

*Convenience Translation of Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1)*

Sompo Japan Sigorta Anonim Şirketi

31 December 2018
Financial Statements
Together With
Independent Auditors' Report Thereon
*(Convenience Translation of Financial Statements and
Related Disclosures and Footnotes Originally Issued in Turkish)*



KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat:2-9
Levent 34330 İstanbul
Tel +90 212 316 6000
Fax +90 212 316 6060
www.kpmg.com.tr

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Director of Sompo Japan Anonim Şirketi

A) Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with the regulations on auditing principles in force as per the insurance legislation and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements that are relevant to our audit of the financial statements in Turkey and we have fulfilled our other ethical responsibilities in accordance with POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

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

Estimations and assumptions used in calculation of insurance technical reserves

Refer to Note 2.26 and 17 to the financial statements for details of accounting policies and significant accounting estimates and assumptions used in calculation of insurance technical reserve.

Key Audit Matter	How our audit addressed the key audit matter
<p>As at 31 December 2018, the Company's total technical reserves amounting to TL 2.307.784.307 and constitute 59 percent of total liabilities.</p> <p>The Company recognises provisions for outstanding claims amounting to TL 1.448.091.453 for the possible future claims related to insurance contracts.</p> <p>There are also incurred but not reported provisions ("IBNR") amounting to TL 1.102.229.463, net in the provision for outstanding claims for possible future claims. Company management used actuarial assumptions and estimations for calculating the outstanding claims reserve.</p> <p>Due to the nature of the technical reserves calculations which has uncertainty estimations and management judgments, this matter is determined to be a key audit matter.</p>	<p>Our audit procedures for the matter are included below:</p> <p>We evaluated the assumptions and estimations of the Company's outstanding claims provision calculations with the involvement of our actuarial specialists.</p> <p>In this context, we evaluated design, implementation and operating effectiveness of internal controls on recognition of the actual outstanding claims with the involvement of our IT specialists.</p> <p>We tested actual outstanding claims by comparing the transaction details with the supporting documents obtained on sample basis of from the files.</p> <p>We have obtained confirmation letter from Company's lawyer for the lawsuit files of the outstanding claims</p> <p>We controlled the mathematical accuracy of the calculations and average file and opening amounts which are determined by Company with the involvement of. We evaluated the mathematical accuracy of technical reserves for each product.</p> <p>We recalculated the technical reserves and controlled the analyzes made by the Company's registered actuary for accuracy of the past experience and legislation.</p> <p>We evaluated the adequacy and appropriateness of financial statement disclosures, related to the technical reserves.</p>



Other Matter

The annual report of the Company for the period between 1 January 2017 and 31 December 2017 was audited by another auditor who expressed an unmodified opinion on the annual report on 12 March 2018.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of auditors in an audit are as follows:

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

As part of an audit in accordance with regulations on auditing principles in force as per the insurance legislation and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2018, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

Ali Tuğrul Uzun
Engagement Partner

15 March 2019
İstanbul, Turkey



**CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON THE
FINANCIAL STATEMENT PREPARED AS AT 31 DECEMBER 2018**

We confirm that the accompanying financial statements and notes to these financial statements as of 31 December 2018 are prepared in accordance with the accounting principles and standards as set out in the insurance legislation and in conformity with the provisions of the Decree on "Financial Reporting of Insurance and Reinsurance Companies and Pension Funds" and our Company's accounting records.

İstanbul, 15 March 2019


Recai DALAŞ
Member of Board of Directors,
Chief Executive Officer


Fahri UĞUR
Chief Financial Officer


Günay ÖZKÖMÜRCÜ
Finance, PBR and Administrative Affairs Coordinator


Eda ÇELİKEL
Actuary

Sompo Japan Sigorta Anonim Şirketi

Table of contents

	<u>Pages</u>
Balance sheet	1 - 5
Statement of income	6 - 8
Statement of cash flows	9
Statement of changes in shareholders' equity	10
Notes to the financial statements	11 - 65

Sompo Japan Sigorta Anonim Şirketi
Balance Sheet As At 31 December 2018

(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

ASSETS			
	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
I- Current Assets			
A- Cash and Cash Equivalents	2.12,14	3.058.256.072	2.735.520.972
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	2.12,14	2.599.101.461	2.301.513.136
4- Cheques Given and Payment Orders		-	-
5- Bank Guaranteed Credit Card Receivables With Maturity Less Than Three Months	2.12,14	458.776.402	433.051.210
6- Other Cash and Cash Equivalents	2.12,14	378.209	956.626
B- Financial Assets and Financial Investments with Risks on Policyholders		178.332.763	5.068.638
1- Available-for-Sale Financial Assets		-	-
2- Held to Maturity Investments	11	178.332.763	5.068.638
3- Financial Assets Held for Trading		-	-
4- Loans and Receivables		-	-
5- Provision for Loans and Receivables		-	-
6- Financial Investments with Risks on Life Insurance Policyholders		-	-
7- Company's Own Equity Shares		-	-
8- Diminution in Value of Financial Investments		-	-
C- Receivables from Main Operations		403.601.904	294.896.282
1- Receivables from Insurance Operations	12	407.770.429	299.855.615
2- Provision for Receivables from Insurance Operations	4.2,12	(5.162.574)	(6.205.840)
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited to Insurance & Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Private Pension Operations		-	-
9- Doubtful Receivables from Main Operations	12	102.106.801	70.575.810
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(101.112.752)	(69.329.303)
D- Due from Related Parties		43.577	50.022
1- Due from Shareholders	45	43.577	50.022
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
E- Other Receivables	12	113.812	679.316
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given	12	111.538	87.107
4- Other Miscellaneous Receivables	47.1	2.274	592.209
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
F- Prepaid Expenses and Income Accruals		210.698.497	172.726.375
1- Deferred Acquisition Costs	17	185.071.189	163.228.009
2- Accrued Interest and Rent Income		-	-
3- Income Accruals	2.10,13	16.410.850	-
4- Other Prepaid Expenses	17	9.216.458	9.498.366
G- Other Current Assets		2.543.184	7.212.374
1- Stocks to be Used in the Following Months		453.160	48.135
2- Prepaid Taxes and Funds	19	464.741	6.341.919
3- Deferred Tax Assets		-	-
4- Job Advances	12	569.694	660.312
5- Advances Given to Personnel	12	378.983	162.008
6- Inventory Count Differences		-	-
7- Other Miscellaneous Current Assets		676.606	-
8- Provision for Other Current Assets		-	-
I- Total Current Assets		3.853.589.809	3.216.153.979

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

Sompo Japan Sigorta Anonim Şirketi
Balance Sheet As At 31 December 2018

(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

ASSETS			
	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
II- Non-Current Assets			
A- Receivables from Main Operations		-	-
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited for Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Business		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations		-	-
B- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
C- Other Receivables		-	-
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables		-	-
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
D- Financial Assets	9	430.032	346.211
1- Investments in Equity Shares		-	-
2- Investments in Associates	9	430.032	346.211
3- Capital Commitments to Associates		-	-
4- Investments in Subsidiaries		-	-
5- Capital Commitments to Subsidiaries		-	-
6- Investments in Joint Ventures		-	-
7- Capital Commitments to Joint Ventures		-	-
8- Financial Assets and Financial Investments with Risks on Policyholders		-	-
9- Other Financial Assets		-	-
10- Impairment in Value of Financial Assets		-	-
E- Tangible Assets		28.588.710	22.183.979
1- Investment Properties	6.7	1.991.878	1.651.000
2- Impairment for Investment Properties		-	-
3- Owner Occupied Property	6	8.542.769	6.407.519
4- Machinery and Equipments		-	-
5- Furniture and Fixtures	6	23.077.456	17.374.521
6- Motor Vehicles	6	1.946.281	93.626
7- Other Tangible Assets (Including Leasehold Improvements)	6	11.003.656	9.273.034
8- Tangible Assets Acquired Through Finance Leases	6	72.809	72.809
9- Accumulated Depreciation	6	(18.046.139)	(12.688.530)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
F- Intangible Assets		10.086.302	7.976.985
1- Rights		-	-
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
5- Other Intangible Assets	8	24.093.519	18.202.066
6- Accumulated Amortization	8	(14.236.949)	(10.225.081)
7- Advances Paid for Intangible Assets	8	229.732	-
G- Prepaid Expenses and Income Accruals		-	1.412.939
1- Deferred Acquisition Costs		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses		-	1.412.939
H- Other Non-Current Assets		24.350.741	10.929.712
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Stocks to be Used in the Following Years		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	24.350.741	10.929.712
6- Other Miscellaneous Non-Current Assets		-	-
7- Amortization on Other Non-Current Assets		-	-
8- Provision for Other Non-Current Assets		-	-
II- Total Non-Current Assets		63.455.785	42.849.826
Total Asset		3.917.045.594	3.259.003.805

