. The Company has considered the discounting of outstanding claims reserve, as indicated in Circular No.2016/22, as a change in accounting policies and applied the effect of such change retrospectively in accordance with TAS Standard No.8 "Changes and Errors in Accounting Policies, Forecasts and Estimations".

Effects of changes introduced to accounting policies regarding discount of outstanding claims reserve on financial statements drawn up as of December 31, 2016 are provided in the tables below.

	December 31, 2016		
	Previously Reported	Rearrangement Effect	Rearranged
Balance Sheet (Rearranged)			
Deferred Tax Assets	93,046,566	(79,976,241)	13,070,325
Unexpired Risks Reserve	(6,999,394)	6,359,109	640,285
Outstanding Claims Reserve	(2,642,379,419)	393,522,103	2,248,857,316
Previous Years' Losses	(330,961,413)	271,720,816	(59,240,597)
Profit (or Loss) for the Period	102,618,758	48,184,155	150,802,913
Total Shareholders' Equity	960,109,378	319,904,971	1,280,014,349

2. Summary of Significant Accounting Policies (continued)**2.1. Basis of Preparation (continued)****2.1.2 Other Accounting Policies Appropriate for Understanding of Financial Statements****Adjustment of Financial Statements During Hyperinflationary Periods**

Pursuant to the Official Letter No.19387 of Treasury dated April 4, 2005, Company financial statements as of December 31, 2004 were restated and 2005 opening balances were determined accordingly in accordance with "Financial Reporting in Hyperinflationary Economies" section included in the regulations of Capital Markets Board's ("CMB") Communiqué XI No.25, which came into force as published in the Official Journal No: 25290 on November 15, 2003. Restatement of financial statements according to the inflation rate is ceased within 2005, again in accordance with the aforementioned Official Letter of Treasury.

Other Accounting Policies

Information regarding other accounting policies is disclosed individually under dedicated titles in following sections of this report.

2.1.3 Currency Used

The functional and reporting currency of the Company is Turkish Lira (TRY).

2.1.4 Rounding scale of the amounts presented in the financial statements

All figures presented in TRY have been rounded to the nearest integer unless provided as otherwise in financial statements and in relevant notes.

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

As detailed under Note 2.1.2, non-monetary assets and liabilities including shareholders' equity items included in the Balance Sheet are calculated through indexing of entries until December 31, 2004 and carrying of entries made after this date with respective nominal values. The accompanying financial statements are prepared on the historical cost basis, except for the financial assets at fair value and investment property which are measured at their fair values unless reliable measures are available.

2.2 Consolidation

The Company does not have any affiliates or subsidiaries required to be consolidated.

2.3 Segment Reporting

The Company is not listed and has been operating mainly within Turkey and only in non-life insurance segment followed as a single reportable segment during January 1 - December 31, 2018 and 2017 accounting periods and therefore does not implement segment reporting.

2.4 Foreign Currency Translation

The functional currency of the Company is TRY. Foreign currency transactions are translated to functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in Income Statement.

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

2. Summary of Significant Accounting Policies (continued)

2.4. Foreign Currency Translation (continued)

Foreign exchange translation differences from non-monetary financial assets and liabilities are considered as part of fair value changes and these differences are classified under the accounts where fair values changes are booked.

2.5 Tangible Fixed Assets

All property and equipment are carried at cost less accumulated depreciation. Depreciation on property and equipment is calculated using the straight-line and accelerated depreciation methods. Residual values of property and equipment estimated over their expected useful lives are as follows:

Property for operational usage (Buildings)	50years
Furniture and fixtures	3-10 years
Motor vehicles	5years
Leasehold improvements	5years

If there are indicators of impairment on tangible assets except for land and buildings, a review is made in order to determine possible impairment and as a result of this review, if an asset's carrying amount is greater than its estimated recoverable amount, the asset's carrying amount is written down immediately to its recoverable amount by accounting for an impairment provision. Gains and losses on disposals of property and equipment are included in other operational income and expenses accounts (see Note 6).

2.6 Investment properties

Investment properties are held either to earn rentals and/or for capital appreciation or for both and first registration is measured on fair value including transaction costs after measured at cost. After initial booking, investment properties are measured over fair value reflecting real market conditions at the Balance Sheet date. In cases where fair value assessments cannot be reliably made, properties under construction are measured with historical cost value until such assessment can be made reliably or until the date before the completion date of such investment. Any gains or losses from the changes in the fair values of investment properties are recognized in the Income Statement within the period of such change.

The Company has started to present investment properties over fair values as of December 31, 2014 for this purpose. Fair value difference as of December 31, 2018 is 33,211,263 TRY in total (December 31, 2017: 33,143,413 TRY) (Note 7).

2.7 Other Intangible Fixed Assets

Intangible assets consist of the acquired information systems, royalty rights and computer software. Intangible assets are carried at acquisition cost and amortized by the straight-line and accelerated methods over their estimated useful lives after their acquisition date. If impairment exists, carrying amount of intangible assets is written down immediately to its recoverable amount (Note 8).

The amortization periods of intangible assets are within 3-15 year range.

2.8 Financial Assets

The Company classifies and books financial assets as "Available for Sale Investments" and "Loans and Receivables (Receivables from Operations)". Receivables from Operations are those arising from insurance agreements and these are classified as financial assets in financial statements.

2. Summary of Significant Accounting Policies (continued)

2.8 Financial Assets (continued)

The classification of financial assets is determined by the Company management at acquisition date by considering the purpose for which the financial assets are acquired.

Loans and Receivables (Receivables from Operations)

Loans and Receivables are financial assets created through provision of cash or service to the debtor. These receivables are recognized at acquisition value. Fees paid and other similar expenses incurred for assets received as a guarantee of such receivables are not considered as transaction costs and these are reflected to respective expense accounts.

The Company allocates provisions where Company management deems as required for the receivables based on the assessments and estimations made. Such provision is presented under "Provision for Due from Insurance Operations" item in the Balance Sheet. The Company considers the general structure of existing receivables portfolio, financial structures of policyholders and intermediaries, non-financial data and the economic conjuncture in line with the risk policies and precautionary principle while making its forecasts.

In addition to "Provision for Due from Insurance Operations", the Company also allocates a provision amount for receivables under administrative and legal proceedings for doubtful receivables not included in Provision for Due from Insurance Operations in accordance with Article 323 of Tax Procedural Law. This provision is classified under "Provision for Doubtful Receivables from Main Operations" item in the Balance Sheet.

Provisions for doubtful receivables are deducted from the income of the current year. In case a doubtful receivable for which a provision has been allocated previously is collected, the collected amount is deducted from the relevant provision account and reflected in "Provision Expenses" account. Bad receivables are removed from respective accounts after all legal transactions are completed (Note 12).

Available for Sale Investments

Listed equity instruments and various debt securities held by the Company and traded in an active market are classified as available for sale financial assets and are valued at fair value within the periods after initial recognition. It is considered that the fair value cannot be reliably measured if the price that provides a basis for fair value is not set in active market conditions and discounted value calculated with the effective interest method is used as fair value. Securities representing share of capital classified as available for sale financial assets are recorded at fair value if they are traded within structured markets and/or the fair value can be reliably determined. In case these assets are not traded within structured markets and/or the fair value cannot be reliably determined, they are reflected in financial statements over cost value, after deduction of the provision for impairment amount.

"Unrealized profits and losses" arising from changes in fair values of available for sale securities are not reflected in the Income Statement for the relevant period until either collection of the amount corresponding to or sale/disposal of or impairment of such asset is realized and followed under "Valuation of Financial Assets" account in Shareholders' Equity. Accumulated fair value differences booked under Shareholders' Equity are reflected to the Income Statement on maturity dates or upon disposal of such assets.

The Company evaluates on each Balance Sheet date whether objective evidence exists regarding impairment in financial assets. Decrease in fair values of securities classified as available for sale down to levels significantly lower than their respective costs and for prolonged periods is considered as an indicator of impairment.

2. Summary of Significant Accounting Policies (continued)

2.8 Financial Assets (continued)

Available for Sale Investments (continued)

In case objective evidence exists for impairment of available for sale financial assets, differences between acquisition cost and fair value of the relevant financial asset are deducted from Shareholders' Equity and reflected to Income Statement within subsequent periods. Impairment expenses recorded in the Income Statement regarding capital instruments cannot be reversed.

The Company does not allocate any impairment provisions for short-term market fluctuations, provided that a collection risk has not been born for securities classified under available for sale financial assets and representing borrowings (Note 11).

2.9 Impairment of Assets

The details about impairment of assets are explained in the notes where accounting policies of relevant assets are explained.

Mortgages or guarantees on assets are explained in Note 43, provisions for overdue receivables and provisions for receivables which are not overdue are explained in Note 12.1, and provision and rediscount expenses for the period are explained in Note 47.5.

2.10 Derivative Financial Instruments

None (December 31, 2017: None).

2.11 Offsetting of Financial Instruments

Financial assets and liabilities are offset only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or when acquisition of the asset and settlement of the liability take place consecutively.

2.12 Cash and Cash Equivalents

Cash and cash equivalents include demand deposits held at banks and bank guaranteed short term credit card receivables with a term less than three months.

Cash and cash equivalents included in the statements of cash flows are as follows:

	December 31, 2018	December 31, 2017
Banks	738,201,075	745,086,263
Bank Guarantees and Three Months Short Term Credit Card Receivables	426,829,383	322,146,107
Other Cash and Cash Equivalents	-	10,666,754
Minus - Earmarked Accounts	(8,440,417)	(9,000,329)
Minus – Accrued Interest	(23,942,517)	(25,971,615)
Total Cash and Cash Equivalents	1,132,647,524	1,042,927,180

The Company has 3,743,329 TRY in time deposit account earmarked in favor of public institutions as of December 31, 2018 (December 31, 2017: 400,665 TRY). The Company has 4,697,088 TRY in demand deposit account earmarked in favor of public institutions as of December 31, 2018 (December 31, 2017: 8,599,664 TRY).

2. Summary of Significant Accounting Policies (continued)

2.13 Capital

The composition of the Company's share capital at December 31, 2018 and December 31, 2017 is as follows:

Name of Shareholder	December 31, 2018		December 31, 2017	
	Share	Share Amount	Share	Share Amount
Axa Holding A.Ş.	92.61%	1,135,204,390	92.61%	1,135,204,390
T.C. Ziraat Bankası A.Ş.	7.31%	89,547,369	7.31%	89,547,369
Other	0.08%	987,428	0.08%	987,428
Total	100%	1,225,739,187	100%	1,225,739,187

As of December 31, 2018 no privileges are granted to the preference shares representing the share capital (December 31, 2017: None).

The Company is not subject to the registered share capital system as of December 31, 2018 and December 31, 2017.

Other information about the Company's share capital is explained in Note 15.

2.14 Insurance and Investment Contracts – Classification

Insurance contracts are those contracts that transfer insurance risk. Insurance contracts provide protection to policyholders against adverse economic consequences of an event of loss as covered under the terms and conditions stipulated in the insurance policy. Main contracts issued by the Company are insurance contracts prepared in non-life segment as also explained below, mainly in fire, freight, accident and engineering.

Accident insurance contracts (liability, personal accident and motor) serve two main objectives: These contracts protect policyholders against the damage risk on the asset and the damage risk to third parties. Fire insurance contracts are divided into three: individual, commercial and industrial. Policyholder is insured against physical losses and damages arising from risks like fire, lightning, explosion etc. included in the policy. Profit Loss clause protects policyholders against absolute indirect losses arising from partial or total operational discontinuity as a result of an event covered by the insurance contract. Freight insurance contracts cover transportation insurance (boat, motor vehicles, aircraft) and in-transit property insurance. Engineering insurance contracts are divided into two sub-groups. Contracts covering risks permanently exists and valid for indefinite period of time and contracts covering non-repetitious risks for a limited period of time. First group covers sudden and unpredictable losses and damages to mechanical equipment, facilities and electronic devices. Second group includes assembly and construction-installation insurances naturally limited to the validity period of assembly-construction-installation warranty. Additionally, agriculture insurances issued by Tarım Sigortaları Havuz İşletmesi A.Ş. ("TARSİM") and compulsory earthquake insurance contracts Doğal Afet Sigortaları Kurumu ("DASK") are also available. Calculation principles for income and liabilities arising from insurance contracts are provided in Notes 2.21 and 2.24.

2. Summary of Significant Accounting Policies (continued)

2.14 Insurance and Investment Contracts – Classification (continued)

Reinsurance Treaties

Reinsurance contracts are insurance contracts put in effect by the Company and the respective reinsurance firm for potential losses which might occur regarding one or more insurance contracts executed by the Company where contractual parties calculate the premium amounts and loss assessments according to mutually agreed terms and conditions according to the type of treaty. Company's reinsurance policy and treaties are summarized below.

The Company has excess of loss, surplus and proportional quota-share reinsurance treaties in effect, depending on operational segments.

The Company has entered into risk and excess of loss per event treaties in fire, freight, non-motor accident and engineering segments. Such excess of loss treaties function according to the date of loss realization. Surplus reinsurance treaties are used for construction and installation segments. Various sub segments of non-motor accident segment are protected with proportional quota-share reinsurance treaties. These are run-off type treaties since reinsurer's responsibility still continues after contract termination. Company holds proportional treaties in MTPL (Motor Third Party Liability) and MOD (Motor Own Damage) segments. Protection for natural disasters such as flood and earthquake is provided only with catastrophic excess of loss reinsurance treaties.

Additionally, The Company also has facultative reinsurance treaties on insurance contract basis for certain risks.

The Company executes a major portion of its reinsurance treaties through Axa Global RE.

Premiums Ceded to Social Security Institution

New procedures and principles are introduced for collection and settlement of amounts for health services provided to relevant persons due to traffic accidents with Article 98 of Highway Act No.2918 as amended by Article 59 of "Act No.6111 on Restructuring Settlement of Various Receivables and Modification of Social Insurance and General Health Insurance and Various Acts and Statutory Decrees" ("Act"), promulgated in Turkish Official Journal on February 25, 2011. In this regard, all amounts incurred for health services provided by public and private healthcare institutions to individuals due to traffic accidents shall be covered by SSI (Turkish Social Security Institution) regardless of whether the casualties have a registered social security account or not. Moreover, amounts of health services provided due traffic accidents occurred before enactment of Act No.6111 shall also be paid by SSI according to Provisional Article 1 of this Act.

Liability of insurance companies regarding the amounts to be paid for services to be incurred in accordance with the aforementioned articles of the Act are stipulated according to the "Regulation on Principles and Procedures for Collection of Health Service Prices Provided to Relevant Persons due to Traffic Accidents" issued by the Treasury on August 27, 2011 ("Regulation"); "Circular No.2011/17 on Procedures and Principles regarding Implementation of Regulation on Principles and Procedures for Collection of Health Service Prices Provided to Relevant Persons due to Traffic Accidents" dated September 15, 2011 ("Circular No.2011/17"); "Circular No.2011/18 on Recognition of Payments Made to Social Security Institution (SSI) for Medical Treatment Expenses and Opening New Account in Insurance Chart of Accounts" ("Circular No.2011/18").

2. Summary of Significant Accounting Policies (continued)**2.14 Insurance and Investment Contracts – Classification (continued)****Reinsurance Treaties (continued)****Premiums Ceded to Social Security Institution (continued)**

On this basis, regarding medical treatment expenses arising from traffic accidents occurring after the enactment date of the Act, the Company should transfer to SSI the premium amounts determined in accordance with the Regulation, Circular No.2011/17, Circular No.2012/3 and "Regulation on Amendment of the Regulation on Principles and Procedures for Collection of Amounts of Health Services Provided to Relevant Persons due to Traffic Accidents" promulgated in Official Journal No.28280 on May 2, 2012 for insurance policies arranged in "Compulsory Freight Insurance", "MTPL", "Compulsory Road Passenger Personal Accident Insurance" segments before February 25, 2011 .

According to the foregoing, the Company calculated 80,834,235 TRY premium amount for January 1 - December 31, 2018 period (January 1 - December 31, 2017: 67,014,429 TRY) (see Notes 10 & 24) and a provision for unearned premiums amount equal to 43,044,264 TRY (December 31, 2017: 45.086.689 TL) as of December 31, 2018 and booked these figures under "Premiums Ceded to SSI" and "SSI Share in Unearned Premium Reserve" accounts, respectively.

"Risky Policyholders pool" is established to be effective as of April 12, 2017 upon enactment of "Regulation for Amendment of Regulation on Tariff Implementation Principles regarding Compulsory Financial Liability Insurance for Land Motor Vehicles" promulgated in Turkish Official Journal No.30121 on July 11, 2017. Premium and loss share regarding MTPL insurance policies included in this Pool is calculated at two stages. 50% of written premiums and paid loss claims are equally shared among insurance companies licensed in traffic insurance segment and the remaining 50% are calculated according to the market shares in terms of MTPL premiums held by those insurance companies within the last 3 years.

2.15 Insurance Contracts and Investment Contracts with Discretionary Participation Feature

None (December 31, 2017: None).

2.16 Investment Contracts without Discretionary Participation Feature

None (December 31, 2017: None).

2.17 Loans

None (December 31, 2017: None).

2.18 Taxes Corporate Tax

Applicable corporate tax for 2018 is 22% in 2018 (2017: 20%). According to the Provisional Article 10 added to the Corporate Tax Law, corporate tax shall be applied at 22% for corporate earnings realized within the taxation periods of 2018, 2019 and 2020 (earnings for the fiscal periods starting in the related year for the institutions assigned with special accounting periods).

Withholding tax is not applied to dividends paid to limited taxpayer entities earning income within Turkey through an office or a permanent representative and to entities residing in Turkey. Dividend payments made to other persons and entities except the foregoing shall be subject to 15% withholding tax. Appropriation of retained earnings to capital is not considered as profit distribution, therefore no withholding tax is applied.

2. Summary of Significant Accounting Policies (continued)

2.18 Taxes (continued)

Corporate Tax (continued)

Entities calculate the provisional tax amount equal to 22% of their quarterly financial profits, submit their provisional tax return statements until the 14th day and pay the tax amount until the end of 17th day of the second month following the quarterly period subject to provisional tax. Provisional tax amounts paid within the year belong to that specific year and these amounts are rebated against the corporate tax amount to be calculated over the corporate tax return statement to be submitted within the subsequent year. In case a surplus paid amount provisional tax exists even after such rebate, such surplus amount can be recollected or set off against other fiscal payables due to the government.

75% of the profit obtained from sales of affiliate shares held for minimum 2 years and 50% of the profit obtained from sale of physical properties are considered as tax exemptions, provided that such amounts are added onto capital as pre-stated in Corporate Tax Law or kept in equity for 5 years.

According to Turkish tax legislation, financial losses on tax return statements can be offset against period income for up to 5 years. However, financial losses cannot be offset against previous years' profits.

There is no practice of reconciliation of payable taxes with the tax authority within Turkey. Corporate tax returns are submitted to the relevant tax office by the 25th day of the 4th month following the month when the accounting period ends. For tax reviews, authorized bodies are entitled to review the accounting records for the past five years and if errors are detected, tax amounts may change due to tax assessment.

Income or corporate taxpayers calculating their revenues on Balance Sheet basis are required to apply inflation adjustment to their financial statements starting as of January 1, 2004 in accordance with the "Law on Amendment of Tax Procedural Law No.5024, Income Tax Law and Corporate Tax Law" ("Law No.5024") promulgated in Turkish Official Journal on December 30, 2003. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (TÜİK TEFE (Wholesale Price Index) increase rate). Since the conditions in question were not fulfilled in 2017 and 2018, no inflation adjustments were performed (Note 35).

Deferred Taxes

Deferred taxes are calculated over temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements by using liability method. Deferred tax assets and liabilities are calculated according to the tax rates expected to be applicable within the period where the tax asset shall be realized or the liability shall be fulfilled and in consideration of the tax rates and tax laws already in effect or which shall go in effect as of the Balance Sheet Date.

Deferred tax assets are calculated with the constraint that use of provisional differences through gaining profits subject to tax is highly probable in the future (Note 21).

2.19 Employee Benefits

The Company accounts for its liability related to employment termination, vacation benefits and other benefits provided to employees according to "Turkish Accounting Standards Regarding Employee Benefits" ("TAS 19") and classifies these in the Balance Sheet under "Provision for Employment Termination Benefits" and "Provision for Expense Accruals" accounts.

According to the Turkish Labor Law, the Company is required to pay termination benefits to each employee whose job is terminated except for the reasons such as resignation, retirement and attitudes determined in Labor Law. The provision for employment termination benefits is calculated over present value of the possible liability in scope with the Labor Law by considering certain actuarial estimates (Note 22).

2. Summary of Significant Accounting Policies (continued)**2.20 Provisions**

In case a liability arising from past events exists and fulfillment of such liability is likely and the amount of such liability is reliably predictable, provisions are allocated in financial statements. Provision amount is calculated in consideration of the risks and uncertainties regarding such liability, through estimating the expense expected to be incurred in the most reliable way on the Balance Sheet date. In case the provision is measured by using the expected cash flows required to fulfill such liability, the book value of such provision equals to the present value of the relevant cash flows.

In cases where the economic benefit required for payment of such liability is expected to be totally or partially borne by third parties, the amount to be collected is recognized as an asset if the collection of such amount is almost certain and can reliably be measured.

Liabilities arising from past events and whose existence would be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are classified as contingent liabilities and not included in the financial statements (Note 23).

2.21 Recognition of Revenues *Written Premiums*

Written premiums represent premiums on policies written during the year, net of cancellations. As disclosed in Note 2.24, premium income is recognized in the financial statements on accrual basis by allocating the unearned premium reserve over written risk premiums.

Reinsurance Commissions

Commission income for premiums ceded to reinsurance companies are recorded on an accrual basis over the period, and classified in the technical section of the Income Statement under operating expenses. As disclosed in Note 2.24, reinsurance commission income is recognized in the financial statements on accrual basis by allocating unearned commissions reserve over charged commissions.

Recovery and Salvage Income

The Company accrued the recovery receivable amounts up to the coverage limit of the debtor insurer in financial statements drawn up as of December 31, 2017 and December 31, 2018 in accordance with Circular No.2010/13 on Subrogation and Salvage Income issued by the Undersecretariat of Treasury on September 2010, provided that the compensation payment is made and a certificate of release or a confirmation document proving such payment is obtained from relevant beneficiaries and a notification is made to counter party insurer or relevant third parties. A provision amount is allocated for these receivables if no collection is made within the first six months after the payment of such compensation amount from the counter party insurer or within the first four months from relevant third parties. In this regard, the accrued recovery receivable amount net of reinsurer's share as of December 31, 2018 is 207,556,850 TRY (December 31, 2017: 180,348,349 TRY) and the provision amount for such receivable is 141,182,846 TRY (December 31, 2017: 122,378,294 TRY) (Note 12.1).

Interest Income

Interest income is recorded periodically by applying effective interest rate method.

2. Summary of Significant Accounting Policies (continued)

2.21 Recognition of Revenues (continued)**Dividend Income**

Dividend income is recorded in financial statements when deserved.

2.22 Leasing Transactions

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessee are classified as financial leases while other leases are classified as operational leases.

Assets acquired through finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. The liability to lessee is classified as the leasing payables in the balance sheet. Each lease payment is separated as finance expense and principal payment ensuring decrease in financial leasing liability so as to achieve a constant interest rate on the finance balance outstanding. The interest element of the finance cost except for capitalized portion is charged to the income statement.

The payment of the operational lease is recorded in Income Statement on a straight-line basis over the lease period (The incentives received or to be received from the lessee and payments made to intermediaries to acquire the lease contract are also recorded in Income Statement on a straight-line basis over the lease period).

2.23 Dividend Distribution

Dividend payables are reflected to financial statements as a profit distribution item among the liabilities of the declaration period.

2.24 Technical Provisions Unearned Premiums Reserve

Unearned premiums reserve is calculated as the portion carried to the subsequent period on days' basis of the accrued premiums of all policies valid at the Balance Sheet date, except the premiums of freight segment and also the earthquake premiums produced before June 14, 2007. Policies are assumed to begin at 12:00 and expire at 12:00 in general for calculation of the portion carried to the subsequent period on daily basis. In accordance with the Technical Provisions Regulation, unearned premium reserves allocated for policies issued after January 1, 2008 and the reinsurer's share of these reserves are calculated and reflected to the respective accounts as the portion exceeding to the subsequent period(s) on daily basis of the premium amounts accrued for the valid insurance contracts and premiums ceded to reinsurers net of commissions and other similar deductions. The Company continues to deduct the commission amounts from premiums for calculation of the unearned premium reserve for policies issued before January 1, 2008. 50% of the premiums written within the last three months for property and freight segment policies with an indefinite expiration date are allocated as unearned premiums reserve (Note 17).

Deferred Acquisition Expenses and Commission

Pursuant to Circular No.2007/25 issued by the Treasury on December 28, 2007, the portion of the commissions paid to intermediaries for premiums written after January 1, 2009 and commission amounts received from reinsurers for ceded premiums corresponding to subsequent period(s) are recognized under "Deferred Acquisition Expenses" and "Deferred Commissions Income", respectively in Balance Sheet and under "Operational Expenses" account in Income Statement (Note 17).

2. Summary of Significant Accounting Policies (continued)

2.24 Technical Reserves (continued)

Unexpired Risks Reserve

Pursuant to Technical Provisions Regulation, insurance companies are required to allocate provision amounts for ongoing risks by considering the expected loss ratio for the possibility of potential compensation payments which may be incurred due to valid insurance contracts to exceed the unearned premiums reserve amount allocated for the mentioned contracts. The expected loss ratio is calculated through dividing the realized loss amount by earned premium amount. In case the expected loss ratio calculated on segment basis exceeds 95%, the amount found by multiplying the percentage in excess of 95% with net unearned premiums reserve is calculated as the net unexpired risks reserve and the amount found by multiplying the percentage in excess of 95% with gross unearned premiums reserve is calculated as the gross unexpired risks reserve. The difference between gross and net amounts is considered as the Reinsurer's share.

Insurance companies are allowed to make calculations over loss ratios for the last four quarters in Land Vehicles (Motor Own Damage), Land Vehicles Compulsory Financial Liability (separately for MTPL and Facultative Financial Liability sub-segments) and General Liability segments for calculation of Unexpired Risk Reserve amounts in accordance with Circular No.2016/37 of the Treasury. Based on this calculation method, Gross Unexpired Risks Reserve amount is calculated by multiplying the portion of loss ratio exceeding 85% with Gross Unearned Premiums Reserve amount in case the loss ratio calculated in Table 57 - ACLM (Actuarial Chain Ladder Methods) by taking the year of accident as basis and including the outstanding claims of indirect businesses exceeds 85%; and Net Unexpired Risks Reserve amount is calculated by multiplying this surplus portion with Net Unearned Premiums Reserve amount.

All amounts regarding premiums and losses to be ceded to SSI are deducted from the numerator and the denominator in calculation of the expected loss ratio to be used for the Unexpired Risks Reserve amount as of December 31, 2018 as stipulated in Circular No.2011/18.

Industrial Announcement No.2016/1 on Unexpired Risks Reserve Account states that "Regarding calculation of Unexpired Risks Reserve calculation, Outstanding Claims Reserve amount for the previous period should also be calculated with the new method to ensure elimination of the misleading effect of the Outstanding Claims Reserve calculation method (within the current assumptions set used by the actuary) and the amount calculated with the new method should be used for Outstanding Claims Reserve amount carried forward".

In this regard, the Company used the new method and assumptions used for calculating the current period's Outstanding Claims Reserve for determining the Outstanding Claims Reserve amount for the previous period during Unexpired Risks Reserve calculation.

Pursuant to "Circular No.2016/22 on Discounting of Cash Flows from Outstanding Claims Reserves" and "Circular No.2017/7 on Amendment of Circular No.2016/22 on Discounting of Cash Flows from Outstanding Claims Reserves" issued by the Treasury on June 10, 2016 and September 15, 2017, respectively, the Company revised retrospectively the calculations of Outstanding Claims Reserve and Unexpired Risk Reserve amounts which were calculated after the discount applied within the previous year.

The Company calculated a Net Unexpired Risk Reserve of 11,677,760 TRY as of December 31, 2018 (December 31, 2017: 20,507,829 TRY) and reflected this figure in relevant accounts (Notes 4 & 17).

2. Summary of Significant Accounting Policies (continued)

2.24 Technical Reserves (continued)

Outstanding Claims Reserve

The Company allocates provisions for loss claim and compensation amounts accrued and assessed through calculations but not actually paid in previous periods or in the current period or for estimated amounts if such calculation has not been made and for loss claim and compensation amounts which are realized but not reported. Outstanding claims reserve amount is determined according to expert reports or to expert and policyholder assessments from which no recovery, salvage or similar income items are deducted.

Compensation amounts for losses realized before but reported after the accounting periods are considered as Incurred But Not Reported ("IBNR") claim compensations.

"Regulation on Amendment of the Regulation on Technical Reserves of Insurance, Reinsurance And Pension Companies, and Assets in which such Provisions are to be Invested" promulgated in Turkish Official Journal No.27655 on July 28, 2010 and "Circular No.2010/12 on Actuarial Chain Ladder Method" dated September 20, 2010 stipulate that the difference between the accrued outstanding claims reserve amount determined through calculation and the amount found by using the Actuarial Chain Ladder Method "(ACLM)" ("IBNR found with ACLM") shall be compared with test IBNR and the method used for the larger amount among these two shall be reflected to financial statements. The Regulation on Amendment of the Relevant Regulation issued in Turkish Official Journal No.28356 on July 17, 2012 revokes the requirement for calculation of test IBNR and states that "the compensation amount for incurred but not reported losses shall be calculated according to the Actuarial Chain Ladder Method, content and application principles of which shall be specified by, or to other calculation methods to be determined and announced by the Undersecretariat of Treasury".

"Circular No.2014/16 on Outstanding Claims Reserve" issued by the Treasury on December 5, 2014 ("Circular") stipulated that ACLM calculations can be made by using the following six methods: "Standard Chain, Loss Ratio, Cape Cod, Frequency/Severance, Munich Chain Method and Bornhuetter-Ferguson". Additionally, this Circular grants the authority to company actuaries for selection of the data to be used, adjustment transactions, selection of the most suitable method and development factors and intervention to development factors by using actuarial methods. Pursuant to this Circular, IBNR calculation can also be made with other methods to be determined by companies, provided that a valid actuarial basis exists and the amount should exceed the calculation result of the actuarial chain ladder method employed by the company.

The Company made IBNR calculation in all segments by considering the characteristics of the respective segment and by using the actuarial method determined in accordance with Article 4 of "Circular No.2014/16 on Outstanding Claims Reserve" issued by the Treasury on December 5, 2014. This method covers MTPL segment on the basis of loss reason (material damages, death, disability, impairment, driver faults, caretaker expenses) in addition to coverage based distinction (material/bodily-physical) and of legal status of relevant files. Both average cost and loss frequency developments of loss triangles are evaluated during such distinctions. Furthermore, extreme losses (so called "major losses") are eliminated via statistical methods to ensure that calculations can be made with a more homogeneous data set in all segments. The mentioned IBNR calculations are performed in gross amounts and net figures are determined depending on the applicable or relevant reinsurance treaties of the Company.

2. Summary of Significant Accounting Policies (continued)**2.24 Technical Reserves (continued)****Outstanding Claims Reserve (continued)**

The difference between the incurred loss amount -consisting of accrued and calculated outstanding claims reserve and the total of payments made until the relevant date (net of recovery and salvage collection amounts)- and the final loss amount calculated by using the actuarial chain ladder method -content and application principles of which is determined in accordance with Technical Provisions Regulation and the Circular put in effect on January 1, 2015- is recorded as incurred but not reported compensation amount.

The Company made the actuarial chain ladder method ("ACLM") calculations over incurred losses (total of outstanding and paid claims) for each segment. Moreover, the mentioned ACLM calculations are performed in gross amounts and net figures are determined depending on the applicable or relevant reinsurance treaties of the Company.

The ACLM selected by the Company to use for each segment, results of these calculations as of December 31, 2018 and December 31, 2017, the methods for determination of the net amounts after reinsurance and limits used for major loss screening, interventions to development factors in ACLM calculations and effects of these interventions are explained in Note 17.

As disclosed in Note 2.14, the Company is no longer liable for payment of medical treatment expenses related with the coverages provided for "Compulsory Land Transportation Financial Liability", "MTPL" and ""Compulsory Road Passenger Personal Accident" segments in accordance with Circular No.2011/18, therefore compensation payments made for medical treatment expenses, outstanding claims covered by the Law and collected recovery, salvage amounts and other similar income amounts are removed from the ACLM development triangle prepared for determination of IBNR claim amounts as of December 31, 2018.

The Company allocated a total additional outstanding claims reserve amount of 1,709,450,670 TRY on December 31, 2018 (December 31, 2017: 1,701,879,548 TRY) for IBNR claims.

"Circular No.2015/28 on Amendment of Circular No.2014/16 on Outstanding Claims Reserve" dated July 27, 2015 stipulates that "In case the amount found as a result of IBNR calculation (a) exceeds the amount found for the previous quarter (b), IBNR calculation can be made by adding 2.5%, 5% and 10% of the difference amount (a-b) to (b) for 2015, starting from Q2 2015". "Circular No.2016/11 on Amendment of Circular No.2014/16 on Outstanding Claims Reserve" dated February 29, 2016 stipulates that "In case the amount found as a result of IBNR calculation (a) exceeds the amount found for the previous quarter (b), IBNR calculation can be made by adding 7.5%, 7.5% and 10% of the difference amount (a-b) to (b) for 2016, starting from Q1 2016; 12.5%, 12.5%, 15% and 155 for 2017; and 20%, 20%, 25%, 25% for 2018". The Company does not apply gradual transition for calculation of outstanding claims reserve amount.

2. Summary of Significant Accounting Policies (continued)

2.24 Technical Reserves (continued)

Outstanding Claims Reserve (continued)

Pursuant to "Circular No.2017/7 on Amendment of Circular No.2016/22 on Discounting of Cash Flows from Outstanding Claims Reserves" issued by the Treasury on September 15, 2017, the Company discounted the net cash flows to be generated by outstanding claims reserves calculated and allocated for General Liability and Motor Vehicles Liability segments according to Insurance Law and relevant Legislation, in accordance with the provisions and principles set forth in "Circular No.2016/22 on Discounting of Cash Flows from Outstanding Claims Reserves" issued by the Treasury on June 10, 2016. The Company reflected 556,970,656 TRY of discount to its financial statements drawn up on December 31, 2018 (December 31, 2017: 546,715,013 TRY).

Pursuant to "Circular No.2011/23 on Explanations regarding Calculation of Incurred but Not Reported (IBNR) Claims Reserve" dated December 26, 2011 ("Circular No.2011/23"), insurance companies can calculate a win rate per sub-segments over the amounts of the legal cases filed against the company based on the realizations within last five years (starting as of December 31, 2011 and by considering the finalization dates of such legal cases) and perform deductions from the outstanding claims reserve amount accrued for legal cases still in litigation process according to this win rate. The Company has no win rate calculated per sub-segments and no deduction amounts from the accrued outstanding claims reserve as of December 31, 2018 (December 31, 2017: None). Additionally, all legal case files in litigation process are considered without any deductions in all calculations made for assessment of the IBNR claims amount (Note 17).

Equalization Reserve

According to the Technical Provisions Regulation, insurance companies are required to provide equalization reserve in their financial statements for earthquake and credit coverage in order to balance the fluctuations in the claim ratios and to meet the catastrophic risks in the subsequent periods. Equalization provision is calculated as 12% of net premiums written in credit insurance and earthquake segments. In calculation of net premiums, fees paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms.

It is possible to deduct the outstanding claims reserve from equalization reserve or update the equalization reserve amount allocated for earthquake compensations based on evidence such as compensation payments made due to realized earthquakes or documents obtained from competent authorities during natural disaster conditions, provided that this deduction shall not be made from the equalization reserve allocated for the current year.

2. Summary of Significant Accounting Policies (continued)

2.24 Technical Reserves (continued)

Equalization Reserve (continued)

In this regard, the Company deducted 214,040 TRY claims amount as of December 31, 2018 from equalization reserve amount for claim files for which a compensation amount has been paid for earthquake losses realized or for which an outstanding claims reserve amount has been allocated previously (December 31, 2017: 834,312 TRY added to equalization reserve). The Company allocated 176,988,825 TRY of equalization reserve as of December 31, 2018 (December 31, 2017: 141,883,912 TRY) and recognized this amount in "Other Technical Reserves" account in the attached financial statements (Notes 17 & 47.1).

2.25 Share Based Payments

Share certificates are generally provided to employees as part of their salary packages in addition to the salary and other employee benefit amounts. An entity providing shares and share options to its employees is considered to pay an additional amount to gain additional benefits. Such company would measure the fair value of such working service received by taking the fair value of equity based financial instruments as reference, due to the difficulty in measurement of fair values of services received.

Regarding transaction measured with reference to the fair values of equity based financial instruments, fair values of equity based financial instruments are measured over their market values (if available) as of the measurement date, also by taking the terms, conditions and principles of such financial instruments into account.

The Company provides own shares to its employees, provided that the recipient employees' performance levels meet the performance criteria and conditions specified by the Company's ultimate main partner Axa SA. The Company allocates a provision amount in its Balance Sheet in return for these shares for cost reflections made by Axa SA under TFRS 2 "Share Based Payments", while Axa SA recognizes the changes in share prices in Shareholders' Equity account and the costs incurred for provision of shares to qualified employees in Income Statement (Note 23).

2.26 New and Revised Financial Reporting Standards

The accounting policies adopted in preparation of the 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 standards and TFRIC interpretations effective as of January 01, 2018. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) New Standards, Changes and Interpretations Effective as of January 1, 2018

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 5-stage model in TFRS 15 explains the requirements regarding booking and measurement of revenues. 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 "Circular No.2018/4 on Date of Transition to TFRS 15 of Insurance and Pension Companies" issued on October 23, 2018.

2. Summary of Significant Accounting Policies (continued)

2.26 New and Revised Financial Reporting Standards (continued)

i) New Standards, Changes and Interpretations Effective as of January 1, 2018 (continued)

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 risk' issue, whereby banks and other entities book gains in their income statements 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 provisions of TFRS 9 included in TFRS 4 until IFRS 17 becomes effective.