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

Sompo Japan Sigorta Anonim Şirketi
Balance Sheet As At 31 December 2018

(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

LIABILITIES			
	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
III- Short-Term Liabilities			
A- Financial Liabilities		75,542,202	-
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Leasing Costs		-	-
4- Current Portion of Long Term Debts		-	-
5- Principal Installments and Interests on Bonds Issued		-	-
6- Other Financial Assets Issued		-	-
7- Valuation Differences of Other Financial Assets Issued		-	-
8- Other Financial Liabilities	13,20	75,542,202	-
B- Payables Arising from Main Operations		212,385,075	199,044,905
1- Payables Arising from Insurance Operations	19	184,472,012	172,302,970
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Pension Operations		-	-
5- Payables Arising from Other Operations	19	27,913,063	26,741,935
6- Discount on Payables from Other Operations		-	-
C- Due to Related Parties	19	43,762	27,049
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel	19	43,762	27,049
6- Due to Other Related Parties		-	-
D- Other Payables	19	38,175,513	47,344,828
1- Deposits and Guarantees Received		-	-
2- Payables to Social Security Institution Related to Treatment Expenses	19	30,070,844	34,499,157
3- Other Miscellaneous Payables	23	8,923,423	13,395,348
4- Discount on Other Miscellaneous Payables		(818,754)	(549,677)
E- Insurance Technical Provisions		2,275,936,925	1,974,576,075
1- Reserve for Unearned Premiums - Net	2,24,17	827,786,312	800,086,875
2- Reserve for Unexpired Risks- Net	2,27,17	59,160	191,820
3- Life Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net	2,25,17	1,448,091,453	1,174,297,380
5- Provision for Bonus and Discounts - Net		-	-
6- Provision for Policies Relating to Life Insurance Policyholders		-	-
7- Other Technical Provisions - Net		-	-
F- Provisions for Taxes and Other Similar Obligations	19	30,558,290	58,645,471
1- Taxes and Funds Payable		29,145,768	34,540,273
2- Social Security Premiums Payable		1,412,522	2,243,231
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Similar Payables		-	-
5- Provisions for Corporate Tax and Other Legal Liabilities Regarding Current Year Income	19,35	93,861,576	72,258,569
6- Prepaid Taxes and Other Liabilities Regarding Current Year Income	19	(93,861,576)	(50,396,602)
7- Provisions for Other Taxes and Similar Liabilities		-	-
G- Provisions for Other Risks	23	5,242,464	5,761,617
1- Provision for Employee Termination Benefits		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs	23	5,242,464	5,761,617
H- Deferred Income and Expense Accruals	19	96,611,221	87,900,155
1- Deferred Commission Income	10	94,018,857	80,803,817
2- Expense Accruals		-	-
3- Other Deferred Income	19	2,592,364	7,096,338
I- Other Short-Term Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		-	-
3- Other Various Short Term Liabilities		-	-
III – Total Short Term Liabilities		2,734,495,452	2,373,300,100

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

Sompo Japan Sigorta Anonim Şirketi
Balance Sheet As At 31 December 2018

(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

LIABILITIES			
	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
IV- Long-Term Liabilities			
A- Financial Liabilities		-	-
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Leasing Costs		-	-
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assets Issued		-	-
7- Other Financial Liabilities		-	-
B- Payables Arising from Operating Activities		-	-
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Pension Operations		-	-
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other Operations		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables	19	9.512.973	6.800.612
1- Deposits and Guarantees Received	19	9.512.973	6.800.612
2- Other Miscellaneous Payables		-	-
3- Discount on Other Miscellaneous Payables		-	-
4- Payables to Social Security Institution		-	-
E-Insurance Technical Provisions	17	31.847.382	26.585.212
1- Reserve for Unearned Premiums - Net		-	-
2- Reserve for Unexpired Risks - Net		-	-
3- Life Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Provision for Policies Relating to Life Insurance Policyholders		-	-
7- Other Technical Provisions - Net	2.26,17	31.847.382	26.585.212
F-Other Liabilities and Relevant Accruals		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks	23	2.016.034	1.889.697
1- Provisions for Employment Termination Benefits	23	2.016.034	1.889.697
2- Provisions for Pension Fund Deficits		-	-
H-Deferred Income and Expense Accruals	47	285.714	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income	47	285.714	-
I- Other Long Term Liabilities	23	3.064.669	2.199.357
1- Deferred Tax Liabilities		-	-
2- Other Long Term Liabilities	23	3.064.669	2.199.357
IV - Total Long Term Liabilities		46.726.772	37.474.878

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

Sompo Japan Sigorta Anonim Şirketi
Balance Sheet As At 31 December 2018

(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

EQUITY			
V- Equity	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
A- Paid in Capital		190.000.000	190.000.000
1- (Nominal) Capital	2.13,15	190.000.000	190.000.000
2- Unpaid Capital (-)		-	-
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences (-)		-	-
5- Unregistered Capital		-	-
B- Capital Reserves		36.097	36.097
1- Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale Assets That Will Be Transferred to Capital		-	-
4- Currency Translation Adjustments		-	-
5- Other Capital Reserves		36.097	36.097
C- Profit Reserves	15	658.009.583	379.862.964
1- Legal Reserves	15	39.926.152	26.009.663
2- Statutory Reserves		-	-
3- Extraordinary Reserves	15	610.010.333	345.597.056
4- Special Funds	15	(734.959)	(551.812)
5- Revaluation of Financial Assets		-	-
6- Other Profit Reserves	15	8.808.057	8.808.057
D- Retained Earnings		-	-
1- Retained Earnings		-	-
E- Accumulated Losses		-	-
1- Accumulated Losses		-	-
F-Net Profit/(Loss) for the Year		287.777.690	278.329.766
1- Net Profit for the Year		287.777.690	278.329.766
2- Net Loss for the Year		-	-
3- Net Profit for the Period not Subject to Distribution		-	-
V- Total Equity		1.135.823.370	848.228.827
Total EquityAnd Liabilities		3.917.045.594	3.259.003.805

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

Sompo Japan Sigorta Anonim Şirketi
Statement of Income
For the Year Ended 31 December 2018
(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

	Note	Audited Current Period January 1- December 31, 2018	Audited Prior Period January 1- December 31, 2017
I-TECHNICAL SECTION			
A- Non-Life Technical Income		1.743.839.637	1.877.488.008
1- Earned Premiums (Net of Reinsurer Share)	17	1.495.354.946	1.688.618.686
1.1- Written Premiums (Net of Reinsurer Share)	17	1.522.921.723	1.522.105.796
1.1.1- Written Premiums, gross	17,24	2.509.170.943	2.264.027.373
1.1.2- Written Premiums, ceded	10,17,24	(877.146.895)	(627.549.761)
1.1.3- Written Premiums, SSI share		(109.102.325)	(114.371.816)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17	(27.699.437)	166.557.519
1.2.1- Reserve for Unearned Premiums, gross	17	(111.988.551)	(52.374.565)
1.2.2- Reserve for Unearned Premiums, ceded	10,17	89.353.116	231.946.396
1.2.3- Reserve for Unearned Premiums, SSI share	17	(5.064.002)	(13.014.312)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	17	132.660	(44.629)
1.3.1- Reserve for Unexpired Risks, gross	17	270.158	2.397.963
1.3.2- Reserve for Unexpired Risks, ceded	17	(137.498)	(2.442.592)
2- Investment Income - Transferred from Non-Technical Section		199.858.120	161.340.041
3- Other Technical Income (Net of Reinsurer Share)		-	-
3.1- Other Technical Income, gross		-	-
3.2- Other Technical Income, ceded		-	-
4- Accrued Salvage and Subrogation Income	17	48.626.571	27.529.281
B- Non-Life Technical Expense		(1.556.275.957)	(1.575.076.242)
1- Incurred Losses (Net of Reinsurer Share)	17	(1.200.646.395)	(1.222.534.926)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(926.852.322)	(787.079.060)
1.1.1- Claims Paid, gross	17	(1.274.393.609)	(950.474.845)
1.1.2- Claims Paid, ceded	10	347.541.287	163.395.785
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(273.794.073)	(435.455.866)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(365.209.643)	(437.054.836)
1.2.2- Change in Provisions for Outstanding Claims, ceded	17	91.415.570	1.598.970
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts, gross		-	-
2.2- Provision for Bonus and Discounts, ceded		-	-
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	17	(5.262.170)	(4.700.502)
4- Operating Expenses	32	(307.869.110)	(304.641.722)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
6- Other Technical Expense	47	(42.498.282)	(43.199.092)
6.1- Other Technical Expense, gross	47	(42.498.282)	(43.199.092)
6.2- Other Technical Expense, ceded		-	-
C- Net Technical Income-Non-Life (A – B)		187.563.680	302.411.766
D- Life Technical Income		-	-
1- Earned Premiums (Net of Reinsurer Share)		-	-
1.1- Written Premiums (Net of Reinsurer Share)		-	-
1.1.1- Written Premiums, gross		-	-
1.1.2- Written Premiums, ceded		-	-
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)		-	-
1.2.1- Reserve for Unearned Premiums, gross		-	-
1.2.2- Reserve for Unearned Premiums, ceded		-	-
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.3.1- Reserve for Unexpired Risks, gross		-	-
1.3.2- Reserve for Unexpired Risks, ceded		-	-
2- Investment Income		-	-
3- Unrealized Gains on Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		-	-
4.1- Other Technical Income, gross		-	-
4.2- Other Technical Income, ceded		-	-

Sompo Japan Sigorta Anonim Şirketi
Statement of Income
For the Year Ended 31 December 2018
(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

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

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

Sompo Japan Sigorta Anonim Şirketi
Statement of Income
For the Year Ended 31 December 2018
(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

	Note	Audited Current Period January 1- December 31, 2018	Audited Prior Period January 1- December 31, 2017
II-NON-TECHNICAL SECTION			
C- Net Technical Income – Non-Life (A-B)		187.563.680	302.411.766
F- Net Technical Income – Life (D-E)		-	-
I - Net Technical Income – Pension/Business (G-H)		-	-
J- Total Net Technical Income (C+F+I)		187.563.680	302.411.766
K- Investment Income		1.046.814.846	275.402.350
1- Income from Financial Assets	4.2	221.578.203	247.644.975
2- Income from Disposal of Financial Assets		-	-
3- Valuation of Financial Assets	11	10.427.056	68.638
4- Foreign Exchange Gains	4.2	798.224.063	27.248.665
5- Income from Associates	4.2	63.044	140.533
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment	4.2	44.790	38.910
8- Income from Derivative Transactions	4.2	16.410.850	-
9- Other Investments	4.2	66.840	260.629
10- Income Transferred from Life Section		-	-
L- Investment Expense		(822.927.962)	(206.303.730)
1- Investment Management Expenses (inc. interest)		(12.703.323)	(14.430.850)
2- Diminution in Value of Investments		-	-
3- Loss from Disposal of Financial Assets		-	-
4- Investment Income Transferred to Non-Life Technical Section		(199.858.120)	(161.340.041)
5- Loss from Derivative Transactions	4.2	(75.542.202)	-
6- Foreign Exchange Losses	4.2	(525.391.763)	(22.928.960)
7- Depreciation and Amortization Expenses	6,8	(9.432.554)	(7.603.879)
8- Other Investment Expenses		-	-
M- Income and Expenses From Other and Extraordinary Operations		(29.811.298)	(20.922.051)
1- Provisions	47	(33.327.100)	(21.103.637)
2- Rediscounts	47	(10.175.218)	(3.495.158)
3- Specified Insurance Accounts		-	-
4- Monetary Gains and Losses		-	-
5- Deferred Taxation (Deferred Tax Assets)	35	13.369.372	2.568.961
6- Deferred Taxation (Deferred Tax Liabilities)		-	-
7- Other Income	47	893.987	1.621.063
8- Other Expenses and Losses	47	(572.339)	(513.280)
9- Prior Year's Income		-	-
10- Prior Year's Expenses and Losses		-	-
N- Net Profit for the Year		287.777.690	278.329.766
1- Profit for the Year		381.639.266	350.588.335
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(93.861.576)	(72.258.569)
3- Net Profit for the Year		-	-
4- Monetary Gains and Losses		-	-

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

Sompo Japan Sigorta Anonim Şirketi
Statement of Cash Flows
For the Year Ended 31 December 2018
(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
A. Cash flows from operating activities			
1. Cash provided from insurance activities		2.967.199.254	2.586.032.159
2. Cash provided from reinsurance activities		-	-
3. Cash provided from private pension business		-	-
4. Cash used in insurance activities		(1.068.332.330)	(2.143.718.935)
5. Cash used in reinsurance activities		-	-
6. Cash used in private pension business		-	-
7. Cash provided from operating activities		1.898.866.924	442.313.224
8. Interest paid		-	-
9. Income taxes paid		(109.846.365)	(69.773.625)
10. Other cash inflows		882.788.507	68.533.519
11. Other cash outflows		(370.013.940)	(336.777.664)
12. Net cash provided from operating activities		2.301.795.126	104.295.454
B. Cash flows from investing activities			
1. Proceeds from disposal of tangible assets	6	221.237	344.105
2. Acquisition of tangible assets	6,8	(18.167.839)	(16.841.681)
3. Acquisition of financial assets	11	(167.837.069)	(5.000.000)
4. Proceeds from disposal of financial assets	11	5.000.000	-
5. Interests received		227.526.394	249.450.402
6. Dividends received		63.044	-
7. Other cash inflows		16.522.479	480.174
8. Other cash outflows		(567.522.616)	(38.854.640)
9. Net cash provided by / (used in) investing activities		(504.194.370)	189.578.360
C. Cash flows from financing activities			
1. Equity shares issued		-	150.000.000
2. Cash provided from loans and borrowings		-	-
3. Finance lease payments		-	-
4. Dividends paid		-	-
5. Other cash inflows		-	-
6. Other cash outflows		-	-
7. Net cash provided by financing activities		-	150.000.000
D. Effect of exchange rate fluctuations on cash and cash equivalents		(46.297.816)	-
E. Net increase /(decrease) in cash and cash equivalents		1.751.302.940	443.873.814
F. Cash and cash equivalents at the beginning of the year	2.12, 14	862.761.812	418.887.998
G. Cash and cash equivalents at the end of the year	2.12, 14	2.614.064.752	862.761.812

The accompanying notes form an integral part of these financial statements

Sompo Japan Sigorta Anonim Şirketi
Statement of Changes in Equity
For the Year Ended 31 December 2018
(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

Audited Changes in Equity – December 31, 2018												
	Note	Paid-in capital	Own shares of the company	Revaluation of financial assets	Inflation adjustment	Currency translation adjustment	Legal reserves	Statutory reserves	Other reserves and retained earnings	Net profit for the year	Retained earnings	Total
I - Balance at the end of the previous year – 31 December 2017		190,000,000	-	-	-	-	26,009,663	-	353,889,398	278,329,766	-	848,228,827
II- Changes in Accounting Policy		-	-	-	-	-	-	-	-	-	-	-
III- New Balances 1 January 2018		190,000,000	-	-	-	-	26,009,663	-	353,889,398	278,329,766	-	848,228,827
A- Capital increase		-	-	-	-	-	-	-	-	-	-	-
1- In cash		-	-	-	-	-	-	-	-	-	-	-
2- From reserves		-	-	-	-	-	-	-	-	-	-	-
B- Purchase of own shares		-	-	-	-	-	-	-	-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-	-	-	-	(183,147)	-	-	(183,147)
D- Change in the value of financial assets		-	-	-	-	-	-	-	-	-	-	-
E- Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the year		-	-	-	-	-	-	-	-	-	-	-
I – Other reserves and transfers from retained earnings		-	-	-	-	-	13,916,489	-	264,413,277	287,777,690 (278,329,766)	-	287,777,690
J- Dividends paid		-	-	-	-	-	-	-	-	-	-	-
II - Balance at the end of the year – 31 December 2018		190,000,000	-	-	-	-	39,926,152	-	618,119,528	287,777,690	-	1,135,823,370

Audited Changes in Equity – December 31, 2017												
	Note	Paid-in capital	Own shares of the company	Revaluation of financial assets	Inflation adjustment	Currency translation adjustment	Legal reserves	Statutory reserves	Other reserves and retained earnings	Net profit for the year	Retained earnings	Total
I - Balance at the end of the previous year – 31 December 2016		40.000.000	-	-	-	-	18.908.567	-	218.928.466	142.021.926	-	419.858.959
II- Changes in Accounting Policy		-	-	-	-	-	-	-	-	-	-	-
III- New Balances 1 January 2017		40.000.000	-	-	-	-	18.908.567	-	218.928.466	142.021.926	-	419.858.959
A- Capital increase		-	-	-	-	-	-	-	-	-	-	-
1- In cash		150.000.000	-	-	-	-	-	-	-	-	-	-
2- From reserves		-	-	-	-	-	-	-	-	-	-	-
B- Purchase of own shares		-	-	-	-	-	-	-	-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-	-	-	-	-	-	-	-
D- Change in the value of financial assets		-	-	-	-	-	-	-	40.102	-	-	40.102
E- Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the year		-	-	-	-	-	-	-	-	278.329.766	-	278.329.766
I – Other reserves and transfers from retained earnings		-	-	-	-	-	7.101.096	-	134.920.830	(142.021.926)	-	-
J- Dividends paid		-	-	-	-	-	-	-	-	-	-	-
III - Balance at the end of the year – 31 December 2017		190.000.000	-	-	-	-	26.009.663	-	353.889.398	278.329.766	-	848.228.827

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

1. General Information

1.1. Name and Structure of the Parent Company

As of December 31, 2018 and December 31, 2017, capital group of Sompo Japan Sigorta Anonim Şirketi ("Company") whose capital is directly or indirectly controlled is Sompo Japan Nipponkoa Insurance Inc.

The Company was established in Turkey on March 30, 2001, pursuant to the license obtained from Republic of Turkey Ministry of Treasury and Finance to engage in all types of property and casualty insurance and reinsurance business under the name of Fiba Sigorta Anonim Şirketi. The Company's legal title was changed to Finans Sigorta Anonim Şirketi from Fiba Sigorta Anonim Şirketi on June 5, 2002 and changed back to Fiba Sigorta Anonim Şirketi from Finans Sigorta Anonim Şirketi through Board of Directors' Resolution numbered 2007/150 and dated August 13, 2007.

As at June 15, 2010, Fiba Holding AŞ, the Company's main shareholder, has signed Share Purchase Agreement with Sompo Japan Insurance Inc. in order to transfer all shares. Following the approval of Turkish Treasury dated October 8, 2010 numbered 47481, the Company's majority portion of shares are transferred to Sompo Japan Insurance Inc. on November 2, 2010.

As per the resolution of the Board of Directors dated November 3, 2010 and 2010/245 numbered the Company has decided to change the commercial title as "Sompo Japan Sigorta Anonim Şirketi". The commercial title change has been approved on the General Shareholders' Meeting dated February 21, 2011.

399.600.000 shares with nominal value of TL 3.996.000 owned by European Bank For Reconstruction have been transferred to Sompo Japan Nipponkoa Insurance Inc. with the decision of Board of Directors numbered 538 dated at October 31, 2016.