TFRS 4 Insurance Contracts (Amendments)

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

- a. give all companies that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 Financial Instruments is applied before the new insurance contracts Standard is issued; and
- b. give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 Financial Instruments until 2021. The entities that defer the application of TFRS 9 Financial Instruments will continue to apply the existing financial instruments Standard-TAS 39.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. 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.

2. Summary of Significant Accounting Policies (continued)**2.26 New and Revised Financial Reporting Standards (continued)****i) New Standards, Changes and Interpretations Effective as of January 1, 2018 (continued)****TFRIC 22 Foreign Currency Transactions and Advance Consideration (continued)**

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 recognizes 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 interpretation did not have a significant impact on the 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. The amendments aim at clarifying TFRS 2 on how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
- c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

2. Summary of Significant Accounting Policies (continued)

2.26 New and Revised Financial Reporting Standards (continued)

i) New Standards, Changes and Interpretations Effective as of January 1, 2018 (continued)

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

The amendments did not have a significant impact on the financial position or performance of the Company.

i) Standards Issued but Not yet Effective and Not Early Adopted

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

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. Lessee accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees are entitled for the exception of not applying this standard to short term leases (leases with a term equal or shorter than 12 months) or leases where underlying asset has lower values (e.g. personal computers, various office equipment etc.).

2. Summary of Significant Accounting Policies (continued)**2.26 New and Revised Financial Reporting Standards (continued)****ii) Standards Issued but Not yet Effective and Not Early Adopted (continued)****TFRS 16 Leases (continued)**

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 recognizes 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 recognize 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 recognizes 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 Affiliates and Joint Ventures (Amendments)

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

TFRS 9 Financial Instruments excludes interests in affiliates and joint ventures accounted for in accordance with TAS 28 Investments in Affiliates 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 affiliates 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 affiliates and joint ventures.

These amendments are applied for annual periods beginning on or after January 01, 2019. Early application is permitted.

The amendment is not applicable to and shall have no impact on the financial position or performance of the Company.

2. Summary of Significant Accounting Policies (continued)

2.26 New and Revised Financial Reporting Standards (continued)

ii) Standards Issued but Not yet Effective and Not Early Adopted (continued)

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Affiliate 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. However, 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.

Entities shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Early 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 by recording the cumulative effect as an adjustment to the previous year's loss (or another equity item, if applicable) initial balance.

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

Annual Improvements - 2015-2017 Period

In December 2019, POA issued Annual Improvements to TFRS Standards 2015-2017 Period, amending the following standards: .

- *TFRS 3 Business Combinations and TFRS 11 Joint Arrangements* - The amendments to TFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to TFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

2. Summary of Significant Accounting Policies (continued)

2.26 New and Revised Financial Reporting Standards (continued)

ii) Standards Issued but Not yet Effective and Not Early Adopted (continued)

Annual Improvements to TFRSs - 2015-2016 Period (continued)

- *TAS 12 Income Taxes* - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.
- *TAS 23 Borrowing Costs* - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

These amendments are applied for annual periods beginning on or after January 01, 2019. Early application is permitted.

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

In January 2019, POA published Amendments to TAS 19 "Plan Amendment, Curtailment or Settlement". The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. These amendments are applied for annual periods beginning on or after January 01, 2019. Early application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

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

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

These amendments are applied for annual periods beginning on or after January 01, 2019. Early application is permitted.

The Company does not expect any significant impact on Balance Sheet and Shareholders' Equity in general.

iii) New Standards, Amendments and Interpretations 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.

2. Summary of Significant Accounting Policies (continued)

2.26 New and Revised Financial Reporting Standards (continued)

iii) New Standards, Amendments and Interpretations Issued by the International Accounting Standards Board (IASB) but Not Issued by Public Oversight Authority (POA) (continued)

IFRS 17 - 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 recognized 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 (other comprehensive income).

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.

Definition of 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.

These amendments are applied for annual periods beginning on or after January 01, 2020. Early application is permitted. The amendment is not applicable to and shall have no 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.

2. Summary of Significant Accounting Policies (continued)**2.26 New and Revised Financial Reporting Standards (continued)****iii) New Standards, Amendments and Interpretations Issued by the International Accounting Standards Board (IASB) but Not Issued by Public Oversight Authority (POA) (continued)****Definition of Material (Amendments to IAS 1 and IAS 8) (continued)**

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. Early 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

Preparation of financial statements requires calculation of asset and liability amounts reported on Balance Sheet date, disclosure of contingent assets and liabilities and making judgments and using estimates and assumptions which might affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Accounting assessments, estimates and underlying assumptions are reviewed on an ongoing basis, considering past experiences and other relevant factors in addition to current condition and reasonable expectations for future events. Actual results may differ from these estimates although the estimates rely on the best knowledge of management regarding existing events and transactions.

One of the most important accounting estimates for the entity is the forecast of final net liabilities related with the expenses arising from effective insurance policies. Forecast of insurance liabilities include assessment of many contingencies by nature. Estimates and assumption regarding such liabilities are explained in Note 2.24.

Significant forecasts and evaluations are required for assessment of deferred tax assets in terms of potential future profits subject to taxation.

4. Insurance and Financial Risk Management***Management of Insurance Risk***

Risk regarding insurance contracts is related with the possibility of realization for the insured event and uncertainty of the potential loss and damage amounts resulting from such realization. By nature of insurance contracts, such risk is random and therefore it is not possible to make a precise estimate.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities.

4. Insurance and Financial Risk Management (continued)

Management of Insurance Risk (continued)

The Company determines its strategy when issuing policies according to the type of insurance risks taken and the claims occurred.

The Company manages the risks mentioned above by its strategy formed for policy issuance and the reinsurance agreements to which the Company is a party in all branches.

The concentration of insurance risk (maximum insured loss) under each branch is summarized below:

	December 31, 2018	December 31, 2017
Motor Third Party Liability	2,929,410,724,371	2,571,257,075,321
Fire and Natural Disasters	412,299,609,477	358,436,238,599
General Damage	227,344,558,518	181,663,020,425
Freight/Transportation	132,593,513,307	96,177,202,571
General Liability	59,434,851,508	54,674,113,757
Motor	57,927,473,477	50,519,923,302
Accident	24,034,947,702	21,770,020,415
Financial Losses	13,928,858,323	9,926,561,241
Legal Protection,	6,334,214,416	6,734,964,914
Watercraft	3,484,319,043	2,825,646,665
Aircraft	774,534,600	27,216,000
Travel Health (Personal Accident)	188,803,021	180,040,190
Aircraft Liability	2,248,888	2,184,316
Total (*)	3,867,758,656,651	3,354,194,207,716

(*) The Company bears no coverage risk for DASK, Tarsim and SSI, therefore such coverage amounts are not included in the table.

Management of Financial Risk

The Company is exposed to financial risk through its financial assets, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of the financial risk are market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), liquidity risk and credit risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential negative effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge certain risk exposures. Risk management is performed by Company management under policies approved by the Board of Directors.

(a) Credit Risk

Credit risk is most simply defined as the potential that a bank borrower or counter party will partially or totally fail to meet its obligations on time and in accordance with agreed terms and the resulting situations the Company shall have to face with.

4. Insurance and Financial Risk Management (continued)

Management of Financial Risk (continued)

(a) Credit Risk (continued)

The Company limits the credit risk of its financial assets classified as Loans and Receivables and the receivable amounts from insurance operations (including receivables from reinsurers) with the guarantees received and the procedures applied for selection of counter parties. Other information about these receivables is explained in Note 12.

The Company's financial assets, except for Loans and Receivables, which are subject to credit risk generally consist of domestic government bonds, time and demand deposits kept in banks and other financial institutions established in Turkey, commercial bills and corporate bonds and such receivables are not deemed to have high credit risk.

Credit risk exposures per type of financial instruments as of December 31, 2018 and December 31, 2017 are provided below. Banks and bank guaranteed short term (<3 months) credit card receivables are also included in credit risk.

December 31, 2018	Loans and Receivables				Available for Sale Investments (*)	Cash and Cash Equivalents
	Due from Insurance Operations		Other Receivables			
	Relevant	Other	Relevant	Other		
Maximum Credit Risk Exposure as at Reporting Date (A+B+C)	21,175,022	797,580,176	238,478	14,942,490	4,214,719,004	1,165,030,458
- Portion of Maximum Risk Secured with Guarantees, Provisions, etc. .	-	86,123,775	-	-	-	-
A. Net Book Value of Financial Assets Undue or Not Impaired	21,175,022	673,045,618	238,478	14,942,490	4,214,719,004	1,165,030,458
B. Net Book Value of Financial Assets Overdue but Not Impaired	-	58,160,554	-	-	-	-
C. Net Book Value of Impaired Assets	-	66,374,004	-	-	-	-
Gross Book Value	-	748,672,560	-	-	2,092,967	-
Impairment	-	(682,298,556)	-	-	(2,092,967)	-
Portion of Net Value Secured with Guarantees, Provisions, etc.	-	66,374,004	-	-	-	-

(*) Investment Securities included.

4. Insurance and Financial Risk Management (continued)**Management of Financial Risk (continued)****(a) Credit Risk (continued)**

December 31, 2017	Loans and Receivables				Available for Sale Investments (*)	Cash and Cash Equivalents
	Due from Insurance Operations		Other Receivables			
	Relevant	Other	Relevant	Other		
Maximum Credit Risk Exposure as at Reporting Date (A+B+C)	8,218,285	593,312,163	488,101	22,276,762	3,849,133,206	1,077,899,124
- Portion of Maximum Risk Secured with Guarantees, Provisions, etc. .	-	76,672,415	-	-	-	-
A. Net Book Value of Financial Assets Undue or Not Impaired	8,218,285	518,729,982	488,101	22,276,762	3,849,133,206	1,077,899,124
B. Net Book Value of Financial Assets Overdue but Not Impaired	-	16,612,126	-	-	-	-
C. Net Book Value of Impaired Assets	-	57,970,055	-	-	-	-
Gross Book Value	-	649,247,725	-	-	2,099,195	-
Impairment	-	(591,277,670)	-	-	(2,099,195)	-
Portion of Net Value Secured with Guarantees, Provisions, etc.	-	57,970,055	-	-	-	-

(*) Investment Securities included.

(b) 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.

Interest Rate Risk

Changes in interest rates resulting in fluctuations in financial instrument prices require the Company to deal with the emerging interest rate risk. The Company's sensitivity to interest rate risk is related with the inconsistencies between the due dates of asset and liability accounts. This risk is managed by matching the assets affected by interest rate changes with the same type of liabilities.

The Company's interest bearing assets include financial instruments with both fixed and variable interest rates.

	December 31, 2018	December 31, 2017
Financial Instruments w/ Fixed Interest Rate Financial Assets (Available for Sale)	1,935,508,537	1,889,033,376
Financial Instruments w/ Variable Interest Rate Financial Assets (Available for Sale)	2,052,469,773	1,714,069,882

4. Insurance and Financial Risk Management (continued)**Management of Financial Risk (continued)****(b) Market Risk (continued)****Sensitivity to Interest Rate**

The Company's sensitivity to interest rates arises from government bond with fixed interest rate classified under available for sales assets and valued at fair value. The increase and decrease effect in fair values of government bonds classified as available for sale assets and therefore in valuation of financial assets account kept among the Company's equity items as a result of the changes in interest rates is explained below. Other variables, particularly the foreign exchange rates are assumed to be constant during this analysis.

	December 31, 2018	December 31, 2017
	Impact on Equity	Impact on Equity
1% Increase in Interest Rates	(126,958,370)	(136,155,066)
1% Decrease in Interest Rates	145,855,348	155,559,661

Exchange Rate Risk

The Company is exposed to foreign exchange rate risk due to transactions, payables and receivables in foreign currencies. These risks are monitored and limited through analysis of foreign exchange rates. Foreign exchange position of the Company as at Balance Sheet date is provided below.

Foreign Exchange Position Table December 31, 2018	Total TRY Equivalent	US Dollar (TRY Equivalent)	Euro (TRY Equivalent)	GBP (TRY Equivalent)	Other
Due from Insurance Operations	189,348,610	108,035,475	81,306,514	-	6,621
Cash and Cash Equivalents	367,987,505	290,478,384	77,460,855	46,015	2,251
Available for Sale Investments	955,291,762	771,174,887	184,116,875	-	-
Total Assets	1,512,627,877	1,169,688,746	342,884,244	46,015	8,872
Outstanding Claims Reserve	265,728,616	194,704,531	70,795,255	228,830	
Due to Reinsurance Firms	64,453,423	19,225,054	45,075,142	118,899	34,328
Other Payables	4,054,088	2,884,373	1,169,715	-	-
Total Liabilities	334,236,127	216,813,958	117,040,112	347,729	34,328
Net Foreign Currency Asset/(Liability) Position	1,178,391,750	952,874,788	225,844,132	(301,714)	(25,456)

(*) Equity effect includes P/L effect.

4. Insurance and Financial Risk Management (continued)

Management of Financial Risk (continued)

(b) Market Risk (continued)

Foreign Exchange Position

Table December 31, 2017

	Total TRY Equivalent	US Dollar (TRY Equivalent)	Euro (TRY Equivalent)	GBP (TRY Equivalent)	Other
Due from Insurance Operations	172,399,745	59,901,303	112,417,436	47,663	33,343
Cash and Cash Equivalents	94,657,077	28,273,444	66,367,247	14,321	2,065
Available for Sale Investments	427,382,745	332,163,543	95,219,202	-	-
Total Assets	694,439,567	420,338,290	274,003,885	61,984	35,408
Outstanding Claims Reserve	147,571,207	119,001,944	28,448,707	120,556	
Due to Reinsurance Firms	12,914,049	8,669,818	4,021,251	201,861	21,119
Other Payables	2,610,456	1,889,556	720,900	-	-
Total Liabilities	163,095,712	129,561,318	33,190,858	322,417	21,119
Net Foreign Currency Asset/(Liability) Position	531,343,855	290,776,972	240,813,027	(260,433)	14,289

Foreign Exchange Rate Sensitivity

The table below shows the increases and decreases in equity and income statement items (excluding tax effect) within periods ended on December 31, 2018 and 2017 due to valuation or devaluation of TRY by 10 percent against following foreign currencies. This analysis is prepared with assumption that all other variables stay constant.

FX Rate Sensitivity Analysis Table - December 31, 2018

	Profit/Loss		Shareholders' Equity (*)	
	Increase in Foreign Currency Value	Decrease in Foreign Currency Value	Increase in Foreign Currency Value	Decrease in Foreign Currency Value
In case of 10% change in USD against TRY:				
1- Net Asset / Liabilities in USD	95,287,479	(95,287,479)	95,287,479	(95,287,479)
1- Portion Protected from USD Risk	-	-	-	-
3- USD Net Effect	95,287,479	(95,287,479)	95,287,479	(95,287,479)
In case of 10% change in EUR against TRY:				
1- Net Asset / Liabilities in EUR	22,584,413	(22,584,413)	22,584,413	(22,584,413)
1- Portion Protected from EUR Risk	-	-	-	-
3- EUR Net Effect	22,584,413	(22,584,413)	22,584,413	(22,584,413)
In case of 10% change in GBP against TRY:				
1- Net Asset / Liabilities in GBP	(30,171)	30,171	(30,171)	30,171
1- Portion Protected from GBP Risk	-	-	-	-
3- GBP Net Effect	(30,171)	30,171	(30,171)	30,171
In case of 10% change in other foreign currencies against TRY:				
1- Net Asset / Liabilities in Other Currencies	(2,546)	2,546	(2,546)	2,546
1- Portion Protected from Other Currency Risk	-	-	-	-
3- Other Currencies Net Effect	(2,546)	2,546	(2,546)	2,546
Total Foreign Currency Net Effect	117,839,175	(117,839,175)	117,839,175	(117,839,175)

(*) Equity effect includes P/L effect.

4. Insurance and Financial Risk Management (continued)**Management of Financial Risk (continued)****(b) Market Risk (continued)**

Foreign Exchange Rate Sensitivity (continued)

FX Rate Sensitivity Analysis Table - December 31, 2017

	Profit/Loss		Shareholders' Equity (*)	
	Increase in Foreign Currency Value	Decrease in Foreign Currency Value	Increase in Foreign Currency Value	Decrease in Foreign Currency Value
In case of 10% change in USD against TRY:				
1- Net Asset / Liabilities in USD	29,077,697	(29,077,697)	29,077,697	(29,077,697)
1- Portion Protected from USD Risk	-	-	-	-
3- USD Net Effect	29,077,697	(29,077,697)	29,077,697	(29,077,697)
In case of 10% change in EUR against TRY:				
1- Net Asset / Liabilities in EUR	24,081,303	(24,081,303)	24,081,303	(24,081,303)
1- Portion Protected from EUR Risk	-	-	-	-
3- EUR Net Effect	24,081,303	(24,081,303)	24,081,303	(24,081,303)
In case of 10% change in GBP against TRY:				
1- Net Asset / Liabilities in GBP	(26,043)	26,043	(26,043)	26,043
1- Portion Protected from GBP Risk	-	-	-	-
3- GBP Net Effect	(26,043)	26,043	(26,043)	26,043
In case of 10% change in other foreign currencies against TRY:				
1- Net Asset / Liabilities in Other Currencies	1,429	(1,429)	1,429	(1,429)
1- Portion Protected from Other Currency Risk	-	-	-	-
3- Other Currencies Net Effect	1,429	(1,429)	1,429	(1,429)
Total Foreign Currency Net Effect	53,134,386	(53,134,386)	53,134,386	(53,134,386)

(*) Equity effect includes P/L effect.

4. Insurance and Financial Risk Management (continued)**Management of Financial Risk (continued)****Price Risk****Share Price Risk**

Stock share price risk means the risk of decrease in market prices of shares due to a change in share index levels and in relevant share's value. The Company is exposed to share price risk as of December 31, 2018 and December 31, 2017 arising from investments in listed shares traded in stock market.

	December 31, 2018	December 31, 2017
	Impact on Equity	Impact on Equity
1% Increase in Share Prices	277,299	412,109
1% Decrease in Share Prices	(277,299)	(412,109)

(c) Liquidity Risk

The Company uses its available cash resources to pay claims arising from insurance contracts. Liquidity risk is the risk of cash unavailability to pay obligations on due dates at a reasonable cost. Management sets limits on the minimum portion of funds available to meet such claims.

The table below analyses distribution of the Company's financial and insurance liabilities into relevant maturity groups based on the expected remaining period at the balance sheet or contractual maturity date. Amounts in the table are undiscounted cash flows.

Cash Flow from Insurance Contracts

December 31, 2018	< 3 Months	3 Months - 1 Year	1 - 5 Years	> 5 Years	Total
Due to Insurers and Reinsurers (Notes 10 & 19)	116,245,539	36,019,950	-	-	152,265,489
Due to Related Parties (Note 45)	2,568	-	-	-	2,568
Payables to SSI regarding Medical Expenses	23,272,555	-	-	-	23,272,555
Payables to DASK	12,354,125	-	-	-	12,354,125
Other Payables	69,658,413	-	-	-	69,658,413
Other Current Liabilities	953,497	-	-	-	953,497
Total	222,486,697	36,019,950	-	-	258,506,647

Expected Cash Flows

December 31, 2018	< 3 Months	3 Months - 1 Year	1 - 5 Years	> 5 Years	Total
Unearned Premiums Reserve - Net	78,652,662	1,398,664,358	-	-	1,477,317,020
Outstanding Claims Reserve - Net (*)	105,297,071	1,124,254,505	2,226,481,825	-	3,456,033,401
Other Technical Reserves (Equalization Reserve) - Net	-	-	-	176,988,825	176,988,825
Unexpired Risks Reserve - Net	621,726	11,056,034	-	-	11,677,760
Mathematical Reserves - Net	-	-	-	2,428	2,428
Other Technical Reserves - Net	-	43,134,775	-	-	43,134,775
Total	184,571,459	2,577,109,672	2,226,481,825	176,991,253	5,165,154,209

(*) Outstanding claims reserve are subject to due date distribution in consideration of estimated payment dates. Entire Outstanding claims reserve amounts are shown in current liabilities section of the enclosed financial statements.

4. Insurance and Financial Risk Management (continued)**Management of Financial Risk (continued)****(c) Liquidity Risk (continued)**

December 31, 2017	< 3 Months	3 Months - 1 Year	1 - 5 Years	> 5 Years	Total
Due to Insurers and Reinsurers (Notes 10 & 19)	68,648,843	5,267,865			73,916,708
Due to Related Parties (Note 45)	2,568	-	-	-	2,568
Payables to SSI for Medical Expenses	17,166,017	-	-	-	17,166,017
Payables to DASK	11,489,393	-	-	-	11,489,393
Other Payables	69,842,715	-	-	-	69,842,715
Other Current Liabilities	367,799	-	-	-	367,799
Total	167,517,335	5,267,865	-	-	172,785,200

Expected Cash Flows

December 31, 2017	< 3 Months	3 Months - 1 Year	1 - 5 Years	> 5 Years	Total
Unearned Premiums Reserve - Net	1,764,759	1,287,559,687			1,289,324,446
Outstanding Claims Reserve - Net	281,441,889	1,307,097,152	1,594,562,085		3,183,101,126
Other Technical Reserves (Equalization Reserve) - Net	-	-	-	141,883,912	141,883,912
Unexpired Risks Reserve - Net	28,070	20,479,759	-	-	20,507,829
Mathematical Reserves - Net	-	-	-	4,212	4,212
Other Technical Reserves - Net	-	53,906,605	-	-	53,906,605
Total	283,234,718	2,669,043,203	1,594,562,085	141,888,124	4,688,728,130

(*) Outstanding claims reserve is subject to due date distribution in consideration of estimated payment dates. Entire Outstanding claims reserve amounts are shown in current liabilities section of the enclosed financial statements.

The Company foresees to fulfill the liabilities explained above by its financial assets and cash or cash equivalents included in the assets.

Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, analysis of market information needs interpretation and judgment.

The following methods and assumptions were used to estimate the fair value of the financial instruments if such value can be determined.

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 liabilities that are not based on observable market data (unobservable inputs).

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

4. Insurance and Financial Risk Management (continued)**Management of Financial Risk (continued)****Fair Value of Financial Instruments (continued)**

In this regard, fair value classification of financial assets and liabilities measured at fair value is as follows:

	December 31, 2018			Total
	Level 1	Level 2	Level 3	
Financial Assets:				
Available for Sale Investments	4,185,927,261	-	-	4,185,927,261
Investment Securities (*)	27,787,432	-	-	27,787,432
Total Financial Assets	4,213,714,693	-	-	4,213,714,693

	December 31, 2017			Total
	Level 1	Level 2	Level 3	
Financial Assets:				
Available for Sale Investments	3,811,805,680	-	-	3,811,805,680
Investment Securities (*)	36,407,036	-	-	36,407,036
Total Financial Assets	3,848,212,716	-	-	3,848,212,716

(*) Tarsim and Milli Reasürans T.A.Ş. shares in Investment Securities account are recorded with cost values, therefore these shares are not included in the above table (Note 45.2).

Cash and cash equivalents are considered to approximate their carrying values since their fair values are short term. Carrying value of Receivables from Operations is estimated to reflect fair values after deduction of relevant doubtful receivable provision amount.

Costs and values net of impairment (if any) of Unlisted Available for Sale Investments are considered as fair values. Carrying values of Payables from Operations and Other Financial Payables are considered to approximate their fair values.

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.

Total Required Shareholders' Equity

	December 31, 2018	December 31, 2017
Required Shareholders' Equity	1,088,190,211	943,156,168
Existing Shareholders' Equity	1,258,698,282	1,150,100,216
	170,508,071	206,944,048

Based on the regulation on evaluation and assessment of capital adequacy, the minimum required shareholders' equity amount is calculated as 1,088,190,211 TRY as of December 31, 2018 (December 31, 2017: 943,156,168 TRY). Company capital calculated on December 31, 2018 in accordance with the Regulation on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Private Pension Companies issued by Turkish Treasury on August 23, 2015 is 170, 508, 071 TRY in excess of the minimum required Shareholders' Equity amount (December 31, 2017: 206,944,048 TRY in excess).

5. Segment Information

2.3 Disclosed in Note 2.3.

6. Tangible Assets**6.1 Total depreciation and depletion expenses for the period:** 13,721,042 TRY

(January 1 - December 31, 2017: 24,410,349 TRY)

6.1.1 Depreciation expenses: 6, 936,427 TRY (January 1 - December 31, 2017: 8,175,176 TRY)

6.1.2 Depletion expenses: 6, 784,615 TRY (January 1 - December 31, 2017: 16,235,173 TRY)

6.2 Calculation Methods for Depreciation and Increases (+) or Decreases (-) in Depreciation Expenses through Changes in These Methods: None.

(January 1 - December 31, 2017: None)

6.3 Tangible Asset Movements in Current Period:

6.3.1 Cost of purchased, produced or constructed tangible assets (including Investment Property): 3,423,170 TRY (January 1 - December 31, 2017: 8,413,719 TRY)

6.3.2 Cost of sold or scrapped tangible assets (including Investment Property): 5,120,713 TRY (January 1 - December 31, 2017: 1,412,565 TRY)

6.3.3 Revaluation increases in current period:

6.3.3.1 In asset costs (+): None (January 1 - December 31, 2017: None)

6.3.3.2 In Accumulated Depreciation (-): None (January 1 - December 31, 2017: None)

6.3.4 Nature, amount, beginning and ending dates of construction-in-progress: 44,060 TRY (January 1 - December 31, 2017: 44,060 TRY)

Tangible Asset Movements Table:

	January 01, 2018	Additions	Disposals	December 31, 2018
Cost:				
Property for Operational Usage	43,965,639	1,461,160	-	45,426,799
Furniture and Fixtures	48,686,150	1,791,714	(1,286,007)	49,191,857
Leasehold improvements (*)	4,625,651	170,296	(3,631,505)	1,164,442
Advances Given for Tangible Assets	44,060	-	-	44,060
Total Cost	97,321,500	3,423,170	(4,917,512)	95,827,158
Accumulated Depreciation:				
Property for Operational Usage	(9,228,181)	(1,078,303)	-	(10,306,484)
Furniture and Fixtures	(36,158,747)	(5,752,937)	1,233,950	(40,677,734)
Leasehold improvements (*)	(4,335,419)	(105,187)	2,768,318	(1,672,288)
Total Accumulated Depreciation	(49,722,347)	(6,936,427)	4,002,268	(52,656,506)
Net Book Value	47,599,153			43,170,652

(*) Included in Other Tangible Assets account in Balance Sheet.

6. Tangible Assets (continued)**6.3 Tangible Asset Movements in Current Period (continued)**

	January 01, 2017	Additions	Disposals	December 31, 2017
Cost:				
Property for Operational Usage	43,923,062	42,577	-	43,965,639
Furniture and Fixtures	41,667,761	8,186,692	(1,168,303)	48,686,150
Leasehold improvements (*)	4,458,530	184,450	(17,329)	4,625,651
Advances Given for Tangible Assets	44,060	-	-	44,060
Total Cost	90,093,413	8,413,719	(1,185,632)	97,321,500
Accumulated Depreciation:				
Property for Operational Usage	(8,155,819)	(1,072,362)	-	(9,228,181)
Furniture and Fixtures	(30,868,914)	(6,288,323)	998,490	(36,158,747)
Leasehold improvements (*)	(3,538,257)	(814,491)	17,329	(4,335,419)
Total Accumulated Depreciation	(42,562,990)	(8,175,176)	1,015,819	(49,722,347)
Net Book Value	47,530,423			47,599,153

(*) Included in Other Tangible Assets account in Balance Sheet.

The Company has no allocated provisions for impairment of Properties for Operational Usage as of December 31, 2018 (December 31, 2017: None).

There are no mortgages on Properties for Operational Usage (December 31, 2017: None).

7. Investment Properties

	January 1, 2018	Fair Value Assessment Difference	Additions	Disposals	December 31, 2018
Land and Buildings	37,727,791	67,850	1,000,000	(203,201)	38,592,440
Total	37,727,791	67,850	1,000,000	(203,201)	38,592,440

	January 1 2017	Fair Value Assessment Difference	Additions	Disposals	December 31, 2017
Land and Buildings	38,307,717	-	-	(579,926)	37,727,791
Total	38,307,717	-	-	(579,926)	37,727,791

The fair values of the Company's investment properties are determined according to the expertise reports prepared by licensed real estate valuation companies. Increases and decreases in property values arising from assessment of investment properties are recognized in Income Statement. Fair value level of investment properties is Level 3.

7. Investment Properties (continued)

Accumulated value increase on Company's Investment Properties as of December 31, 2018 is 33,211,263 TRY (December 31, 2017: 33,143,413 TRY).

According to the assessment report prepared on 15 November - 19 November 2018 by a real estate assessment company licensed by Turkish Capital Markets Board (CMB), fair values of land and buildings are assessed and the Company has a total Investment Properties amount of 38,592,440 TRY after 203.201 TRY disposal, 67,850 TRY assessment difference and 1,000,000 TRY addition within the current period are taken into account. The Company obtained 2,444,520 TRY rent income from Investment Properties within the current period (January 1 - December 31, 2017: 2,445,281TRY).

There is no mortgage or pledge on Investment Properties (December 31, 2017: None).

8. Intangible Assets

	January 1 , 2018	Additions	Disposals	December 31 2018
Cost:				
Exclusive Bankassurance Agreement (*)	70,129,714	15,018,337		85,148,051
Rights	35,754,071	13,868,815	(225,600)	49,397,286
Value of Received Portfolio (**)	2,801,468	-	-	2,801,468
Total Cost	108,685,253	28,887,152	(225,600)	137,346,805

Accumulated Amortization:

Exclusive Bankassurance Agreement (*)	(37,631,346)	(18,769,436)		(56,400,782)
Rights	(28,638,903)	(3,033,516)	225,600	(31,446,819)
Value of Received Portfolio (**)	(2,801,468)	-	-	(2,801,468)
Total Accumulated Amortization	(69,071,717)	(21,802,952)	225,600	(90,649,069)
Net Book Value	39,613,536			46,697,736

	January 1, 2017	Additions	Disposals	December 31, 2017
Cost:				
Exclusive Bankassurance Agreement (*)	66,373,342	3,756,372		70,129,714
Rights	33,167,694	2,825,820	(239,443)	35,754,071
Value of Received Portfolio (**)	2,801,468	-	-	2,801,468
Total Cost	102,342,504	6,582,192	(239,443)	108,685,253

Accumulated Amortization:

Exclusive Bankassurance Agreement (*)	(30,124,694)	(7,506,652)		(37,631,346)
Rights	(16,393,451)	(12,484,893)	239,441	(28,638,903)
Value of Received Portfolio (**)	(2,801,468)	-	-	(2,801,468)
Total Accumulated Amortization	(49,319,613)	(19,991,545)	239,441	(69,071,717)
Net Book Value	53,022,891			39,613,536

(*) The Company appointed Denizbank A.Ş. ("Denizbank") as its exclusive agent in accordance with the "Agency Agreement for Non-Life Insurance Business" executed with Denizbank and its subsidiary Deniz Finansal Kiralama A.Ş. on July 7, 2011. 56,251,383 TRY is paid on September 23, 2011 for this agreement including taxes and this amount is classified in "Rights" account under "Intangible Assets". The Company has amortized the distribution channel rights exclusively purchased through this agreement during the agreement validity period of 15 years starting from September 26, 2011, by using standard amortization method. Pursuant to the agreement, commission amounts are included both in purchasing cost and in accumulated amortization and recognized under Commission Expenses in the Income Statement.

(**) Classified under Other Intangible Assets item in Balance Sheet (Note 47.6).

9. Investments in Affiliates

The Company has no affiliates as of December 31, 2018 (December 31, 2017: None).

10. Reinsurance Assets / (Liabilities)

	December 31, 2018	December 31, 2017
Reinsurer's Share in Outstanding Claims Reserve (Note 17)	324,787,867	190,394,604
Reinsurer's Share in Unearned Premiums Reserve (Note 17)	295,217,499	197,720,741
Cash Deposited with Insurance and Reinsurance Companies (Note 12.1)	72,243,056	57,608,673
Due from Insurers and Reinsurers (Note 12.1)	66,924,165	48,468,952
Reinsurer's Share in Unexpired Risks Reserve (Note 17)	4,246,500	4,481,203
Deferred Reinsurance Commissions Income (Note 19)	(60,094,632)	(37,775,625)
Due to Insurers and Reinsurers (Note 19)	(152,265,489)	(73,916,708)
	January 1 - December 31, 2018	January 1 - December 31, 2017
Reinsurer's Share in Paid Claims	135,416,927	109,227,634
Earned Reinsurance Commissions Income (Note 32)	92,492,232	64,959,365
Reinsurer's Share in Change in Unearned Premiums Reserve	99,539,192	39,208,669
Reinsurer's Share in Change in Outstanding Claims Reserve	134,393,262	(55,452,704)
SSI Share in Change in Unearned Premiums Reserve	(2,042,434)	(35,113,966)
Reinsurer's Share in Change in Unexpired Risks Reserve (Note 17)	(234,703)	4,353,962
Premiums Ceded to SSI (Notes 2.14 & 24)	(80,834,235)	(67,014,429)
Ceded Premiums (Note 24)	(646,702,494)	(459,516,215)

Detailed information about reinsurance treaties is provided in Note 2.14.

11. Financial Assets

11.1 Sub-classification of Presented Items According to Company Operations

	December 31, 2018		
Financial Assets	Earmarked	Free	Total
Available for Sale Investments (*)			
Government Bonds	259,190,695	2,876,414,566	3,135,605,261
Eurobond	99,155,880	376,203,084	475,358,964
Shares (**)	-	27,729,946	27,729,946
Commercial Bills	-	23,988,000	23,988,000
Private Sector Bonds	-	353,026,085	353,026,085
Investment Fund Participation Certificates	-	170,219,005	170,219,005
Total	358,346,575	3,827,580,686	4,185,927,261

11. Financial Assets (continued)**11.1 Sub-classification of Presented Items According to Company Operations (continued):**

Financial Assets	December 31, 2017		
	Earmarked	Free	Total
Available for Sale Investments (*)			
Government Bonds	237,231,445	2,686,176,273	2,923,407,718
Eurobond	89,393,653	249,066,155	338,459,808
Shares (**)	-	41,210,918	41,210,918
Commercial Bills	-	7,489,620	7,489,620
Private Sector Bonds	-	333,746,112	333,746,112
Investment Fund Participation Certificates	-	167,491,504	167,491,504
Total	326,625,098	3,485,180,582	3,811,805,680

(*) Interest rates of following items included in Available for Sale Investments vary between following ranges: Government Bonds 9.41%- 22.05% (December 31, 2017: 9.39% - 12.22%), Eurobond 3.29% - 6.39 (December 31 2017: 3.29% - 6.39%), Private Sector Bonds in TRY 4.75% - 32.17% (December 31, 2017: 4.75% - 17.67%), Private Sector Bonds in USD 4.64% - 6.40% (December 31, 2017: 4.64% - 6.40%). Interest rate of Private Sector Bonds in EUR is 2.01% (December 31, 2017: 2.01%).

(**) All shares included in Available for Sale Investments portfolio are traded in Istanbul stock exchange (Borsa İstanbul).

	December 31, 2018	December 31, 2017
Loans and Receivables		
Loans and Receivables (Note 12)	818,755,198	601,530,448
Total	818,755,198	601,530,448

11.2 Securities Issued within the Year Except Shares: None.

(December 31, 2017: None).

11.3 Debt Securities Settled during the Year: None.

(December 31, 2017: None).

11.4 Market value of marketable securities and financial assets carried at cost and carrying values and cost and carrying values of marketable securities and financial assets shown at market value in the Balance Sheet:

Financial Assets	December 31, 2018		December 31, 2017	
	Cost Value	Book Value (Fair Value)	Cost Value	Book Value (Fair Value)
Government Bonds	2,712,830,858	3,135,605,261	2,595,659,645	2,923,407,718
Eurobond	521,253,510	475,358,964	332,219,161	338,459,808
Shares	25,846,073	27,729,946	29,004,059	41,210,918
Commercial Bills	22,394,300	23,988,000	7,483,560	7,489,620
Private Sector Bonds	348,269,818	353,026,085	326,534,909	333,746,112
Investment Fund	167,759,148	170,219,005	166,637,275	167,491,504
Total	3,798,353,707	4,185,927,261	3,457,538,609	3,811,805,680

11. Financial Assets (continued)

11.5 Amounts of marketable securities issued by the Company's shareholders, affiliates and subsidiaries and entities issuing the foregoing: None (December 31, 2017: None).

11.6 Revaluation of financial assets in the last three years: Disclosed in Note 15.

11.7 -11.9 Other information regarding Financial Assets:

Interest, FX rate difference and sales revenues from Available for Sale Investments within the current year is 1,187,830,365 TRY (January 1 - December 31, 2017: 577,132,954 TRY) and FX rate difference and sales expenses is 337,922,224 TRY (January 1 - December 31, 2017: 137,689,994 TR) and net revenue amount is 849,908,141 TRY (January 1 - December 31, 2017: 439,442,960 TRY). The relevant amounts are recognized under Investment Income and Investment Expense items in Income Statement. Unrealized fair value decrease is 379,302,350 TRY (January 1- December 31, 2017: 47,063,305 TRY) before deferred tax and this amount is included in the respective item under Shareholders' Equity (Note 15).

Maturity analysis of Financial Assets is as follows:

December 31, 2018							
	No Maturity	0-3 Months	3-6 Months	6 Months-1 Year	1-3 Years	> 3 Years	Total
Government Bonds	-	132,087,016	-	-	737,375,845	2,266,142,400	3,135,605,261
Eurobond	-	-	28,790,094	62,488,192	-	384,080,678	475,358,964
Shares	27,729,946	-	-	-	-	-	27,729,946
Commercial Bills	-	23,988,000	-	-	-	-	23,988,000
Private Sector Bonds	-	49,019,617	22,871,101	30,518,185	180,207,383	70,409,799	353,026,085
Investment Fund	170,219,005	-	-	-	-	-	170,219,005
Total	197,948,951	205,094,633	51,661,195	93,006,377	917,583,228	2,720,632,877	4,185,927,261

December 31, 2017							
	No Maturity	0-3 Months	3-6 Months	6 Months-1 Year	1-3 Years	> 3 Years	Total
Government Bonds	-	10,157,215	-	10,165,599	436,782,999	2,466,301,905	2,923,407,718
Eurobond	-	-	-	-	-	338,459,808	338,459,808
Shares	41,210,918	-	-	-	-	-	41,210,918
Commercial Bills	-	2,825,070	4,664,550	-	-	-	7,489,620
Private Sector Bonds	-	4,560,892	33,291,982	36,980,994	162,992,806	95,919,438	333,746,112
Investment Fund	167,491,504	-	-	-	-	-	167,491,504
Total	208,702,422	17,543,177	37,956,532	47,146,593	599,775,805	2,900,681,151	3,811,805,680

11. Financial Assets (continued)**11.7 11.9 Other information regarding Financial Assets (continued):**

Distribution of Financial Assets denominated in foreign currencies is as follows:

Financial Assets (excluding Loans and Receivables)

December 31, 2018			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	146,586,114	5.2609	771,174,887
EUR	30,543,609	6.0280	184,116,875
Total			955,291,762

December 31, 2017			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	88,062,659	3.7719	332,163,543
EUR	21,087,189	4.5155	95,219,202
Total			427,382,745

The Company allocated Provision for Impairment of Financial Assets for all private sector bonds followed up in market value of 2,092,967 TRY under Available for Sale Investments account as of December 31, 2018 (December 31, 2017: 2,099,195 TRY).

12. Loans and Receivables**12.1 Classification receivables as "receivables from main customers", "receivables from related parties", "receivables for advance payments" (short-term and long-term prepayments) and "other receivables":**

	December 31, 2018	December 31, 2017
Receivables from Intermediaries	428,860,683	298,840,145
Bank Guaranteed Credit Card Receivables (>3 Months)	176,204,374	134,903,185
Recovery and Salvage Receivables	207,556,850	180,348,349
Due from Policyholders	10,636,894	7,193,416
Due from Insurers and Reinsurers (Note 10)	66,924,165	48,468,952
Other Receivables	4,504,891	4,504,891
Due from Insurance Operations	894,687,857	674,258,938
Doubtful Receivables from Main Operations	534,122,841	460,940,507
Cash Deposited with Insurance and Reinsurance Companies	72,243,056	57,608,673
Receivables from Operations	1,501,053,754	1,192,808,118
Provision for Net Doubtful Recovery Receivables under Administrative and Legal Proceeding (*)	(530,359,214)	(457,107,295)
Provision for Recovery and Salvage Receivables (**)	(141,182,846)	(122,378,294)
Provision for Doubtful Receivables from Policyholders and Intermediaries (*)	(3,763,627)	(3,833,212)
Provision for Due from Insurance Operations (**)	(2,487,978)	(3,453,978)
Provision for Other Receivables (**)	(4,504,891)	(4,504,891)
Doubtful Receivable Amounts for Due and Undue Receivables	(682,298,556)	(591,277,670)
Receivables from Operations - Net	818,755,198	601,530,448

(*) Shown under Provision for Doubtful Receivables from Main Operations in Balance Sheet.

(**) Shown under Due from Insurance Operations in Balance Sheet.

12. Loans and Receivables (continued)

Detail of Recovery and Salvage Receivables is as follows:

	December 31, 2018	December 31, 2017
Recovery Receivables under Administrative and Legal Proceeding - Gross	565,498,148	486,598,847
Recovery and Salvage Receivables - Gross	215,142,628	185,725,546
Total Recovery and Salvage Receivables - Gross	780,640,776	672,324,393
Recovery and Salvage Receivables - Reinsurer's Share	(42,724,712)	(34,868,749)
Recovery and Salvage Receivables - Net	737,916,064	637,455,644
Provision for Net Recovery Receivables under Administrative and Legal Proceeding	(671,542,060)	(579,485,589)
Total	66,374,004	57,970,055

12.2 Debit-Credit Relation of the Company with Shareholders, Affiliates and Subsidiaries:

Balances and transactions with the related parties are disclosed in Note 45.

12.3 Total amount of mortgages and other guarantees obtained for receivables:

Details of deposits, guarantees and collaterals received in foreign currencies are provided below:

Deposits and Guarantees Received

	December 31, 2018			
	US Dollar (TRY Equivalent)	Euro (TRY Equivalent)	TRY	Total
Mortgage Bonds			101,460,290	101,460,290
Guarantee Letters	236,741	-	64,390,105	64,626,846
Cash	2,884,110	1,169,715	1,175,266	5,229,091
Government Bonds	-	-	86,145	86,145
Guaranty Checks	-	-	145,000	145,000
Surety Bonds	-	-	52,500	52,500
Other Guarantees and Sureties	464,907	56,561	3,024,578	3,546,046
Total	3,585,758	1,226,276	170,333,884	175,145,918

	December 31, 2017			
	US Dollar (TRY Equivalent)	Euro (TRY Equivalent)	TRY	Total
Mortgage Bonds			104,348,640	104,348,640
Guarantee Letters	169,736		67,441,855	67,611,591
Cash	1,889,367	720,897	1,286,709	3,896,973
Government Bonds	-	-	206,701	206,701
Guaranty Checks	-	-	145,000	145,000
Surety Bonds	-	-	52,500	52,500
Other Guarantees and Sureties	210,480	42,369	3,419,706	3,672,555
Total	2,269,583	763,266	176,901,111	179,933,960

12. Loans and Receivables (continued)**12.4 Receivables and payables denominated in foreign currencies without foreign exchange rate guarantees and assets in foreign currencies and conversion rates:****Loans and Receivables**

December 31, 2018			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	20,535,550	5.2609	108,035,475
EUR	13,488,141	6.0280	81,306,514
JPY	95,477	0.0475	4,535
NOK	2,066	0.6000	1,240
SWC	1,249	0.5844	730
DKK	75	0.8060	60
AUD	15	3.7026	56
Total			189,348,610

December 31, 2017			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
EUR	24,895,900	4.5155	112,417,436
USD	15,880,936	3.7719	59,901,303
GBP	9,382	5.0803	47,663
JPY	907,953	0.0334	30,326
CHF	336	3.8548	1,295
SEK	2,527	0.4568	1,154
CAD	157	3.0031	471
AUD	33	2.9384	97
Total			172,399,745

12.5- Other Information regarding Loans and Receivables

Aging of receivables from insurance operations is provided below:

	December 31, 2018	December 31, 2017
Overdue	68,095,704	20,066,104
< 3 Months	228,627,724	184,234,567
3-6 Months	260,682,946	187,957,318
6 Months-1 Year	60,998,915	52,116,331
> 1 Year	1,801,553	1,067,317
Total	620,206,842	445,441,637
Recovery and Salvage Receivables	207,556,850	180,348,349
Due from Insurers and Reinsurers	66,924,165	48,468,952
Due from Insurance Operations	894,687,857	674,258,938

12. Loans and Receivables (continued)**12.5** Other Information regarding Loans and Receivables (continued):

Aging of overdue but not impaired receivables from policyholders and agencies is as follows:

	December 31, 2018	December 31, 2017
< 3 Months	58,160,554	16,612,126
Total	58,160,554	16,612,126

Table of movements in Provision for Due from Insurance Operations is as follows:

	2018	2017
Period Beginning - January 1	3,453,978	3,453,978
Change within Period - Net	(966,000)	-
Period End - December 31	2,487,978	3,453,978

Table of movements in Provision for Recovery and Salvage Receivables is as follows:

	2018	2017
Period Beginning - January 1	122,378,294	88,159,133
Change within Period - Net	18,804,552	34,219,161
Period End - December 31	141,182,846	122,378,294

Table of movements in Provision for Other Receivables is as follows:

	2018	2017
Period Beginning - January 1	4,504,891	4,504,891
Period End - December 31	4,504,891	4,504,891

Table of movements in Provision for Doubtful Recovery Receivables under Administrative and Legal Proceeding is as follows:

	2018	2017
Period Beginning - January 1	457,107,295	396,579,937
Change within Period - Net	73,251,919	60,527,358
Period End - December 31	530,359,214	457,107,295

12. Loans and Receivables (continued)**12.5 Other Information regarding Loans and Receivables (continued):**

Table of movements in Provision for Doubtful Receivables from Policyholders and Intermediaries is as follows:

	2018	2017
Period Beginning - January 1	3,833,212	3,797,179
Change within Period - Net	(69,585)	36,033
Period End - December 31	3,763,627	3,833,212

Total amount of Guarantees received for the above mentioned receivables is as follows:

	December 31, 2018	December 31, 2017
Mortgage Bonds	101,460,290	104,348,640
Guarantee Letters	64,626,846	67,611,591
Cash	5,229,091	3,896,973
Guaranty Checks	145,000	145,000
Government Bonds	86,145	206,701
Surety Bonds	52,500	52,500
Other Guarantees and Sureties	3,546,046	3,672,555
Total	175,145,918	179,933,960

13 Derivative Financial Instruments

None (December 31, 2017: None).

14. Cash and Cash Equivalents

Cash and cash equivalents that are included the Statements of Cash Flows for the periods ended on December 31, 2018 and December 31, 2017 are explained in Note 2.12 and the details of bank deposits and other cash equivalents of the Company are as follows:

	December 31, 2018	December 31, 2017
Banks		
Bank Guarantees and Three Months Short Term Credit Cart	738,201,075	745,086,263
Receivables	426,829,383	322,146,107
Other Cash and Cash Equivalents		10,666,754
Total	1,165,030,458	1,077,899,124
Bank Deposits in Foreign Currencies		
- Demand Deposits	4,049,975	1,762,793
- Time Deposits	363,937,530	92,894,284
	367,987,505	94,657,077
Deposits in TRY		
- Demand Deposits	13,311,212	13,219,265
- Time Deposits	356,902,358	637,209,921
	370,213,570	650,429,186
Total	738,201,075	745,086,263

14. Cash and Cash Equivalents (continued)

The Company has 3,743,329 TRY in time deposit account earmarked in favor of public institutions as of December 31, 2018 (December 31, 2017: 400,665 TRY). The Company has 4,697,088 TRY in demand deposit account earmarked in favor of public institutions as of December 31, 2018 (December 31, 2017: 8,599,664 TRY).

Weighted average interest rate of time deposit accounts:

	December 31, 2018 (%)	December 31, 2017 (%)
TRY	18.14	14.37
USD	2.29	2.85
EUR	1.36	1.94

Foreign Currency

Demand and Time Deposit Accounts:

December 31, 2018				
	Foreign Currency		TRY Equivalent	
	Time Deposit	Demand Deposit	Time Deposit	Demand Deposit
USD	54,790,832	423,748	288,249,088	2,229,296
EUR	12,556,145	294,030	75,688,442	1,772,413
GBP	-	6,917	-	46,015
CHF	-	409	-	2,180
JPY	-	1,493	-	71
Total			363,937,530	4,049,975

December 31, 2017				
	Foreign Currency		TRY Equivalent	
	Time Deposit	Demand Deposit	Time Deposit	Demand Deposit
USD	7,256,099	239,711	27,369,280	904,164
EUR	14,511,129	186,523	65,525,004	842,243
GBP	-	2,819	-	14,321
JPY	-	4,817	-	161
CHF	-	494	-	1,904
Total			92,894,284	1,762,793

15. Shareholders' Equity

The Company has 122,573,918.691 shares fully paid-in (December 31, 2017:122,573,918,691). Each Company share has a nominal value of 1 Kr (Kuruş), total nominal value of Company shares is 1,225,739,187 TRY (December 31, 2017: 1,225,739,187 TRY).

Movements in shares between period beginning and period end are as follows:

January 1, 2018			New Issue		Redemption		December 31, 2018	
	Units	Nominal TRY	Units	Nominal TRY	Units	Nominal TRY	Units	Nominal TRY
Paid	122,573,918,691	1,225,739,187	-	-	-	-	122,573,918,691	1,225,739,187
Total	122,573,918,691	1,225,739,187					122,573,918,691	1,225,739,187

January 01, 2017			New Issue		Redemption		December 31, 2017	
	Units	Nominal TRY	Units	Nominal TRY	Units	Nominal TRY	Units	Nominal TRY
Paid	122,573,918,691	1,225,739,187	-	-	-	-	122,573,918,691	1,225,739,187
Total	122,573,918,691	1,225,739,187					122,573,918,691	1,225,739,187

Legal Reserves:

Accumulated profit amounts in legal books can be distributed, excluding the provision regarding legal reserves stated below. According to Turkish Commercial Code ("TCC"), legal reserves are divided into Primary and Secondary Legal Reserves. Pursuant to TCC, primary reserves are allocated as 5% of legal net profit until the amount reaches up to 20% of the Company's paid-in/issued capital. Secondary reserves constitute 10% of distributed profit exceeding 5% of the Company's paid-in/issued capital. In accordance with TCC, legal reserves can be used only for offsetting the loss as long as the amount of legal reserves does not exceed 50% of paid-in/issued capital.

Any other use is not legally permitted.

Movements of legal reserves within the period are shown below:

	2018	2017
Period Beginning - January 1	51,203,816	51,203,816
Period End - December 31	51,203,816	51,203,816

The Company unanimously resolved during the Ordinary Shareholders Assembly meeting held on March 29, 2018 that no profit distribution shall be made due to the net loss of 335,119,791 TRY for 2017 period.

15. Shareholders' Equity (continued)**Valuation of Financial Assets:**

unrealized profit and loss amounts arising from the changes in fair values of Available for Sale Investments are recognized under "Valuation of Financial Assets" in Shareholders' Equity.

Movements of valuation of financial assets within the period are shown below:

	2018	2017
Period Beginning - January 1 (net of tax effects)	(23,690,382)	(88,318,582)
Increase/decrease in fair value (Note 11)	(379,302,350)	47,063,305
Outflows from sold or amortized financial assets		
.	(6,464,707)	27,918,822
Tax effect of increase/decrease in fair value (Note 21)	83,446,517	(10,353,927)
Net change within period (-)	(302,320,540)	64,628,200
Period End - December 31	(326,010,922)	(23,690,382)

16. Other Reserves and Capital Component of Discretionary Participation

Movements of other profit reserves within the period are shown below:

	2018	2017
Period Beginning - January 1	(904,563)	(172,390)
Actuarial (loss)/gain, provision for employment termination benefits (Note 22)	3,468,820	(697,467)
Exchange rate and price differences in provision for share based performance amount	2,343,036	(246,744)
Effect of deferred taxes recognized in Shareholders' Equity (Note 21)	(1,278,608)	212,038
Gain from sales of property subject to tax exemption	163,732	-
Period End - December 31	3,792,417	(904,563)

17. Insurance Liabilities and Reinsurance Assets

17.1 Guarantee amounts required for Life and Non-Life segments and Guarantee amounts established for assets per Life and Non-Life segments:

	December 31, 2018	December 31, 2017
Guarantee amount required for Non-Life segments (*)	362,730,070	314,385,393
Guarantee amount provided for Non-Life segments (Note 43) (**)	366,276,787	318,965,871

(*) Guarantee amount required as of December 31, 2018 is calculated, in accordance with the capital adequacy calculation for the same period, as 362,730,070 TRY (December 31, 2017: 314,385,393 TRY).

(**) Guarantee amount provided as of December 31, 2018 is calculated as 366,276,787 TRY (December 31, 2017: 318,965,871 TRY) through revaluation with applicable Turkish Central Bank prices of financial assets regarding the required guarantee amount in accordance with the capital adequacy calculation as of December 31, 2018. (*) In accordance with Article 4 of Regulation on Financial Structure of Insurance, Reinsurance and Private Pension Companies", published in Turkish Official Journal No.26606 on August 7, 2007 pursuant to the Insurance Law, the insurance companies and private pension companies operating in personal accident and life insurance branches should provide guarantee amounts equal to one third of the required capital amount in each capital adequacy calculation period.

17. Insurance Liabilities and Reinsurance Assets (continued)

- 17.2 Current number of life policies, number of life policies entering and exiting within the period and current number and mathematical reserve amount for life policyholders:** None (January 1 - December 31, 2017: None)
- 17.3 Guarantee amount provided for Non-Life segment:** Disclosed in Note 4.
- 17.4 Unit prices of pension investment funds founded by the Company:** None (January 1 - December 31, 2017: None)
- 17.5 Number and amount of participation certificates within the portfolio and in circulation:** None (January 1 - December 31, 2017: None)
- 17.6 Portfolio amounts per number of private pension and group pension participants entered, exited, canceled and existing during the period:** None (January 1 - December 31, 2017: None)
- 17.7 Valuation methods used for calculation of profit share in profit share life insurances:** None (January 1 - December 31, 2017: None)
- 17.8 Number and individual/group allocation of gross/net contribution amounts of private pension participants newly joined the portfolio within the period:** None (January 1 - December 31, 2017: None)
- 17.9 Number and individual/group allocation of gross/net contribution amounts of private pension participants transferred from another insurer:** None (January 1 - December 31, 2017: None)
- 17.10 Number and individual/group allocation of gross/net contribution amounts of private pension participants transferred from the Company's life portfolio to private pension portfolio within the period:** None (January 1 - December 31, 2017: None)
- 17.11 Number and individual/group allocation of gross/net contribution amounts of private pension participants exited Company's portfolio and transferred and/or not transferred to another insurer within the period:** None (January 1 - December 31, 2017: None)
- 17.12 Number and individual/group allocation of gross/net premiums of life policyholders who joined the portfolio during the period:** None (January 1 - December 31, 2017: None)
- 17.13 Number and individual/group allocation of gross/net premiums and mathematical reserve amounts of life policyholders who left the portfolio during the period:** None (January 1 - December 31, 2017: None)
- 17.14 Profit distribution percentage to life policyholders within the period:** None (January 1 - December 31, 2017: None)

17. Insurance Liabilities and Reinsurance Assets (continued)**17.15 -17.19 Other required explanations regarding liabilities arising from insurance contracts:****Outstanding Claims Reserve:**

		December 31, 2018	
	Gross	Reinsurer's Share	Net
Claims Made - Period Beginning January 1	2,327,190,424	(299,253,833)	2,027,936,591
Claims Paid (*)	(671,110,740)	56,828,210	(614,282,530)
Change	1,163,254,121	(273,354,795)	889,899,326
- Current Period Outstanding Claims	1,025,274,408	(287,640,087)	737,634,321
- Previous Periods' Outstanding Claims	137,979,713	14,285,292	152,265,005
Claims Made - Period End December 31	2,819,333,805	(515,780,418)	2,303,553,387
Incurred But Not Reported Claims Reserve	1,546,913,466	162,537,204	1,709,450,670
Discount on Net Cash Flows from Outstanding Claims Reserve	(585,426,003)	28,455,347	(556,970,656)
Total	3,780,821,268	(324,787,867)	3,456,033,401

		December 31, 2017	
	Gross	Reinsurer's Share	Net
Claims Made - Period Beginning January 1	2,113,909,221	(264,297,452)	1,849,611,769
Claims Paid (*)	(554,342,565)	35,695,550	(518,647,015)
Change	767,623,768	(70,651,931)	696,971,837
- Current Period Outstanding Claims	635,207,017	(47,852,959)	587,354,058
- Previous Periods' Outstanding Claims	132,416,751	(22,798,972)	109,617,779
Claims Made - Period End December 31	2,327,190,424	(299,253,833)	2,027,936,591
Incurred But Not Reported Claims Reserve			
Discount on Net Cash Flows from Outstanding Claims Reserve	1,608,255,269	93,624,279	1,701,879,548
	(561,949,963)	15,234,950	(546,715,013)
Total	3,373,495,730	(190,394,604)	3,183,101,126

(*) Paid claim amounts included in Outstanding Claims Reserve tables consist of claim payments made for files included in Outstanding Claims Reserve at previous period end.

17. Insurance Liabilities and Reinsurance Assets (continued)**17.15 -17.19 Other required explanations regarding liabilities arising from insurance contracts (continued):
Unearned Premiums Reserve:**

	2018		
	Gross	Reinsurer's Share (*)	Net
Period Beginning - January 1	1,487,045,187	(197,720,741)	1,289,324,446
Net Change	285,489,332	(97,496,758)	187,992,574
Period End - December 31	1,772,534,519	(295,217,499)	1,477,317,020

	2017		
	Gross	Reinsurer's Share (*)	Net
Period Beginning - January 1	1,717,902,042	(193,626,038)	1,524,276,004
Net Change	(230,856,855)	(4,094,703)	(234,951,558)
Period End - December 31	1,487,045,187	(197,720,741)	1,289,324,446

(*) As already explained in Note 2.14, the amount of Reinsurer's Share in Unearned Premiums Reserve include 43,044,264 TRY Reinsurer's Share in Unearned Premiums Reserve calculated over Premiums Ceded to SSI as of December 31, 2018 (December 31, 2017: 45,086,698 TRY) (Note 2.14).

Deferred Commission Expenses and Income amounts as of December 31, 2018 are 245,343,363 TRY (December 31, 2017: 216,535,589 TRY) and 60,094,632 TRY (December 31, 2017: 37,775,625 TRY) respectively and these are included under Deferred Acquisition Expenses and Commission account items within the Balance Sheet.

Unexpired Risks Reserve:

	2018		
	Gross	Reinsurer's Share	Net
Period Beginning - January 1	24,989,032	(4,481,203)	20,507,829
Net Change	(9,064,772)	234,703	(8,830,069)
Period End - December 31	15,924,260	(4,246,500)	11,677,760

	2017		
	Gross	Reinsurer's Share	Net
Period Beginning - January 1	767,526	(127,241)	640,285
Net Change	24,221,506	(4,353,962)	19,867,544
Period End - December 31	24,989,032	(4,481,203)	20,507,829

17. Insurance Liabilities and Reinsurance Assets (continued)**17.15 -17.19 Other required explanations regarding liabilities arising from insurance contracts (continued):
Equalization Reserve (*):**

	2018		
	Gross	Reinsurer's Share	Net
Period Beginning - January 1	141,883,912	-	141,883,912
Net Change (**)	35,104,913	-	35,104,913
Period End - December 31	176,988,825		176,988,825

(*) These reserve amounts are calculated in net figures, as explained in Note 2.24 above.

(**) 39,138 TRY out of 35,144,051 TRY under Change in Other Technical Reserves item in the Income Statement consists of the change in the provision amount for medical treatment expenses assumed by SSI but notified to the Company.

	Gross	2017 Reinsurer's Share	Net
Period Beginning - January 1	114,915,726	-	114,915,726
Net Change (***)	26,968,186	-	26,968,186
Period End - December 31	141,883,912		141,883,912

(**) 10,155 TRY out of 26,978,341 TRY under Change in Other Technical Reserves item in the Income Statement consists of the change in the provision amount for medical treatment expenses assumed by SSI but notified to the Company.

Net Outstanding Claims Reserve amounts for reported claims denominated in foreign currencies are provided below:

Currency	December 31, 2018		
	Foreign Currency Amount	FX Rate	Amount in TRY
USD	37,009,738	5.2609	194,704,531
EUR	11,744,402	6.0280	70,795,255
GBP	34,396	6.6528	228,830
Total			265,728,616

Currency	December 31, 2017		
	Foreign Currency Amount	FX Rate	Amount in TRY
USD	31,549,602	3.7719	119,001,944
EUR	6,300,234	4.5155	28,448,707
GBP	23,730	5.0803	120,556
Total			147,571,207

17. Insurance Liabilities and Reinsurance Assets (continued)

17.15 -17.19 Other required explanations regarding liabilities arising from insurance contracts (continued):
Recovery and Salvage Income:

Net Recovery and Salvage Income amounts collected within the periods ending on December 31, 2018 and 2017 regarding the compensation amounts paid by the Company are provided below per segment:

	January 1 - December 31, 2018			January 1 - December 31, 2017		
	Gross	Reinsurer's Share	Net	Gross	Reinsurer's Share	Net
Land Vehicles	367,359,243	(1,715)	367,357,528	268,317,279	(5,383)	268,311,896
Land Vehicles Liability	12,144,357	(38,067)	12,106,290	12,849,653	(3,216)	12,846,437
Fire and Natural Disasters	8,351,327	(45,343)	8,305,984	6,439,298	(167,842)	6,271,456
Freight/Transportation	4,421,543	(312,577)	4,108,966	2,568,086	(504,317)	2,063,769
General Damage	660,373	30,911	691,284	202,995	9,933	212,928
General Liability	96,926	336	97,262	210,517	5,775	216,292
Watercraft	490,892	-	490,892	(276)	-	(276)
Accident	(100)	90	(10)	(400)	-	(400)
Financial Losses	(285)	27	(258)	(4,428)	-	(4,428)
Legal Protection	450	-	450	-	-	-
Health	123,928	-	123,928	-	-	-
Total	393,648,654	(366,338)	393,282,316	290,582,724	(665,050)	289,917,674

Net Recovery and Salvage Receivable amounts accrued as of December 31, 2018 and 2017 regarding the compensation amounts paid by the Company are provided below per segment:

	December 31, 2018			December 31, 2017		
	Gross	Reinsurer's Share	Net	Gross	Reinsurer's Share	Net
Land Vehicles	35,952,817	(1,232)	35,951,585	32,107,047	(2,298)	32,104,749
Land Vehicles Liability	21,516,611	(408,217)	21,108,394	17,956,309	-	17,956,309
Fire and Natural Disasters	4,425,245	(8,591)	4,416,654	4,516,070	(306)	4,515,764
Freight/Transportation	4,852,217	(1,324,360)	3,527,857	3,380,893	(876,594)	2,504,299
General Damage	1,687,740	(709,842)	977,898	1,160,523	(296,810)	863,713
General Liability	350,031	-	350,031	67,385	(66,398)	987
Watercraft	41,585	-	41,585	24,234	-	24,234
Total (Note 12.1)	68,826,246	(2,452,242)	66,374,004	59,212,461	(1,242,406)	57,970,055

17. Insurance Liabilities and Reinsurance Assets (continued)**17.15 -17.19 Other required explanations regarding liabilities arising from insurance contracts (continued):**

Claim development tables used in calculations made in accordance with Technical Provisions Regulation are explained below.

Gross Claim Development Table prepared according to incurred losses as of December 31, 2018:

Accident Year	January 1 - December 31, 2012	January 1 - December 31, 2013	January 1 - December 31, 2014	January 1 - December 31, 2015	January 1 - December 31, 2016	January 1 - December 31, 2017	January 1 - December 31, 2018
Loss Incurred within Accident Period	1,513,287,297	1,353,028,123	1,483,410,150	1,813,529,129	1,658,048,604	1,413,477,448	1,724,538,704
1 Year Later	1,737,928,783	1,608,719,448	1,789,699,964	2,126,426,451	1,886,454,965	1,557,303,032	
2 Year Later	1,848,308,226	1,754,422,060	1,937,548,692	2,271,634,266	1,989,371,348		
3 Years Later	1,924,650,136	1,841,930,519	2,021,276,104	2,370,805,402			
4 Years Later	1,974,620,442	1,906,432,091	2,094,291,883				
5 Years Later	2,031,200,635	1,973,595,742					
6 Years Later	2,054,372,236						

Gross Claim Development Table prepared according to incurred losses as of December 31, 2017:

Accident Year	January 1 - December 31, 2011	January 1 - December 31, 2012	January 1 - December 31, 2013	January 1 - December 31, 2014	January 1 - December 31, 2015	January 1 - December 31, 2016	January 1 - December 31, 2017
Loss Incurred within Accident Period	1,141,778,354	1,513,287,297	1,353,028,123	1,483,410,150	1,813,529,129	1,658,048,604	1,413,477,448
1 Years Later	1,334,987,179	1,737,928,783	1,608,719,448	1,789,699,964	2,126,426,451	1,886,454,965	
2 Years Later	1,468,574,679	1,848,308,226	1,754,422,060	1,937,548,692	2,271,634,266		
3 Years Later	1,495,686,362	1,924,650,136	1,841,930,519	2,021,276,104			
4 Years Later	1,536,174,056	1,974,620,442	1,906,432,091				
5 Years Later	1,568,906,511	2,031,200,635					
6 Years Later	1,594,105,635						

17. Insurance Liabilities and Reinsurance Assets (continued)**17.15 -17.19 Other required explanations regarding liabilities arising from insurance contracts (continued):**

The Company determined the IBNR method to be used for each segment, as set forth in the mentioned Regulation, in light of Company actuary's opinion and according to the characteristics of the respective segment and the structure of Company portfolio structure. IBNR calculation method used per segment and gross and net additional provision amounts to be additionally allocated or to be deducted from relevant provisions (in case calculation results in negative numbers) as of December 31, 2018 and 2017 are provided below:

December 31, 2018 Segment	Method Used	Gross Additional Provision	Net Additional Provision
Motor Third Party Liability (*)	Other	1,712,432,575	1,656,108,195
Facultative Financial Liability	Other	138,568,794	138,565,891
General Liability	Other	(50,769,098)	11,599,936
Health	Other	5,213,755	5,213,755
Accident	Other	697,161	580,950
Legal Protection	Other	170,458	170,458
Watercraft	Other	(4,690,530)	(1,759,022)
Freight/Transportation	Other	(10,035,993)	(6,009,357)
General Damage	Other	(36,825,180)	(7,581,690)
Land Vehicles	Other	(12,989,798)	(12,956,596)
Fire and Natural Disasters	Other	(194,858,678)	(74,481,850)
Total		1,546,913,466	1,709,450,670

December 31, 2017 Segment	Method Used	Gross Additional Provision	Net Additional Provision
Motor Third Party Liability (*)	Other	1,606,982,803	1,602,920,682
Facultative Financial Liability	Other	96,096,336	96,096,336
General Liability	Other	903,969	33,838,235
Health	Other	6,344,658	6,307,456
Accident	Other	392,323	656,333
Legal Protection	Other	289,333	289,333
Aircraft	Other	104,176	-
Watercraft	Other	(2,152,802)	(1,434,011)
Freight/Transportation	Other	(713,320)	(255,340)
General Damage	Other	(21,597,167)	2,663,384
Land Vehicles	Other	(7,677,706)	(7,680,004)
Fire and Natural Disasters	Other	(70,717,334)	(31,522,856)
Total		1,608,255,269	1,701,879,548

17. Insurance Liabilities and Reinsurance Assets (continued)**17.15-17.19 Other required explanations regarding liabilities arising from insurance contracts (continued):**

(*) The Company made IBNR calculations by using an actuarial method other than the Actuarial Chain Ladder Methods (Standard Chain, Loss Ratio, Cape Cod, Frequency/Severance, Munich Chain Method and Bornhuetter-Ferguson) in Motor Third Party Liability segment in accordance with Article 4 of "Circular No.2014/16 on Outstanding Claims Reserve" issued by the Treasury on December 5, 2014. This method covers MTPL segment on the basis of loss reason (material damages, death, disability, impairment, driver faults, caretaker expenses) in addition to coverage based distinction (material/bodily-physical) and of legal status of relevant files. Both average cost and loss frequency developments of loss triangles are evaluated during such distinctions. As of December 31, 2018, the Company calculated an additional IBNR amount of 3,183,008 TRY for indirect losses arising from Green Card segment, by considering the realization of such losses within the last 8 years and reflected this amount to Company financial statements. Business acceptance year is taken as basis to create data for calculation of this provision amount. Development of incurred losses against the allocated Outstanding Claims Reserve amounts is analyzed for each business acceptance year. Development factor obtained by weighing the ratios of Incurred Losses / Outstanding Claims per business acceptance year is multiplied with the Outstanding Claims Reserve amount for the current period to calculate the IBNR amount. Additionally, IBNR amount of 162,567,899 TRY calculated for High Risk Policyholders Pool as of December 31, 2018 is also reflected to the financial statements (December 31, 2017: The Company made IBNR calculations by using an actuarial method other than the Actuarial Chain Ladder Methods (Standard Chain, Loss Ratio, Cape Cod, Frequency/Severance, Munich Chain Method and Bornhuetter-Ferguson) in Motor Third Party Liability segment in accordance with Article 4 of "Circular No.2014/16 on Outstanding Claims Reserve" issued by the Treasury on December 5, 2014. This method covers MTPL segment on the basis of loss reason (material damages, death, disability, impairment, driver faults, caretaker expenses) in addition to coverage based distinction (material/bodily-physical) and of legal status of relevant files. Both average cost and loss frequency developments of loss triangles are evaluated during such distinctions. As of December 31, 2017, the Company calculated an additional IBNR amount of 4,880,179 TRY for indirect losses arising from Green Card segment, by considering the realization of such losses within the last 8 years and reflected this amount to Company financial statements. Business acceptance year is taken as basis to create data for calculation of this provision amount. Development of incurred losses against the allocated Outstanding Claims Reserve amounts is analyzed for each business acceptance year. Development factor obtained by weighing the ratios of Incurred Losses / Outstanding Claims per business acceptance year is multiplied with the Outstanding Claims Reserve amount for the current period to calculate the IBNR amount. Additionally, IBNR amount of 38,626,176 TRY calculated for High Risk Policyholders Pool as of December 31, 2017 is also reflected to the financial statements.

18. Investment Agreement Liabilities

None (December 31, 2017: None)

19. Trade and Other Payables, Deferred Income

	December 31, 2018	December 31, 2017
Due to Insurers and Reinsurers (Note 10)	152,265,489	73,916,708
Payables from Other Operations (Note 47.1)	12,354,125	11,489,393
Payables from Operations	164,619,614	85,406,101
Due to Contractual Facilities	51,874,001	54,109,230
Due to Suppliers	17,784,412	15,733,485
Other Payables (Note 47.1)	69,658,413	69,842,715
Deferred Commissions Income (Notes 10 & 17)	60,094,632	37,775,625
Payables to SSI for Medical Expenses	23,272,555	17,166,017
Other Current Liabilities (Note 47.1)	953,497	367,799
Total Trade and Other Payables, Deferred Income	318,598,711	210,558,257

19. Trade and Other Payables, Deferred Income (continued)**Payables to SSI for Medical Expenses:**

	2018	2017
SSI Premium Transfers from Previous Period, Net, January 1	17,166,017	31,098,268
Premium Amount Ceded to SSI within the Period	80,834,235	67,014,429
Premium Payments to SSI within the Period	(74,727,697)	(80,946,680)
Total Current Liabilities, December 31	23,272,555	17,166,017

Liabilities denominated in foreign currencies are provided below:

Due to Reinsurers:

Currency	December 31, 2018		
	Foreign Currency Amount	FX Rate	Amount in TRY
EUR	7,477,628	6.0280	45,075,142
USD	3,654,328	5.2609	19,225,054
GBP	17,872	6.6528	118,899
JPY	705,623	0.0475	33,517
NOK	1,346	0.6007	808
SEK	4	0.5844	2
DKK	1	0.8060	1
Total			64,453,423

Currency	December 31, 2017		
	Foreign Currency Amount	FX Rate	Amount in TRY
EUR	890,544	4.5155	4,021,251
USD	2,298,528	3.7719	8,669,818
GBP	39,734	5.0803	201,861
JPY	613,789	0.0334	20,500
NOK	1,346	0.4578	616
SEK	4	0.4569	2
DKK	1	0.6055	1
Total			12,914,049

19. Trade and Other Payables, Deferred Income (continued)**Other Payables:****December 31, 2018**

Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	548,266	5.2609	2,884,373
EUR	194,047	6.0280	1,169,715
Total			4,054,088

December 31, 2017

Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	500,956	3.7719	1,889,556
EUR	159,650	4.5155	720,900
Total			2,610,456

20. Loans

None (December 31, 2017: None)

21. Deferred Income Tax

The Company calculates deferred income tax for the temporary differences in the balance sheet items arising from measurements in financial statements and measurements in accordance with Tax Procedural Law ("TPL").

Applicable corporate tax in Turkey as at December 31, 2018 is 22% (2017: 20%). Pursuant to Article 91 of "Act No.7061 on Amendment of Certain Tax Laws and Other Laws" promulgated in Turkish Official Journal No.30261 on December 5, 2017 and to Provisional Article 10 of Corporate Tax Law No.5520, corporate tax payable on entity income generated in 2018, 2019 and 2020 taxation periods shall be calculated over 22% and afterwards corporate tax calculation shall continue to be calculated over 20% for subsequent periods. Council of Ministers is authorized to decrease 22% tax rate down to 20%. Therefore, as of December 31, 2018 the tax rate to be used for calculation of deferred tax assets and liabilities is 22% for deferred tax bases to be realized between 2019-2020 and 20% for subsequent periods (December 31, 2017: 22% for deferred tax bases to be realized between 2018-2020 and 20% for subsequent periods).

21. Deferred Income Tax (continued)

Breakdown lists of accumulated temporary differences and deferred tax assets and liabilities prepared by using applicable tax rates as of December 31, 2018 and December 31, 2017 are provided below:

	Accumulated Temporary Differences		Deferred Tax Assets / (Liabilities)	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Deferred Tax Assets				
Equalization Reserve	141,883,912	114,915,726	31,214,461	25,281,460
Unexpired Risks Reserve	11,677,760	20,507,829	2,569,107	4,511,722
Provision for Agency Incentives and Sliding Scale Commissions	30,902,556	41,237,348	6,798,562	9,072,217
Provision for Employment Termination Benefits	15,249,864	8,271,716	3,354,970	1,819,777
Provision for Unused Leaves	7,456,171	7,185,973	1,640,358	1,580,914
Provision for Employee Bonuses	20,807,398	22,961,561	4,577,628	5,051,543
Provision for Performance Wages	10,277,390	9,544,334	2,261,026	2,099,753
Provision for Employee Seniority Incentives and Loyalty	5,674,131	9,068,633	1,248,309	1,995,099
Provisions for Legal Cases	8,983,147	10,750,879	1,976,292	2,365,193
Provision for Due from Insurance Operations	2,487,978	3,453,978	547,355	759,875
Provision for Employment Termination Notice Pay	730,021	681,313	160,605	149,889
Amortization TFRS – TPL Useful Life Difference	3,806,046	2,884,969	837,330	634,693
Eurobond Valuation Difference	50,705,542	-	11,155,219	-
Financial Losses (*)	46,076,271	220,689,553	4,729,301	44,137,911
Other	26,577,720	13,268,806	5,847,098	2,919,137
Total Deferred Tax Assets			78,917,621	102,379,183
Deferred Tax Liabilities				
Net Recovery and Salvage Income Accruals	(32,543,969)	(26,318,557)	(7,159,673)	(5,790,082)
Gain from Property Value Increases	(33,211,263)	(33,143,413)	(3,653,239)	(3,645,775)
Eurobond Valuation Difference	-	(2,682,120)	-	(590,066)
Other	(44,518,050)	(36,895,943)	(9,793,971)	(8,117,105)
Total Deferred Tax Liabilities			(20,606,883)	(18,143,028)
Net Deferred Tax Assets (Note 35)			58,310,738	84,236,155

(*) Deferred Tax Assets are recorded in the financial statements drawn up as of December 31, 2018 and December 31, 2017 over financial losses carried in accordance with the assumptions for availability of taxable profit for future periods made in line with the business plans and projections prepared by Company management.