1.2. Residency and legal nature of the organization, its country of incorporation and registered address (or if different than the place of the registered office, the main place of the operation)

The Company is registered at Turkey in 2001 and has the nature of a Joint Stock Company established and organized under the provisions of the Turkish Commercial Code. The Company operates in address of Beykoz-Kavacık, Rüzgarlıbahçe Mahallesi Cumhuriyet Caddesi No:10 Acarlar İş Merkezi C-Blok in İstanbul, Turkey..

1.3. Main Operations of the Company

The Company, operates all branches including fire and natural disasters, marine, water crafts, water crafts liability, motor vehicle, third party liability for motor vehicles (MTPL), accident, rail vehicles, air crafts, air crafts liability, general losses, general liability, suretyship, legal protection, credit, illness/health, support and financial losses branches except health branch within the framework of operating licenses received from the Republic of Turkey Ministry of Finance and Treasury.

1.4. Details of the Company's operations and nature of activities

The Company operates in compliance with the Insurance Law No.5684 (the "Insurance Law") issued on June 14, 2007 in Official Gazette No.26552 and the other regulations and regulations issued by the Republic of Turkey Ministry of Finance and Treasury. The Company operates in insurance branches stated in Note 1.3. As of December 31, 2018, the Company works with all authorized 2.178 agencies (December 31, 2017 – 2.069 agencies).

1.5. Average number of employees during the period by category

The average number of the employees in the period in by categories is as follows:

	December 31, 2018	December 31, 2017
Senior level executives	9	9
Other personnel	558	495
Total	567	504

1.6. Salaries and similar benefits provided to senior-level executives

Total amount of salaries and similar benefits provided to senior-level executives such as chairman and members of Board of Directors and general manager, assistant general managers as of 1 January – 31 December 2018 period is TL 8.495.988 (December 31, 2017: TL 6.608.990).

1. General Information (continued)

1.7. Keys used in distribution of investment income and operating expenses (personnel, management, research & development, marketing and sales, outsourced utilities and services and other operating expenses) in the financial statements

In accordance with the January 4, 2008 dated and 2008/1 numbered "Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan" issued by the Republic of Turkey Ministry of Treasury and Finance, the number of policies generated for each sub-branch in the last 3 years is distributed according to average of 3 ratios that are proportion of gross written premium number and claim notification number to total issued policy number, proportion of gross written premium number and claim notification number to gross written premium number and proportion of gross written premium number and claim notification number to claim notification number.

The Company transferred the entire income it obtained from investment of financial assets form non-technical section to technical section and left the other investment income in the non-technical section. The income transferred from non-technical to technical section this way is TL 199.858.120 (December 31, 2017: TL 161.340.041).

1.8. Whether the financial statements contain a single company or a group of companies

The accompanying financial statements contain the financial information of Japan Sigorta Anonim Şirketi only..

1.9. Name and other identification of the reporting entity and any changes occurred in this information since the previous balance sheet date

Company Legal Title:	Sompo Japan Sigorta Anonim Şirketi
Company Headquarter Address:	Kavacık Rüzgarlıbahçe Mahallesi Cumhuriyet Caddesi, No:10 Acarlar İş Merkezi, C Blok, Beykoz / İstanbul
Company's Web page Address:	www.sompojapan.com.tr

The information presented above has not changed since the end of the previous balance sheet period.

1.10 Events Occurred after the Balance Sheet Date

Events occurred after the balance sheet date have been disclosed in Note 46.

2. Summary of Significant Accounting Policies

2.1. Principles of Preparation

2.1.1. Basis of Preparation of Financial Statements and Specific Accounting Policies Used

Insurance and Reinsurance and Pension Companies prepares financial statements according to Communiqué on Presentation of Financial Statements of the Undersecretariat of Treasury that entered into force and published on the Official Gazette dated April 18, 2008 and numbered 26851.

Since January 1, 2008, the Company recognizes its operations in compliance with the "Regulation on Financial Reporting of Insurance and Reinsurance and Pension Companies" that was published on July 14, 2007 and entered into force on January 1, 2008 and within the frame of the said regulation, Turkish Financial Reporting Standards ("TFRS") and other regulations, explanations and circulars published by the Republic of Turkey Ministry of Treasury and Finance in relation to the accounting and financial reporting principles. Pursuant to the letter of Republic of Turkey Ministry of Treasury and Finance dated February 18, 2008, numbered 9, "TMS 1-Financial Statements and Presentation", "TMS 27-Consolidated and Non-consolidated Financial Statements", "TFRS 1-Transmission to TFRS" and "TFRS 4-Insurance Contracts" were excluded from the scope of this practice in 2008. In addition, the insurance companies are required to apply the Communiqué on Preparation of Consolidated Financial Statements of Insurance and Reinsurance and Pension Companies that was published on the Official Gazette dated December 31, 2009, numbered 27097 ("Consolidation Communiqué") starting from March 31, 2009. Partnerships other than insurance and reinsurance and pension companies have been excluded from the scope till March 31, 2010 under the provisional article 2 of the said Communiqué.

2. Summary of Significant Accounting Policies(continued)

2.1. Basis of Preparation(continued)

2.1.1. Basis of Preparation of Financial Statements and Specific Accounting Policies Used (continued)

The Public Oversight Accounting and Auditing Standards Authority (POA) that was established in compliance with the Statutory Decree published on the Official Gazette dated November 2, 2011, besides its other duties and authorities, is authorized to establish and spread the TFRSs (Turkish Financial Reporting Standards) that comply with the international standards in order to ensure reliability, transparency, understandability, comparability, consistency and fit for need of the financial statements of the companies who are legally required to keep books, and to make secondary regulations for implementation of TFRSs, and to approve the arrangements to be made in this matter by the organizations and institutions which are authorized in their fields. .

Pursuant to the "Board Decision on Determination of the Implementation Scope of Turkish Accounting Standards" numbered 6102, dated January 13, 2011, the organizations that concern the public benefit defined in KHK numbered 660 will be subject to the independent audit upon decision of the Council of Ministers within the frame of the article 397 of the Law numbered 397, and the companies listed in paragraph two of the article 1534 of the same law apply Turkish Financial Reporting Standards while preparing their separate and consolidated financial statements.

The organizations established to operate in at least one of the activities stipulated in the Banking Law dated October 19, 2005, numbered 5411 are an example to the financial statements to be prepared by the companies required to apply TFRS, except for development and investment banks and financial holding companies, and the financial institutions established to operate in insurance, private pension or capital markets within the frame of the Capital Markets Law No. 6362 dated December 6, 2012, Insurance Law No. 5684 dated June 3, 2007 and Private Pension Saving and Investment System Law no. 4632 dated March 28, 2001 and their related legislations.

Financial Statements are prepared accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Financial Reporting Standards decree for the matters not regulated by insurance legislation

The balance sheet and the statement of income for the period ended December 31, 2018 is approved by the Company. The Company's General Assembly and/or legal authorities has the right to change the accompanying financial statements.

2.1.2. Other accounting policies as applicable for better understanding of financial statements

Adjustment of Financial Statements in High Inflation Periods

In accordance with the Republic of Turkey Ministry of Treasury and Finance's statement no: 19387 issued on April 4, 2005, the Company's financial statements as of December 31, 2004 are adjusted and its 2005 openings are prepared based on the requirements set out in "the preparation of financial statements in hyperinflationary periods" specified in the Capital Market Board's (CMB) Decree Volume: XI, No: 25 "Accounting Standards in Capital Markets" which was published in the Official Gazette No: 25290 on January 15, 2003. In addition, the preparation of financial statements in hyperinflationary periods has not been applied in accordance with the statement of the Republic of Turkey Ministry of Treasury and Finance. Therefore, as of March 31,2014 and December 31,2012, non-monetary balance sheet assets and liabilities and equity items, including capital share, are calculated by indexing of inputs as of December 31, 2004 (for inputs prior to December 31, 2004) and carrying inputs subsequent to December 31, 2004 at nominal value.

2.1.3. Functional currency

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

2. Summary of Significant Accounting Policies (continued)

2.1. Basis of Preparation (continued)

2.1.4 Rounding grade of amounts presented in financial statements

Financial information given in TL is rounded to the nearest full TL value .

2.1.5 Measurement basis used to prepare financial statements

The financial statements have been prepared on the historical cost basis, adjusted for the effects of inflation accounting until December 31, 2004, which is the end of the hyperinflationary period, except for those financial assets held for trading that are measured at fair value where reliable measurement is possible.

2.1.6. New and Revised International Financial Reporting Standards

Standards published as of December 31, 2018 but not yet in force and not implemented early

Standards issued but not yet effective and not early adopted

New standards, interpretations and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Company has not early adopted 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.

IFRS 16 Leases

On April 16, 2018, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted provided that an entity also adopts IFRS 16 Revenue from Contracts with Customers. The Company isn't expecting the potential impact on its financial statements resulting from the application of IFRS 16.

Amendments to TFRS 9 - Prepayment features with negative compensation

On December 2017, POA has issued amendments to TFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of TFRS 9. Under TFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract.

The amendments are effective for periods beginning on or after January 1, 2022, with earlier application permitted.

The Company isn't expecting the potential impact on its financial statements resulting from the application of IFRS 9.