Movements of Deferred Tax Assets within the year are as follows:

	2018	2017
Period Beginning - January 1	84,236,155	13,070,325
Deferred Tax (Expense) / Income	(108,093,327)	81,307,719
Other Deferred Tax (Expense) / Income Recognized in Shareholders' Equity	(1,278,607)	212,038
Deferred Tax (Expense) / Income Recognized in Shareholders' Equity Due to Value Increases of Available for Sale Investments (Note 15)	83,446,517	(10,353,927)
Period End - December 31	58,310,738	84,236,155

22. Pension Social Aid Liabilities

	December 31, 2018	December 31, 2017
Provision for Employment Termination Benefits	15,249,864	8,271,716
Total	15,249,864	8,271,716

Pursuant to Turkish Labor Law, The Company is liable to pay severance pay for employees who has completed at least one year of employment at the Company and whose employment is terminated or who is retired or who completes required service period (25 years for men and 20 for women) and become entitled for retirement (at the age of 60 for men and 58 for women), who are summoned for military service or who is deceased. Certain provisions are introduced for the transition period regarding the employment service time after the amendment of relevant legislation on May 23, 2002.

Severance pay equals to one month's salary per each employment year and this amount is limited to 6,017.60 TRY, effective as of January 1, 2019.

Severance pay liability is not legally subject to any kind of funding and there are no funding requirements.

Provision for Employment Termination Benefits (i.e. severance pay) is calculated through estimating the present value of the potential liability amount which has to be paid in case of retirement of employees.

TAS 19 stipulates development of actuary valuation methods to estimate the provision amount to be allocated for employment termination. According to this, following actuarial predictions are used to calculate the total liability amount:

	December 31, 2018	December 31, 2017
Discount	4.30	2.18
Turnover Rate for Estimation of Retirement Possibility (%)	92	92

Fundamental assumption is that the ceiling provision amount determined for each year of employment shall be increased in proportion with the inflation rate. Thus, the discount rate applied shows the real rate free of expected inflation effects.

Movements of Provision for Employment Termination Benefits account within the period are shown below:

	2018	2017
Period Beginning - January 1	8,271,716	6,827,755
Payment within Period (Note 33)	(2,223,069)	(2,265,433)
Provision Amount Allocated in Current Period (including actuarial losses/gains)	9,201,217	3,709,394
Period End - December 31	15,249,864	8,271,716

The effect of changes in actuarial assumptions is 3,468,820 TRY in current period (January 1 - December 31, 2017: (697,467) TRY).

23. Provision for Other Liabilities and Expenses

Commitments not included in Liabilities are explained in Note 43 and Deposits and Guarantees Received is explained in Note 12.3. Details of provisions classified under Provision for Expense Accruals account in Balance Sheet are provided below:

	December 31, 2018	December 31, 2017
Provision for Employee Bonuses (*)	20,807,398	22,961,561
Provision for Performance Wages (*)	10,277,390	9,544,334
Provisions for Legal Cases	8,983,147	10,750,879
Provision for Unused Leaves	7,456,171	7,185,973
Provision for Consultancy	6,732,898	2,623,898
Provision for Employee Seniority Incentive (*)	5,674,131	6,532,786
Provision for Employment Termination Notice Pay	730,021	681,313
Provision for Employee Loyalty (*)	-	2,535,847
Other	2,448,413	1,477,050
Total	63,109,569	64,293,641

(*) The Company made a bonus payment of 15,777,679 TRY in 2018 by carrying this amount from Provision for Employee Bonuses account to Due to Personnel account and allocated an additional provision amounts for employee bonuses, performance wages, seniority incentives and loyalty (Note 47.5) equal to 13,305,106 TRY in total within the period. Price difference of 2,343,036 TRY consisting of parent company shares taken as basis for Performance Wage calculation is reflected under Other Profit Reserves account in Shareholders' Equity.

Provision for Performance Wages (Share Based Payments)

As explained in Note 2.25, the Company grants certain financial rights to employees, with the condition to be used at the end of a certain period, through delivery of parent company AxaSA's shares on employee performance basis in accordance with predetermined Company criteria. Movements of shares and cash amounts subject to the calculation of Provision for Performance Wages included in Company financial statements regarding the costs charged by AxaSA to Company in this regard are provided in the table below.

December 31, 2018

	Average Price per Share (TRY)	Number of	Total
Period Beginning - January 1	113.68	83,956	9,544,334
Entrance	113.02	37,747	4,265,991
Paid (**)	103.23	(30,765)	(3,175,844)
Exchange Differences from Paid Shares	-	-	1,985,945
Exchange/Price Difference within Period	-		(2,343,036)
Period End - December 31	113.02	90,938	10,277,390

(**) The Company recognized the vested rights paid as AxaSA shares to employees within the period under Operational Expenses account.

23. Provision for Other Liabilities and Expenses (continued)**Provision for Performance Wages (Share Based Payments) (continued)**

December 31, 2017

	Average Price per Share	Number of	Total
Period Beginning - January 1	89.06	72,031	6,415,106
Entrance	113.68	40,102	4,558,885
Paid (*)	92.45	(28,177)	(2,605,071)
Exchange Differences from Paid	-	-	928,670
Exchange/Price Difference within	-	-	246,744
Period End - December 31	113.68	83,956	9,544,334

(*) The Company recognized the vested rights paid as AxaSA shares to employees within the period under Operational Expenses account.

24. Net Insurance Premium Income

Distribution or written premiums is provided below:

	January 1 - December 31, 2018		
	Gross	Reinsurer's Share Ceded to SSI	Net
Land Vehicles Liability	1,122,018,112	187,114,897 (80,834,235)	854,068,980
Land Vehicles	829,291,213	(6,685,015) -	822,606,198
Fire and Natural Disasters	685,948,589	(271,000,531) -	414,948,058
Health	254,935,946	(6,234,040) -	248,701,906
General Damage	201,500,160	(79,259,138) -	122,241,022
General Liability	103,123,745	(26,421,771) -	76,701,974
Freight/Transportation	66,535,143	(21,053,018) -	45,482,125
Accident	65,443,035	(35,039,033) -	30,404,002
Legal Protection	12,295,295	200 -	12,295,495
Financial Losses	23,021,412	(11,482,875) -	11,538,537
Watercraft	9,857,745	(1,737,049) -	8,120,696
Aircraft Liability	24,108	- -	24,108
Aircraft	675,327	(675,327) -	-
Total Premium Income	3,374,669,830	646,702,494 (80,834,235)	2,647,133,101

24. Net Insurance Premium Income (continued)

	January 1 - December			Net
	Gross	Reinsurer's Share	Ceded to SSI (-)	
Land Vehicles Liability	930,694,225	(54,132,610)	(67,013,709)	809,547,906
Land Vehicles	780,147,650	(6,602,566)	-	773,545,084
Fire and Natural Disasters	592,088,221	(250,132,975)	-	341,955,246
Health	208,706,379	(5,155,997)	-	203,550,382
General Damage	172,467,161	(76,471,049)	-	95,996,112
General Liability	81,775,359	(21,479,925)	-	60,295,434
Freight/Transportation	47,769,284	(10,721,325)	-	37,047,959
Accident	56,297,814	(22,568,306)	(720)	33,728,788
Legal Protection	11,732,798	(6,929)	-	11,725,869
Financial Losses	18,790,017	(10,246,121)	-	8,543,896
Watercraft	7,377,039	(1,660,042)	-	5,716,997
Aircraft Liability	22,205	-	-	22,205
Aircraft	342,018	(338,370)	-	3,648
Total Premium Income	2,908,210,170	(459,516,215)	(67,014,429)	2,381,679,526

25. Subscription (Fee) Income

None (January 1 - December 31, 2017: None)

26. Investment Income

	January 1 - December 31, 2018	January 1 - December 31, 2017
Available for Sale Investments		
Interest, Exchange Rate Difference and Sales Income	1,187,830,365	577,132,954
Share Dividend Income	2,337,203	1,653,535
Cash and Cash Equivalents		
Interest and Exchange Rate Difference Income	90,408,788	86,785,727
Income from Other Investments	2,723,395	2,447,354
Investment Income	1,283,299,751	668,019,570
Available for Sale Investments		
Exchange Rate Difference and Sales Expenses	(337,922,224)	(137,689,994)
Investment Expenses	(337,922,224)	(137,689,994)
Total	945,377,527	530,329,576

27. Net Realized Gains on Financial Assets

Information about realized gain/loss on Available for Sale Investments is disclosed in Notes 11 and 15.

28. Assets with Fair Value Differences Reflected to Income Statement

The Company values investment properties at fair value and recognizes fair value differences in Income Statement. Fair value differences amount reflected to Income Statement within the current period is 67,850 TRY (January 1 - December 31 2017: None).

29. Insurance Rights and Claims

Disclosed in Note 17.

30. Investment Agreement Rights

None (December 31, 2017: None)

31. Other Necessary Expenses

	January 1 - December 31, 2018	January 1 - December 31, 2017
Operational Expenses Classified in Technical	653,200,358	666,719,566
Total (Note 32)	653,200,358	666,719,566

32. Expense Types

	January 1 - December 31, 2018	January 1 - December 31, 2017
Production Commission Expenses	540,752,298	550,694,294
Employee Expenses (Note 33)	120,801,270	105,723,164
Advertising and Marketing Expenses	21,811,363	13,494,889
Information Technologies Expenses	18,530,659	18,373,994
Litigation, Consultancy and Audit Expenses	15,763,323	18,673,577
Taxes, Duties and Fees	7,236,209	6,126,479
Rent Expenses	3,471,819	4,549,473
Electricity and Cleaning Expenses	2,829,111	2,198,716
Contribution Fees	1,465,601	1,821,325
Communication Expenses	953,706	857,521
Earned Reinsurance Commissions Income (Note 10)	(92,492,232)	(64,959,365)
Other	12,077,231	9,165,499
Total (Note 31)	653,200,358	666,719,566

33. Employee Benefit Expenses

	January 1 - December 31, 2018	January 1 - December 31, 2017
Salary Payments (*)	77,605,125	67,702,766
Insurance Premium Payments	19,142,602	16,656,413
Meal and Transportation Expenses	7,206,352	6,378,788
Premium Payments	5,352,770	5,130,322
Severance Pay (Note 22)	2,223,069	2,265,433
Rent and Child Allowances	954,288	1,812,995
Leave Compensation	753,271	608,239
Employment Termination Notice Pay	331,107	219,738
Other	7,232,686	4,948,470
Total (Note 32)	120,801,270	105,723,164

(*) Vested rights paid to employees within the period in the form of shares are also included in Salary Payments item.

Total amount of remunerations and other benefits provided to senior management such as chairman, members of BoD, general manager, general coordinator, assistant general managers etc. is disclosed in Note 1.6.

Details regarding share based payments are provided in Note 23.

34. Financial Costs

34.1 Total Financial Expenses for Current Period: 314,807 TRY (January 1 - December 31, 2017: 297,089 TRY).

34.1.1 Charged to Production Costs: None (January 1 - December 31, 2017: None)

34.1.2 Charged to Fixed Asset Costs: None (January 1 - December 31, 2017: None)

34.1.3 Charged Directly to Period Expenses: 314,807 TRY (January 1 - December 31, 2017: 297,089 TRY).

34.2 Portion related with shareholders, affiliates and subsidiaries in total financial expenses (expenses with shares in total amount exceeding 20% shall be disclosed separately): None (January 1 - December 31, 2017: None)

34.3 Sales to and purchases from shareholders, affiliates and subsidiaries (those with shares in total amount exceeding 20% shall be disclosed separately): Balances and transactions with the related parties are disclosed in Note 45.

34.4 Interest amounts, rent amounts etc. received from or paid to shareholders, affiliates and subsidiaries (those with shares in total amount exceeding 20% shall be disclosed separately): Balances and transactions with the related parties are disclosed in Note 45.

35. Income Taxes

Tax assets and liabilities and tax income and expenses included in financial statements drawn up as of December 31, 2018 and 2017 are summarized below:

	January 1 - December 31, 2018	January 1 - December 31, 2017
Deferred Tax (Expense)/Income (Note 21)	(108,093,327)	81,307,719
Total Tax (Expense) / Income	(108,093,327)	81,307,719
	December 31, 2018	December 31, 2017
Prepaid Taxes and Funds	14,307,537	17,623,574
Prepaid Taxes / (Tax Provision), Net	14,307,537	17,623,574
Deferred Tax Assets	78,917,621	102,379,185
Deferred Tax Liabilities (-)	(20,606,883)	(18,143,030)
Deferred Tax Assets, Net (Note 21)	58,310,738	84,236,155

Reconciliation of realized corporate tax and deferred tax income/(expense) is provided below:

	January 1 - December 31, 2018	January 1 - December 31, 2017
Profit before Deferred Taxes and Corporate Tax	479,373,773	-
Tax Rate	22%	20%
Calculated Tax Expense	(105,462,230)	-
Effect of Non-Deductible and Tax Free (Expenses)/Income	(7,360,398)	37,169,808
Period Loss (Note 21)	4,729,301	44,137,911
Corporate Tax and Deferred Tax income (Expense) for the Period	(108,093,327)	81,307,719

36. Net Income from Exchange Rate Changes

	January 1 - December 31, 2018	January 1 - December 31, 2017
Foreign Exchange Gains	460,331,135	156,583,455
Foreign Exchange Losses	(284,922,406)	(78,946,899)
Total	175,408,729	77,636,556

37. Earnings per Share

Earnings per share is calculated by dividing net profit for the period into weighted average unit share of the Company.

	January 1 - December 31, 2018	January 1 - December 31, 2017
Net Profit/(Loss) for the Period	371,280,446	(335,119,792)
Weighted Average Number of Shares with 0.01 TL Nominal Value per Share	122,573,918,691	122,573,918,691
Profit/(Loss) per 100 Shares	0.303	(0.273)

38. Profit per Share

Profit distribution is not realized within the current period (January 1- December 31, 2017: None).

39. Cash Generated from Operations

Disclosed in Statement of Cash Flows.

40. Convertible Bonds

None (December 31, 2017: None)

41. Redeemable Preference Shares

None (December 31, 2017: None)

42. Risks

	December 31, 2018	December 31, 2017
Outstanding Claims Litigations against the Company - Gross (*)	1,966,164,233	1,842,618,449
Other Litigations against the Company	7,339,024	8,376,411
Other Business Cases Filed against the Company	1,644,123	2,374,468

(*) This amount is classified in Outstanding Claims, movement table of which is disclosed in Note 17. Net amount of these provisions is 1,730,491,448 TRY (December 31 2017: 1,611,986,971 TRY).

43. Commitments

	December 31, 2018			
	US Dollar (TRY Equivalent)	EUR (TRY Equivalent)	TRY	Total
Domestic Bank Letters of Guarantee Given	1,880,772	211,776	432,773,855	434,866,403
Total	1,880,772	211,776	432,773,855	434,866,403
December 31, 2017				
+	US Dollar (TRY Equivalent)	EUR (TRY Equivalent)	TRY	Total
Domestic Bank Letters of Guarantee Given	1,348,454	158,639	340,293,328	341,800,421
Total	1,348,454	158,639	340,293,328	341,800,421

43. Commitments (continued)**Total Amount of Mortgages or Restrictions on Assets:**

	December 31, 2018	December 31, 2017
Financial Assets (*)	366,276,787	318,965,871
Total (Note 17.1)	366,276,787	318,965,871
Time-Deposit Accounts	3,743,329	400,665
Demand Deposit Accounts	4,697,088	8,599,664
Total	374,717,204	327,966,200

(*) These assets are earmarked over principal amounts valued at Central Bank prices applicable on December 31, 2018 and their exchange market value including coupon is 358,346,575 TRY (December 31, 2017: 326,625,098 TRY) (Note 11.1).

44. Business Combinations

None (December 31, 2017: None)

45. Related Party Transactions

Axa Group companies and shareholders, affiliates and senior management of the Company are considered as related parties in Company financial statements.

a) Due from Insurance Operations:

	December 31, 2018	December 31, 2017
Axa Pool	21,170,863	8,214,422
Milli Reasürans T.A.Ş.	4,159	3,863
Total	21,175,022	8,218,285

b) Due to Insurers and Reinsurers

	December 31, 2018	December 31, 2017
AXA Global P&C	43,536,539	4,524,023
AXA France Corporate Solutions	34,356,262	15,647,509
Axa Germany Corporate Solutions	3,078,708	6,084,695
Axa PartnersTurkey	304,710	235,650
Groupama Sigorta A.Ş.	5,679	4,071
Milli Reasürans T.A.Ş.	480	345
Other Axa Group Companies	4,167,893	4,076,648
Total	85,450,271	30,572,941

45. Related Party Transactions (continued)**c) Other Liabilities:**

	December 31, 2018	December 31, 2017
Due to Shareholders	2,568	2,568
Total	2,568	2,568

d) Cash Deposited with Insurance and Reinsurance Companies

Axa Pool	72,243,056	57,608,673
Total	72,243,056	57,608,673

e) Other Receivables from related Parties

Axa Hayat ve Emeklilik A.Ş.	238,478	488,101
Total	238,478	488,101

f) Ceded Premiums

	January 1 - December 31, 2018	January 1 - December 31, 2017
AXA Global P&C	160,208,984	136,773,791
Axa France Corporate Solutions	25,723,390	24,434,751
Axa Germany Corporate Solutions	11,166,724	10,254,557
Milli Reasürans T.A.Ş.	5,309,020	22,912,411
Axa PartnersTurkey	4,214,505	3,320,986
Groupama Sigorta A.Ş.	1,214,692	655,114
Other Axa Group Companies	10,840,264	5,648,134
Total	218,677,579	203,999,744

g) Commissions Received

AXA Global P&C	9,032,814	5,923,196
Axa France Corporate Solutions	4,123,125	2,108,978
Axa Germany Corporate Solutions	1,949,809	1,590,183
Milli Reasürans T.A.Ş.	796,423	3,798,054
Groupama Sigorta A.Ş.	315,890	136,259
Axa PartnersTurkey	34,063	93,303
Other Axa Group Companies	1,178,119	538,957
Total	17,430,243	14,188,930

45. Related Party Transactions (continued)**h) Reinsurer's Share in Paid Claims**

	January 1 - December 31, 2018	January 1 - December 31, 2017
AXA Global P&C	29,272,645	19,505,172
Milli Reasürans T.A.Ş.	22,270,313	14,018,346
Axa France Corporate Solutions	11,480,760	8,011,817
Axa Germany Corporate Solutions	2,776,715	198,705
Groupama Sigorta A.Ş.	2,616,732	439,773
Axa PartnersTurkey	-	4,404
Other Axa Group Companies	5,028,861	1,348,857
Total	73,446,026	43,527,074

i) Rent Income

Axa Hayat ve Emeklilik A.Ş.	1,118,929	1,209,311
Axa HoldingA.Ş.	12,000	12,000
Total	1,130,929	1,221,311

i) Dividends Paid

No dividend amount is paid within January 1 - December 31, 2018 and January 1 - December 31, 2017 periods.

j) IT and Consultancy Expenses

	January 1 - December 31, 2018	January 1 - December 31, 2017
Axa Regional Services S.A.U	7,596,586	9,096,751
Axa GIE	2,591,139	6,299,446
Axa Services SAS (*)	1,971,519	-
Axa BusinessServices Pvt. Ltd.	1,122,997	1,105,548
Axa Shared Services Spain S.A.	207,683	-
Axa Group Solutions SAS (*)	53,133	2,492,293
Axa SA	51,474	-
Other	78,240	430,840
Total	13,672,771	19,424,878

(*) Service received from Axa Group Solutions SAS within 2017 is started to be received from Axa Services SAS in 2018.

45.1 Receivables from Shareholders, Affiliates and Subsidiaries and Provisions for Doubtful Receivables Allocated for Such Receivables: None (December 31, 2017: None)

45.2 Breakdown of affiliates and subsidiaries having an indirect shareholding and management relationship with the Company, names, shares and share amounts of shareholders/partnerships included in affiliates and subsidiaries, period profit/loss of such shareholders/partnerships in latest financial statements and the periods of such financial statements, whether such financial standards are prepared in compliance with the Board's standards and whether audited by an independent auditor and type of independent audit report prepared (positive opinion, negative opinion or contingent):

45. Related Party Transactions (continued)**Investment Securities**

December 31, 2018								
Investment Securities	Participation Share (%)	Book Value	Independent Audit Opinion	Financial Statement Period	Total +Assets	Total +Liabilities	Gross Sales Profit	Net Profit/(Loss)
AselsanA.Ş. (*)	0.12	27,787,432	-	9/30/2018	17,811,022,000	8,428,861,000	1,273,221,000	1,735,503,000
Milli ReasüransT.A.Ş. (**)	0.09	574,279	-	9/30/2018	10,577,387,633	8,454,557,839	4,616,628,600	182,156,617
Tarsim (**)	4.17	430,032	-	31.12.2018	24,933,182	10,591,774	34,758,653	3,485,207
		28,791,743						

December 31, 2017								
Investment Securities	Participation Share (%)	Book Value	Independent Audit Opinion	Financial Statement Period	Total +Assets	Total +Liabilities	Gross Sales Profit	Net Profit/(Loss)
AselsanA.Ş. (*)	0.12	36,407,036	-	12/31/2017	10,918,217,000	5,870,009,000	1,354,933,000	1,387,770,000
Milli ReasüransTAŞ. (**)	0.09	574,279	-	31.12.2017	9,042,311,338	6,977,661,873	4,196,658,738	189,520,109
Tarsim (**)	4.00	346,211	-	31.12.2017	18,942,538	8,118,789	25,787,056	1,753,174
		37,327,526						

(*) The Company's shares in Aselsan A.Ş. are recorded in market values as at Balance Sheet date.

(**) These financial assets are recorded in indexed cost values since they are not traded in structured markets and their fair values cannot be reliably measured.

45.3 Amount of bonus shares received from affiliates and subsidiaries due to capital increases generated from internal resources: None (December 31, 2017: None)

45.4 Real Rights on Immovables and Their Values: None (December 31, 2017: None)

45.5 Amount of obligations such as guarantees, commitments, advances, endorsements etc. granted in favor of shareholders, affiliates and subsidiaries: None (December 31, 2017: None)

46. Events after Balance Sheet Date

Severance pay upper limit is increased to 6,017.60 TRY after January 1, 2019.

47. Other**47.1 Details of "Other" items in Balance Sheet which exceed 20% of its respective account group or 5% of total assets:****a) Other Receivables:**

	December 31, 2018	31.12.2017
Receivables from High Risk Policyholders Pool	9,033,562	16,216,216
Agency Receivables due to Special Insurances (compulsory Earthquake Insurance)	2,251,054	2,178,735
Salvage Suspense Account and Other Receivables	-	407,411
Other	3,465,227	3,373,930
Total	14,749,843	22,176,292

b) Other Deferred Expenses

	28,754,872	25,120,032
Repair and Maintenance Expenses	2,230,178	1,713,553
Rent Expenses	713,565	374,301
Life Insurance Expenses	368,688	410,935
Subscription Expenses	5,220	3,822
Other	609,485	32,020
Total	32,682,008	27,654,663

c) Other Current Liabilities:

Agencies Suspense Account	730,430	367,799
Other	223,067	-
Total	953,497	367,799

d) Other Payables

Due to Contractual Facilities	51,874,001	54,109,230
Due to Suppliers	17,784,412	15,733,485
Total	69,658,413	69,842,715

e) Other Payables

Company's Share in Guarantee Account	8,461,620	8,354,553
Total	8,461,620	8,354,553

47. Other (continued)**f) Other Technical Reserves (Short**

	December 31, 2018	December 31, 2017
Provision for Agency Incentives and Sliding Scale		
Commissions	30,902,556	41,237,348
Provision for Excess of Loss Premiums	12,032,088	12,508,263
Provision for Treatment Expenses	200,131	160,994
Total	43,134,775	53,906,605

g) Payables from Other Operations

Payables to DASK	12,354,125	11,489,393
Total	12,354,125	11,489,393

h) Other Technical Reserves (Long Term):

Equalization Reserve - Net	176,988,825	141,883,912
Total	176,988,825	141,883,912

i) Other Technical Expenses:

	January 1 - December 31, 2018	January 1 - December 31, 2017
Assistance Expenses	51,957,381	48,623,226
Guarantee Fund Expense	8,461,620	8,354,552
Other	9,947,533	13,111,764
Total	70,366,534	70,089,542

j) Other Income:

	January 1 - December 31, 2018	January 1 - December 31, 2017
Proxy Fee Income	863,723	609,195
Promotion Income	797,143	350,714
Agency Income	277,708	180,932
Income from Doubtful Receivables	87,186	13,004
Other	260,205	288,977
Total	2,285,965	1,442,822

k) Other Expenses and Losses:

	January 1 - December 31, 2018	January 1 - December 31, 2017
Non-Deductible Expenses	162,352	272,930
Other	393,942	405,097
Total	556,294	678,027

47. Other (continued)**47.2 Total amounts (separately) of Due from Personnel and Due to Personnel items included in "Other Current or Non-Current Liabilities" and "Other Receivables accounts exceeding 1% of total assets amount in Balance Sheet:**

None (December 31, 2017: None)

47.3 Amounts related to recovery receivables followed up in off-balance sheet items: 34,458,497 TRY (December 31, 2017: 26,762,003 TRY).**47.4 Explanatory note related to amounts and sources of income & expenses and expenses & losses for previous period:** None (January 1 - December 31, 2017: None)**47.5 Information classified as "required to be presented" by Treasury. Provision Income/(Expense) for the Period:**

	January 1 - December 31, 2018	January 1 - December 31, 2017
Provision for Doubtful Receivables from Main Operations	(73,251,919)	(60,563,391)
Provision for Employee bonuses, Performance Wages, Seniority Incentives and Loyalty	(13,305,106)	(18,244,064)
Provision for Consultancy	(4,109,000)	(1,047,190)
Provision for Due from Insurance Operations	966,000	-
Provision for Employment Termination Benefits	(10,446,968)	(746,494)
Provision for Leave and Notice Pay	(318,906)	11,209
Other	507,601	(3,159,501)
Total	(99,958,298)	(83,749,431)

AXA SIGORTA A.Ş. APPENDIX 1 – CONVENIENCE TRANSLATION OF THE STATEMENT OF PROFIT DISTRIBUTION

	Audited Current Period January 1 - December 31, 2018 (*)	Audited Previous Period January 1 - December 31, 2017
1. DISTRIBUTION OF PROFIT FOR THE PERIOD		
1.1. NET PROFIT/(LOSS) FOR THE PERIOD	371,280,446	(335,119,792)
1.2. TAXES AND FISCAL LIABILITIES	-	-
1.2.1. Corporate Tax (Income Tax)	-	-
1.2.2. Income Tax Deduction	-	-
1.2.3. Other Taxes and Fiscal Liabilities	-	-
A NET PROFIT FOR THE PERIOD (1.1 - 1.2)	371,280,446	(335,119,792)
1.3. PREVIOUS YEARS' LOSSES (-)	-	-
1.4. PRIMARY LEGAL RESERVES	-	-
1.5. LEGAL RESERVES RETAINED BY COMPANY (-)	-	-
B NET DISTRIBUTABLE	-	-
PROFIT FOR THE PERIOD [(A - (1.3 + 1.4 + 1.5)]	-	-
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1. To Common Shareholders	-	-
1.6.2. To Preferred Shareholders	-	-
1.6.3 To Owners of Participating Redeemed Shares	-	-
1.6.4 To Owners of Profit-Sharing Securities	-	-
1.6.5 To Owners of Profit and Loss Sharing Securities	-	-
1.7. DIVIDENDS TO PERSONNEL (-)	-	-
1.8. DIVIDENDS TO FOUNDERS (-)	-	-
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.10.1. To Common Shareholders	-	-
1.10.2. To Preferred Shareholders	-	-
1.10.3. To Owners of Participating Redeemed Shares	-	-
1.10.4. To Owners of Profit-Sharing Securities	-	-
1.10.5. To Owners of Profit and Loss Sharing Securities	-	-
1.11. SECONDARY LEGAL RESERVES (-)	-	-
1.12. STATUTORY RESERVES (-)	-	-
1.13. EXTRAORDINARY RESERVES	-	-
1.14. OTHER RESERVES	-	-
1.15. SPECIAL FUNDS	-	-
II. DISTRIBUTION FROM RESERVES	-	-
2.1. DISTRIBUTED RESERVES	-	-
2.2. SECONDARY LEGAL RESERVES (-)	-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1. To Common Shareholders	-	-
2.3.2. To Preferred Shareholders	-	-
2.3.3 To Owners of Participating Redeemed Shares	-	-
2.3.4 To Owners of Profit-Sharing Securities	-	-
2.3.5 To Owners of Profit and Loss Sharing Securities	-	-
2.4. DIVIDENDS TO PERSONNEL (-)	-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III PROFIT PER SHARE	-	-
3.1. TO COMMON SHAREHOLDERS	-	-
3.2. TO COMMON SHAREHOLDERS (%)	-	-
3.3. TO PREFERRED SHAREHOLDERS	-	-
3.4. TO PREFERRED SHAREHOLDERS (%)	-	-
IV. DIVIDENDS PER SHARE	-	-
4.1. TO COMMON SHAREHOLDERS	-	-
4.2. TO COMMON SHAREHOLDERS (%)	-	-
4.3. TO PREFERRED SHAREHOLDERS	-	-
4.4. TO PREFERRED SHAREHOLDERS (%)	-	-

(*) Shareholders' Assembly is the authorized body of the Company regarding distribution of current period profit. The Company has not yet held the Ordinary Shareholders' Assembly meeting as of the financial statement dates.

6

**AXA HAYAT VE
EMEKLİLİK A.Ş.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDIT
REPORT for JANUARY 1 -
DECEMBER 31, 2018
PERIOD**

AXA HAYAT VE EMEKLİLİK A.Ş.

FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORT for JANUARY 1 - DECEMBER 31, 2018 PERIOD



CONVENIENCE TRANSLATION of INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Axa Hayat Emeklilik A.Ş.

A) Audit of Financial Statements

1) Opinion

We have completed the audit on Axa Hayat ve Emeklilik A.Ş.'s ("Company") financial statements drawn up as of December 31, 2018, comprising of detailed Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity, Statement of Cash Flows and Notes to these financial statements, including summary of significant accounting policies.

In our opinion, enclosed Financial Statements present fairly, in all material respects, the Company's financial position as at and the financial performance and cash flows for the period ended on December 31, 2018 in accordance with the regulations regarding accounting and financial reporting under the currently applicable insurance legislation and in accordance with the "Regulation on Accounting and Financial Reporting for Insurance Companies" on issues not covered by the aforementioned legislation.

2) Basis of Opinion

The independent audit has been conducted in accordance with the regulations regarding independent audit principles in effect pursuant to the insurance legislation and with the Independent Audit Standards ("IAS") as part of Turkish Audit Standards issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under these Standards are explained in detail under "Independent Auditor's Responsibility for Independent Audit of Financial Statements" section provided below. We hereby represent that we are independent of the Company in accordance with the Code of Conduct for Independent Auditors ("Code of Conduct") issued by POA and with the ethical rules and requirements set forth in the legislation regarding independent audit of financial statements. We have also fulfilled other ethical responsibilities assigned to independent auditors in Code of Conduct and the relevant legislation. We believe the independent audit evidences obtained during the independent audit activity constitute adequate and appropriate grounds in forming our opinion.

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TİCARET SİCİL NO: 262368

DENGE BAĞIMSIZ DENETİM SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

AXA HAYAT VE EMEKLİLİK A.Ş.

FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORT for JANUARY 1 - DECEMBER 31, 2018 PERIOD



3) Key Audit Issues

Key audit issues are the most critical issues according to our professional judgment for independent audit of financial statements belonging to the current period. Key audit issues are already considered as a whole during the independent audit of and in forming our professional opinion about Company financial tables, therefore a separate opinion in this regard shall not be provided additionally.

Key Audit Issue	How Key Audit Issue Is Considered during Audit
Estimates and Assumptions used in Calculation of Insurance Contract Liabilities	
<p>Total insurance technical reserves of the Company is 86,735,099 TRY as of December 31, 2018, constituting 13% of Company's total liabilities and shareholders' equity. Measurement of liabilities regarding insurance contracts contain significant estimations and assumptions on the consequence of an uncertain event in the future and total final value of long term liabilities in general, including benefits guaranteed to policyholders.</p> <p>Liabilities regarding life insurances consist of the amount including the guaranteed portion, limited to actuarial mathematical reserves calculated according to the formulas and principles indicated in the approved technical principles of tariffs applicable to insurance contracts and to technical interest income calculated according to the profit distribution system indicated in approved profit share technical principles for contracts with profit share payment guaranteed by the Company, and accumulated profit share provisions from previous years.</p> <p>Accounting policies regarding such insurance contract liabilities and the actuarial assumptions used are explained in detail in Notes 2 & 17. Insurance contract liabilities are considered as a key audit issue due to their significance for financial statements and estimation uncertainties contained.</p>	<p>Audit procedures regarding the actuarial assumptions were conducted together with the actuary auditor as a member of our audit team. Audit evidences have been obtained about the key controls on the calculation methods used by Company actuaries together with the manually calculated components of insurance contract liabilities. We have tested the reconciliation of calculation data related with Company's insurance contract liabilities with system data and data from other resources. Tariffs and profit share provisions as components of life insurance contract liabilities have been tested with samples randomly obtained through sampling method applied on the calculation data and compliance of explanatory notes about insurance contract liabilities with current regulations regarding accounting and financial reporting pursuant to the applicable insurance legislation.</p>

AXA HAYAT VE EMEKLİLİK A.Ş.

FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORT for JANUARY 1 - DECEMBER 31, 2018 PERIOD



4) Responsibilities of Management and Those in Charge of Governance for Company Financial Statements

Company Management is responsible for ensuring preparation and fair presentation of financial statements in accordance with the applicable Insurance Accounting and Financial Reporting Legislation and for the internal control required to prepare true and fair financial statements free of material mistakes arising from errors or fraud

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 the 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 in charge of governance are responsible for overseeing the Company's financial reporting process.

5) Auditor's Responsibilities for Independent Audit of Financial Statements

As independent auditors, our responsibilities for an independent audit are as follows:

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 does not guarantee that an audit conducted in accordance with the regulations regarding independent audit principles in effect under insurance legislation and with IASs shall always detect a material misstatement whenever it exists. Misstatements can arise from fraud or error and these are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of "material misstatement" in financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence 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.

AXA HAYAT VE EMEKLİLİK A.Ş.

FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORT for JANUARY 1 - DECEMBER 31, 2018 PERIOD

- 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 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 financial statements, including disclosures, and whether financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those in charge of Company 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 have informed those in charge of company governance with a statement that we have complied with relevant ethical requirements regarding independence. Moreover, we have also communicated 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 officers in charge of Company governance, we determine those matters that were of most significance in the audit of financial statements for the current period, which therefore constitute the key audit issues. We describe these matters in our auditor's report unless existing laws or regulations preclude public disclosure about the issue or when, in extremely rare circumstances, we determine that an issue 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.

Report on Other Legal and Regulatory Requirements

Pursuant to Article 402.4 of Turkish Commercial Code no.6102 ("TCC"), no significant item was found in the Company's bookkeeping pattern during and financial tables belonging to January 1 - December 31, 2018 accounting period showing non-compliance with the provisions of TCC and Company Articles of Establishment regarding financial reporting.

Pursuant to Article 402.4 of TCC, Company Board of Directors made the necessary disclosures and provided the documents requested during the audit activity.

The name of chief auditor who supervised and concluded this audit is Nesli Erdem.

DENGE BAĞIMSIZ DENETİM SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

(Stamp & Signature)

Nesli Erdem, SMMM

Chief Auditor in Charge

İstanbul, March 01, 2019

AXA HAYAT VE EMEKLİLİK A.Ş. FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORT for JANUARY 1 - DECEMBER 31, 2018 PERIOD

**OUR STATEMENT regarding COMPANY FINANCIAL STATEMENTS DRAWN UP as
of DECEMBER 31, 2018**

We hereby declare that the attached financial statements drawn up as of December 31, 2018 and related notes have been prepared in accordance with the accounting principles and standards in effect as per the insurance regulations and are consistent with the relevant regulations and the records of the Company.

AXA HAYAT VE EMEKLİLİK A.Ş. General Management
İstanbul, March 1, 2019

(Signature)
Yavuz ÖLKEN
BoD Deputy
Chairman and
General Manager

(Signature)
**Christophe
Stephane KNAUB**
Chief Financial
Officer

(Signature)
Gamze KAYGISIZ
Accounting
Manager

(Signature)
Ertan TAN
Actuary

AXA HAYAT VE EMEKLİLİK A.Ş.
FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORT
for JANUARY 1 - DECEMBER 31, 2018 PERIOD

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AXA HAYAT VE EMEKLİLİK A.Ş.

CONVENIENCE TRANSLATION of the DETAILED BALANCE SHEET as at DECEMBER 31, 2018

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

I- Current Assets	Note	Audited December 31, 2018	Audited December 31, 2017
A- Cash and Cash Equivalents	14	24,506,788	17,909,558
1- Cash		-	-
2-Checks Received		-	-
3- Banks	2.12 and 14	17,236,267	11,216,537
4- Checks and Payment Orders Issued (-)		-	-
5- Bank Guarantees and Three Months Short Term Credit Cart Receivables	2.12 and 14	7,270,521	6,693,021
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments at Policyholders' Risk	11	170,261,727	176,885,258
1- Available for Sale Investments	2.8 and 11.1	99,822,441	100,399,917
2- Held to Maturity Investments		-	-
3- Trading Investments		-	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Financial Investments at Life Policyholder's Risk	2.8 and 11.1	70,439,286	76,485,341
7- Company Shares		-	-
8- Provision for Impairment of Financial Assets (-)		-	-
C- Receivables from Operations	2.8,11,1 and 12.1	2,232,329	2,512,038
1- Due from Insurance Operations	12.1 and 12.5	372,730	793,086
2- Provision for Due from Insurance Operations (-)	12.1 and 12.5	(3,592)	(3,592)
3- Due from Reinsurance Operations		-	-
4- Provision for Due from Reinsurance Operations (-)		-	-
5- Cash Deposited with Insurance and Reinsurance Companies	12.1 and 45	588,772	405,995
6- Loans to Policyholders	12.1	332,397	431,319
7- Provision for Loans to Policyholders (-)		-	-
8- Due from Private Pension Operations	12.1	942,022	885,230
9- Doubtful Receivables from Main Operations	12.1 and 12.5	156,543	156,543
10- Provision for Doubtful Receivables from Main Operations (-)	12.1 and 12.5	(156,543)	(156,543)
D- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint-Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
E- Other Receivables		16,458	5,027
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3-Deposits and Guarantees Given		4,365	4,365
4- Other Receivables		12,093	662
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
F- Deferred Expenses and Income Accruals		123,465	111,057
1- Deferred Production Expenses	17.15	100,652	99,682
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Deferred Expenses	47.1	22,813	11,375
G- Other Current Assets		316,337	206,975
1- Prepaid Office Supplies		-	-
2- Prepaid Taxes and Funds	35	313,837	206,975
3- Deferred Tax Assets		-	-
4- Cash Advances		-	-
5- Advances to Personnel		2,500	-
6- Count Shortages		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		197,457,104	197,629,913

AXA HAYAT VE EMEKLİLİK A.Ş.

CONVENIENCE TRANSLATION of the DETAILED BALANCE SHEET as at DECEMBER 31, 2018

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

II - Non-Current Assets	Note	Audited December 31, 2018	Audited December 31, 2017
A- Receivables from Operations	2.14,17,5 and 19	474,234,675	383,435,509
1- Due from Insurance Operations		-	-
2- Provision for Due from Insurance Operations (-)		-	-
3- Due from Reinsurance Operations		-	-
4- Provision for Due from Reinsurance Operations (-)		-	-
5- Cash Deposited with Insurance and Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Due from Private Pension Operations	2.14,17,5 and 19	474,234,675	383,435,509
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations (-)		-	-
B- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint-Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
C- Other Receivables		-	-
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
D- Financial Assets		427,810	427,810
1- Investment Securities	45.2	427,810	427,810
2- Affiliates		-	-
3- Affiliates Capital Commitments (-)		-	-
4- Subsidiaries		-	-
5- Subsidiaries Capital Commitments (-)		-	-
6- Joint Ventures		-	-
7- Joint Ventures Capital Commitments (-)		-	-
8- Financial Assets and Financial Investments at Policyholders' Risk		-	-
9- Other Financial Assets		-	-
10- Provision for Impairment of Financial Assets (-)		-	-
E- Tangible Assets	2.5 and 6	8,518	19,671
1- Investment Property		-	-
2- Provision for Diminution in Value of Investment Property (-)		-	-
3- Property for Operational Usage		-	-
4- Machinery and Equipment		-	-
5- Furniture and Fixtures	6	578,254	584,238
6- Motor Vehicles		-	-
7- Other Tangible Assets (including leasehold improvements)		-	-
8- Leased Assets		-	-
9- Accumulated Depreciation (-)	6	(569,736)	(564,567)
10- Advances Given for Tangible Assets (including construction in progress)		-	-
F- Intangible Assets	2.7 and 8	45,534	48,838
1- Rights	8	3,203,113	3,203,113
2- Goodwill		-	-
3- Start-up Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortization (-)	8	(3,157,579)	(3,154,275)
7- Advances Given for Intangible Assets		-	-
G- Deferred Expenses and Income Accruals		-	-
1- Deferred Acquisition Expenses		-	-
2- Income Accruals		-	-
3- Other Deferred Expenses		-	-
H - Other Non-Current Assets	2.18, 21 and 35	1,760,844	2,016,745
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Prepaid Office Supplies		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	2.18, 21 and 35	1,760,844	2,016,745
6- Other Non-Current Assets		-	-
7- Other Non-Current Assets Depreciation (-)		-	-
8- Provision for Other Non-Current Assets (-)		-	-
II- Total Non-Current Assets		476,477,381	385,948,573
TOTAL ASSETS (I+II)		673,934,485	583,578,486

Enclosed Notes constitute an integral part of financial statements.

AXA HAYAT VE EMEKLİLİK A.Ş.

CONVENIENCE TRANSLATION of the DETAILED BALANCE SHEET as at DECEMBER 31, 2018

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

III- Current Liabilities	Note	Audited December 31, 2018	Audited December 31, 2017
A- Financial Liabilities		-	-
1- Due to Credit Institutions		-	-
2- Leasing Payables		-	-
3- Deferred Leasing Costs (-)		-	-
4- Short Term Installments of Long Term Borrowings		-	-
5- Issued Debt Securities		-	-
6- Other Issued Debt Securities		-	-
7- Value Differences of Other Issued Debt Securities (-)		-	-
8- Other Financial Payables		-	-
B- Payables from Operations	4 and 19	10,155,612	8,279,878
1- Payables from Insurance Operations	4, 10 and 19	1,485,286	637,053
2- Payables from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables from Private Pension Operations	4 and 19	8,670,326	7,642,825
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties		238,296	488,101
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties	45 and 47.1	238,296	488,101
D- Other Payables		1,731,791	1,221,124
1-Deposits and Guarantees Received	12.3	1,346,211	1,142,518
2- Payables to SSI for Medical Expenses		-	-
3- Other Payables	19 and 47.1	385,580	78,606
4- Rediscount on Other Payables (-)		-	-
E- Insurance Technical Provisions		12,127,558	14,018,914
1- Unearned Premium Reserve - Net	2.24, 4 and 17	882,245	1,134,959
2- Unexpired Risks Reserve-Net		-	-
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net	2.24, 4 and 17	8,679,737	10,446,633
5- Bonus Provision - Net		-	-
6- Other Technical Reserves - Net	2.24, 4, 17 and 21	2,565,576	2,437,322
F- Taxes and Other Fiscal Liabilities		673,848	467,680
1- Taxes and Funds Payable		531,406	337,644
2- Social Security Withholdings Payable		142,442	130,036
3- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
4- Other Taxes and Fiscal Liabilities		-	-
5- Corporate Tax Provision and Other Fiscal Liabilities		-	-
6- Prepaid Taxes and Other Similar Liabilities for Profit		-	-
7- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks	2.20 and 23	4,742,382	4,945,448
1- Provision for Employment Termination Benefits		-	-
2- Provision for Social Aid Fund Asset Shortage		-	-
3- Provision for Expense Accruals	2.20 and 23	4,742,382	4,945,448
H- Deferred Income and Expense Accruals	19	885,887	835,225
1- Deferred Commissions Income	17.15 and 19	512,681	427,464
2- Expense Accruals		-	-
3- Other Deferred Income	19 and 47.1	373,206	407,761
I- Other Current Liabilities		307,382	124,387
1- Deferred Tax Liabilities		-	-
2- Count Overages		-	-
3- Other Current Liabilities	19 and 47.1	307,382	124,387
III - Total Current Liabilities		30,862,756	30,380,757

Enclosed Notes constitute an integral part of financial statements.

AXA HAYAT VE EMEKLİLİK A.Ş.

CONVENIENCE TRANSLATION of the DETAILED BALANCE SHEET as at DECEMBER 31, 2018

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

IV – Non-Current Liabilities	Note	Audited December 31, 2018	Audited December 31, 2017
A- Financial Liabilities		-	-
1- Due to Credit Institutions		-	-
2- Leasing Payables		-	-
3- Deferred Leasing Costs (-)		-	-
4- Issued Debt Securities		-	-
5- Other Issued Debt Securities		-	-
6- Value Differences of Other Issued Debt Securities (-)		-	-
7- Other Financial Payables		-	-
B- Payables from Operations	2.14,17,5 and 19	474,234,675	383,435,509
1- Payables from Insurance Operations		-	-
2- Payables from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables from Private Pension Operations	2.14, 4.17, 5 and 19	474,234,675	383,435,509
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		-	-
1- Deposits and Guarantees Received		-	-
2- Payables to SSI for Medical Expenses		-	-
3- Other Payables		-	-
4- Rediscount on Other Payables (-)		-	-
E- Insurance Technical Provisions		74,607,541	81,840,738
1- Unearned Premium Reserve - Net		-	-
2- Unexpired Risks Reserve - Net		-	-
3- Mathematical Reserves - Net	2.24, 4.17, 2 and 17.15	70,462,380	78,988,310
4- Outstanding Claims Reserve - Net		-	-
5- Bonus Provision - Net		-	-
6- Other Technical Reserves - Net	2.8 and 17.15	4,145,161	2,852,428
F- Other Liabilities and Related Provisions		-	-
1- Other Payables		-	-
2- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
3- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks		1,268,654	629,813
1- Provision for Employment Termination Benefits	2.19, 21 and 22	1,268,654	629,813
2- Provision for Social Aid Fund Asset Shortage		-	-
H- Deferred Income and Expense Accruals		-	-
1- Deferred Commissions Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
I- Other Current Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Other Non-Current Liabilities		-	-
IV- Total Non-Current Liabilities		550,110,870	465,906,060

Enclosed Notes constitute an integral part of financial statements.

AXA HAYAT VE EMEKLİLİK A.Ş.

CONVENIENCE TRANSLATION of the DETAILED BALANCE SHEET as at DECEMBER 31, 2018

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

V- Shareholders' Equity	Note	Audited December 31, 2018	Audited December 31, 2017
A- Share Capital	2.13 and 15	62,975,000	62,975,000
1- (Nominal) Capital	2.13 and 15	62,975,000	62,975,000
2- Unpaid Capital (-)		-	-
3- Adjustments to Share Capital		-	-
4- Adjustments to Share Capital (-)		-	-
5- Capital of Expected Registration		-	-
B- Capital Reserves		-	-
1- Share Premium		-	-
2- Share Premiums of Canceled Shares		-	-
3- Sales Profit Addition to the Capital		-	-
4- Foreign Currency Translation Differences		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		16,496,540	22,135,923
1- Legal Reserves	15	17,216,193	17,024,974
2- Statutory Reserves		-	-
3- Extraordinary Reserves	15	1,989,527	-
4- Special Reserves		-	-
5- Valuation of Financial Assets	2.8 and 15	(2,809,865)	5,303,260
6- Other Profit Reserves	15	100,685	(192,311)
D- Retained Earnings		-	-
1- Retained Earnings		-	-
E- Accumulated Loss (-)		-	(1,643,635)
1- Previous Years' Losses (-)		-	(1,643,635)
F- Net Profit for the Period	37	13,489,319	3,824,381
1- Net Profit for the Period	37	13,489,319	3,824,381
2- Net Loss for the Period (-)		-	-
3- Profit Not Subject to Distribution		-	-
Total Shareholders' Equity		92,960,859	87,291,669
Total Liabilities and Shareholders' Equity (III+IV+V)		673,934,485	583,578,486

AXA HAYAT VE EMEKLİLİK A.Ş.

CONVENIENCE TRANSLATION of the DETAILED INCOME STATEMENT as at DECEMBER 31, 2018

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

		Audited 01.01.2018 - 31.12.2018	Audited 01.01.2017 - 31.12.2017
I- TECHNICAL SECTION	Note		
A- Non-Life Technical Revenues		63,790	46,589
1- Earned Premiums (Net of Reinsurer's Share)		62,757	46,082
1.1- Written Premiums (Net of Reinsurer's Share) (+)	24	62,327	59,126
1.1.1- Gross Written Premiums (+)	24	83,038	95,849
1.1.2- Ceded Premiums (-)	24	(20,711)	(36,723)
1.1.3- Premiums Ceded to SSI (-)			
1.2 Change in Unearned Premiums Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17.15-17.19	430	(13,044)
1.2.1- Unearned Premium Reserve (-)	17.15-17.19	7,901	(13,484)
1.2.2- Reinsurer's Share in Unearned Premium Reserve (+)	17.15-17.19	(7,471)	440
1.2.3- SSI Share in Unearned Premium Reserve (+)			
1.3- Change in Unexpired Risks Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)			
1.3.1- Unexpired Risks Reserve (-)			
1.3.2- Reinsurer's Share in Unexpired Risks Reserve (+)			
2- Investment Income Transferred from Non-Technical Section			
3- Other Technical Income (Net of Reinsurer's Share) (+/-)		1,033	507
3.1- Gross Other Technical Income (+/-)		1,033	507
3.2- Reinsurer's Share in Gross Other Technical Income (-)			
4- Recovery and Salvage Income Accruals (+)			
B- Non-Life Technical Expenses (-)		(14,925)	(27,151)
1- Incurred Losses (Net of Reinsurer's Share)		(17,371)	(31,160)
1.1- Paid Claims (Net of Reinsurer's Share) (-)		(16,841)	(18,111)
1.1.1- Gross Paid Claims (-)		(16,841)	(18,111)
1.1.2- Reinsurers Share in Paid Claims (+)			
1.2- Change in Outstanding Claims Reserve (Net of Reinsurer's share and Reserves Carried Forward) (+/-)		(530)	(13,049)
1.2.1- Outstanding Claims Reserve (-)		(9,795)	(26,756)
1.2.2- Reinsurer's Share in Outstanding Claims Reserve (-)		9,265	13,707
2- Change in Bonus and Rebate Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)			
2.1- Bonus and Rebate Reserve			
2.2- Reinsurer's Share in Bonus and Rebate Reserve			
3- Change in Other Technical Reserves (Net of Reinsurer's Share and Reserves Carried Forward)(+/-)	31, 32	1,656	849
4- Operating Expenses	32	(11,647)	(15,179)
5- Change in Mathematical Reserves (Net of Reinsurer's Share and Reserves Carried Forward)(+/-)		12,437	18,339
5.1- Mathematical Reserves (-)		12,437	18,339
5.2- Reinsurer's Share in Mathematical Reserves (+)			
6- Other Technical Expenses			
6.1- Gross Other Technical Expenses (-)			
6.2- Reinsurer's Share in Gross Other Technical Expenses (+)			
C- Net Technical Income - Non-Life (A - B)		48,865	19,438
D- Life Technical Revenues		50,285,623	40,820,633
1- Earned Premiums (Net of Reinsurer's Share)		9,710,679	18,861,553
1.1- Written Premiums (Net of Reinsurer's Share)	24	9,458,395	18,675,518
1.1.1- Gross Written Premiums (+)	24	11,364,913	20,251,547
1.1.2- Ceded Premiums (-)	24	(1,906,518)	(1,576,029)
1.2 Change in Unearned Premiums Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17.15-17.19	252,284	186,035
1.2.1- Unearned Premium Reserve (-)	17.15-17.19	37,053	139,501
1.2.2- Reinsurer's Share in Unearned Premium Reserve (-)	17.15-17.19	215,231	46,534
1.3- Change in Unexpired Risks Reserve (Net of Reinsurer's Share and Reserves Carried Forward)			
1.3.1- Unexpired Risks Reserve			
1.3.2- Reinsurer's Share in Unexpired Risks Reserve			
2- Life Segment Investment Revenues	26	40,498,598	21,863,111
3- Unrealized Profits in Investments			
4- Other Technical Income (Net of Reinsurer's Share)		76,346	95,969
4.1- Gross Other Technical Income (+/-)		76,346	95,969
4.2- Reinsurer Share in Gross Other Technical Revenues (+/-)			
5- Recovery Income Accruals (+)			
E- Life Technical Expenses		(51,075,482)	(44,859,551)
1- Incurred Losses (Net of Reinsurer's Share)		(36,642,774)	(44,588,042)
1.1- Paid Claims (Net of Reinsurer's Share) (-)		(38,410,202)	(44,139,225)
1.1.1- Gross Paid Claims (-)		(38,470,845)	(45,127,886)
1.1.2- Reinsurers Share in Paid Claims		60,643	988,661
1.2- Change in Outstanding Claims Reserve (Net of Reinsurer's share and Reserves Carried Forward)		1,767,428	(448,817)
1.2.1- Outstanding Claims Reserve (-)		1,435,564	(445,251)
1.2.2- Reinsurer's Share in Outstanding Claims Reserve (+)		331,864	(3,566)
2- Change in Bonus and Rebate Reserve (Net of Reinsurers' Share and Reserves Carried Forward)			
2.1- Bonus and Rebate Reserve			
2.2- Reinsurer's Share in Bonus and Rebate Reserve			
3- Change in Outstanding Claims Reserve (Net of Reinsurer's share and Reserves Carried Forward)		8,513,492	23,575,618
3.1- Mathematical Reserves (-)		8,513,492	23,575,618
3.1.1- Actuarial Mathematical Reserves (+/-)		6,125,586	17,060,626
3.1.2- Profit Share Reserve (Reserves for Policies with Investment Risk Borne by Policyholders)		2,387,906	6,514,992
3.2- Reinsurer's Share in Mathematical Reserves			
3.2.1- Reinsurer's Share in Actuarial Mathematical Reserves			
3.2.2- Reinsurer's Share in Profit Share Reserve (Reserves for Policies with Investment Risk Borne by Policyholders)			
4- Change in Other Technical Reserves (Net of Reinsurer's Share and Reserves Carried Forward)		(242,625)	(70,894)
5- Operating Expenses	31, 32	(4,753,926)	(13,024,610)
6- Investment Expenses	26	(17,949,649)	(10,751,623)
7- Unrealized Losses in Investments (-)			
8- Investment Income Transferred to Non-Life Technical Section (-)			
F- Net Technical Income - Life		(789,859)	(4,038,918)
G- Private Pension Technical Income		9,671,361	7,813,087
1- Fund Management Income		5,964,909	4,678,779
2- Management Cost Charge		1,244,873	1,251,253
3- Entrance Fee Income		2,059,353	1,592,276
4- Management Cost Charge in case of Suspension		402,205	290,772
5- Special Service Expense Charge			
6- Capital Allowance Value Increase Income			
7- Other Technical Income		21	7
H- Private Pension Technical Expense		(13,622,099)	(13,462,205)
1- Fund Management Expenses (-)		(444,224)	(301,305)
2- Capital Allowance Value Decrease Expense			
3- Operating Expenses	31, 32	(11,304,652)	(12,035,055)
4- Other Technical Expenses		(1,872,821)	(1,123,856)
5- Penalty Payments (-)		(402)	(1,989)
I - Net Technical Income - Private Pension		(3,950,738)	(5,649,118)

Enclosed Notes constitute an integral part of financial statements.

AXA HAYAT VE EMEKLİLİK A.Ş.

CONVENIENCE TRANSLATION of the DETAILED INCOME STATEMENT as at DECEMBER 31, 2018

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

II- NON-TECHNICAL SECTION	Note	Audited 01.01.2018 - 31.12.2018	Audited 01.01.2017 - 31.12.2017
C- Net Technical Income - Non-Life		48,865	19,438
F- Net Technical Income - Life		(789,859)	(4,038,918)
I - Net Technical Income - Private Pension		(3,950,738)	(5,649,118)
J- Total Net Technical Income (C+F+I)		(4,691,732)	(9,668,598)
K- Investment Income	26	33,910,847	20,605,132
1- Income from Financial Investments	26	11,554,482	9,867,835
2- Income from Liquidation of Financial Investments	26	117,898	458,592
3- Valuation of Financial Investments	26	6,748,713	4,172,764
4- Foreign Exchange Gains	26 and 36	15,489,686	6,105,148
5- Income from Affiliates		-	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment		-	-
8- Income from Derivatives		-	-
9- Other Investments	26	68	793
10- Investment Income Transferred from Life Technical Section		-	-
L- Investment Expenses (-)		(10,893,764)	(7,978,448)
1- Investment Management Expenses - Interest Included (-)		(49,994)	(24,054)
2- Diminution in Value of Investments (-)		(1,858,910)	(1,743,852)
3- Loss from Realization of Financial Investments (-)		(830,678)	(1,849,039)
4- Investment Income Transferred to Non-Life Technical Section (-)		-	-
5- Loss from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	36	(8,139,725)	(4,345,314)
7- Depreciation Expenses (-)	6.1 and 6.3	(14,457)	(16,189)
8- Other Investment Expenses (-)		-	-
M- Income and Expenses from Other Operations and Extraordinary Operations (+/-)		(4,836,032)	866,295
1- Provisions (+/-)	47.5	(2,128,696)	180,293
2- Rediscounts (+/-)		-	-
3- Special Insurances (+/-)		-	-
4- Inflation Adjustments (+/-)		-	-
5- Deferred Tax Assets (+/-)	35	-	1,000,104
6- Deferred Tax Liabilities Expenses (-)	35	(2,461,578)	-
7- Other Income		75,063	26,658
8- Other Expenses and Losses (-)	47	(320,821)	(340,760)
9- Revenues and Profits from Previous Year		-	-
10- Expenses and Losses from Previous Year (-)		-	-
N- Net Profit or Loss for the Period		13,489,319	3,824,381
1- Profit/Loss(-) for the Period		13,489,319	3,824,381
2- Provision for Corporate Tax and Other Fiscal Liabilities (-)		-	-
3- Net Profit/Loss(-) for the Period		13,489,319	3,824,381
4- Inflation Adjustment		-	-

AXA HAYAT VE EMEKLİLİK A.Ş.

CONVENIENCE TRANSLATION of STATEMENT of CASH FLOWS for JANUARY 1 - DECEMBER 31, 2018 PERIOD

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

	Note	Audited 01.01.2018 - 31.12.2018	Audited 01.01.2017 - 31.12.2017
A. CASH FLOW FROM OPERATING ACTIVITIES			
1. Cash Inflow from Insurance Operations		25,554,566	25,001,012
2. Cash Inflow from Reinsurance Operations		-	-
3. Cash Inflow from Private Pension Operations		100,470,528	140,047,518
4. Cash Outflow from Insurance Operations (-)		(50,711,255)	(50,741,486)
5. Cash Outflow from Reinsurance Operations (-)		-	-
6. Cash Outflow from Private Pension Operations (-)		(104,478,056)	(145,155,532)
7. Net Cash from Operating Activities (A1+A2+A3-A4-A5-A6)		(29,164,217)	(30,848,488)
8. Interest Payment (-)		-	-
9. 9- Income Tax Payment (-)		(313,837)	(206,975)
10. Other Cash Inflows		1,855,658	1,770,940
11. Other Cash Outflows (-)		(3,076,539)	(15,750,698)
12. Net Cash Inflow from Operating Activities		(30,698,935)	(45,035,221)
B. CASH FLOW FROM INVESTMENT OPERATIONS			
1. Sale of Tangible Assets		93	9,059
2. Tangible Asset Acquisitions (-)		-	(8,732)
3. Financial Asset Acquisitions (-)		(5,225,935)	(2,012,702)
4. Sale of Financial Assets		10,485,054	22,537,135
5. Interest Received		11,672,380	10,326,427
6. Dividends Received		-	-
7. Other Cash Inflows		22,548,926	11,119,410
8. Other Cash Outflows (-)		(2,739,581)	(3,662,213)
9. Net Cash Inflow from Investment Activities		36,740,937	38,308,384
C. CASH FLOW FROM FINANCING OPERATIONS			
1. Issue of Shares		-	-
2. Cash Inflows from Borrowings		-	-
3. Leasing Payments (-)		-	-
4. Dividends Paid (-)		-	-
5. Other Cash Inflows		-	-
6. Other Cash Outflows (-)		-	-
7. Net Cash Inflow from Financing Operations		-	-
D. EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS		455,437	1,759,834
E. Net Increase / (Decrease) in Cash and Cash Equivalents (A12+B9+C7+D)		6,497,439	(4,967,003)
F. Cash and Cash Equivalents at the Beginning of the Period	2.12	17,878,509	22,845,512
G. Cash and Cash Equivalents at the End of the Period (E+F)	2.12	24,375,948	17.878.509

CONVENIENCE TRANSLATION of STATEMENT of CHANGES in SHAREHOLDERS' EQUITY - AUDITED

	Capital	Own Shares (-)	Increase in Asset Values	Inflation Adjustmen t on Share Capital	Foreign Currenc y Translat ion Differen ces	Legal Statutory Reserves	Other Reserves and Retained Profit	Profit (or Loss) for the Period	Accumulated Loss (-)	Total
PREVIOUS PERIOD - AUDITED										
I- Balance at the End of Previous Period (31/12/2016)	62,975,000	-	4,980,439	-	-	17,024,974	(58,084)	(1,643,635)	-	83,278,694
II - Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-
III - New Balance (I + II) (01/01/2017)	62,975,000	-	4,980,439	-	-	17,024,974	(58,084)	(1,643,635)	-	83,278,694
A- Capital Increase (AI + A2)	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-
2- From Internal Resources	-	-	-	-	-	-	-	-	-	-
B- Own Shares	-	-	-	-	-	-	-	-	-	-
C- Gains and Losses Not Included in Income Statement	-	-	322,821	-	-	-	(134,227)	-	-	188,594
D- Increase in Asset Values	-	-	-	-	-	-	-	-	-	-
E- Foreign Currency Translation Differences	-	-	-	-	-	-	-	-	-	-
F- Other Income and Losses	-	-	-	-	-	-	-	-	-	-
G- Inflation Adjustments	-	-	-	-	-	-	-	-	-	-
H- Net Profit / (Loss) for the Period	-	-	-	-	-	-	-	3,824,381	-	3,824,381
I- Dividends Paid	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	-	-	-	-	-	1,643,635	(1,643,635)	-
IV - Balance at Period End (31/12/2017) (III+ A+B+C+D+E+F+G+H+I+J)	62,975,000	-	5,303,260	-	-	17,024,974	(192,311)	3,824,381	(1,643,635)	87,291,669
CURRENT PERIOD - AUDITED										
1- Balance at the End of Previous Period (31/12/2017)										
II - Changes in Accounting Policy										
III - New Balance (I + II) (01/01/2018)	62,975,000	-	5,303,260	-	-	17,024,974	(192,311)	3,824,381	(1,643,635)	87,291,669
A- Capital Increase (AI + A2)	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-
2- From Internal Resources	-	-	-	-	-	-	-	-	-	-
B- Own Shares	-	-	-	-	-	-	-	-	-	-
C- Gains and Losses Not Included in Income Statement	-	-	(8,113,125)	-	-	-	292,996	-	-	(7,820,129)
D- Increase in Asset Values	-	-	-	-	-	-	-	-	-	-
E- Foreign Currency Translation Differences	-	-	-	-	-	-	-	-	-	-
F- Other Income and Losses	-	-	-	-	-	-	-	-	-	-
G- Inflation Adjustments	-	-	-	-	-	-	-	-	-	-
H- Net Profit / (Loss) for the Period	-	-	-	-	-	-	-	13,489,319	-	13,489,319
I- Dividends Paid	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	-	-	-	191,219	1,989,527	(3,824,381)	1,643,635	-
IV - Balance at Period End (31/12/2018) (III+ A+B+C+D+E+F+G+H+I+J)	62,975,000	-	(2,809,865)	-	-	17,216,193	2,090,212	13,489,319	-	92,960,859

AXA HAYAT VE EMEKLİLİK A.Ş.

CONVENIENCE TRANSLATION of NOTES to FINANCIAL STATEMENTS for JANUARY 1 - DECEMBER 31, 2018 PERIOD

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

1. General Information

- 1.1 Name of Parent Company: Axa Holding A.Ş. is the direct main partner and Axa SA is the ultimate main partner of Axa Hayat ve Emeklilik A.Ş. ("Company") as of December 31, 2018 and December 31, 2017.

Pursuant to the Share Purchasing Agreement executed on February 5, 2008 between Axa SA, a partner of Axa Hayat Sigorta A.Ş.'s main partner Axa Holding A.Ş. and OYAK, all shares of OYAK in Axa Oyak Holding A.Ş. is transferred to Axa Mediterranean Holding SA. Following the official approvals given by the Undersecretariat of Treasury affiliated to the Turkish Ministry of Treasury and Finance ("Treasury") and Turkish Competition Authority validating the said share transfer, Company's former name Axa Oyak Hayat Sigorta A.Ş. is changed as Axa Hayat Sigorta A.Ş. with the resolution made in Company Shareholders' Assembly held on August 12, 2008 and the title change is officially registered on the same date. Business title of the Company's main partner Axa Oyak Holding A.Ş. is also changed and registered on the same date as Axa Holding A.Ş.

Company Board of Directors ("BoD") decided to change the Company's status from life insurance to life insurance and pension company and initiate the required proceedings in this regard in accordance with Resolution No.28 made on October 16, 2008, and to initiate the activities required for transfer of the Company's health portfolio to Axa Sigorta A.Ş. in accordance with Resolution No.5 made on February 16, 2009. The Company subsequently presented the required documents regarding transfer of the health portfolio on June 15, 2009 to Turkish Treasury. The Undersecretariat of Treasury approved this transfer with the official letter dated August 25, 2009 and the transfer is realized through recognition in Company financial statements drawn up on October 31, 2009 in accordance with the portfolio transfer agreement signed on September 10, 2009. Company's business title Axa Hayat Sigorta A.Ş. is changed as Axa Hayat ve Emeklilik A.Ş. pursuant to permission no.23749 of the Treasury dated May 12, 2010 and permission no.2709 of General Directorate of Domestic Trade affiliated to the Ministry of Industry and Trade dated May 14, 2010 and the title change is officially registered on June 29, 2010.

The Company filed an application to Treasury on August 18, 2010 to operate in private pension segment and was subject to a license audit on February 1, 2011. The company obtained the license for private pension operations on May 5, 2011 which was officially registered on May 24, 2011. The Company has 19 Pension Investment Funds with the capacity of fund founder as of December 31, 2018 (December 31, 2017: 19 funds).

- 1.2 Company's Legal Residence Address, Legal Structure, Country of Incorporation and Address of Officially Registered Office: The Company is established in May 1995 in Istanbul and started operations in July 1995. The Company is registered in Istanbul, Turkey and registered address is "Meclis-i Mebusan Cad. No: 15, 34433 Salıpazarı/Istanbul".
- 1.3 Nature of Operations: The company operates in line with Insurance Law No.5684 and also with Private Pension Saving and Investment System Act No. 4632. and the official circulars issued regarding these two acts. As disclosed in Note 1.1, the Company operates as an insurer in life and personal accident segments in insurance industry and started operating in private pension segment in 2011.
- 1.4 Explanation of Company Activities and Characteristics of Main Operations: **Disclosed in Notes 1.2 and 1.3.**

1. General Information (continued)**1.5 Average Number of Employees During the Period by Category:**

	January 1 - December 31, 2018	January 1 - December 31, 2017
Senior and middle level managers	4	4
Other employees	47	49
Total	51	53

- 1.6** Total salaries and benefits paid to the members of the Board of Directors, General Manager, General Coordinator, Assistant General Managers and other executive management during the current period: **1,269,661 TRY (January 1 - December 31, 2017: 1,426,082 TRY)**
- 1.7** Criteria set for the allocation of investment income and operating expenses (personnel, management, research and development, marketing and sales, outsourcing services and other operating expenses) in financial statements: All investment income generated by investments backing life and non-life technical provisions is transferred from non-technical to technical section of the income statement. Other investment income is classified under non-technical section. The Company considered the weighted average of the number of policies produced within the current period, amount of gross written premiums and number of loss claim reports realized within last three years for distribution of operating income transferred to the technical section.
- 1.8** Information on financial statements as to whether financial statements include only one firm or a group of firms: **Financial Statements are drawn up for only one company Axa Hayat ve Emeklilik A.Ş.).**
- 1.9** Name and other identification information of the reporting firm and changes in this information from the previous balance sheet date:
Company's name and other identification details and changes in the foregoing information from the previous balance sheet date are disclosed in Notes 1.1, 1.2, & 1.3.
- 1.10** Events after Balance Sheet date: Financial statements for the period ended on December 31, 2018 are authorized by Board of Directors on March 01, 2019. Events after Balance Sheet date are disclosed in Note 46.

2. Summary of Significant Accounting Policies**2.1 Basis of Preparation****2.1.1 Information about the principles and the specific accounting policies used in the preparation of the financial statements**

The Company prepares the financial statements in accordance with the principles set forth by Undersecretariat of Treasury for insurance and reinsurance companies, the accounting principles and standards specified in applicable regulations under Insurance Law No.5684 ("Insurance Law") promulgated in Turkish Official Journal No.26552 on June 14, 2007, Private Pension Saving and Investment System Act No. 4632 dated March 28, 2001 and other regulations, communiqués and explanations issued by the Treasury regarding accounting and financial reporting issues and for issues not covered by the foregoing, with the applicable "Insurance Accounting and Financial Reporting Legislation" including provisions set forth in Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards ("TFRS") as issued by TASB.

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

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

Standard No. 4 regarding "Insurance Contracts" issued by Public Oversight Accounting and Auditing Standards Authority ("POA") entered into effect on March 25, 2006 to be applicable for accounting periods starting after December 31, 2005. However, TFRS 4 was not to be implemented since the second part of International Accounting Standards Board's (IASB) project regarding insurance contracts had not been completed yet. Subsequently, "Regulation on Technical Reserves of Insurance, Reinsurance And Pension Companies, and Assets in which such Provisions are to be Invested" ("Technical Provisions Regulation") promulgated in Turkish Official Journal No.26606 on August 7, 2007 and covering technical reserves put in effect after January 1, 2008 and a number of communiqués and industry announcements including explanations and arrangements regarding this Regulation have been issued in this regard. Accounting policies implemented regarding the arrangements introduced with the aforementioned Regulation, communiqués and industry announcements are summarized in following sections individually under a dedicated title.

The Company presents its financial statements in accordance with the "Communiqué on Presentation of Financial Statements) which is issued by the Treasury, promulgated in Turkish Official Journal No.26851 on April 18, 2008 and arranged under Insurance Law and the "Regulation on Financial Reporting of Insurance, Reinsurance, and Private Pension Companies" ("Financial Reporting Regulation") which is promulgated in Turkish Official Journal No.26582 on July 14, 2007 and entered into effect after January 1, 2008.

In addition to the foregoing, Turkish Accounting Standards ("TAS") and relevant appendices and comments issued by POA are also taken into consideration for preparation of financial statements.

2.1.2 Other Accounting Policies Appropriate for Understanding of Financial Statements

Adjustment of Financial Statements During Hyperinflationary Periods

Pursuant to the Official Letter No.19387 of Treasury dated April 4, 2005, Company financial statements as of December 31, 2004 were restated and 2005 opening balances were determined accordingly in accordance with "Financial Reporting in Hyperinflationary Economies" section included in the regulations of Capital Markets Board's ("CMB") Communiqué XI No.25, which came into force as published in the Official Journal No: 25290 on November 15, 2003. Restatement of financial statements according to the inflation rate is ceased within 2005, again in accordance with the aforementioned Official Letter of Treasury.

Other Accounting Policies

Information regarding other accounting policies is disclosed individually under dedicated titles in following sections of this report.

2.1.3 Currency Used

The functional and reporting currency of the Company is Turkish Lira (TRY).

2.1.4 Rounding scale of the amounts presented in the financial statements

All figures presented in TRY have been rounded to the nearest integer unless provided as otherwise in financial statements and in relevant notes.

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

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

As detailed under Note 2.1.2, non-monetary assets and liabilities including shareholders' equity items included in the Balance Sheet are calculated through indexing of entries until December 31, 2004 and carrying of entries made after this date with respective nominal values. The accompanying financial statements are prepared on the historical cost basis, except for the financial assets measured at their fair values unless reliable measures are available.

2.1.6 Accounting policies, changes in accounting estimates and errors:

There are no changes in accounting policies or any detected errors or mistakes within the current period. Details about accounting estimates are provided in Note 3: "Critical Accounting Estimates and Judgments in Applying Accounting Policies".

New and Revised Financial Reporting Standards

The accounting policies adopted in preparation of the 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 standards and TFRIC interpretations effective as of January 01, 2018. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) New Standards, Changes and Interpretations Effective as of January 1, 2018

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 5-stage model in TFRS 15 explains the requirements regarding booking and measurement of revenues. 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 "Circular No.2018/4 on Date of Transition to TFRS 15 of Insurance and Pension Companies" issued on October 23, 2018.

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 risk' issue, whereby banks and other entities book gains in their income statements 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.

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

New and Revised Financial Reporting Standards (continued)

i) New Standards, Changes and Interpretations Effective as of January 1, 2018 (continued)

TFRS 9 Financial Instruments (continued)

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 provisions of TFRS 9 included in TFRS 4 until IFRS 17 becomes effective.

TFRS 4 Insurance Contracts (Amendments)

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

- a) give all companies that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and
- b) give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 Financial instruments until 2021. The entities that defer the application of TFRS 9 Financial instruments will continue to apply the existing financial instruments Standard-TAS 39.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. 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.

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 recognizes 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.

2. Summary of Significant Accounting Policies (continued)**2.1 Basis of Preparation (continued)****New and Revised Financial Reporting Standards (continued)****i) New Standards, Changes and Interpretations Effective as of January 1, 2018 (continued)****TFRIC 22 Foreign Currency Transactions and Advance Consideration (continued)**

The interpretation is effective for annual reporting periods beginning on or after January 1, 2018. The interpretation did not have a significant impact on the 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. The amendments aim at clarifying TFRS 2 on how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- b) share-based payment transactions with a net settlement feature for withholding tax obligations; and
- c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 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 to be applied for annual periods beginning on or after 1 January 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.

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

New and Revised Financial Reporting Standards (continued)

i) New Standards, Changes and Interpretations Effective as of January 1, 2018 (continued)

Annual Improvements to TFRSs - 2014-2016 Period

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

ii) Standards Issued but Not yet Effective and Not Early Adopted

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

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. Lessee accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees are entitled for the exception of not applying this standard to short term leases (leases with a term equal or shorter than 12 months) or leases where underlying asset has lower values (e.g. personal computers, various 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 recognizes 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 recognize 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 recognizes the amount of the re-measurement 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.

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

New and Revised Financial Reporting Standards (continued)

ii) Standards Issued but Not yet Effective and Not Early Adopted (continued)

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

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

TFRS 9 Financial Instruments excludes interests in affiliates and joint ventures accounted for in accordance with TAS 28 Investments in Affiliates 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 affiliates 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 affiliates and joint ventures.

These amendments are applied for annual periods beginning on or after January 01, 2019. Early implementation is permitted.