2. Summary of Significant Accounting Policies (continued)

2.1. Basis of Preparation (continued)

2.1.6. New and Revised International Financial Reporting Standards (continued)

Standards published as of December 31, 2018 but not yet in force and not implemented early (continued)

Standards issued but not yet effective and not early adopted (continued)

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

IFRS 4 has been amended by IASB to reduce the impact of the differing effective dates of the new insurance contracts standard and IFRS 9. These amendments to IFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying IFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognized in profit or loss under IFRS 9 and those that would have been reported under IAS 39; or ii) an optional temporary exemption from applying IFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2022. These companies will be permitted to continue to apply existing requirements for financial instruments in IAS 39.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to IFRS 4.

IFRS 17 –Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly international standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2022 but companies can apply it earlier.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to IFRS 17.

2.2. Consolidation

It is requested to publish consolidated financial statements according to "Communiqué on the Preparation of Consolidated Financial Statements of Insurance and Reinsurance Companies and Pension Companies" ("Consolidation Communiqué") published by the Republic of Turkey Ministry of Treasury and Finance in the Official Gazette No: 21097 dated December 31, 2008 and insurance, reinsurance and pension companies; In accordance with the Consolidation Communiqué, consolidated financial statements have not been prepared due to the Company has no subsidiaries. .

2. Summary of the Accounting Policies (Continued)

2.3. Segment Reporting

An operating segment includes the performance of the Company's business activities, including revenues and expenses incurred from transactions with other segments of operations, generating revenue and expenses, and ensuring that the results of operations are regularly audited and measured by the Board of Directors (as the competent authority to make decisions) and it is a part of financial information noticed. Due to the fact that the main geographical area in which the Company is operating is Turkey, no geographical segment reporting has been presented. Moreover, since the Company continues its activities in the field of non-life insurance, no reports have been presented according to segment.

2.4. Provision for Foreign Currencies

Transactions have been booked in TL, which is the functional currency of the Company. The transactions realized in foreign currency during preparation of the financial statements are converted into the functional currency over the rates effective on the transaction date. Assets and liabilities in foreign currency in the balance sheet are converted into Turkish Lira over the foreign exchange purchase rate of Turkish Central Bank. The exchange rate difference arising from these transactions is included in the income statement. .

2.5. Tangible Fixed Asset

Tangible assets have been booked adjusted costs in accordance with inflation for the period until December 31, 2004. Any inflation adjustment is made for tangible assets in after period, the amount has been adopted as the cost amount indexed for inflation as of December 31, 2004. Since January 1, 2005 if the cost of the tangible assets purchased after financial expenses and foreign exchange differences are recognized as amounts deducted from their remaining value .

Gains and losses arising on the disposal of tangible assets are calculated as the difference between net proceeds and net book value of the related tangible asset and reflected in the income statement of the related period .

Normal maintenance and repair costs incurred for tangible assets booked as expense.

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

Depreciation rates and estimated useful lives are as follows:

Tangible Assets	Estimated Useful Lives (years)	Depreciation Rates (%)
Buildings	50	2
Fixtures and installations	2-15	6.7-50
Motor vehicles	2-5	20-50
Other tangible assets (including leasehold improvements)	2-5	20-50
Tangible assets acquired through lease	5	20

2.6. Investment Properties

Investment property is held to obtain rental income or capital gains or both. Investment properties are measured at acquisition costs to include transaction costs in initial recognition. The Company measures investment property on a cost basis for property, plant and equipment (cost minus accumulated depreciation, minus impairment loss if any) after initial recognition).

2. Summary of Significant Accounting Policies (continued)

2.7. Intangible Fixed Assets

The Company's intangible assets consist of software programs. Intangible assets are carried at cost in accordance with TAS 38 – Intangible Assets Accounting Standard. The costs of intangible assets are subject to inflation adjustment considering the period until the end of the high inflation period, which is the date of the entry into force of the law, for the assets entered into the currencies before December 31, 2004 and entries after December 31, 2004 have been reflected to financial statements considering purchase price.

The Company deducts the amortization expense for intangible assets over their useful lives using the straight-line method over their cost value.

2.8. Financial Assets

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

Financial assets are classified into the following specified categories: financial assets as "financial assets held for trading", 'available-for-sale' (AFS) financial assets, "financial assets at fair value through profit and loss" and "loans and receivables" .

Loans and receivables are non-derivative financial assets that have fixed or determinable payments, are not traded on an active market, and are created by providing money, goods and services to the debtor. Loans and receivables in the financial statements of the Company and provision for impairment are deducted and if there is interest receivable there is discounted value; if it is an interest rate receivable, it is accounted with the amortized cost calculated by the effective interest method .

Financial assets held to maturity are financial assets acquired with the intention to hold to maturity, other than fixed and determinable payments with fixed maturity and loans and receivables, including funding capability, conditions necessary to be held until maturity. Financial assets held to maturity are initially recognized at amortized cost using the effective interest method, less impairment losses, if any. .

Purchase and sale transactions of securities are accounted at the date of delivery.

Subsidiaries are classified as financial assets available-for-sale in the Company's financial statements. Subsidiaries that are not traded in organized markets and whose fair value can not be reliably measured are recognized in the financial statements at cost after impairment losses are recognized.

Derecognition of financial assets

Financial assets are derecognized when the Company loses control of the contractual rights on those assets. In this case, the realization of these rights, and the maturity occurs when the expiration or delivery.

2. Summary of Significant Accounting Policies (continued)

2.9 Impairment on assets

Impairment of financial assets

For each reporting period, the Company assesses whether there is objective evidence that a financial asset or group of financial assets has suffered an impairment. A financial asset or group of financial assets, and only about being the first to recognize that after one or more loss/ damage event that occurred, and such loss event of the related financial asset or group of assets that can be estimated reliably as a result of the impact on the estimated future cash flows when there is objective evidence that an impairment is assumed to be impaired and an impairment loss occurs. .

Receivables are measured at the lower of the net amounts at the end of the period. In the event of a situation that shows that the amounts of the loans and receivables will not be collected on a regular basis, a provision is made up to the amount that can be collected for receivables .

The recoverable amount of equity instruments is the fair value of the instrument. The estimated recoverable amount of debt instruments that are measured at fair value is the present value of future cash flows discounted at the current rate of interest on the market .

An event that occurs after impairment records is reversed if the objective is objectively reversing the impairment. The reversal of the impairment in the financial assets measured at amortized cost and debt securities classified as available-for-sale is based on the income statement. Reversal of impairment on financial assets, which are classified as equity securities classified as available-for-sale financial assets, is directly attributable to equity.

Impairment of fixed assets

The Company assesses at each reporting date whether there is any indication that its assets may have been impaired. If such an indication exists, it estimates the recoverable amount of the related asset within the scope of TAS 36 - "Accounting Estimates of Impairment of Assets" and allocates provision for impairment if the recoverable amount is less than the carrying amount of the related asset

The rediscount and provision expenses for the period have been disclosed in detail in Note 47.

2.10. Derivative financial instruments

As of reporting date, due to forward foreign currency contracts the Company has appreciation balance under their income accruals amounting to TL 16.410.850 (December 31, 2017: None.) and depreciation value under their other financial liabilities amounting to TL (75.542.202) (December, 31 2017: None.). The Company recognizes derivative transactions in accordance with TAS 39 - Financial Instruments: Accounting and Measurement. Derivative transactions are measured at their fair values in the periods following their recognition. Derivative transactions are presented at "Revenue Accruals" or "Other financial liabilities" whether the fair value is positive or negative. Changes in the fair value of the related derivative financial instruments are recognized in the income statement.

2.11. Offsetting 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 the acquisition of the asset and the settlement the liability take place simultaneously .

Revenue and expenses has been stated net as to the profit or loss that arise only as long as the reporting standards permit, or for similar transactions such as the trading of the Company

2. Summary of Significant Accounting Policies (continued)

2.12. Cash and Cash Equivalents

"Cash and cash equivalents" that are essential for the preparation of cash flow statements can be expressed as cash on hand, cheques received, other cash and cash equivalents and demand deposits, time deposits in banks with original maturity of three months or less and securities which are not blocked for use .

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

	December 31, 2018	December 31, 2017
Banks	2.599.101.461	2.301.513.136
Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	458.776.402	433.051.210
Other Cash and Cash Equivalents	378.209	956.626
	3.058.256.072	2.735.520.972
Interest Income Accruals of Banks	(48.671.372)	(139.198.199)
Other Cash and Cash Equivalents Discount	12.099.951	6.016.179
Bank deposits with due longer than three months	(407.619.899)	(1.739.577.140)
Cash and cash equivalents in the cash flows statement	2.614.064.752	862.761.812

2.13. Capital

Capital group of the Company whose capital is directly or indirectly controlled is Sompo Japan Nipponkoa Insurance Inc. .

As of December 31, 2018 and December 31, 2017, the Company's capital and shareholder structure is as follows:

As of December 31, 2018;

Title	Share Amount (TL)	Share Rate (%)
Sompo Japan Nipponkoa Insurance Inc.	190.000.000	100,00
Paid in Capital	190.000.000	100,00

As of December 31, 2017;

Title	Share Amount (TL)	Share Rate (%)
Sompo Japan Nipponkoa Insurance Inc.	190.000.000	100,00
Paid in Capital	190.000.000	100,00

As at June 15, 2010, Fiba Holding A.Ş, the Company's previous main shareholder, has signed Share Purchase Agreement with Sompo Japan Insurance Inc. in order to transfer all shares. Following the approval of Republic of Turkey Ministry of Treasury and Finance dated October 8, 2010 numbered 47481, the Company's majority portion of shares are transferred to Sompo Japan Insurance Inc on November 2, 2010

As per the resolution of the Board of Directors dated November 1, 2010 numbered 2010/235, total 228.379.200 shares with nominal value of TL 2.283.792 owned by the real person-shareholders before the share transfer to Sompo Japan Insurance Inc., is transferred to Fiba Holding A.Ş.