The amendment is not applicable to and shall have no impact on the financial position or performance of the Company.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Affiliate 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. However, 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.

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

New and Revised Financial Reporting Standards (continued)

ii) Standards Issued but Not yet Effective and Not Early Adopted (continued)

TFRIC 23 Uncertainty over Income Tax Treatments (continued)

Entities shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Early implementation 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 by recording the cumulative effect as an adjustment to the previous year's loss (or another equity item, if applicable) initial balance.

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

Annual Improvements - 2015-2017 Period

In December 2019, POA issued Annual Improvements to TFRS Standards 2015-2017 Period, amending the following standards: .

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

These amendments are applied for annual periods beginning on or after January 01, 2019. Early implementation is permitted.

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

In January 2019, POA published Amendments to TAS 19 "Plan Amendment, Curtailment or Settlement". The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. These amendments are applied for annual periods beginning on or after January 01, 2019. Early implementation is permitted. If an entity applies this Interpretation 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.

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

New and Revised Financial Reporting Standards (continued)

ii) Standards Issued but Not yet Effective and Not Early Adopted (continued)

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

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

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

These amendments are applied for annual periods beginning on or after January 01, 2019. Early implementation is permitted.

The Company does not expect any significant impact on Balance Sheet and Shareholders' Equity in general.

iii) New Standards, Amendments and Interpretations 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 - 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 recognized 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 (other comprehensive income).

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 implementation is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

New and Revised Financial Reporting Standards (continued)

iii) New Standards, Amendments and Interpretations Issued by the International Accounting Standards Board (IASB) but Not Issued by Public Oversight Authority (POA) (continued)

Definition of 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.

These amendments are applied for annual periods beginning on or after January 01, 2020. Early implementation is permitted. The amendment is not applicable to and shall have no 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. Early implementation is permitted.

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

2.2 Consolidation

The Company does not have any affiliates or subsidiaries required to be consolidated.

2.3 Segment Reporting

The Company conducted activities in only three reportable segments in Turkey (underwriting in life and personal accident segments and private pension segment) during January 1 - December 31, 2018 period and does not make segment reporting since it is not a listed company.

2.4 Foreign Currency Translation

The functional currency of the Company is TRY. Foreign currency transactions are translated to functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in Income Statement.

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

Foreign exchange translation differences from non-monetary financial assets and liabilities are considered as part of fair value changes and these differences are classified under the accounts where fair values changes are booked.

2.5 Tangible Fixed Assets

All property and equipment are carried at cost less accumulated depreciation. Depreciation on property and equipment is calculated using the straight-line and accelerated depreciation methods. Residual values of property and equipment estimated over their expected useful lives are as follows:

Furniture and fixtures	3-10 years
Leasehold improvements	3-5 years

If there are indicators of impairment on tangible assets except for land and buildings, a review is made in order to determine possible impairment and as a result of this review, if an asset's carrying amount is greater than its estimated recoverable amount, the asset's carrying amount is written down immediately to its recoverable amount by accounting for an impairment provision. Gains and losses on disposals of property and equipment are included in other operational income and expenses accounts (see Note 6).

2. Summary of Significant Accounting Policies (continued)

2.6 Investment Properties

None (December 31, 2017: None).

2.7 Other Intangible Fixed Assets

Intangible assets consist of the acquired information systems, royalty rights and computer software. Intangible assets are carried at acquisition cost and amortized by the straight-line and accelerated methods over their estimated useful lives after their acquisition date.

If impairment exists, carrying amount of intangible assets is written down immediately to its recoverable amount (Note 8).

The amortization periods of intangible assets are within 3-15 year range.

2.8 Financial Assets

The Company classifies and books financial assets as "Available for Sale Investments" and "Loans and Receivables (Receivables from Operations)". Receivables from Operations are those arising from insurance agreements and these are classified as financial assets in financial statements.

The classification of financial assets is determined by the Company management at acquisition date by considering the purpose for which the financial assets are acquired.

Loans and Receivables and Policy Loans (Receivables from Operations):

Loans and Receivables are financial assets created through provision of cash or service to the debtor. These receivables are recognized at acquisition value. Fees paid and other similar expenses incurred for assets received as a guarantee of such receivables are not considered as transaction costs and these are reflected to respective expense accounts.

The Company allocates provisions where Company management deems as required for the receivables based on the assessments and estimations made. Such provision is presented under "Provision for Due from Insurance Operations" item in the Balance Sheet. The Company considers the general structure of existing receivables portfolio, financial structures of policyholders and intermediaries, non-financial data and the economic conjuncture in line with the risk policies and precautionary principle while making its forecasts.

In addition to "Provision for Due from Insurance Operations", the Company also allocates a provision amount for receivables under administrative and legal proceedings for doubtful receivables not included in Provision for Due from Insurance Operations in accordance with Article 323 of Tax Procedural Law. This provision is classified under "Provision for Doubtful Receivables from Main Operations" item in the Balance Sheet.

Provisions for doubtful receivables are deducted from the income of the current year. In case a doubtful receivable for which a provision has been allocated previously is collected, the collected amount is deducted from the relevant provision account and reflected in "Provision Expenses" account. Bad receivables are removed from respective accounts after all legal transactions are completed.

Policy loans are the loan amounts provided to policyholders who have paid premiums during the period specified in the technical principles of the Company regarding the approved life insurance price list (time interval for policy loan is minimum three years in accordance with Life Insurance General Conditions unless another agreements exists otherwise) at a certain percentage of the amounts included in the surrender table in return for policyholders' surrender of the respective life insurance policies. Policy loans are initially recognized at fair value in the Balance Sheet accounted and followed over their values determined by applying effective interest method, by considering impairment provision, if any. Interest income from policy loans and the foreign currency gains and losses are also taken into account under Investment Income/Expenses items within Life Segment Technical Income and Expenses main account group in Income Statement (Note 12).

2. Summary of Significant Accounting Policies (continued)**2.8 Financial Assets (continued)****Available for Sale Investments**

Various debt securities held by the Company are classified as Available for Sale Investments (financial assets) and these are valued at fair value within the periods after initial recognition. It is considered that the fair value cannot be reliably measured if the price that provides a basis for fair value is not set in active market conditions and discounted value calculated with the effective interest method is used as fair value.

Interest income and expenses of Available for Sale financial assets included in Financial Investments at Policyholders' Risk portfolio calculated with effective interest method are recorded in "Life Segment Investment Income" account.

"Unrealized profits and losses" arising from changes in fair values of Available for Sale financial assets are not reflected in the Income Statement for the relevant period until either collection of the amount corresponding to or sale/disposal of or impairment of such asset is realized and followed under "Valuation of Financial Assets" account in Shareholders' Equity. 761,355 TRY (December 31, 2017: (467,051) TRY) out of the unrealized gains and losses arising from the changes in fair values of these assets corresponding to the valuation differences not belonging to the Company is recognized in "Other Technical Provisions" account item under long term insurance technical provisions (Note 17). Accumulated fair value differences booked under Shareholders' Equity are reflected to the Income Statement upon disposal of such assets.

The Company evaluates on each Balance Sheet date whether objective evidence exists regarding impairment in financial assets. The Company does not allocate any impairment provisions for short-term market fluctuations, provided that a collection risk has not been born for financial assets classified under available for sale financial assets and representing borrowings (Note 11).

2.9 Impairment of Assets

The details about impairment of assets are explained in the notes where accounting policies of relevant assets are explained.

Mortgages or guarantees on assets are explained in Note 43, provisions for overdue receivables and provisions for receivables which are not overdue are explained in Note 12.1, and provision and rediscount expenses for the period are explained in Note 47.5.

2.10 Derivative Financial Instruments

None (December 31, 2017: None).

2.11 Offsetting of Financial Instruments

Financial assets and liabilities are offset only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or when acquisition of the asset and settlement of the liability take place consecutively.

2. Summary of Significant Accounting Policies (continued)

2.12 Cash and Cash Equivalents

Cash and cash equivalents include demand deposits held at banks and bank guaranteed short term credit card receivables with a term less than three months.

Cash and cash equivalents included in the statements of cash flows are as follows:

	December 31, 2018	December 31, 2017
Banks	17,236,267	11,216,537
Credit Card Receivables	7,270,521	6,693,021
Minus – Accrued Interest	(130,840)	(31,049)
Total	24,375,948	17,878,509

2.13 Shareholders' Equity

The composition of the Company's share capital at December 31, 2018 and December 31, 2017 is as follows:

Name of Shareholder	December 31, 2018		December 31, 2017	
	Share	Share Amount	Share	Share Amount
Axa Holding A.Ş.	99.99%	62,972,743	99.99%	62,972,529
Other	0.01%	2,257	0.01%	2,471
Total	100%	62,975,000	100%	62,975,000

No capital increase was made within current and previous periods.

As of December 31, 2018 and December 31, 2017, no privileges are granted to the preference shares representing the share capital.

The Company is not subject to the registered share capital system as of December 31, 2018 and December 31, 2017.

Other information about the Company's share capital is explained in Note 15.

2.14 Insurance and Investment Contracts – Classification

Insurance contracts are those contracts that transfer insurance risk. Insurance contracts provide protection to policyholders against adverse economic consequences of an event of loss as covered under the terms and conditions stipulated in the insurance policy. Main contracts issued by the Company are insurance contracts prepared in personal accident and life segments, as also explained below.

Non-Life Insurance Contracts (Personal Accident)

Personal accident insurance contracts provide guarantee against risks which may arise due to an accident. Riders such as disability due to accident, unemployment or temporary disability and accident medical treatment expenses are also provided in addition to accidental death coverage.

Life Insurance Contracts

Life insurance contracts are divided into two groups: cumulative and risk (non-cumulative). With this insurance, the Company may insure the probability of death of a person within a certain period or in accordance with the conditions and situations specified in the insurance contract or the probability of that person to live longer than a specified period of time, or both. Information regarding the cumulative and risk insurances written under Life segment is provided below:

2. Summary of Significant Accounting Policies (continued)

2.14 Insurance and Investment Contracts – Classification (continued)

i) Insurance for Savings:

Cumulative Life Insurance

Cumulative life insurance products are products with investment purposes with a major portion for ensuring savings and with a minimum period of 10 years. Savings accumulating at the end of minimum 10 years are paid to policyholders. In case of an unexpected death, death coverage provides security. Paid cumulative policies provide surrender and loan rights unless the policy period is not shortened with a counter agreement. Furthermore, accidental death and permanent disability riders can also be included in insurance scope with the deductions to be made from the premiums paid. Policyholders can receive profit shares in case the income generated exceeds the technical interest guaranteed in cumulative policies. The Company classifies and recognizes all cumulative life insurance contracts and insurance contracts in accordance with the applicable insurance regulations.

ii) Insurance for Protection:

Annual Life

Annual life insurance provides security for a period of 1 year against the risks the policyholder can face. This insurance provides accidental death, permanent and temporary disability and dread disease riders in addition to death main coverage and covers the risks to which the policyholder may be exposed during policy period. Annual life insurance policies are risk weighted, do not include savings and do not provide surrender and loan rights. Policies can be issued for individuals or groups.

Long Term Life

Long term life insurance, provides accidental death and permanent disability riders in addition to death main coverage and ensures long term material security against the risks to which the policyholder may be exposed during policy period. Insurance period can be between 1 - 10 years. Long term life insurance policies are protective and risk weighted and do not include savings. These policies are issued for individuals only. Age limit is 18-65 and premium amounts vary according to age, gender and coverage amount (monthly diminishing, yearly diminishing, fixed throughout the period).

Credit Life

Credit life insurance provides coverage for potential risks indicated on the policy such as death or disability etc. which the policyholder may encounter with during reimbursement period. In case of risk realization within insurance period, loan debt is covered by the credit life insurance. Policies usually provide only death coverage. These are risk products not including savings. Premium amounts vary according to age, gender and coverage amount (monthly diminishing, yearly diminishing, fixed throughout the period).

Calculation principles for income and liabilities arising from insurance contracts are provided in Notes 2.21 and 2.24.

Private Pension Contracts

The Company has 19 Pension Investment Funds with the capacity of fund founder as of December 31, 2018 (December 31, 2017: 19 funds).

Private pension system receivables consist of capital advances in pension investment funds, fund management amounts deducted from funds, receivables from participants and receivables from the custodian (Note 47). The Company follows the receivable amounts from fund management charges arising from management of funds and not collected within the same day under receivables from fund management charge account. Advances allocated to pension investment funds founded by the Company are followed under capital advances in pension investment funds account.

2. Summary of Significant Accounting Policies (continued)

2.14 Insurance and Investment Contracts – Classification (continued)

Private Pension Contracts (continued):

Receivables from custodian on fund basis on behalf of participants are classified under due from custodian account. This amount is at the same time shown as due to participants for funds sold under private pension system payables account. These amounts at December 31, 2018 and December 31, 2017 are as follows:

	December 31, 2018
Due from Custodian	474,234,675
Due to Participants	474,234,675
	December 31, 2017
Due from Custodian	383,435,509
Due to Participants	383,435,509

Private pension system payables consist of accruals calculated for pension investment fund management expenses, participants suspense account and payables to private pension intermediaries in addition to due to participants account explained in the previous paragraph. Accruals calculated for pension investment fund management expenses include the accrual entries for the amount to be paid by the Company to the portfolio management firm for pension investment funds the Company has founded. Participants suspense account is the account item where amounts not yet invested in the name of participants and amounts to be paid to participants in case they leave the system or the amounts to be transferred in case participants want to transfer their savings to another company, after the sales of fund shares belonging to participants and deduction of similar items.

Fund management expense charge for fund management and representation services and equipment, labor and accounting services allocated to funds is recognized as income in Company accounts and shared by the Company and portfolio management firm in line with mutually agreed rates and fixed expense shares. All such expenses are included in fund management expense charge account in Company technical income and the portion belonging to the fund manager is reflected to Company technical expenses as the amount paid for fund management.

Reinsurance Treaties

Reinsurance treaties are agreements executed by and between ceding company and reinsurer(s) which may include one or more segments and coverages and prescribes the technical and financial conditions to be complied with by contractual parties.

Reinsurance policy and treaties of the Company applicable within 2018 and 2017 are summarized below:

The Company ensured protection during 2018 and 208 periods with surplus reinsurance treaties in life and personal accident segments and with excess of loss reinsurance treaties protecting the retention in these segments.

In surplus reinsurance treaties, premium amounts are ceded to reinsurer(s) on premium basis specified in the treaty for rates found by application of the retention and treaty limits to the relevant risk and the loss amount is collected over the same rates. In excess of loss treaties, excess of loss premiums predetermined and mutually agreed at year beginning are paid to the reinsurer(s) within the year in two equal installments.

2. Summary of Significant Accounting Policies (continued)

2.15 Insurance Contracts and Investment Contracts with Discretionary Participation Feature

None (December 31, 2017: None).

2.16 Investment Contracts without Discretionary Participation Feature

None (December 31, 2017: None).

2.17 Loans

None (December 31, 2017: None)

2.18 Taxes

Corporate Tax

Applicable corporate tax for 2018 is 22% in 2018 (2017: 20%). According to the Provisional Article 10 added to the Corporate Tax Law, corporate tax shall be applied at 22% for corporate earnings realized within the taxation periods of 2018, 2019 and 2020 (earnings for the fiscal periods starting in the related year for the institutions assigned with special accounting periods).

Withholding tax is not applied to dividends paid to limited taxpayer entities earning income within Turkey through an office or a permanent representative and to entities residing in Turkey. Dividend payments made to other persons and entities except the foregoing shall be subject to 15% withholding tax. Appropriation of retained earnings to capital is not considered as profit distribution, therefore no withholding tax is applied.

Entities calculate the provisional tax amount equal to 22% of their quarterly financial profits, submit their provisional tax return statements until the 14th day and pay the tax amount until the end of 17th day of the second month following the quarterly period subject to provisional tax. Provisional tax amounts paid within the year belong to that specific year and these amounts are rebated against the corporate tax amount to be calculated over the corporate tax return statement to be submitted within the subsequent year. In case a surplus paid amount provisional tax exists even after such rebate, such surplus amount can be recollected or set off against other fiscal payables due to the government.

75% of the profit obtained from sales of affiliate shares held for minimum 2 years and 50% of the profit obtained from sale of physical properties are considered as tax exemptions, provided that such amounts are added onto capital as pre-stated in Corporate Tax Law or kept in equity for 5 years.

According to Turkish tax legislation, financial losses on tax return statements can be offset against period income for up to 5 years. However, financial losses cannot be offset against previous years' profits.

There is no practice of reconciliation of payable taxes with the tax authority within Turkey. Corporate tax returns are submitted to the relevant tax office by the 25th day of the 4th month following the month when the accounting period ends.

For tax reviews, authorized bodies are entitled to review the accounting records for the past five years and if errors are detected, tax amounts may change due to tax assessment.

Income or corporate taxpayers calculating their revenues on Balance Sheet basis are required to apply inflation adjustment to their financial statements starting as of January 1, 2004 in accordance with the "Law on Amendment of Tax Procedural No.5024, Income Tax Law and Corporate Tax Law" ("Law No.5024") promulgated in Turkish Official Journal on December 30, 2003. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (TÜİK TEFE (Wholesale Price Index) increase rate). Since the conditions in question were not fulfilled in 2017 and 2018, no inflation adjustments were performed (Note 35).

2. Summary of Significant Accounting Policies (continued)

2.18 Taxes (continued)

Deferred Taxes

Deferred taxes are calculated over temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements by using liability method. Deferred tax assets and liabilities are calculated according to the tax rates expected to be applicable within the period where the tax asset shall be realized or the liability shall be fulfilled and in consideration of the tax rates and tax laws already in effect or which shall go in effect as of the Balance Sheet Date.

Deferred tax assets are calculated with the constraint that use of provisional differences through gaining profits subject to tax is highly probable in the future (Note 21).

2.19 Employee Benefits

The Company accounts for its liability related to employment termination, vacation benefits and other benefits provided to employees according to "Turkish Accounting Standards Regarding Employee Benefits" ("TAS 19") and classifies these in the Balance Sheet under "Provision for Employment Termination Benefits" and "Provision for Expense Accruals" accounts.

According to the Turkish Labor Law, the Company is required to pay termination benefits to each employee whose job is terminated except for the reasons such as resignation, retirement and attitudes determined in Labor Law. The provision for employment termination benefits is calculated over present value of the possible liability in scope with the Labor Law by considering certain actuarial estimates (Note 22).

2.20 Provisions

In case a liability arising from past events exists and fulfillment of such liability is likely and the amount of such liability is reliably predictable, provisions are allocated in financial statements. Provision amount is calculated in consideration of the risks and uncertainties regarding such liability, through estimating the expense expected to be incurred in the most reliable way on the Balance Sheet date. In case the provision is measured by using the expected cash flows required to fulfill such liability, the book value of such provision equals to the present value of the relevant cash flows.

In cases where the economic benefit required for payment of such liability is expected to be totally or partially borne by third parties, the amount to be collected is recognized as an asset if the collection of such amount is almost certain and can reliably be measured.

Liabilities arising from past events and whose existence would be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are classified as contingent liabilities and not included in the financial statements (Note 23).

2.21 Recognition of Revenues *Written Premiums*

Written premiums represent premiums on policies written during the year, net of cancellations and taxes. As disclosed in Note 2.24, premium income is recognized in the financial statements on accrual basis by allocating the unearned premium reserve over written risk premiums. Amount of written premiums for life insurance policies longer than 1 year consists of income with payment due dates accrued within that year. Amount of written premiums for life insurance policies shorter than 1 year covers the entire premium amount for the relevant period.

Reinsurance Commissions

Commission income for premiums ceded to reinsurance companies are recorded on an accrual basis over the period, and classified in the technical section of the Income Statement under operating expenses. As disclosed in Note 2.24, reinsurance commission income is recognized in the financial statements on accrual basis by allocating unearned commissions reserve over charged commissions.

2. Summary of Significant Accounting Policies (continued)**2.21 Recognition of Revenues (continued)****Life Segment Investment Income**

Fund income in life segment is calculated in line with the efficiency rate of the income obtained from the investments made within the period and reflected in life segment investment income account.

Interest Income

Interest income is recorded periodically by applying effective interest rate method.

Dividend Income

Dividend income is recorded in financial statements when deserved.

2.22 Leasing Transactions

None (December 31, 2017: None).

2.23 Dividend Distribution

Dividend payables are reflected to financial statements as a profit distribution item among the liabilities of the declaration period.

2.24 Technical Reserves**Life Mathematical Reserves**

Life segment's mathematical reserve include actuarial mathematical reserves (with minimum income guarantee equal to the technical interest rate determined with approved lists by the Treasury and including risk coverage for longer than one year) and profit share reserves and show the Company's liabilities towards policyholders in life insurance segment.

Mathematical reserves are amounts allocated by insurance companies operating in life segment for future compensations guaranteed to be paid on due dates. The amount found after deduction of expense amounts or administration and collection expenses, mortality risk premium and commission amounts from net premium amounts collected in accordance with life insurance contracts is allocated as mathematical reserve. The Company calculates mathematical reserve amounts in consideration of the mortality statistics prepared abroad and by using current tables applicable to Turkish insurance companies. Profit share reserve is allocated for income amounts obtained from investment of these reserve amounts (Note 17).

Unearned Premiums Reserve

Unearned premiums reserve is calculated as the portion of premium amounts accrued for all policies in effect as of Balance Sheet date corresponding to the subsequent year found with the calculation made on days basis. Policies are assumed to begin at 12:00 and expire at 12:00 in general for calculation of the portion carried to the subsequent period on daily basis. In accordance with the Technical Provisions Regulation, unearned premium reserves allocated for policies issued and the reinsurer's share of these reserves are calculated and reflected to the respective accounts as the portion exceeding to the subsequent period(s) on daily basis of the premium amounts accrued for the valid insurance contracts and premiums ceded to reinsurers net of commissions and other similar deductions (Note 17).

Deferred Production Expense and Commission Income

Pursuant to Circular No.2007/25 issued by the Treasury on December 28, 2007, the portion of the commissions paid to intermediaries and commission amounts received from reinsurers for ceded premiums corresponding to subsequent period(s) are recognized under "Deferred Acquisition Expenses" and "Deferred Commissions Income", respectively in Balance Sheet and under "Operational Expenses" account in Income Statement (Note 17).

2. Summary of Significant Accounting Policies (continued)

2.24 Technical Reserves (continued)

Unexpired Risks Reserve

Pursuant to Technical Provisions Regulation, insurance companies are required to allocate provision amounts for ongoing risks by considering the expected loss ratio for the possibility of potential compensation payments which may be incurred due to valid insurance contracts to exceed the unearned premiums reserve amount allocated for the mentioned contracts. The expected loss ratio is calculated through dividing the realized loss amount by earned premium amount. In case the expected loss ratio calculated on segment basis exceeds 95%, the amount found by multiplying the percentage in excess of 95% with net unearned premiums reserve is calculated as the net unexpired risks reserve and the amount found by multiplying the percentage in excess of 95% with gross unearned premiums reserve is calculated as the gross unexpired risks reserve. The difference between gross and net amounts is considered as the Reinsurer's share.

The Company has no unexpired risk reserve amount based on the calculation made as of December 31, 2018 (December 31, 2017: None) (Notes 4 & 17).

Outstanding Claims Reserve

The Company allocates provisions for loss claim and compensation amounts accrued and assessed through calculations but not actually paid in previous periods or in the current period or for estimated amounts if such calculation has not been made and for loss claim and compensation amounts which are realized but not reported. Outstanding claims reserve amount is determined according to actuary reports or to actuary and policyholder assessments from which no recovery, salvage or similar income items are deducted.

The Company has to allocate additional outstanding claims reserve amount for incurred but not reported ("IBNR") losses and compensation amounts as of December 31, 2018. The Company took the last five years' data into account for calculation of IBNR claim and compensation amounts and calculated 1,714,430 TRY gross, 1,642,730 TRY net IBNR claims reserve amount as of December 31, 2018 (December 31, 2017: 2,079,002 TRY gross, 1,987,916 TRY net).

The Company's gross IBNR claims reserve amount calculated in line with Circular No.2015/28 on Amendment of Circular No.2014/16 on Outstanding Claims Reserve is 1,714,430 TRY (net: 1,642,730 TRY) as of December 31, 2018 (December 31, 2017: 2,079,002 TRY gross, 1,987,916 TRY net).

The Company recognizes the difference between accrued and calculated outstanding claims reserve amount and the amount found by using actuarial chain ladder methods ("ACLM"s) as incurred but not reported compensation amount for personal accident branch.

The Company has considered the most suitable method regarding its portfolio structure among available ACLM methods and selected Standard Chain method and taken into account the gross amount calculated according to this method as of December 31, 2018 and the net amount calculated in connection with the reinsurance treaties applicable on that date. In ACLM calculation, the Company has not made any discounts on the relevant outstanding claims reserve amount in line with the major loss screening process and Circular No.2016/22 on Discounting of Cash Flows from Outstanding Claims Reserves" issued by the Treasury on June 10, 2016.

The Company recorded (4,324) TRY gross IBNR claims reserve (net: (1,690) TRY) for personal accident segment in its financial statements drawn up as of December 31, 2018 (December 31, 2017: 1.994 TRY gross, 793 TRY net).

2. Summary of Significant Accounting Policies (continued)

2.24 Technical Reserves (continued)

Renewal Premium Reserve

The Company recognized 2,443,964 TRY in total as renewal premium reserve in its financial statements prepared as of December 31, 2018, comprising of 2,440,081 TRY for life segment and 3,883 TR for personal accident segment, calculated in line with profit share technical principles (December 31, 2017: 2,267,322 TRY in total, with 2,261,760 TRY for life and 5,562 TRY for personal accident segments) (Note 17).

Equalization Reserve

According to the Technical Provisions Regulation, insurance companies are required to provide equalization reserve in their financial statements for earthquake and credit coverage in order to balance the fluctuations in the claim ratios and to meet the catastrophic risks in the subsequent periods. Pursuant to the Industry Announcement No.2009/9 on "Implementation Technical Reserves Regulation", starting from January 1, 2009, the life and pension companies are required to allocate an equalization reserve amount for insurance contracts arranged in life and accident segments including an earthquake rider for death and disability incidents which may occur due to an earthquake. Equalization provision is calculated as 12% of net premiums written in credit insurance and earthquake segments. In accordance with Technical Reserves Regulation, insurance companies are allowed to use their own statistical data for calculation of equalization reserve amount for life policies providing death coverage, and the companies which do not possess such statistical data are allowed to consider 11% of death premium amounts as earthquake premiums and allocate a reserve amount equal to 12% of these amounts.

In calculation of net premiums, fees paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. The Company allocated an equalization reserve amount of 3,383,806 TRY in total, comprising of 3,383,713 TRY for life and 93 TTY for personal accident segments as of December 31, 2018 (Note 17).

2.25 Share Based Payments

Share certificates are generally provided to employees as part of their salary packages in addition to the salary and other employee benefit amounts. An entity providing shares and share options to its employees is considered to pay an additional amount to gain additional benefits. Such company would measure the fair value of such working service received by taking the fair value of equity based financial instruments as reference, due to the difficulty in measurement of fair values of services received.

Regarding transaction measured with reference to the fair values of equity based financial instruments, fair values of equity based financial instruments are measured over their market values (if available) as of the measurement date, also by taking the terms, conditions and principles of such financial instruments into account.

The Company provides own shares to its employees, provided that the recipient employees' performance levels meet the performance criteria and conditions specified by the Company's ultimate main partner Axa SA. The Company allocates a provision amount in its Balance Sheet in return for these shares for cost reflections made by Axa SA under TFRS 2 "Share Based Payments", while Axa SA recognizes the changes in share prices in Shareholders' Equity account and the costs incurred for provision of shares to qualified employees in Income Statement (Note 23).

3. Critical Accounting Estimates and Judgments in Applying Accounting Policies

Preparation of financial statements requires calculation of asset and liability amounts reported on Balance Sheet date, disclosure of contingent assets and liabilities and making judgments and using estimates and assumptions which might affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Accounting assessments, estimates and underlying assumptions are reviewed on an ongoing basis, considering past experiences and other relevant factors in addition to current condition and reasonable expectations for future events. Actual results may differ from these estimates although the estimates rely on the best knowledge of management regarding existing events and transactions.

One of the most important accounting estimates for the entity is the forecast of final net liabilities related with the expenses arising from effective insurance policies. Forecast of insurance liabilities include assessment of many contingencies by nature.

Significant forecasts and evaluations are required for assessment of deferred tax assets in terms of potential future profits subject to taxation. The Company calculates deferred taxes on financial losses.

4. Insurance and Financial Risk Management

Insurance Risk

Risk regarding insurance contracts is related with the possibility of realization for the insured event and uncertainty of the potential loss and damage amounts resulting from such realization. By nature of insurance contracts, such risk is random and therefore it is not possible to make a precise estimate.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. The Company determines its strategy when issuing policies according to the type of insurance risks taken and the claims occurred.

Company pricing is made according to statistical analysis, historical data and mortality tables appropriate for the relevant product.

The Company manages the risks mentioned above by its strategy formed for policy issuance and the reinsurance agreements to which the Company is a party in all branches.

Following items are considered in Life and Personal Accident segments in line with the Company's risk acceptance policy:

- For personal policies; medical reports and policyholder's statement regarding their health condition, in consideration of policyholder's age and the insurance amount;
- For group policies; medical reports and individual statements regarding policyholders' health conditions, depending on the number of people included in the group and whether the insurance is compulsory or facultative;
- For pricing; information about application of extra premium amounts, introduction of additional conditions or reduction in coverage amount or rejection, depending on the policyholder's health condition;
- For high coverage amounts; documents containing information about policyholder's financial situation in addition to medical documents.

4. Insurance and Financial Risk Management (continued)**Insurance Risk (continued)**

The concentration of insurance risk (maximum insured loss) under each branch is summarized below:

	December 31, 2018	December 31, 2017
Life	2,652,394,797	3,805,451,734
Personal Accident	201,273,875	218,272,644
Total	2,853,668,672	4,023,724,378

Risk exposure of the Company depending on pricing policies are indicated below:

Mortality Risk

It is the risk of incurred death claims exceeding the mortality probabilities listed in mortality tables used in pricing of mortality risk. The Company uses mortality tables appropriate for the respective product. Additionally, required changes are made on price lists according to the loss ratios per product. The Company uses CSO 53-58, CSO 80, TRSH or CSO 2001 mortality tables for pricing of life insurance contracts.

Technical Interest Risk:

Interest equal to "technical interest rate" at minimum is guaranteed to policyholders of cumulative life insurance products. The Company would be exposed to technical interest risk in case market interest rates are lower than this guaranteed risk rate. However, in consideration of the entire life insurance portfolio, the Company predicts that the potential future profit amounts to be obtained from this portfolio shall be higher than the potential loss amount which may be incurred as a result of a decrease in market interest rates.

Interest rates guaranteed by the Company for cumulative products and relevant mathematical reserve amounts allocated are provided below:

Product Currency	December 31, 2018		December 31, 2017	
	Guaranteed Interest Rate (%)	Mathematical Reserves (TRY)	Guaranteed Interest Rate (%)	Mathematical Reserves (TRY)
TRY (*)	3.0	2,408,235	3.0	2,107,538
TRY (*)	6.0	5,176,734	6.0	6,938,576
TRY (*)	9.0	15,491,993	9.0	23,980,886
USD (**)	1.0	284,347	1.0	175,850
USD (**)	2.5	38,883,328	2.5	35,592,207
EUR (**)	1.0	32,779	1.0	21,024
EUR (**)	2.5	4,680,106	2.5	5,185,514
Total (including Revenues)		66,957,522		74,001,595

(*) The Company ceased the production of policies offering 9% technical interest guarantee since the end of 2003 and those with 6% technical interest guarantee since the end of 2009. Policies produced since the beginning of 2010 offer only 3% technical interest guarantee.

(**) The Company ceased the production of policies offering 2.5% technical interest guarantee since the end of 2009. Policies produced since the beginning of 2010 offer only 1% technical interest guarantee.

4. Insurance and Financial Risk Management (continued)**Technical Interest Risk (continued)**

The Company's current financial asset income (including time deposit accounts) is provided below:

Product Currency	December 31, 2018		December 31, 2017	
	Weighted Average Annual Interest Rate	Balance Sheet Value	Weighted Average Annual Interest Rate	Balance Sheet Value
	(%)		(%)	
Government Bonds - TRY	10.86	88,696,040	9.59	102,179,691
Eurobonds - USD	7.94	73,442,359	8.33	63,131,792
Eurobonds - EUR	4.07	8,123,328	4.14	9,080,999
Time Deposit Accounts - TRY	23.13	12,054,290	13.82	9,006,800
Time Deposit Accounts - USD	3.40	4,003,834	3.40	4,250,553
Total		186,319,851		187,649,835

Financial Risks

The Company is exposed to financial risk through its financial assets, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of the financial risk are market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), liquidity risk and credit risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential negative effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge certain risk exposures. Risk management is performed by Company management under policies approved by the Board of Directors.

(a) Credit Risk

Credit risk is most simply defined as the potential that a bank borrower or counter party will partially or totally fail to meet its obligations on time and in accordance with agreed terms and the resulting situations the Company shall have to face with.

The Company limits the credit risk of its financial assets classified as credit and receivables and the receivable amounts from insurance operations (including receivables from reinsurers) with the guarantees received and the procedures applied for selection of counter parties. Other information about these receivables is explained in Note 12.

The Company's financial assets, except for Loans and Receivables, which are subject to credit risk generally consist of domestic government bonds and time and demand deposits kept in banks and other financial institutions established in Turkey, which are not deemed to have high credit risk.

Credit risk exposures per type of financial instruments as of December 31, 2018 and December 31, 2017 are provided below. Banks and bank guaranteed short term (<3 months) credit card receivables are also included in credit risk.

4. Insurance and Financial Risk Management (continued)**(a) Credit Risk (continued)**

December 31, 2018	Loans and Receivables				Available for Sale Investments (*)	Cash and Cash Equivalents
	Due from Insurance and Private Pension Operations		Other Receivables			
	Relevant	Other	Relevant	Other		
Maximum Credit Risk Exposure as at Reporting Date (A+B+C)	1,686,894	545,435		16,458	170,689,537	24,506,788
- Portion of Maximum Risk Secured with Guarantees, Provisions, etc.	-	78,108	-	-	-	-
A. Net Book Value of Financial Assets Undue or Not Impaired	1,686,894	501,192	-	16,458	170,689,537	24,506,788
B. Net Book Value of Financial Assets Overdue but Not Impaired	-	44,243	-	-	-	-
C. Net Book Value of Impaired Assets	-	-	-	-	-	-
Gross Book Value	-	160,135				
Impairment	-	(160,135)	-	-	-	-
Portion of Net Value Secured with Guarantees, Provisions, etc.	-	-	-	-	-	-

(*) Including financial investments at policyholders' risk and investment securities.

December 31, 2017	Loans and Receivables				Available for Sale Investments (*)	Cash and Cash Equivalents
	Due from Insurance and Private Pension Operations		Other Receivables			
	Relevant	Other	Relevant	Other		
Maximum Credit Risk Exposure as at Reporting Date (A+B+C)	829,017	1,683,021	-	5,027	177,313,068	17,909,558
- Portion of Maximum Risk Secured with Guarantees, Provisions, etc.	-	60,989	-	-	-	-
A. Net Book Value of Financial Assets Undue or Not Impaired	829,017	1,614,305	-	5,027	177,313,068	17,909,558
B. Net Book Value of Financial Assets Overdue but Not Impaired	-	68,716	-	-	-	-
C. Net Book Value of Impaired Assets	-	-	-	-	-	-
Gross Book Value	-	160,135				
Impairment	-	(160,135)	-	-	-	-
Portion of Net Value Secured with Guarantees, Provisions, etc.	-	-	-	-	-	-

(*) Including financial investments at policyholders' risk and investment securities.

(b) 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.

4. Insurance and Financial Risk Management (continued)

(b) Market Risk (continued)

Interest Rate Risk

Changes in interest rates resulting in fluctuations in financial instrument prices require the Company to deal with the emerging interest rate risk. The Company's sensitivity to interest rate risk is related with the inconsistencies between the due dates of asset and liability accounts. This risk is managed by matching the assets affected by interest rate changes with the same type of liabilities.

The Company's interest bearing assets include financial instruments with both fixed and variable interest rates.

	December 31, 2018	December 31, 2017
Financial Instruments w/ Fixed Interest Rate		
Financial Assets (Available for Sale)	138,012,786	147,184,580
Financial Assets (Time Deposit Accounts)	16,058,124	10,764,576
Financial Instruments w/ Variable Interest Rate		
Financial Assets (Available for Sale)	32,248,941	29,700,678

Sensitivity to Interest Rate

The Company's sensitivity to interest rates arises from domestic government bonds classified under available for sales assets and valued at fair value. The increase and decrease effect in fair values of government bonds classified as available for sale assets and therefore in valuation of financial assets account kept among the Company's equity items as a result of the changes in interest rates is explained below. Other variables, particularly the foreign exchange rates are assumed to be constant during this analysis.

	December 31, 2018 Impact on Equity	December 31, 2017 Impact on Equity
1% Increase in Interest Rates	(4,920,734)	(5,991,577)
1% Decrease in Interest Rates	5,355,662	6,564,759

Exchange Rate Risk

The Company is exposed to foreign exchange rate risk due to transactions, payables and receivables in foreign currencies. These risks are monitored and limited through analysis of foreign exchange rates. Foreign exchange position of the Company as at Balance Sheet date is provided below.

Foreign Exchange Position Table

December 31, 2018	Total TRY Equivalent (Functional Currency)	US Dollar (TRY Equivalent)	Euro (TRY Equivalent)	GBP (TRY Equivalent)	CHF (TRY Equivalent)
Cash and Cash Equivalents	4,751,999	4,398,501	339,135	11,210	3,153
Due from Insurance Operations	946,001	72,122	873,879	-	-
Financial Assets and Financial Investments at Policyholder's Risk	81,565,687	73,442,359	8,123,328	-	-
Total Assets	87,263,687	77,912,982	9,336,342	11,210	3,153
Mathematical Reserves	45,562,014	40,668,863	4,869,944	23,207	-
Outstanding Claims Reserve	1,732,221	1,516,202	216,019	-	-
Total Liabilities	47,294,235	42,185,065	5,085,963	23,207	-
Net Foreign Currency Asset/(Liability) Position	39,969,452	35,727,917	4,250,379	(11,997)	3,153

4. Insurance and Financial Risk Management (continued)

Exchange Rate Risk (continued)

Foreign Exchange Position Table**December 31, 2017**

	Total TRY Equivalent (Functional Currency)	US Dollar (TRY Equivalent)	Euro (TRY Equivalent)	GBP (TRY Equivalent)	CHF (TRY Equivalent)
Cash and Cash Equivalents	1,802,903	1,779,076	16,216	1,505	6,106
Due from Insurance Operations	269,043	122,832	142,410	-	3,801
Financial Assets and Financial Investments at Life Policyholder's Risk	74,705,568	65,624,569	9,080,999	-	-
Total Assets	76,777,514	67,526,477	9,239,625	1,505	9,907
Mathematical Reserves	41,979,046	36,603,755	5,355,237	20,054	
Outstanding Claims Reserve	2,905,569	2,568,681	336,888	-	-
Total Liabilities	44,884,615	39,172,436	5,692,125	20,054	-
Net Foreign Currency Asset/(Liability) Position	31,892,899	28,354,041	3,547,500	(18,549)	9,907

Foreign Exchange Rate Sensitivity

The table below shows the increases and decreases in equity and income statement items (excluding tax effect) within periods ended on December 31, 2018 and 2017 due to valuation or devaluation of TRY by 10 percent against following foreign currencies. This analysis is prepared with assumption that all other variables, particularly foreign exchange rates, stay constant.

FX Rate Sensitivity Analysis Table - December 31, 2017

	Profit/Loss		Shareholders' Equity (*)	
	Increase in Foreign Currency Value	Decrease in Foreign Currency Value	Increase in Foreign Currency Value	Decrease in Foreign Currency Value
In case of 10% change in USD against TRY:				
1- Net Asset / Liabilities in USD	3,572,792	(3,572,792)	3,572,792	(3,572,792)
2- Portion Protected from USD Risk	-	-	-	-
3- USD Net Effect	3,572,792	(3,572,792)	3,572,792	(3,572,792)
In case of 10% change in EUR against TRY:				
1- Net Asset / Liabilities in EUR	425,038	(425,038)	425,038	(425,038)
2- Portion Protected from EUR Risk	-	-	-	-
3- EUR Net Effect	425,038	(425,038)	425,038	(425,038)
In case of 10% change in GBP against TRY:				
1- Net Asset / Liabilities in GBP	(1,200)	1,200	(1,200)	1,200
2- Portion Protected from GBP Risk	-	-	-	-
3- GBP Net Effect	(1,200)	1,200	(1,200)	1,200
In case of 10% change in CHF against TRY:				
1- Net Asset / Liabilities in CHF	315	(315)	315	(315)
2- Portion Protected from CHF Risk	-	-	-	-
3- CHF Net Effect	315	(315)	315	(315)
Total Foreign Currency Net Effect	3,996,945	(3,996,945)	3,996,945	(3,996,945)

(*) Equity effect includes P/L effect.

4. Insurance and Financial Risk Management
(continued)
Exchange Rate Risk (continued)
 Foreign Exchange Rate Sensitivity (continued)

FX Rate Sensitivity Analysis Table - December 31, 2017

	Profit/Loss		Shareholders' Equity (*)	
	Increase in Foreign Currency Value	Decrease in Foreign Currency Value	Increase in Foreign Currency Value	Decrease in Foreign Currency Value
In case of 10% change in USD against TRY:				
1- Net Asset / Liabilities in USD	2,835,404	(2,835,404)	2,835,404	(2,835,404)
2- Portion Protected from USD Risk	-	-	-	-
3- USD Net Effect	2,835,404	(2,835,404)	2,835,404	(2,835,404)
In case of 10% change in EUR against TRY:				
1- Net Asset / Liabilities in EUR	354,750	(354,750)	354,750	(354,750)
2- Portion Protected from EUR Risk	-	-	-	-
3- EUR Net Effect	354,750	(354,750)	354,750	(354,750)
In case of 10% change in GBP against TRY:				
1- Net Asset / Liabilities in GBP	(1,855)	1,855	(1,855)	1,855
2- Portion Protected from GBP Risk	-	-	-	-
3- GBP Net Effect	(1,855)	1,855	(1,855)	1,855
In case of 10% change in CHF against TRY:				
1- Net Asset / Liabilities in CHF	991	(991)	991	(991)
2- Portion Protected from CHF Risk	-	-	-	-
3- CHF Net Effect	991	(991)	991	(991)
Total Foreign Currency Net Effect	3,189,290	(3,189,290)	3,189,290	(3,189,290)

(*) Equity effect includes P/L effect.

Price Risk

Share Price Risk

Stock share price risk means the risk of decrease in market prices of shares due to a change in share index levels and in relevant share's value. The Company is not exposed to share price risk as of December 31, 2018 and December 31, 2017, since there are no investments in listed shares traded in stock market.

(c) Liquidity Risk

The Company uses its available cash resources to pay claims arising from insurance contracts. Liquidity risk is the risk of cash unavailability to pay obligations on due dates at a reasonable cost. Management sets limits on the minimum portion of funds available to meet such claims.

The table below analyses distribution of the Company's financial and insurance liabilities into relevant maturity groups based on the expected remaining period at the balance sheet or contractual maturity date. Amounts in the table are undiscounted cash flows.

4. Insurance and Financial Risk Management (continued)**(c) Liquidity Risk (continued)**

	Cash Flow from Insurance Contracts					
December 31, 2018	< 3 Months	3 Months - 1 Year	1 Year - 5 Years	> 5 Years	Total	
Due to Insurers and Reinsurers		1,485,286			1,485,286	
Payables from Private Pension Operations	-	8,670,326	-	474,234,675	482,905,001	
Other Payables	385,580	-	-	-	385,580	
Other Current Liabilities	307,382	-	-	-	307,382	
Total	692,962	10,155,612	-	474,234,675	485,083,249	

December 31, 2018	Expected Cash Flows				Total
	< 3 Months	3 Months - 1 Year	1 Year - 5 Years	> 5 Years	
Mathematical Reserves	5,526,754	12,067,416	39,550,142	13,318,068	70,462,380
Outstanding Claims Reserve - Net	7,489,681	283,291	884,992	21,773	8,679,737
Renewal Premiums Reserve - Net	1,131,387	1,312,577	-	-	2,443,964
Unearned Premiums Reserve - Net	39,889	842,356	-	-	882,245
Equalization Reserve - Net	-	-	-	3,383,806	3,383,806
Other Technical Reserves - Net	121,612	-	-	-	121,612
Total	14,309,323	14,505,640	40,435,134	16,723,647	85,973,744

	Cash Flow from Insurance Contracts				
December 31, 2017	< 3 Months	3 Months - 1 Year	1 Year - 5 Years	> 5 Years	Total
Due to Insurers and Reinsurers	-	637,053	-	-	637,053
Payables from Private Pension Operations	-	7,642,825	-	383,435,509	391,078,334
Due to Related Parties	488,101	-	-	-	488,101
Other Payables	78,606	-	-	-	78,606
Other Current Liabilities	124,387	-	-	-	124,387
Total	691,094	8,279,878	-	383,435,509	392,406,481

December 31, 2017	Expected Cash Flows				Total
	< 3 Months	3 Months - 1 Year	1 Year - 5 Years	> 5 Years	
Mathematical Reserves	4,840,726	17,109,743	37,479,163	19,558,678	78,988,310
Outstanding Claims Reserve - Net	9,491,833	538,259	352,831	63,710	10,446,633
Renewal Premiums Reserve - Net	1,082,248	1,185,074	-	-	2,267,322
Unearned Premiums Reserve - Net	72,833	1,062,126	-	-	1,134,959
Equalization Reserve - Net	-	-	-	3,319,479	3,319,479
Other Technical Reserves - Net	170,000	-	-	-	170,000
Total	15,657,640	19,895,202	37,831,994	22,941,867	96,326,703

The Company estimates that the payment of outstanding claims subject to litigation would take place in more than one year. Furthermore, the Company estimated the payment periods of other claims by considering the payment periods realized in previous years. Entire amounts of Outstanding Claims Reserve and Unearned Premiums Reserve are classified as short term items in Balance Sheet. Total mathematical Reserves amount is classified as a long term item in Balance Sheet. Equalization Reserve is classified as a long term item in Balance Sheet.

The Company foresees to fulfill the liabilities explained above by its financial assets and cash or cash equivalents included in the assets.

4. Insurance and Financial Risk Management (continued)

Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies.

The following methods and assumptions were used to estimate the fair value of the financial instruments if such value can be determined.

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.

In this regard, fair value classification of financial assets and liabilities measured at fair value is as follows:

	December 31, 2018			Total
	Level 1	Level 2	Level 3	
Financial Assets:				
Available for Sale Investments	99,822,441		- -	99,822,441
Financial Investments at Life Policyholder's Risk Classified as Available for Sale Investments	70,439,286		- -	70,439,286
Total Financial Assets	170,261,727		- -	170,261,727

	December 31, 2017			Total
	Level 1	Level 2	Level 3	
Financial Assets:				
Available for Sale Investments	100,399,917		- -	100,399,917
Financial Investments at Life Policyholder's Risk Classified as Available for Sale Investments (*)	73,992,564		- -	73,992,564
Total Financial Assets	174,392,481		- -	174,392,481

(*) 2.492.777 TRY in time deposit accounts included in Financial Investments at Life Policyholder's Risk is shown at discounted cost value and therefore is not included in this table.

4. Insurance and Financial Risk Management (continued)**Fair Value of Financial Instruments (continued)**

Cash and cash equivalents are considered to approximate their carrying values since their fair values are short term. Carrying value of Receivables from Operations is estimated to reflect fair values after deduction of relevant doubtful receivable provision amount. Carrying values of Payables from Operations and Other Financial Payables are considered to approximate their fair values.

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.

Total Required Shareholders' Equity

	December 31, 2018	December 31, 2017
Required Shareholders' Equity	7,160,736	7,822,015
Existing Shareholders' Equity	96,344,665	90,611,148
Excess of Limit	89,183,929	82,789,133

Based on the regulation on evaluation and assessment of capital adequacy, the minimum required shareholders' equity amount is calculated as 7,160,736 TRY as of December 31, 2018 (December 31, 2017: 7,822,015 TRY). Company capital calculated on December 31, 2018 in accordance with the Regulation on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Private Pension Companies issued by Turkish Treasury on August 23, 2015 is 89,183,929 TRY in excess of the minimum required Shareholders' Equity amount (December 31, 2017: 82,789,133 TRY in excess).

5. Segment Information

Disclosed in Note 2.3.

6. Tangible Assets

6.1 Total depreciation and depletion expenses for the period: 14,457 TRY (January 1 - December 31, 2017: 16,189 TRY).

6.1.1 Depreciation expenses: 11,153 TRY (January 1 - December 31, 2017: 12,885 TRY).

6.1.2 Depletion expenses: 3,304 TRY (January 1 - December 31, 2017: 3,304 TRY).

6.2 Calculation Methods for Depreciation and Increases (+) or Decreases (-) in Depreciation Expenses through Changes in These Methods: None.

(January 1 - December 31, 2017: None).

6. Tangible Assets (continued)

6.3 Tangible Asset Movements in Current Period:

- 6.3.1 Cost of purchased, produced or constructed tangible assets: None (January 1 - December 31, 2017: 8,732 TRY).
- 6.3.2 Cost of sold or scrapped tangible assets : 5,984 TRY (January 1 - December 31, 2017: 9,059 TRY).
- 6.3.3 Revaluation increases in current period:
- 6.3.3.1 In asset costs (+): None (January 1 - December 31, 2017: None).
- 6.3.3.2 In Accumulated Depreciation (-): None (January 1 - December 31, 2017: None).
- 6.3.4 Nature, amount, beginning and ending dates of construction-in-progress: None (January 1 - December 31, 2017: None).

Tangible Asset Movements Table:

	January 01, 2018	Additions	Disposals	December 31, 2018
Cost:				
Furniture and Fixtures	584,238		(5,984)	578,254
Total Cost	584,238			578,254
Accumulated Depreciation: Furniture and Fixtures	(564,567)	(11,153)	5,984	(569,736)
Total Accumulated Depreciation	(564,567)			(569,736)
Net Book Value	19,671			8,518

	January 1, 2017	Additions	Disposals	December 31, 2017
Cost:				
Furniture and Fixtures	584,565	8,732	(9,059)	584,238
Total Cost	584,565			584,238
Accumulated Depreciation: Furniture and Fixtures	(560,741)	(12,885)	9,059	(564,567)
Total Accumulated Depreciation	(560,741)			(564,567)
Net Book Value	23,824			19,671

7. Investment Properties

None (December 31, 2017: None).

8. Intangible Assets

	January 01, 2018	Additions	Disposals December 31, 2018
Cost:			
Rights	3,203,113		- 3,203,113
	3,203,113	-	- 3,203,113
Accumulated Amortization:			
Rights	(3,154,275)	(3,304)	- (3,157,579)
	(3,154,275)	(3,304)	- (3,157,579)
Net Book Value	48,838		45,534

	January 1, 2017	Additions	Disposals December 31, 2017
Cost:			
Rights	3,203,113		- 3,203,113
	3,203,113	-	- 3,203,113
Accumulated Amortization:			
Rights	(3,150,971)	(3,304)	- (3,154,275)
	(3,150,971)	(3,304)	- (3,154,275)
Net Book Value	52,142		48,838

9. Investments in Affiliates

None (December 31, 2017: None).

10. Reinsurance Assets / (Liabilities)

	December 31, 2018	December 31, 2017
Reinsurer's Share in Outstanding Claims Reserve (Note 17)	882,252	541,124
Reinsurer's Share in Unearned Premiums Reserve (Note 17)	1,081,119	873,359
Due to Reinsurers (Note 19)	(1,485,286)	(637,053)
Due from Reinsurers (Note 12)	220,359	597,734

Reinsurance Income / (Expenses)

	January 1 - December 31,	January 1 - December
Reinsurer's Share in Paid Claims	60,643	988,661
Commission Received from Reinsurers (Net) (Note 32)	845,215	765,250
Reinsurer's Share in Outstanding Claims Reserve	341,129	10,141
Ceded Premiums (Note 24)	(1,927,229)	(1,612,752)
Reinsurer's Share in Change in Unearned Premiums Reserve (Note 17)	207,760	46,974

Detailed information about reinsurance treaties is provided in Note 2.14.

12 Financial Assets

11.1 Sub-classification of Presented Items According to Company

December 31, 2018							
	Portfolio at Policyholder's Risk			Company Portfolio			Grand Total
	Earmarked	Free	Total	Earmarked	Free	Total	
Available for Sale Investments							
Government Bonds (Note 4)	11,912,515	8,198,298	20,110,813	32,574,409	36,010,818	68,585,227	88,696,040
Eurobonds (Note 4)	27,743,704	22,584,769	50,328,473	27,790,849	3,446,365	31,237,214	81,565,687
Total (Note 11.4)	39,656,219	30,783,067	70,439,286	60,365,258	39,457,183	99,822,441	170,261,727

December 31, 2017							
	Portfolio at Policyholder's Risk			Company Portfolio			Grand Total
	Earmarked	Not Earmarked	Total	Earmarked	Not Earmarked	Total	
Available for Sale Investments							
Government Bonds (Note 4)	7,741,204	23,526,160	31,267,364	59,271,085	11,641,242	70,912,327	102,179,691
Eurobonds (Note 4)	19,060,251	23,664,949	42,725,200	26,071,522	3,416,068	29,487,590	72,212,790
Time-Deposit Accounts (*)	-	2,492,777	2,492,777	-	-	-	2,492,777
Total (Note 11.4)	26,801,455	49,683,886	76,485,341	85,342,607	15,057,310	100,399,917	176,885,258

(*) There are no time deposit accounts at life policyholders' risk available as of December 31, 2018 (December 31, 2017: 2,492,777 TRY equivalent; these accounts are in USD and the interest rate is 3.50%).

Rates of return for government bonds in TRY included in Available for Sale Financial Assets portfolio vary between 8.57% and 11.06% (December 31, 2017: 8.57% - 11.08%). Rates of return for Eurobonds in USD vary between 3.67% and 11.88% (December 31, 2017: 3.67% and 11.88%); rates of return for Eurobonds in EUR vary between 2.77% and 4.67% (December 31, 2017: 2.77% and 4.67%).

Loans and Receivables	December 31, 2018	December 31, 2017
Loans and Receivables (Note 12)	2,232,329	2,512,038
Total	2,232,329	2,512,038

11.2 Securities Issued within the Year Except Shares: **None (January 1 - December 31, 2017: None).**

11.3 Debt Securities Settled during the Year: **None (January 1 - December 31, 2017: None).**

11.4 Market value of marketable securities and financial assets carried at cost and carrying values and cost and carrying values of marketable securities and financial assets shown at market value in the Balance Sheet:

	December 31, 2018		December 31, 2017	
	Cost Value	Book Value (Fair Value)	Cost Value	Book Value (Fair Value)
Government Bonds	80,761,856	88,696,040	95,293,406	102,179,691
Eurobond	73,398,569	81,565,687	60,448,735	72,212,790
Time-Deposit Accounts	-	-	2,488,087	2,492,777
Total (Note 11.1)	154,160,425	170,261,727	158,230,228	176,885,258

11. Financial Assets (continued)

11.5 Amounts of marketable securities issued by the Company's shareholders, affiliates and subsidiaries and entities issuing the foregoing: None (December 31, 2017: None).

11.6 Revaluation of financial assets in the last three years: Disclosed in Note 15.

11.7 -11.9 Other information regarding Financial Assets:

Interest and sales revenues from Available for Sale Investments within the current year is 72,556,257 TRY (January 1 - December 31, 2017: 41,513,260 TRY) and FX rate difference and sales expenses is 28,828,956 TRY (January 1 - December 31, 2017: 18,713,882 TR) and net revenue amount is 43,727,300 TRY (January 1 - December 31, 2017: 22,799,378 TRY). The relevant amounts are recognized under Investment Income and Investment Expense items in Income Statement. Unrealized fair value decrease is 10,401,442 TRY (January 1- December 31, 2017: 573,502 TRY) before deferred tax and this amount is included in the respective item under Shareholders' Equity.

Maturity analysis of Financial Assets is as follows:

December 31, 2018							
	Demand Deposit	0-3 Months	3-6 Months	6 Months - 1 Year	1 Month - 3 Years	> 3 Years	Total
Government Bonds	-	21,626,795	-	4,914,492	33,424,852	28,729,901	88,696,040
Eurobonds	-	-	-	-	44,661,461	36,904,226	81,565,687
Total (Note 11.1).	-	21,626,795	-	4,914,492	78,086,313	65,634,127	170,261,727

December 31, 2017							
	Demand Deposit	0-3 Months	3-6 Months	6 Months - 1 Year	1 Month - 3 Years	> 3 Years	Total
Government Bonds	-	5,078,608	-	5,082,799	58,881,632	33,136,652	102,179,691
Eurobonds	-	-	5,038,143	-	25,285,849	41,888,799	72,212,791
Time Deposit accounts (USD)	-	2,492,777	-	-	-	-	2,492,777
Total (Note 11.1).	-	7,571,385	5,038,143	5,082,799	84,167,481	75,025,451	176,885,258

Financial Assets (excluding Loans and Receivables):

December 31, 2018			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	13,960,037	5.2609	73,442,359
EUR	1,347,599	6.0280	8,123,328
Total			81,565,687

December 31, 2017			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	17,398,279	3.7719	65,624,569
EUR	2,011,073	4.5155	9,080,999
Total			74,705,568

12. Loans and Receivables

12.1 Classification receivables as "receivables from main customers", "receivables from related parties", "receivables for advance payments" (short-term and long-term prepayments) and "other receivables":

	December 31, 2018	December 31, 2017
Due from Policyholders	17,637	40,784
Receivables from Intermediaries	131,142	150,976
Due from Reinsurers	220,359	597,734
Other Receivables	3,592	3,592
Due from Insurance Operations	372,730	793,086
Due from Private Pension Operations	942,022	885,230
Loans to Policyholders	332,397	431,319
Doubtful Receivables from Operations	156,543	156,543
Cash Deposited with Insurance and Reinsurance Companies	588,772	405,995
Receivables from Operations - Gross	2,392,464	2,672,173
Provision for Doubtful Receivables from Policyholders and Intermediaries (*)	(156,543)	(156,543)
Provision for Other Receivables	(3,592)	(3,592)
Provision for Doubtful Receivables	(160,135)	(160,135)
Receivables from Operations - Net	2,232,329	2,512,038

(*) Shown under Provision for Doubtful Receivables from Main Operations in Balance Sheet.

12.1 Debit-Credit Relation of the Company with Shareholders, Affiliates and Subsidiaries:

Balances and transactions with the related parties are disclosed in Note 45.

12.2 Total amount of mortgages and other guarantees obtained for receivables:

Details of deposits, guarantees and collaterals received in foreign currencies are provided below:

	December 31, 2018			
	US Dollar (TRY Equivalent)	Euro (TRY Equivalent)	TRY	Total
Mortgages			4,143,200	4,143,200
Guarantee Letters	-	-	1,565,300	1,565,300
Cash (**)	594,092	135,514	616,605	1,346,211
Other Guarantees and Sureties	146,261	6,167	105,276	257,704
Total	740,353	141,681	6,430,381	7,312,415

	December 31, 2017			
	USD (TRY Equivalent)	EUR (TRY Equivalent)	TRY	Total
Mortgages	-	-	4,342,200	4,342,200
Guarantee Letters	-	-	1,667,600	1,667,600
Cash (**)	442,421	97,771	602,326	1,142,518
Other Guarantees and Sureties	82,448	4,619	118,067	205,134
Total	524,869	102,390	6,730,193	7,357,452

(**) Shown in "Deposits and Guarantees Received" item under Other Payables account in Current Liabilities in Balance Sheet.

12. Credit and Receivables (continued)**12.4 Receivables and payables denominated in foreign currencies without foreign exchange rate guarantees and assets in foreign currencies and conversion rates:****Loans and Receivables:**

December 31, 2018			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	13,709	5.2609	72,122
EUR	144,970	6.0280	873,879
Total			946,001

December 31, 2017			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	32,565	3.7719	122,832
EUR	31,538	4.5155	142,410
CHF	986	3.8548	3,801
Total			269,043

12.7- Other Information regarding Loans and Receivables (continued):

Aging of receivables from insurance operations is provided below:

	December 31, 2018	December 31, 2017
Overdue	40,651	65,124
< 3 Months	71,484	88,470
3-6 Months	32,465	34,267
6 Months-1 Year	4,179	3,899
Doubtful Receivables	3,592	3,592
Total	152,371	195,352
Due from Reinsurers	220,359	597,734
Total	372,730	793,086

Aging of overdue but not impaired receivables from policyholders and agencies is as follows:

	December 31, 2018	December 31, 2017
< 3 Months	40,651	64,738
3-6 Months	-	69
6-12 Months	-	317
Total	40,651	65,124

Table of movements in Provision for Doubtful Receivables from Main Operations is as follows:

	2018	2017
Period Beginning - January 1	156,543	156,543
Period End - December 31	156,543	156,543

12. Credit and Receivables (continued)**12.5 -12.7 Other Information regarding Loans and Receivables (continued):**

Table of movements in Provision for Other Receivables is as follows:

	2018	2017
Period Beginning - January 1	3,592	3,592
Period End - December 31	3,592	3,592

Total amount of Guarantees received for the above mentioned receivables is as follows:

	December 31, 2018	December 31, 2017
Mortgage Bonds	4,143,200	4,342,200
Guarantee Letters	1,565,300	1,667,600
Cash	1,346,211	1,142,518
Other Guarantees and Sureties	257,704	205,134
Total	7,312,415	7,357,452

13. Derivative Financial Instruments

None (December 31, 2017: None).

14. Cash and Cash Equivalents

Cash and cash equivalents that are included the Statements of Cash Flows for the periods ended on December 31, 2018 and December 31, 2017 are explained in Note 2.12 and the details of cash and cash equivalents in Company Balance Sheet are as follows:

	December 31, 2018	December 31, 2017
Banks		
Bank Guarantees and Three Months Short Term Credit Cart	17,236,267	11,216,537
Receivables	7,270,521	6,693,021
Total	24,506,788	17,909,558
Bank Deposits in Foreign Currencies		
- Demand Deposits	748,165	45,127
- Time Deposits	4,003,834	1,757,776
Total	4,751,999	1,802,903
Deposits in TRY		
- Demand Deposits	429,978	406,834
- Time Deposits	12,054,290	9,006,800
Total	12,484,268	9,413,634
Total Banks	17,236,267	11,216,537

14. Cash and Cash Equivalents (continued)

Maturity dates of time deposit accounts are less than 3 months and weighted average annual interest rates are provided below:

	December 31, 2018	December 31, 2017
	(%)	(%)
TRY	23.13	13.82
USD	3.40	3.40

Demand and Time Deposit Accounts in Foreign Currencies:

December 31, 2018					
Foreign Currency			TRY		
	Time Deposit	Demand Deposit	FX Rate	Time Deposit	Demand Deposit
USD	761,055	75,019	5.2609	4,003,834	394,667
EUR	-	56,260	6.0280	-	339,135
CHF	-	591	5.3352	-	3,153
GBP	-	1,685	6.6528	-	11,210
Total				4,003,834	748,165

December 31, 2017					
Foreign Currency			TRY		
	Time Deposit	Demand Deposit	FX Rate	Time Deposit	Demand Deposit
USD	466,019	5,647	3.7719	1,757,776	21,300
EUR	-	3,592	4.5155	-	16,216
CHF	-	1,584	3.8548	-	6,106
GBP	-	296	5.0803	-	1,505
Total				1,757,776	45,127

15. Shareholders' Equity

The Company has 6,297,500,000 shares fully paid-in (December 31, 2017:6,297,500,000). Each Company share has a nominal value of 1 Kr (Kuruş), total nominal value of Company shares is 62,975,000 TRY (December 31, 2017: 62,975,000 TRY).

Movements in shares between period beginning and period end are as follows:

	January 01, 2018		New Issue		Redemption		December 31, 2018	
	Units	Nominal TRY	Units	Nominal TRY	Units	TRY	Units	Nominal TRY
Paid	6,297,500,000	62,975,000	-	-	-	-	6,297,500,000	62,975,000
Total	6,297,500,000	62,975,000	-	-	-	-	6,297,500,000	62,975,000

15. Shareholders' Equity (continued)

	January 1, 2017		New Issue		Redemption		December 31, 2017	
	Units	Nominal TRY	Units	Nominal TRY	Units	Nominal TRY	Units	Nominal TRY
Paid	6,297,500,000	62,975,000	-	-	-	-	6,297,500,000	62,975,000
Total	6,297,500,000	62,975,000	-	-	-	-	6,297,500,000	62,975,000

Legal Reserves:

Accumulated profit amounts in legal books can be distributed, excluding the provision regarding legal reserves stated below. According to Turkish Commercial Code ("TCC"), legal reserves are divided into Primary and Secondary Legal Reserves. Pursuant to TCC, primary reserves are allocated as 5% of legal net profit until the amount reaches up to 20% of the Company's paid-in/issued capital. Secondary reserves constitute 10% of distributed profit exceeding 5% of the Company's paid-in/issued capital. In accordance with TCC, legal reserves can be used only for offsetting the loss as long as the amount of legal reserves does not exceed 50% of paid-in/issued capital. Any other use is not legally permitted.

Movements of legal reserves within the period are shown below:

	2018	2017
Period Beginning - January 1	17,024,974	17,024,974
Transfer from Retained Earnings (*)	191,219	-
Period End - December 31	17,216,193	17,024,974

Extraordinary Reserves:

Movements of extraordinary reserves within the period are shown below:

	2018	2017
Period Beginning - January 1	-	-
Transfer from Retained Earnings (*)	1,989,527	-
Period End - December 31	1,989,527	-

(*) During the Ordinary Shareholders' Assembly meeting held on March 29, 2018, the Company resolved to use 1,643,635 TRY to close the previous years' losses and allocate 191,219 TRY as legal reserves and the remaining 1,989,527 TRY as extraordinary reserves out of 2017 total period profit amount of 3,824,381 TRY.

Movements of actuarial gains/losses within Other Profit Reserves during the period are provided below:

	2018	2017
Period Beginning - January 1	(192,311)	(58,084)
Change within Period - Net	292,996	(134,227)
Period End - December 31	100,685	(192,311)

15. Shareholders' Equity (continued)**Valuation of Financial Assets:**

Portion belonging to the Company out of the unrealized profit and loss amounts arising from changes in fair values of Available for Sale Investments is recognized under "Valuation of Financial Assets" in Shareholders' Equity.

Movements of valuation of financial assets within the period are shown below:

	2018	2017
Period Beginning - January 1 (net of tax effects)	5,303,260	4,980,439
Increase/(Decrease) in Fair Value	(10,401,442)	573,502
Tax Arising from Fair Value Increases	2,288,317	(126,170)
Effect of Change in Tax Rate (22%-20% - Note 21)	-	(124,511)
Period End - December 31 (net of tax effects)	(2,809,865)	5,303,260

16. Other Reserves and Capital Component of Discretionary Participation

Information regarding Other Reserves within Shareholders' Equity is provided in Note 15.

17. Insurance Liabilities and Reinsurance Assets**17.1** Guarantee amounts required for Life and Non-Life segments and Guarantee amounts established for assets per Life and Non-Life segments:

December 31, 2018			
	Life	Non-Life	Total
Guarantee Amount Required (*)	77,652,140	274,733	77,926,873
Guarantee Amount Provided (Note 43) (**)	90,553,339	1,205,600	91,758,939

December 31, 2017			
	Life	Non-Life	Total
Guarantee Amount Required (*)	87,371,453	516,634	87,888,087
Guarantee Amount Provided (Note 43) (**)	89,570,837	932,920	90,503,757

(*) Guarantee amount required as of December 31, 2018 is calculated, in accordance with the capital adequacy calculation for the same period, as 77,926,873 TRY (December 31, 2017: 87,888,087 TRY) .

(**) Guarantee amount provided as of December 31, 2018 is calculated as 91,758,939 TRY (December 31, 2017: 90,503,757 TRY) through revaluation with applicable Turkish Central Bank prices of financial assets regarding the required guarantee amount in accordance with the capital adequacy calculation as of December 31, 2018. (*) In accordance with Article 4 of Regulation on Financial Structure of Insurance, Reinsurance and Private Pension Companies", published in Turkish Official Journal No.26606 on August 7, 2007 pursuant to the Insurance Law, the insurance companies and private pension companies operating in personal accident and life insurance branches should provide guarantee amounts equal to one third of the required capital amount in each capital adequacy calculation period.

17. Insurance Liabilities and Reinsurance Assets (continued)**17.2 Current number of life policies, number of life policies entering and exiting within the period and current number and mathematical reserve amount for life policyholders:**

	December 31, 2018		December 31, 2017	
	Number of Policyholder s	Mathematical Reserves	Number of Policyholder s	Mathematical Reserves
Increase within Period (*)	55,547	17,970,243	99,775	10,702,932
Exits during Period (**)	48,798	(26,414,966)	100,989	(34,213,870)
Life Mathematical Reserves	55,170	70,431,671	99,349	78,945,163
Personal Accident Mathematical Reserves	377	30,709	426	43,147
Total	55,547	70,462,380	99,775	78,988,310

(*) The relevant amount exists at period beginning and includes the increases in mathematical reserves for policies still valid at period end and the increases in mathematical reserves for policies added during the period. Number of policyholders belongs to the products for which a mathematical reserve amount is allocated.

(**) The relevant amount includes the increases in mathematical reserves for policies exited during the period. Number of policyholders belongs to the products for which a mathematical reserve amount is allocated.

17.3 Guarantee amount provided for Non-Life segment:

Disclosed in Note 4.

17.4 Unit prices of pension investment funds founded by the Company:

Pension investment funds in circulation and founded by the Company and unit prices thereof are provided below:

Pension Investment Funds	December 31, 2018	December 31, 2017
	Unit Price in TRY	Unit Price in TRY
Non Governmental Debt Instruments Pension Investment Fund	0.02409	0.01864
Government Debt Instruments Standard Pension Investment Fund	0.01518	0.01460
Money Market Pension Investment Fund	0.01910	0.01610
Variable Pension Investment Fund	0.01792	0.01714
Stock Pension Investment Fund	0.01954	0.02281
Contribution Pension Investment Fund	0.01345	0.01346
Participation Pension Investment Fund	0.01571	0.01480
Gold Pension Investment Fund	0.02137	0.01574
Participation Contribution Pension Investment Fund	0.01701	0.01479
Initial Pension Investment Fund	0.01293	0.01103
Initial Participation Pension Investment Fund	0.01239	0.01081
APS Enthusiastic Variable Pension Investment Fund	0.01012	-
APS Aggressive Variable Pension Investment Fund	0.00940	-
APS Cautious Variable Pension Investment Fund	0.01000	-
APS Balanced Variable Pension Investment Fund	0.01001	-
APS Enthusiastic Participation Variable Pension Investment Fund	0.01058	-
APS Aggressive Participation Variable Pension Investment Fund	0.00908	-
APS Standard Pension Investment Fund	0.01067	-
APS Participation Standard Pension Investment Fund	0.01120	-

17. Insurance Liabilities and Reinsurance Assets (continued)**17.5 Number and amount of participation certificates within the portfolio and in circulation:****Private Pension Funds in Circulation:**

*	December 31, 2018		December 31, 2017	
	Number of Shares in Circulation	Amount (TRY)	Number of Shares in Circulation	Amount (TRY)
Non-Governmental Debt Instruments Pension Investment Fund	1,997,119,767	48,102,627	1,755,205,744	32,718,757
Government Debt Instruments Standard Pension Investment Fund	5,080,728,735	77,105,139	4,801,223,839	70,107,279
Money Market Pension Investment Fund	2,684,018,125	51,254,009	2,438,698,997	39,270,121
Variable Pension Investment Fund	4,703,981,312	84,314,161	4,857,891,020	83,283,514
Stock Pension Investment Fund	1,858,309,015	36,305,783	1,765,269,478	40,274,607
Contribution Pension Investment Fund	4,946,375,970	66,533,699	4,290,021,753	57,756,517
Participation Pension Investment Fund	568,250,223	8,924,370	510,714,146	7,562,654
Gold Pension Investment Fund	2,533,700,856	54,145,187	1,954,826,852	30,786,522
Participation Contribution Pension Investment Fund	339,831,965	5,781,561	272,037,667	4,023,484
Initial Pension Investment Fund	382,421,115	4,943,557	729,050,257	8,042,667
Initial Participation Pension Investment Fund	447,743,968	5,545,309	888,781,963	9,609,387
APS Enthusiastic Variable Pension Investment Fund	7,192,366	72,808	-	-
APS Aggressive Variable Pension Investment Fund	14,449,626	135,812	-	-
APS Cautious Variable Pension Investment Fund	2,576,807	25,778	-	-
APS Balanced Variable Pension Investment Fund	2,085,468	20,882	-	-
APS Enthusiastic Participation Variable Pension Investment Fund	4,894,060	51,794	-	-
APS Aggressive Participation Variable Pension Investment Fund	6,346,094	57,648	-	-
APS Standard Pension Investment Fund	1,268,323,934	13,533,017	-	-
APS Participation Standard Pension Investment Fund	1,551,922,709	17,381,534	-	-
Total	28,400,272,115	474,234,675	24,263,721,716	383,435,509

17.6 Portfolio amounts per number of private pension and group pension participants entered, exited, canceled and existing during the period: Number of contracts entering within the period is 139,256 in addition to 84,891 contracts existing at period beginning. Number of contracts at withdrawal stage is 81,196, number of contracts exiting the system is 26,294, transferred to another insurer is 17,393, terminated due to death/disability is 47 and terminated due to retirement is 18. Portfolio amount of 99,199 contracts active at period end is 401,919,415 TRY, State contribution fund amount is 72,315,260 TRY (Note 17.5) (January 1 - December 31, 2017: Number of contracts entering during the period is 141,543 in addition to 39,851 contracts existing at period beginning. Number of contracts at withdrawal stage is 85,668, number of contracts exiting the system is 8,866, transferred to another insurer is 1,909, terminated due to death/disability is 43 and terminated due to retirement is 17. Portfolio amount of 84,891 contracts active at period end is 321,655,509 TRY, State contribution fund amount is 61,780,001 TRY).

17.7 Valuation methods used for calculation of profit share in profit share life insurances: The Company classifies financial assets at policyholders' risk as "Available for Sale Investments (financial assets)". These assets are subject to valuation in line with the principles disclosed in Note 2.8.

17.8 Number and individual/group allocation of gross/net contribution amounts of private pension participants newly entered in the portfolio: Number of newly entered participants within the period is 149,963, 141,704 of which are corporate customers. Participation share amounts total of newly entered private (individual) contracts is 12,991,309 TRY net and 13,160,967 TRY gross; total amount of participation shares belonging to corporate contracts is 23,143,521 TRY net and 23,143,521 TRY gross.

17. Insurance Liabilities and Reinsurance Assets (continued)

17.8 Number and individual/group allocation of gross/net contribution amounts of private pension participants newly joined the portfolio within the period (continued: (January 1 - December 31, 2017: Number of newly entered participants within the period is 138,988, 132,500 of which are corporate customers. Participation share amounts total of newly entered private contracts is 8,075,280 TRY net and 8,192,726 TRY gross; total amount of participation shares belonging to corporate contracts is 28,312,485 TRY net and 28,312,485 TRY gross.)

17.9 Number and individual/group allocation of gross/net contribution amounts of private pension participants transferred from another insurer: Number of participants transferred from another insurer within this period is 140, and their contribution share amounts total is 3,848,352 TRY net and 3,849,045 TRY gross. (January 1 - December 31, 2017: Number of participants transferred from another insurer within this period is 234, and their contribution share amounts total is 6,973,195 TRY net and 6,973,861 TRY gross.)

17.10 Number and individual/group allocation of gross/net contribution amounts of private pension participants transferred from the Company's life portfolio to private pension portfolio within the period: None (January 1 - December 31, 2017: None).