As per the resolution of the Board of Directors dated November 2, 2010 numbered 2010/237, 2.807.876.700 shares owned by Fiba Holding A.Ş. with nominal value of TL 28.078.767 is transferred to Sompo Japan Asia Holdings Pte, 10.000 shares owned by Fiba Holding A.Ş, with nominal value of TL 100 is transferred to Sompo Japan Insurance (Singapore) Pte. Ltd, 10.000 shares owned by Fiba Holding with nominal value of TL 100 is transferred to Sompo Japan Insurance Company of America, 10.000 shares owned by Fiba Holding A.Ş, with nominal value of TL 100 is transferred to Japan Insurance Company of Europe Limited. 385.000.000 shares owned by Fiba Holding AŞ with nominal value of TL 3.850.000 are transferred to Sompo Japan Insurance Inc. 385.000.000 shares owned by Fiba Holding AŞ with nominal value of TL 3.850.000 are transferred to Sompo Japan Insurance Inc. 385.000.000 shares owned by Girişim Faktoring AŞ with nominal value of TL 3.850.000 are transferred to Sompo Japan Nipponkoa Insurance Inc.

2. Summary of Significant Accounting Policies(continued)

2.13 Capital(continued)

399.600.000 shares owned by Sompo Japan Insurance Inc. with nominal value of TL 3.996.000 is transferred to European Bank for Reconstruction and Development on December 15, 2010.

As per the resolution of the Board of Directors dated December 29, 2010 numbered 2010/268, total 370.833.000 shares with nominal value of TL 370.833 owned by the real person-shareholders is transferred to Sompo Japan Insurance Inc.

According to the resolution of Board of Directors No. 354 dated January 30, 2013, Sompo Japan Nipponko Asia Holdings Pte. Ltd. Owns 10.000 shares with a nominal value of TL 100, which is owned by Sompo Japan Nipponko Insurance (Singapore) Pte. 10.000 shares with a nominal value of TL 100 which the Company owns in the company, 10.000 shares with a nominal value of TL 100 with the shares of Sompo Japan Nipponko Insurance Company of America, 10,000 shares with a nominal value of TL 100 have been transferred to Sompo Japan Nipponkoa Insurance Inc.

According to the resolution of Board of Directors numbered 538 dated October 31, 2016, 399.600.000 shares with nominal value of TL 3.996.000 owned by European Bank For Reconstruction and Development were transferred to Sompo Japan Nipponkoa Insurance Inc.

It has been unanimously resolved to increase the total capital of the Company by cash amounting to TL 190,000,000 with the decision of the Board of Directors dated April 24, 2017 and numbered 563 and to amend Article 6 of the Articles of Association of the Company in the framework of the attached amendment text

The privileges granted to shares representing the capital : None.

Registered capital system in the Company : None.

The Company's own shares bought back : None.

2.14. Insurance and Investment Contracts – Taxonomy

An insurance contract is a contract under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk covers all risks except for financial risks. All premiums received within the scope of insurance contracts are recognized as income under the written premiums account.

Investment contracts are those contracts which transfer financial risk without significant insurance risk. Financial risk is the risk of a possible future change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided, that it is not specific to a party to the contract, in the case of a non-financial variable

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

2.15. Discretionary Participation Features in Insurance and Investment Contracts

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

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

As at the reporting date, the Company does not have any insurance or investment contracts that contain a DPF.

2. Summary of Significant Accounting Policies (continued)

2.16. Investment Contracts Without Discretionary Participation Features

As of the reporting date, the Company does not have any investment contracts without Discretionary Participation Features .

2.17. Payables

Financial liabilities represent liabilities resulting from transactions that require the transfer of cash or another financial asset to another entity. Financial liabilities in the Company's financial statements are stated at discounted value. When a financial liability is paid, it is deducted from the records.

2.18. Taxes

Corporate tax

Corporate income is subject to corporate tax at 20% in Turkey to be effective from January 1, 2006. However, according to the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation"; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

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

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

In accordance with the Turkish Tax Legislation, tax losses can be carried forward to offset against future taxable income for up to five years. The Company has no deductible financial losses as of the balance sheet dates.

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

Deferred tax

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

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

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

2. Summary of Significant Accounting Policies (continued)

2.18. Taxes (continued)

Transfer pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated November 18, 2007 sets details about implementation.

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

2.19. Benefits Provided to Employees

Provision for employee termination benefits

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

The Company reserved for employee severance indemnities using actuarial method in compliance with the TAS 19-Employee Benefits. Therefore, as of December 31, 2018, actuarial calculations have been made for the related liabilities and recorded as TL 734.959 (deferred tax-free) actuarial loss in special funds under equity (December 31, 2017: TL 551.812). The major actuarial assumptions used in the calculation of the total liability as at December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Discount rate	4,67	4,67
Expected rate of salary/limit increase	20,00	10,00

The expected salary/limit increase ratio above is determined according to the government's annual inflation forecasts.

Other benefits

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

2.20. Provisions

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

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

2. Summary of Significant Accounting Policies (continued)

2.21. Recognition of Income

Written Premiums

Written premiums represent the remaining amount after cancellations and tax deductions of policy premiums issued in previous years as well as policies issued during the period.

Subrogation and salvage income and other similar income

The accrued or collected subrogation, salvage and similar income items cannot be discounted in calculations related to the provision for outstanding claims that are accrued and determined on account (file outstanding), but are recognized in the income statement and under the relevant receivables account on the active side of the balance sheet.

To accomplish the assessment of salvage and subrogation receivables or income, the acquisition of the right of subrogation, to determine the exact amount and the term should not have been charged by the end of. According to the Turkish Commercial Code, in order to acquire the right of subrogation, compensation must be paid.

According to the Circular No. 2010/13 of the Undersecretariat of Treasury dated September 20, 2010, the insurance companies must pay compensation to the insurers without having to obtain repayment from the insurance companies and must have received the insurance from the insurers and notify the insurance company or third parties. It is accrued to the extent that the indebtedness of the insurance company to the collateral limit. However, this amount is reserved against the counter insurance company within six months following the payment of the indemnity payment, or against the third party within four months.

On the other hand, if a protocol is signed between the debtor insurance company or the third parties and the repayment receivable together with the payment plan not exceeding twelve months in total within the six and four month periods described above, or if a document such as check or promissory note is taken for payment, Six months for the third person, and four months for the third person, and for the installments that are in the process of acceptance and collection.

As of December 31, 2018, the Company has presented no proceedings in gross salvage and subrogation receivables amounting to TL 56.521.209 (December 31, 2017– TL 35.042.105) and reinsurer's share amounting to TL 3.182.022 (December 31, 2017 - TL 1.424.658) as subrogation and salvage receivables in receivables from main activities in technical income accounts. The receivable and salvage receivables amounting to gross TL 3.029.909 (December 31, 2017 – TL 3.252.076) and the reinsurer share of TL 545.765 (December 31, 2017 – TL 100.394), which are not collected in the above periods, have been provision in this receivable amount.

However, if a protocol that includes a payment plan exceeding 12 months in total is made or a document is received, a protocol must be signed for the receivable amount exceeding 12 months or maturity, or provision must be made on the date of receipt of the document. In addition, regardless of the payment dates specified in the protocol or received document, all of the installments received or outstanding in the event of any payment made in the twelve month period from the date of payment of the indemnity to the payment plan or in the event of a single maturity, it is necessary for the provision.

If the claim is made through litigation/execution the accrual will be made as of the date of commencement of these transactions and the provision for doubtful receivables is set as of the same date.

The Company has classified the net subrogation amounting to TL 92.661.885 (December 31, 2017 - TL 64.424.791) in the doubtful receivables arising from the main activity by allocating the doubtful receivables provision for the remaining portion in the retirement of the proceeds from the litigation conducted through litigation and execution.

In order to accrue salvage income, all insurance costs of damaged goods should be compensated and those goods should be owned by insurance company or under the condition of secondarily ownership (salvage) by insurance company, the income generated from the sale of those goods has to be accrued on the related periods like salvage receivables. In that case, if goods which are under secondary ownership by insurance company are sold via third party (real/corporate) or given over to insurer or directly sold by Company, salvage income should be accrued and should not be deducted from paid claims or outstanding claims.

2. Summary of Significant Accounting Policies (continued)

2.21. Revenue Recognition(continued)

As at December 31, 2018 and December 31, 2017, collected subrogation and salvage income per branches is as follows:

	December 31, 2018	December 31, 2017
Land Vehicles	282.111.706	192.302.275
Land Vehicles Liability	14.757.202	8.199.601
Fire and Natural Disaster	1.291.046	800.608
Transportation	1.493.717	773.562
General Losses	42.771	32.340
Crash	627	-
Other	32.401	5.552
Total	299.729.470	202.113.938

As at December 31, 2018 and December 31, 2017, accrued subrogation and salvage income per branches is as follows:

	December 31, 2018	December 31, 2017
Land Vehicles	36.007.575	24.175.037
Land Vehicles Liability	16.061.136	8.949.191
Transportation	507.498	93.783
Fire and Natural Disaster	662.496	262.324
General Losses	80.872	17.496
Crash	1.428	-
Other	18.182	119.616
Total	53.339.187	33.617.447

Commission income and expense

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

Interest income and expense

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

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

Trading income/expense

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

2. Summary of Significant Accounting Policies (continued)**2.22. Leasing Transactions**

The maximum period of the lease contracts is 4 years. Tangible assets acquired by way of finance leases are recorded in tangible assets and the obligations under finance leases arising from the lease contracts are presented under "Finance Lease Payables" account in the financial statements. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate.

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

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

2.23. Profit Share Distribution

Transferring the net profit for the period resulting from the Company's 2017 activities to reserves was decided at the Ordinary General Meeting on March 26, 2018.

2.24. Unearned Premium Reserve

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 26606 numbered and August 7 2007 dated Official Gazette and put into effect starting from January 1, 2008, the reserve for unearned premiums represents the proportions of the gross premiums written without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the reporting date for all short-term insurance policies. In commodity transport insurance contracts with nospecific due date, 50% of the remaining amount which is accrued in the last three months is reserved as unearned premiums reserve.

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

Since the Technical Reserves Regulation published on August 7, 2007 entered into force on January 1, 2008, The Undersecretariat of the Treasury has issued the "Circular on the Provision of Insurance and Reassurance and Pension Companies' Provisions for Compliance with the Provisions of the Insurance Law No. 5684" dated July 4, 2007 and numbered 2007/3 within the period between the publication date of the Technical Reserves Regulation and the date of entry into force (" Compliance Circle "). In previous calculations, earthquake premiums were deducted during the calculation of unearned premiums; After June 14, 2007 and the Circular for compliance of policies issued, net of unearned premiums should not be stated that during the earthquake premium provisions. Accordingly, the Company began to calculate the unearned premium reserves for the earthquake premiums written after this date, when the Company did not calculate the unearned premium reserves for the earthquake premiums written before June 14, 2007 .

According to the Regulation on the Amendment of the Technical Reserves of Insurance and Reinsurance Companies and Pension Funds and the Amendment of the Regulation on the Assets to be Invested in These Reserves, published in the Official Gazette dated July 28, 2010 and numbered 27655, all the policies are started at 12:00 pm and finished at 12:00 pm so provisions for unearned premiums have been calculated as half day for the starting day and end day for all the policies.

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

2. Summary of Significant Accounting Policies (continued)

2.24. Unearned Premium Reserve

According to the Regulation Regarding the Technical Provisions of Insurance and Reinsurance Companies and Pension Funds and the Amendment of the Regulation on the Assets That This Provisions are Invested, published in the Official Gazette dated July 28, 2010, numbered 27655, during the calculation of the unearned premiums liabilities related to insurance contracts that is indexed to currency, if not determined any currency on the insurance contracts, the selling currency rate announced by the Central Bank of the Republic of Turkey on the Official Gazette is taken into consideration .

As of the balance sheet date, the Company has allocated unearned premium reserves in the financial statements amounting to TL 1.392.891.032 (December 31, 2017 - TL 1.280.902.481) and reinsurer share for unearned premiums amounting to TL 507.537.011 (December 31, 2017 - TL 418.183.895). In addition, the share transferred to Social Security Institution for unearned premiums have been TL 57.567.709. (December 31, 2017 - TL 62.631.711).

2.25. Outstanding Claims Reserve

Claims are recorded in the year in which they occur, based on reported claims or on the basis of estimates when not reported. Provision for outstanding claims represents the estimate of the total reported costs of notified claims on an individual case basis at the balance sheet date as well as the corresponding handling costs. Incurred but not reported claims ("IBNR") are also provided.

Claims incurred before the accounting periods but reported subsequent to those dates are accepted as incurred but not reported ("IBNR") claims. In accordance with the circular issued by Turkish Treasury dated December 5, 2014 and numbered 2014/16, as of January 1, 2015 selection of data to be used in the calculation of branch-basis, adjusting prices, selection of most appropriate method to be interfere with the development factors are performed by the Company's actuary. Incurred but not reported ("IBNR") calculation methods are Standard Chain, Claim/Premium, Cape Cod, Frequency/Severity, Munich Chain or Bornhuetter Ferguson. The selection of the data to be used on a branch basis will be made by the company actuary by using the actuarial methods to intervene in the development factors and the selection of the most appropriate method and development factors and the adjustment factors and these issues will be detailed in the actuarial report to be submitted to the Undersecretariat of Treasury in accordance with Article 11 of the Actuarial Regulation.

IBNR is used to estimate the amount of provision that should be set aside in the current period based on the historical loss incurred. As of December 31, 2018 and December 31, 2017, the Company has preferred the Standard Chain Method in all branches. In the ACLM table the large loss elimination was made as outlined on September, 20 2010 (Box Plot method). Logarithmic loss distribution in suretyship and third party liability for motor vehicles branch was examined and large loss elimination was done according to percentile method and for other branches according to Box Plot method..

	December 31, 2018		December 31, 2017	
	Number of Eliminated Files	Big Claims Threshold	Number of Eliminated Files	Big Claims Threshold
Direct Indemnification	8	6.500.000	7	6.500.000
General Losses	9	4.207.615	9	4.038.958
Aircraft	1	1.000.000	1	1.000.000
Transportation	1	15.000.000	-	-
Watercraft	-	-	2	1.500.000
Watercraft Liability	2	1.500.000	-	-
Fire and Natural Disasters	24	2.000.000	17	2.000.000
Total	45		36	

2. Summary of Significant Accounting Policies (continued)

2.25. Outstanding Claims Reserve (continued)

The circular numbered 2016/11 published by the Republic of Turkey Ministry of Treasury and Finance has made it possible for companies to gradually increase, between the financial years 2016, 2017, 2018 and 2019, their IBNR levels to the levels of IBNR calculations that have been done according to circular number 2014/16 (per actuarial basis) quarterly from IBNR amount that has been determined performing the previous methods that had been outlined by the Undersecretariat of Treasury. Applicable quarterly incremental increases have been stated by Undersecretariat of Treasury, are as follows: 7,5%, 10%, 12,5%, 15%, 20%, 25%, 40%, 60%, 80%, and 100%. The Company has not preferred gradually increase.

Following the related circular, IBNR has been calculated gross by Company's actuary using the methods listed below by considering claim periods. For related gross IBNR amounts among the related claim periods net IBNR has been calculated by considering reinsurance rates to register the effect of current reinsurance agreements..

	Using Method	December 31, 2018		December 31, 2017	
		IBNR to Reserve (100% transaction level – Salvaged)	IBNR without accrued salvage (%100 level – negative %100)	IBNR to Reserve (100% transaction level – Salvaged)	IBNR without accrued salvage (%100 level – negative %100)
Motor Vehicles	Standard	(13.024.491)	(47.235.613)	(21.268.127)	(42.855.161)
Water Crafts	Standard	232.482	232.482	283.062	283.062
Third Party Liability for Motor Vehicles (MTPL)	Standard	1.066.209.461	1.050.986.639	893.051.888	884.762.984
Facultative Motor Liability	Standard	32.885.539	32.795.682	16.880.766	16.800.179
Water Crafts Liability	Standard	703.669	703.669	(2.473.646)	(2.473.646)
Fire and Natural Disasters	Standard	4.186.543	2.419.195	1.932.452	963.029
Accident	Standard	1.597.474	1.586.734	1.395.927	1.027.727
General Losses	Standard	18.052.050	16.741.987	16.727.189	16.685.964
Financial Losses	Standard	4.852.851	4.852.851	35.111	35.111
Health	Standard	695.884	695.884	613.043	613.043
Transportation	Standard	2.207.958	1.459.565	820.279	493.160
Credit	Standard	-	-	-	-
General Liability	Standard	71.095.105	71.091.358	51.328.429	51.328.429
Suretyship	Standard	3.706.215	3.700.614	852.729	799.406
Legal Protection	Standard	254.587	254.564	342.834	342.834
Toplam		1.193.655.327	1.140.285.611	960.521.936	928.806.121

Company, has considered the 100% result of IBNR calculation and has reflected TL 1.193.655.327 (December 31, 2017 – TL 960.521.936) gross and TL 91.425.864 (December 31, 2017 – TL 60.341.429) reinsurance share on financial statements. The amounts transferred to the Traffic and General Liability pool for IBNR account are not shown above. As of December 31, 2018 Company has reflected net amount of TL 1.448.091.453 (December 31, 2017 - TL 1.174.297.380) outstanding claims reserve on its financial statements.

In accordance with the Provisional Article 12 of the Regulation Amending the Regulation on Tariff Application Principles in Motor Vehicles Compulsory Financial Liability Insurance published in the Official Gazette dated July 11, 2017 and numbered 30121, it has been announced that the Pool of Risky Insurers was established as of April 12, 2017. Accordingly, the amounts calculated for damages received from the pool are included in the IBNR calculation.

Company has separated death and disability compensation with treatment costs according to circular numbered 2011/18, and only treatment costs are included in the calculations made for preparing the financial statements.

Within the scope of third party liability for motor vehicles (MTPL) Insurance, for the financial year 2011, for the amount transfer to Social Security Institution for incurred accidents which happened before publishing the law numbered 6111 and within the scope of Compulsory Third Party Liability Insurance for Road Passenger Transportation and Compulsory Road Passenger Transportation Personal Accident Insurance, for the financial year 2011, for the amount transfer to Social Security Institution for incurred accidents which happened before publishing the law numbered 6111, the factors to use are notified by Undersecretariat of Treasury.