17.11 Number and individual/group allocation of gross/net contribution amounts of private pension participants exited Company's portfolio and transferred and/or not transferred to another insurer within the period:

Number of participants exiting the portfolio within this period is 119,330 (6% private and 94% corporate), and their contribution share amounts total is 78,401,750 TRY net and 78,498,498 TRY gross (January 1 - December 31, 2017: 45,973,012 TRY net, 46,039,214 TRY gross).

17.12 Number and individual/group allocation of gross/net premiums of life policyholders who joined the portfolio during the period:

January 1 - December 31, 2018

	Number of Contracts	Gross Premium	Net Premium
Individual	4,510	726,077	726,077
Group	9,425	728,182	728,182
Total	13,935	1,454,259	1,454,259

January 1 - December 31, 2017

	Number of Contracts	Gross Premium	Net Premium
Individual	12,693	6,473,598	6,473,598
Group	17,069	1,530,616	1,530,616
Total	29,762	8,004,214	8,004,214

17.13 Number and individual/group allocation of gross/net premiums and mathematical reserve amounts of life policyholders who left the portfolio during the period:

January 1 - December 31, 2018

	Number of Contracts	Gross Premium	Net Premium	Mathematical Reserves
Individual	57,421	352,483	352,483	16,231,974
Group	17,289	382,002	382,002	10,182,992
Total	74,710	734,485	734,485	26,414,966

January 1 - December 31, 2017

	Number of Contracts	Gross Premium	Net Premium	Mathematical Reserves
Individual	125,027	616,497	616,497	28,591,026
Group	16,184	257,956	257,956	5,622,844
Total	141,211	874,453	874,453	34,213,870

Amounts of premiums written within the period for policies canceled within the same period are taken as basis for gross premium amounts in the above table.

17. Insurance Liabilities and Reinsurance Assets (continued)**17.14 Profit distribution percentage to life policyholders within the****January 1 - December 31, 2018**

Currency (Guaranteed Interest Rate)	95% Profit Share	90% Profit Share	85% Profit Share
TRY (3%)	-	-	8.60%
TRY (6%)	-	8.43%	7.96%
TRY (9%)	9.53%	9.03%	-
USD	5.48%	5.19%	4.90%
EUR	3.54%	3.36%	3.17%

January 1 - December 31, 2017

Currency (Guaranteed Interest Rate)	95% Profit Share	90% Profit Share	85% Profit Share
TRY (3%)	-	-	8.58%
TRY (6%)	-	8.42%	7.96%
TRY (9%)	9.53%	9.02%	-
USD	5.39%	5.11%	4.82%
EUR	3.64%	3.45%	3.25%

17.15 -17.19 Other required explanations regarding liabilities arising from insurance contracts:

Mathematical Reserves:	December 31, 2018	December 31, 2017
Actuarial Mathematical Reserves - Cumulative Policies	40,155,413	44,811,580
Profit Share Reserve - Cumulative Policies	26,802,109	29,190,015
Mathematical Reserves - Cumulative Policies	66,957,522	74,001,595
Mathematical Reserves - Non-Cumulative Policies	3,504,858	4,986,715
Total Mathematical Reserves	70,462,380	78,988,310

	2018	2017
Period Beginning - January 1	78,988,310	102,582,269
Premium Amounts from Cumulative Life Policies	4,742,614	5,701,310
Investment Income	19,621,990	9,110,201
Surrender and Maturity Payments	(30,593,731)	(32,018,631)
Portion Transferred to outstanding Claims Reserve due to Surrender and/or Maturity	(79,867)	(2,626,272)
Charges	(364,838)	(233,244)
Commission Expense	-	(265)
Risk Premiums	(227,224)	(259,326)
Change in Mathematical Reserves of Non-Cumulative Life and Personal Accident Policies	(1,481,856)	(3,143,518)
Other (*)	(143,018)	(124,214)
Period End - December 31	70,462,380	78,988,310

(*) Includes income payments and policies not in effect at period beginning but in effect at period end.

17. Insurance Liabilities and Reinsurance Assets (continued)**17.15 -17.19 Other required explanations regarding liabilities arising from insurance contracts (continued):**

Life Mathematical Reserves denominated in foreign currencies are provided below:

December 31, 2018			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	7,704,917	5.2783	40,668,863
EUR	805,229	6.0479	4,869,944
GBP	3,465	6.6975	23,207
Total			45,562,014

December 31, 2017			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	9,672,530	3.7843	36,603,755
EUR	1,182,041	4.5305	5,355,237
GBP	3,921	5.1144	20,054
Total			41,979,046

Unearned Premiums Reserve:

2018			
	Gross	Reinsurer's Share	Net
Period Beginning - January 1	2,008,318	(873,359)	1,134,959
Net Change	(44,954)	(207,760)	(252,714)
Period End - December 31	1,963,364	(1,081,119)	882,245

2017			
	Gross	Reinsurer's Share	Net
Period Beginning - January 1	2,134,335	(826,385)	1,307,950
Net Change	(126,017)	(46,974)	(172,991)
Period End - December 31	2,008,318	(873,359)	1,134,959

Deferred Commission Expenses and Income amounts as of December 31, 2018 are 100,652 TRY (December 31, 2017: 99,682 TRY) and 512,681 TRY (December 31, 2017: 427,464 TRY) respectively and these are included under Deferred Acquisition Expenses and Commission account items within the Balance Sheet.

17. Insurance Liabilities and Reinsurance Assets (continued)**17.15 -17.19 Other required explanations regarding liabilities arising from insurance contracts (continued):
Other Technical Reserves (Short Term)****a) Renewal Premium Reserve:**

Movements of Renewal Premium Reserve within the period are shown below:

	2018	2017
Period Beginning - January 1	2,267,322	2,264,042
Changes within Period	176,642	3,280
Period End - December 31	2,443,964	2,267,322

b) Pension Commission Reserve:

Movements of Pension Commission Reserve within the period are shown below:

	2018	2017
Period Beginning - January 1	170,000	235,000
Changes within Period (*)	(48,388)	(65,000)
Period End - December 31	121,612	170,000

(*) Changes within the period are shown under Operating Expenses in Income Statement.

c) Guarantee Account Reserve:

Movements of Guarantee Account Reserve within the period are shown below:

	2018	2017
Period Beginning - January 1		100,000
Changes within Period (*)	-	(100,000)
Period End - December 31	-	-
Other Short Term Technical Reserves (a+b+c), December 31	2,565,576	2,437,322

Outstanding Claims Reserve:

		2018	
	Gross	Reinsurer's Share	Net
Claims Made - Period Beginning January 1	8,906,761	(448,837)	8,457,924
Claims Paid (*)	(5,461,794)	-	(5,461,794)
Increase	-	-	-
- Current Period Outstanding Claims	2,782,742	(351,250)	2,431,492
- Previous Periods Outstanding Claims	1,624,174	(13,099)	1,611,075
Claims Made - Period End December 31	7,851,883	(813,186)	7,038,697
Incurred But Not Reported Claims	1,710,106	(69,066)	1,641,040
Total	9,561,989	(882,252)	8,679,737

17. Insurance Liabilities and Reinsurance Assets (continued)**17.15 -17.19 Other required explanations regarding liabilities arising from insurance contracts (continued):****Outstanding Claims Reserve (continued)**

		2017	
	Gross	Reinsurer's Share	Net
Claims Made - Period Beginning January 1	7,671,733	(435,737)	7,235,996
Claims Paid (*)	(3,156,850)	-	(3,156,850)
Increase			
- Current Period Outstanding Claims	3,496,124	-	3,496,124
- Previous Periods Outstanding Claims	895,754	(13,100)	882,654
Claims Made - Period End December 31	8,906,761	(448,837)	8,457,924
Incurred But Not Reported Claims	2,080,996	(92,287)	1,988,709
Total	10,987,757	(541,124)	10,446,633

(*) Paid claim amounts included in Outstanding Claims Reserve tables consist of claim payments made for files included in Outstanding Claims Reserve at previous period end.

Net Outstanding Claims Reserve amounts for reported claims denominated in foreign currencies are provided

December 31, 2018			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	287,252	5.2783	1,516,202
EUR	35,718	6.0479	216,019
Total			1,732,221

December 31, 2017			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	678,773	3.7843	2,568,681
EUR	74,360	4.5305	336,888
Total			2,905,569

Other Long Term Technical Reserves:

Portion not belonging to the Company out of the unrealized profit and loss amounts arising from the changes in fair values of Available for Sale Investments and Equalization Reserve are recognized under "Other Long Term Technical Reserves".

	December 31, 2018	December 31, 2017
Other Technical Reserves (*)	761,355	(467,051)
Equalization Reserve	3,383,806	3,319,479
Total	4,145,161	2,852,428

(*) Valuation differences in Financial Investments at Life Policyholder's Risk are recognized in Other Technical Reserves account.

17. Insurance Liabilities and Reinsurance Assets (continued)**17.15 -17.19 Other required explanations regarding liabilities arising from insurance contracts (continued):**

Other Technical Reserves:	2018	2017
Period Beginning - January 1	(467,051)	(177,498)
Increase/(Decrease) in Fair Value	1,320,130	(208,104)
Outflows from Sold or Amortized Financial Assets	(91,724)	(81,449)
Period End - December 31	761,355	(467,051)

Equalization Reserve:	2018		
	Gross	Reinsurer's Share	Net
Period Beginning - January 1	3,319,479	-	3,319,479
Net Change	64,327	-	64,327
Period End - December 31	3,383,806	-	3,383,806

	2017		
	Gross	Reinsurer's Share	Net
Period Beginning - January 1	3,152,714	-	3,152,714
Net Change	166,765	-	166,765
Period End - December 31	3,319,479	-	3,319,479

Unexpired Risks Reserve:

The Company has no Unexpired Risks Reserve as of December 31, 2018 and December 31, 2017.

17. Insurance Liabilities and Reinsurance Assets (continued)**17.15 -17.19 Other required explanations regarding liabilities arising from insurance contracts (continued):**

Claim development tables used in ACLM calculations made in accordance with Technical Provisions Regulation are explained below.

Gross Claim Development Table prepared according to incurred losses as of December 31, 2018:

Accident Year	January 1, 2012 - December 31, 2012	January 01, 2013 - December 31, 2013	January 01, 2014 - December 31, 2014	January 01, 2015 - December 31, 2015	January 01, 2016 - December 31, 2016	January 01, 2017 - December 31, 2017	January 01, 2018 - December 31, 2018	Total Gross Incurred Loss
Loss Incurred within Accident Period	143,058	256,117	3,770	4,219	21,542	13,769	6,063	448,538
1 Year Later	119,405	-	-	43,800	-	805	-	164,010
2 Years Later	111,527	-	-	-	-	-	-	111,527
3 Years Later	83,232	-	-	-	-	-	-	83,232
4 Years Later	83,232	-	-	-	-	-	-	83,232
5 Years Later	83,232	-	-	-	-	-	-	83,232
6 Years Later	78,924	-	-	-	-	-	-	78,924
Total Gross Incurred Loss	702,610	256,117	3,770	48,019	21,542	14,574	6,063	1,052,695

Gross Claim Development Table prepared according to incurred losses as of December 31, 2017:

Accident Year	January 1, 2011 - December 31, 2011	January 1, 2012 - December 31, 2012	January 01, 2013 - December 31, 2013	January 01, 2014 - December 31, 2014	January 01, 2015 - December 31, 2015	January 01, 2016 - December 31, 2016	January 01, 2017 - December 31, 2017	Total Gross Incurred Loss
Loss Incurred within Accident Period	317,479	143,058	256,117	3,770	4,219	21,542	13,769	759,954
1 Year Later	301,208	119,405	-	-	43,800	-	-	464,413
2 Years Later	208,800	111,527	-	-	-	-	-	320,327
3 Years Later	-	83,232	-	-	-	-	-	83,232
4 Years Later	-	83,232	-	-	-	-	-	83,232
5 Years Later	-	83,232	-	-	-	-	-	83,232
6 Years Later	-	-	-	-	-	-	-	-
Total Gross Incurred Loss	827,487	623,686	256,117	3,770	48,019	21,542	13,769	1,794,390

18. Investment Agreement Liabilities

None (December 31, 2017: None).

19. Trade and Other Payables, Deferred Income

	December 31, 2018	December 31, 2017
Due to Reinsurers (Note 10)	1,485,286	637,053
Payables from Private Pension Operations	8,670,326	7,642,825
Payables from Operations - Short Term	10,155,612	8,279,878
Payables from Private Pension Operations - Long Term (Note 17.5)	474,234,675	383,435,509
Payables from Operations - Long Term	474,234,675	383,435,509
Deferred Commissions Income (Note 17)	512,681	427,464
Deferred Loan Income (Note 47.1)	15,248	17,818
Intermediary Commission Accruals (Note 47.1)	357,958	389,943
Deferred Income and Expense Accruals	885,887	835,225
Other Payables (Note 47.1)	385,580	78,606
Other Current Liabilities (Note 47.1)	307,382	124,387
Total	485,969,136	392,753,605

Related Party balances are disclosed in Note 45.

20. Loans

None (December 31, 2017: None).

21. Deferred Income Tax

The Company calculates deferred income tax for the temporary differences in the balance sheet items arising from measurements in financial statements and measurements in accordance with Tax Procedural Law ("TPL").

Applicable corporate tax in Turkey as at December 31, 2018 is 22% (2017: 20%). Pursuant to Article 91 of "Act No.7061 on Amendment of Certain Tax Laws and Other Laws" promulgated in Turkish Official Journal No.30261 on December 5, 2017 and to Provisional Article 10 of Corporate Tax Law No.5520, corporate tax payable on entity income generated in 2018, 2019 and 2020 taxation periods shall be calculated over 22% and afterwards corporate tax calculation shall continue to be calculated over 20% for subsequent periods. Council of Ministers is authorized to decrease 22% tax rate down to 20%. Therefore, as of December 31, 2018 the tax rate to be used for calculation of deferred tax assets and liabilities is 22% for deferred tax bases to be realized between 2019-2020 and 20% for subsequent periods (December 31, 2017: 22% for deferred tax bases to be realized between 2018-2020 and 20% for subsequent periods).

21. Deferred Income Tax (continued)

Breakdown lists of accumulated temporary differences and deferred tax assets and liabilities prepared by using applicable tax rates as of December 31, 2018 and December 31, 2017 are provided below:

	Temporary Timing Differences		Deferred Tax Assets / (Liabilities)	
	December 31 2018	December 31, 2017	December 31, 2018	December 31, 2017
Deferred Tax Assets				
Provision for Employee Bonuses	1,933,076	1,369,897	425,277	301,377
Equalization Reserve	3,383,806	3,319,479	744,437	730,285
Renewal Premium Reserve	2,443,964	2,267,322	537,672	498,811
Provision for Employee Seniority Incentives and Loyalty	695,229	878,585	152,950	193,289
Provision for Unused Leaves	986,467	903,065	217,023	198,674
Provision for Performance Wages	627,947	1,386,030	138,148	304,927
Provision for Employment Termination Benefits	1,268,654	629,813	279,104	138,559
Provision for Legal Cases	447,620	356,325	98,476	78,392
Provision for Intermediary Commission Accruals	247,958	219,943	54,550	48,388
Usable Financial Loss	3,492,030	10,323,084	464,406	2,064,617
Provision for Employment Termination Notice Pay	51,705	51,088	11,375	11,239
Other	286,388	-	63,005	-
			3,186,423	4,568,558
Deferred Tax Liabilities				
Eurobond Valuation Difference	(2,548,297)	(9,451,000)	(560,625)	(2,079,220)
Government Bonds Valuation Difference	(3,931,607)	(2,142,715)	(864,954)	(471,397)
Other	-	(5,436)	-	(1,196)
			(1,425,579)	(2,551,813)
Net Deferred Tax Assets (Note 35)			1,760,844	2,016,745

Movements of Deferred Tax Assets within the year are as follows:

	2018	2017
Period Beginning - January 1	2,016,745	1,227,603
Deferred Tax Income/(Expense) (Note 35)	(2,461,578)	1,000,104
Tax Arising from Increase in Fair Value (Note 15)	2,288,317	(250,681)
Other Deferred Tax Income/(Expense) Recognized in Shareholders' Equity	(82,640)	39,719
Period End - December 31	1,760,844	2,016,745

22. Pension Social Aid Liabilities

	December 31, 2018	December 31, 2017
Provision for Employment Termination Benefits	1,268,654	629,813
Total	1,268,654	629,813

Pursuant to Turkish Labor Law, The Company is liable to pay severance pay for employees who has completed at least one year of employment at the Company and whose employment is terminated or who is retired or who completes required service period (25 years for men and 20 for women) and become entitled for retirement (at the age of 60 for men and 58 for women), who are summoned for military service or who is deceased. Certain provisions are introduced for the transition period regarding the employment service time after the amendment of relevant legislation on May 23, 2002.

Severance pay equals to one month's salary per each employment year and this amount is limited to 6,017.60 TRY, effective as of January 1, 2019.

Severance pay liability is not legally subject to any kind of funding and there are no funding requirements.

Provision for Employment Termination Benefits (i.e. severance pay) is calculated through estimating the present value of the potential liability amount which has to be paid in case of retirement of employees.

TAS 19 stipulates development of actuary valuation methods to estimate the provision amount to be allocated for employment termination. According to this, following actuarial predictions are used to calculate the total liability amount:

	December 31, 2018	December 31,
Annual Discount Rate (%)	4.30	2.18
Turnover Rate for Estimation of Retirement	91	90

Fundamental assumption is that the ceiling provision amount determined for each year of employment shall be increased in proportion with the inflation rate. Thus, the discount rate applied shows the real rate free of expected inflation effects.

Movements of Provision for Employment Termination Benefits account within the period are shown below:

	2018	2017
Period Beginning - January 1	629,813	445,491
Payment within Period (Note 33)	(313,441)	(262,663)
Provision Amount Allocated in Current Period (including actuarial losses/gains)	952,282	446,985
Period End - December 31	1,268,654	629,813

The effect of changes in actuarial assumptions is 232,476 TRY in current period (January 1 - December 31, 2017: (138,115) TRY).

23. Provision for Other Liabilities and Expenses

Commitments not included in Liabilities are disclosed in Note 43.

Deposits and Guarantees Received are disclosed in Note 12.3.

Details of provisions classified under Provision for Expense Accruals account in Balance Sheet is provided below:

	December 31, 2018	December 31, 2017
Provision for Employee Bonuses (*)	1,933,076	1,369,897
Provision for Performance Wages	627,947	1,386,030
Provision for Employee Seniority Incentives and Loyalty	695,229	878,585
Provision for Unused Leaves	986,467	903,065
Provision for Legal Cases	447,620	356,325
Provision for Employment Termination Notice Pay	51,705	51,088
Other	338	458
Total	4,742,382	4,945,448

(*) The Company made a bonus payment of 1,317,285 TRY in 2018 by carrying this amount from Provision for Employee Bonuses account to Due to Personnel account and allocated an additional provision amount of 1,880,464 TRY in total within the period (Note 47.5).

Provision for Performance Wages (Share Based Payments)

As explained in Note 2.25, the Company grants certain financial rights to employees, with the condition to be used at the end of a certain period, through delivery of parent company AxaSA's shares on employee performance basis in accordance with predetermined Company criteria. Movements of shares and cash amounts subject to the calculation of Provision for Performance Wages included in Company financial statements regarding the costs charged by AxaSA to Company in this regard are provided in the table below.

December 31, 2018

	Average Price per Share	Number of	Total
Period Beginning	113.68	12,192	1,386,030
Paid (**)	103.00	(1,884)	(194,044)
Exit	113.02	(4,752)	(537,049)
Exchange Differences from Paid	-	-	116,169
Exchange/Price Difference within	-	-	(143,159)
Period End	113.02	5,556	627,947

(**) The Company recognized the vested rights paid as AxaSA shares to employees within the period under Operational Expenses account.

23. Provision for Other Liabilities and Expenses (continued)**Provision for Performance Wages (Share Based Payments) (continued)**

December 31, 2017

	Average Price per Share	Number of	Total
Period Beginning	89.06	11,726	1,044,320
Entrance	113.68	2,672	303,759
Paid (*)	92.45	(2,206)	(203,953)
Exchange Differences from Paid Shares	-	-	206,072
Exchange/Price Difference within Period	-	-	35,832
Period End	113.68	12,192	1,386,030

(*) The Company recognized the vested rights paid as AxaSA shares to employees within the period under Operational Expenses account.

24. Net Insurance Premium Income

Distribution or written premiums is provided below:

January 1 - December 31, 2018

	Gross	Reinsurer's Share	Net
	11,364,913	(1,906,518)	9,458,395
Life Personal Accident	83,038	(20,711)	62,327
Total Premium Income	11,447,951	(1,927,229)	9,520,722

January 1 - December 31, 2017

	Gross	Reinsurer's Share	Net
	20,251,547	(1,576,029)	18,675,518
Life Personal Accident	95,849	(36,723)	59,126
Total Premium Income	20,347,396	(1,612,752)	18,734,644

25. Subscription (Fee) Income

None (January 1 - December 31, 2017: None).

26. Investment Income

	January 1 - December 31, 2018	January 1 - December 31, 2017
Available for Sale Investments Interest, Exchange Rate Difference and Sales Income	72,556,257	41,513,260
Cash and Cash Equivalents Interest and Exchange Rate Difference Income	1,853,188	954,983
Investment Income	74,409,445	42,468,243
Available for Sale Investments Exchange Rate Difference and Sales Expenses	(28,828,956)	(18,713,882)
Investment Expenses	(28,828,956)	(18,713,882)
Total	45,580,489	23,754,361

40,498,598 TRY Life Investment Income recognized under Technical Section is included in Total Investment Income amount for January 1 - December 31, 2018 period (January 1 - December 31, 2017: 21,863,111 TRY); 17,949,649 TRY Life Investment Expense recognized under Technical Section is included in Total Investment Expense amount for January 1 - December 31, 2018 period. (January 1 - December 31, 2017: 10,751,623 TRY).

27. Net Realized Gains on Financial Assets

Information about unrealized gain/loss on Available for Sale Investments is disclosed in Notes 11 and 15.

28. Assets with Fair Value Differences Reflected to Income Statement

The Company has no assets with fair value differences reflected to Income Statement.

29. Insurance Rights and Claims

Disclosed in Note 17.

30. Investment Agreement Rights

None (December 31, 2017: None).

31. Other Necessary Expenses

	January 1 - December 31, 2018	January 1 - December 31, 2017
Operational Expenses Classified in Technical Section - Life	4,753,926	13,024,610
- Pension	11,304,652	12,035,055
- Non-Life	11,647	15,179
Total (Note 32)	16,070,225	25,074,844

32. Expense Types

	January 1 - December 31, 2018	January 1 - December 31, 2017
Employee Expenses (Note 33)	9,905,271	13,759,315
Production Commission Expenses	1,975,821	6,722,920
Dividend Payments	1,218,915	1,399,336
Rent Expenses	1,213,182	1,530,533
Consultancy and Audit Expenses	759,803	405,406
Communication Expenses	197,531	148,950
Taxes, Duties and Fees	175,175	155,615
Other Technical Expenses	169,270	122,542
Electricity and Cleaning Expenses	168,500	194,774
Information Technologies Expenses	156,942	219,792
Contribution Fee Expenses	142,964	192,713
Advertising and Marketing Expenses	84,759	93,335
Reinsurance Commissions Income	(845,215)	(765,250)
Other	747,307	894,863
Total (Note 31)	16,070,225	25,074,844

33. Employee Benefit Expenses

	January 1 - December 31, 2018	January 1 - December 31, 2017
Salary Payments (*)	6,722,770	9,767,347
Insurance Premium Payments	1,635,826	2,118,802
Premium Payments	327,382	717,547
Meal and Transportation Expenses	465,005	609,651
Severance Pay Payments	313,441	262,663
Leave Compensation	98,072	121,678
Employment Termination Notice Pay Expenses	45,158	34,373
Rent and Child Allowances	11,238	13,456
Other	286,379	113,798
Total (Note 32)	9,905,271	13,759,315

(*) Vested rights paid to employees within the period in the form of Axa SA shares are also included in Salary Payments item.

Total amount of remunerations and other benefits provided to senior management such as chairman, members of BoD, general manager, general coordinator, assistant general managers etc. is disclosed in Note 1.6.

34. Financial Costs**34.1 Total Financial Expenses for Current Period: 14,159 TRY (January 1 - December 31, 2017: 13,651 TRY).**

34.1.1 Charged to Production Costs: None (January 1 - December 31, 2017: None).

34. Financial Assets (continued)**34.1 Total Financial Expenses for Current Period (continued):**

34.1.2 Charged to Fixed Asset Costs: None (January 1 - December 31, 2017: None).

34.1.3 Charged Directly to Period Expenses: : 14,159 TRY (January 1 - December 31, 2017: 13,651 TRY).

34.2 Portion related with shareholders, affiliates and subsidiaries in total financial expenses (expenses with shares in total amount exceeding 20% shall be disclosed separately): None (January 1 - December 31, 2017: None).

34.3 Sales to and purchases from shareholders, affiliates and subsidiaries (those with shares in total amount exceeding 20% shall be disclosed separately): Balances and transactions with the related parties are disclosed in Note 45.

34.4 Interest amounts, rent amounts etc. received from or paid to shareholders, affiliates and subsidiaries (those with shares in total amount exceeding 20% shall be disclosed separately): Balances and transactions with the related parties are disclosed in Note 45.

35. Income Taxes

Tax assets and liabilities and tax income and expenses included in financial statements drawn up as of December 31, 2018 and 2017 are summarized below:

	January 1 - December 31,	January 1 - December
Deferred Tax Income/(Expense) (Note 21)	(2,461,578)	1,000,104
Total Tax Income / (Expense)	(2,461,578)	1,000,104

	December 31, 2018	December 31, 2017
Prepaid Taxes and Funds	313,837	206,975
Prepaid Taxes - Net	313,837	206,975
Deferred Tax Assets	3,186,423	4,568,558
Deferred Tax Liabilities	(1,425,579)	(2,551,813)
Deferred Tax Assets, Net (Note 21)	1,760,844	2,016,745

Realized Tax Income / Expense reconciliation is as follows:

	December 31,	December 31,
Profit/(Loss) before Deferred Taxes and Corporate Tax	15,950,897	2,824,277
Tax Rate	22%	20%
Provision for Corporate Tax	(3,509,197)	(564,855)
Effect of Non-Deductible and Tax Free (Expenses)/Income	583,213	(499,658)
Period Loss (Note 21)	464,406	2,064,617
Tax Expense for the Period	(2,461,578)	1,000,104

36. Net Income / (Expense) from Exchange Rate Changes

	January 1 - December 31, 2018	January 1 - December 31, 2017
Foreign Exchange Gains	15,489,686	6,105,148
Foreign Exchange Losses	(8,139,725)	(4,345,314)
Total	7,349,961	1,759,834

37. Earnings per Share

Earnings per share is calculated by dividing net profit for the period into weighted average unit share of the Company.

	January 1 - December 31,	January 1 - December 31, 2017
Net Profit/(Loss) for the Period	13,489,319	3,824,381
Weighted Average Number of Shares with 0.01 TL Nominal Value	6,297,500,000	6,297,500,000
Profit/(Loss) per 100 Shares	0.214	0.061

38. Profit per Share

Profit distribution is not realized within the current period (January 1- December 31, 2017: None).

39. Cash Generated from Operations

Disclosed in Statement of Cash Flows.

40. Convertible Bonds

None (December 31, 2017: None).

41. Redeemable Preference Shares

None (December 31, 2017: None).

42. Risks

	December 31, 2018	December 31, 2017
Outstanding Claims Litigations against the Company -	1,557,904	1,487,854
Other Business Cases Filed against the Company	193,838	300,826
Other Litigations against the Company	253,782	55,499

(*) This amount is classified in Outstanding Claims, movement table of which is disclosed in Note 17.
Net amount of these provisions is 1,229,068 TRY (December 31 2017: 1,172,118 TRY).

43. Commitments

December 31, 2018			
	EUR (TRY Equivalent)	TRY	Total
Domestic Bank Letters of Guarantee Given	59,662	79,610	139,272
Total			139,272

December 31, 2017			
	EUR (TRY Equivalent)	TRY	Total
Domestic Bank Letters of Guarantee Given	44,692	115,110	159,802
Total			159,802

Total Amount of Mortgages or Restrictions on Assets:

	December 31, 2018	December 31, 2017
Government Bonds (*)	44,783,509	56,656,127
Eurobonds (**)	46,975,430	33,847,630
Total (Note 17.1)	91,758,939	90,503,757

(*) Government bonds are earmarked over principal amounts valued at Central Bank prices applicable on December 31, 2018 and their exchange market value is 44,486,924 TRY (December 31, 2017: 67,012,289 TRY).

(**) Eurobonds are earmarked over nominal value as of December 31, 2018 and their exchange market value is 55,534,553 TRY (December 31, 2017: 45,131,773 TRY).

44. Business Combinations

None (December 31, 2017: None).

45. Related Party Transactions

Axa Group companies and shareholders, affiliates and senior management of the Company are considered as related parties in Company financial statements.

a) (Due from) / Due to Insurers and Reinsurers and Other Payables

	December 31, 2018	December 31, 2017
Axa Courtage	415,958	415,958
Axa Global	682,164	(423,022)
Total	1,098,122	(7,064)

b) Due to Shareholders and Related Parties

	December 31, 2018	December 31, 2017
Axa Sigorta A.Ş. (common expense share)	238,296	488,101
Total	238,296	488,101

45. Related Party Transactions (continued)**d) Cash Deposited with Insurance and Reinsurance**

	January 1 - December 31, 2018	January 1 - December 31, 2017
Axa Pool	588,772	405,995
Total	588,772	405,995

d) Ceded Premiums:

	January 1 - December 31, 2018	January 1 - December 31, 2017
Axa Global	1,438,879	1,285,687
Axa Partners Turkey	3,305	11
Total	1,442,184	1,285,698

e) Commissions Received

	January 1 - December 31, 2018	January 1 - December 31, 2017
Axa Global	735,189	670,941
Total	735,189	670,941

f) Rent Expense

	January 1 - December 31, 2018	January 1 - December 31, 2017
Axa Sigorta	1,118,929	1,209,311
Total	1,118,929	1,209,311

g) Reinsurer's Share in Paid Claims

	January 1 - December 31, 2018	January 1 - December 31, 2017
Axa Global	60,643	988,661
Total	60,643	988,661

h) Dividends Paid None (January 1 - December 31, 2017: None).**45.1 Receivables from Shareholders, Affiliates and Subsidiaries and Provisions for Doubtful Receivables Allocated for Such Receivables:** None (December 31, 2017: None).

45. Related Party Transactions (continued)

45.2 Breakdown of affiliates and subsidiaries having an indirect shareholding and management relationship with the Company, names, shares and share amounts of shareholders/partnerships included in affiliates and subsidiaries, period profit/loss of such shareholders/partnerships in latest financial statements and the periods of such financial statements, whether such financial standards are prepared in compliance with the Board's standards and whether audited by an independent auditor and type of independent audit report prepared (positive opinion, negative opinion or contingent):

Investment Securities:

December 2017	31,	Participation Share (%)	Book Value	Independent Audit Opinion	Financial Statement Period	Total Assets	Total Liabilities	Net Sales	Net Profit
Emeklilik Gözetim Merkezi A.Ş (*)		5.56	427,810		December 31, 2018	14,952,987	6,408,517	17,491,831	662,222
Total			427,810			14,952,987	6,408,517	17,491,831	662,222

December 2017	31,	Participation Share (%)	Book Value	Independent Audit Opinion	Financial Statement Period	Total Assets	Total Liabilities	Net Sales	Net Profit
Emeklilik Gözetim Merkezi A.Ş (*)		5.24	427,810		December 31, 2017	11,248,720	3,375,435	12,950,738	576,949
Total			427,810			11,248,720	3,375,435	12,950,738	576,949

(*) Fair value assessment of Emeklilik Gözetim Merkezi A.Ş. shares included in Investment Securities cannot reliably be made; therefore these shares are shown at cost value.

45.3 Amount of bonus shares received from affiliates and subsidiaries due to capital increases generated from internal resources: None (December 31, 2017: None).

45.4 Real Rights on Immovables and Their Values: None (December 31, 2017: None).

45.5 Amount of obligations such as guarantees, commitments, advances, endorsements etc. granted in favor of shareholders, affiliates and subsidiaries: None (December 31, 2017: None).

46. Events after Balance Sheet Date

Severance pay upper limit is increased to 6,017.60 TRY after January 1, 2019.

47. Other**47.1 Details of “Other” items in Balance Sheet which exceed 20% of its respective account group or 5% of total assets:**

	December 31, 2018	December 31, 2017
a) Other Deferred Expenses:		
Prepaid Excess of Loss Premiums	6,270	4,697
Rent Expenses	3,471	1,050
Subscription (Fee) Expenses	1,461	1,125
Insurance Expenses	11,611	4,503
Total	22,813	11,375

	December 31, 2018	December 31, 2017
b) Due to Other Related Parties		
Axa Sigorta A.Ş. (common expense share)	238,296	488,101
Total	238,296	488,101

	December 31, 2018	December 31, 2017
c) Other Deferred Income and Expense Accruals:		
Intermediary Commission Accruals	247,958	219,943
Deferred Income	110,000	170,000
Deferred Loan Income	15,248	17,818
Total	373,206	407,761

	December 31, 2018	December 31, 2017
d) Other Current Liabilities:		
Agencies Suspense Account	307,382	124,387
Total	307,382	124,387

	December 31, 2018	December 31, 2017
e) Other Payables:		
Due to Suppliers	385,580	78,606
Total	385,580	78,606

	January 1 - December 31, 2018	January 1 - December 31, 2017
f) Other Expenses and Losses:		
TRNC Branch Tax Expenses	(313,398)	(340,720)
Other	(7,423)	(40)
Total	(320,821)	(340,760)

47. Other (continued)

47.2 Total amounts (separately) of Due from Personnel and Due to Personnel items included in "Other Current or Non-Current Liabilities" and "Other Receivables accounts exceeding 1% of total assets amount in Balance Sheet: None (December 31, 2017: None).

47.3 Amounts related to recovery receivables followed up in off-balance sheet items: None (December 31, 2017: None).

47.4 Explanatory note related to amounts and sources of income & expenses and expenses & losses for previous period: None (January 1 - December 31, 2017: None).

47.5 Information classified as "required to be presented" by Treasury

Provision Income / (Expenses) for the Period

	January 1 - December 31, 2018	January 1 - December 31, 2017
Provision for Employee Bonuses	1,880,464	(709,137)
Provision for Employee Seniority Incentives and Loyalty	(183,356)	69,468
Provision for Legal Cases	91,295	3,195
Provision for Employment Termination Benefits	871,317	46,207
Provision for Performance Wages	(614,924)	305,878
Provision for Leave and Notice Pay	84,019	103,639
Other	(119)	457
Total	2,128,696	(180,293)

AXA HAYAT VE EMEKLİLİK A.Ş.

APPENDIX 1 – CONVENIENCE TRANSLATION OF THE STATEMENT OF PROFIT DISTRIBUTION

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

	Audited Current Period January 1 - December 31, 2018 (*)	Audited Previous Period January 1 - December 31, 2017
I. DISTRIBUTION OF PROFIT FOR THE PERIOD		
1.1. NET PROFIT/(LOSS) FOR THE PERIOD	13,489,319	3,824,381
1.2. TAXES AND FISCAL LIABILITIES	-	-
1.2.1. Corporate Tax (Income Tax)	-	-
1.2.2. Income Tax Deduction	-	-
1.2.3. Other Taxes and Fiscal Liabilities	-	-
A NET PROFIT FOR THE PERIOD (1.1 -1.2)	13,489,319	3,824,381
1.3. PREVIOUS YEARS' LOSSES (-)	-	(1,643,635)
1.4. PRIMARY LEGAL RESERVES	-	(191,219)
1.5. LEGAL RESERVES RETAINED BY COMPANY (-)	-	-
B NET DISTRIBUTABLE	-	-
PROFIT FOR THE PERIOD [(A - (1.3 + 1.4 + 1.5)]	-	1,989,527
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1. To Common Shareholders	-	-
1.6.2. To Preferred Shareholders	-	-
1.6.3 To Owners of Participating Redeemed Shares	-	-
1.6.4 To Owners of Profit-Sharing Securities	-	-
1.6.5 To Owners of Profit and Loss Sharing Securities	-	-
1.7. DIVIDENDS TO PERSONNEL (-)	-	-
1.8. DIVIDENDS TO FOUNDERS (-)	-	-
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.10.1. To Common Shareholders	-	-
1.10.2. To Preferred Shareholders	-	-
1.10.3. To Owners of Participating Redeemed Shares	-	-
1.10.4. To Owners of Profit-Sharing Securities	-	-
1.10.5. To Owners of Profit and Loss Sharing Securities	-	-
1.11. SECONDARY LEGAL RESERVES (-)	-	-
1.12. STATUTORY RESERVES (-)	-	-
1.13. EXTRAORDINARY RESERVES	-	(1,989,527)
1.14. OTHER RESERVES	-	-
1.15. SPECIAL FUNDS	-	-
II. DISTRIBUTION FROM RESERVES	-	-
2.1. DISTRIBUTED RESERVES	-	-
2.2. SECONDARY LEGAL RESERVES (-)	-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1. To Common Shareholders	-	-
2.3.2. To Preferred Shareholders	-	-
2.3.3 To Owners of Participating Redeemed Shares	-	-
2.3.4 To Owners of Profit-Sharing Securities	-	-
2.3.5 To Owners of Profit and Loss Sharing Securities	-	-
2.4. DIVIDENDS TO PERSONNEL (-)	-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III PROFIT PER SHARE	-	-
3.1. TO COMMON SHAREHOLDERS	-	-
3.2. TO COMMON SHAREHOLDERS (%)	-	-
3.3. TO PREFERRED SHAREHOLDERS (%)	-	-
3.4. TO PREFERRED SHAREHOLDERS (%)	-	-
IV. DIVIDENDS PER SHARE	-	-
4.1. TO COMMON SHAREHOLDERS	-	-
4.2. TO COMMON SHAREHOLDERS (%)	-	-
4.3. TO PREFERRED SHAREHOLDERS (%)	-	-
4.4. TO PREFERRED SHAREHOLDERS (%)	-	-

(*) Shareholders' Assembly is the authorized body of the Company regarding distribution of current period profit. The Company has not yet held the Ordinary Shareholders' Assembly meeting as of the financial statement dates.