2. Summary of Significant Accounting Policies (continued)

2.25. Outstanding Claims Reserve (continued)

Within this scope, Company has reflected the notified and calculated amounts to its financial statements which are calculated according to the explanations made in circular numbered 2011/18 before and after the publishing date of the law.

Regarding the law and legislations mentioned above, due to the transfer to SSI, as of December 31, 2018, Company has TL 30.070.844 (December 31, 2017 - TL 34.499.157) liability in short term liabilities due to SSI from treatment costs. As of December 31, 2018 the amount of premium transfer to SSI related with the period after the law is TL 109.102.325 (December 31, 2017 - 114.371.815).

Regulation related with “Litigious Outstanding Claims” in the scope of “Circular related with the explanations about the calculation of Incurred but Not Reported (IBNR) indemnity provision” numbered 2011/23:

According to the 1st paragraph of 4th item of the Regulation for Reporting of Insurance, Pension and Reinsurance Firms “with this regulation, Company’s activities are accounted in the frame of legislation provisions of Public Oversight Accounting and Auditing Standards Authority for the preparation and presentation of financial statements, except the notifications made by Republic of Turkey Ministry of Treasury and Finance for the topics stated in the second paragraph”. In the 1st paragraph of 6th item of the same regulation balance sheet is defined as “a table which reflects the fiscal and financial position of the Companies at a given period, which shows assets, liabilities and equities of the Company truly and fairly dividing them into active and passive accounts”.

In this framework, for a true presentation of financial statements with the circular numbered 2011/23, for the files in the lawsuit process, provisions should be made evaluating the winning and losing possibilities and for the files in the lawsuit process, deductions to make for which principles are identified.

In accordance with the Circular No 2016/22, which regulates the procedures and principles regarding the discounting of net cash flows arising from outstanding claims reserve, the Company is using the last legal interest rate (%9) which is in Official Gazette. As of December 31, 2018, the Company has made net discount amounting to TL 280.488.654 in the outstanding claims calculation. (December 31, 2017: TL 238.184.269)

2.26. Equalization provision

In accordance with the Regulation on Technical Reserves, insurance companies are required to record an equalization reserve for the insurance contracts including earthquake and credit coverage, in order to cover the catastrophic risks and in order to equalize the fluctuations within the claim ratios that may occur during the following accounting periods. Such reserve is calculated over 12% of net earthquake and credit premiums corresponding to each year. In the calculation of the net premium, the amounts paid for the non-proportional reinsurance agreements are regarded as ceded premiums. Provisions are made until it meets the 150% of the highest amount of net premium written in the last 5 years.

Following the end of the 5th year, depending the premium production amount under the condition of provision amount is lower than the previous year balance sheet amount, the difference is classified in the other profit reserves under the owner’s equity. Related amount which is transferred to equity could be kept as a reserve or may be subject to a capital increase or may be used in the compensation payments.

If the damage occurs, amounts hit the reinsurer and amounts which are under exemption limit can not be deducted from equalization reserve. If there are claims paid due to the commitments given, starting with the provision made 1st year, it is deducted from the provision by using the FIFO method.

Equalization reserves are stated in the accompanying financial statements under the non-current liabilities in the “Other Technical Reserves” account. As of balance sheet date, net TL 31.847.382 (December 31, 2017 - TL 26.585.212) equalization reserve is booked. Following the “Circular About Usage of Equalization Reserve and Additional Explanations for Some Circulars” published by Republic of Turkey Ministry of Finance numbered 2012/1, equalization reserve booked for the related branches for the beginning years, is booked as debit in balance sheet and is booked as credit in Change in Other Technical Provisions account.

2. Summary of Significant Accounting Policies (continued)

2.27. Provisions for Ongoing Risks

Within the framework of Regulation on Technical Reserves, as of each balance sheet date, Companies has to make liability adequacy test for the last 12 months, while booking the unexpired risk reserves, due to the possibility of claims and compensations to occur according to the current insurance contracts are higher than the unexpired risks reserves booked for those insurance contracts. While making related test, net unexpired risks reserves amount should be multiplied with the expected net claim premium ratio. Expected net claim premium ratio is calculated by dividing incurred claims (outstanding claims (net) + paid claims (net) – ceded outstanding claims (net)) into earned premium (written premiums (net) + ceded unexpired risks reserve (net) – unexpired risk reserve (net)). While calculating the earned premiums, ceded unexpired risk reserves and commissions paid to intermediaries and deferred portion of commissions received from reinsurer which are stated as net in the unexpired risk reserve of the period are ignored.

If the loss ratio for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch; and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross and net amounts is considered as the reinsurance share. As a result of the related test, as at the end of the reporting period Company has booked TL 1.088.787 (December 31, 2017 – TL 1.358.945) unexpired risk reserves and TL 1.029.627 (December 31, 2017- TL 1.167.125) reinsurance share of unexpired risk reserves.

The Company has calculated the provision for continuing risks under the Circular on Amendments to the calculation of provisions for ongoing risks with the number 2012/15; Under the Insurance Law no. 5684, calculation made in accordance with all main branches in the Insurance Uniform Chart of Accounts determined by the Ministry of Treasury and Finance.

2.28. Related Parties

Parties are considered related to the Company if;

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2. Summary of Significant Accounting Policies (continued)

2.28. Related Parties (continued)

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

As an aim of the financial statements partners, upper level managers and board of directors, affiliates controlled by themselves and their family or affiliated companies to themselves, participations and jointly controlled entities are accepted as related parties.

2.29. Earnings per Share

Earnings per share is calculated by dividing net profit for the period into weighted average unit share of the Company. Firms in Turkey, by distributing at the share rate of actual shareholders may increase share capital ("No-par shares") from retained earnings. In the calculation of earnings per share, no-par shares are determined as issued shares.

2.30. Events After Reporting Date

As at the end of the Company's reporting period, events after reporting period which gives additional information of Company's financial position (events occurred after reporting period and which need to be adjusted) are reflected to financial statements. Significant events occurred after reporting period and not needed to be adjusted are explained in the disclosures.

3. Significant Accounting Estimates and Requirements

The preparation of financial statements requires the use of estimates and assumptions which define possible liability and commitments as of balance sheet date and income and expenses for the period ended. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. Estimates are reviewed regularly and changes are made in the profit and loss accordingly. Major accounting estimates made by the Company are related with outstanding claim reserves and other technical reserves and impairment of assets, and these estimates and assumptions are disclosed in the notes. Further, significant estimates used in preparation of financial statements as follows.

Benefits Provided to Employees

The Company has calculated and accounted retirement pay liability in the accompanying financial statements using actuarial estimations. As of December 31, 2018 Company's retirement pay liability is TL 2.016.034 (December 31, 2017 – TL 1.889.697).

Doubtful Receivables from Main Operations

Company has made allowance for doubtful receivable amounted TL 8.450.867 (December 31, 2017 – TL 4.904.512) on its financial statements ended as at December 31, 2018 for receivables under the executive and legal follow-up phase from insurance companies and intermediaries. Besides, Company has made provision amounted TL 2.678.430 (December 31, 2017 – TL 3.054.158) for receivables from insurance operations which are not under legal follow-up but Company believes that receivables are not collectible.

Subrogation Receivables

As of December 31, 2018 Company has booked net subrogation receivables amounted TL 92.661.885 (December 31, 2017 – TL 64.424.791) according to the accrual basis for the subrogation receivables under legal and execution phase and for the not confirmed personal subrogation receivables before allowance for doubtful receivable (after deducting the reinsurance share). The Company has booked subrogation receivables which are not in the legal proceedings but which company thinks it cannot be collected amounting to TL 815.737. (December 31, 2017: TL 794.391)

3. Significant Accounting Estimates and Requirements

Outstanding Claim Reserve

When calculating the outstanding claims reserve, many estimates and provisions, as well as definitive evidence such as experts, expert opinions, consultant views are applied. It may take a long time for the amount of outstanding claims to reach the definitive end. For this reason, actuarial chain ladder method is used to calculate the outstanding claim reserve based on the experience of the Company in previous years. In the past years, the development of the damage has been used in the calculation of future damage amounts. This calculation is based on the development of the claims paid, the average amount of compensation per claim in the past, the number of past claims and the expected loss/premium ratio. In accordance with the Technical Reserves Regulation, as of September 30, 2010, the basis of the application of actuarial chain ladder methods determined by the Undersecretariat of the Undersecretariat for the fiscal period is calculated but the unreported compensation amount is calculated. The difference between the accrued and provisioned outstanding claims provision and theselected actuarial chain ladder method is realized but not reported.

In addition, in the branches where the actuary has performed major damage dismantling, the next year qualification difference calculation is performed for the big damages that are extracted. Major damage elimination is calculated in accordance with the "F-Major Damage Article" of the General Assembly dated 5 December 2014 and numbered 2014/16 issued by the Undersecretariat of Treasury. Major Damage Elimination Branches are Land Vehicles, Traffic, Fire and Natural Disasters, Water Vehicles Liability, General Losses, Financial Losses, General Liability, Direct Surety and Optional Financial Liability.

As of December 31, 2018 Company's net outstanding claims reserve is TL 1.448.091.453 (December 31, 2017 – TL 1.174.297.380).

Deferred Tax

When determining the deferred tax assets, various estimations and evaluations are used. As of December 31, 2018 Company has calculated and booked deferred tax asset amounted TL 24.350.741 (December 31, 2017 – TL 10.929.712).

4. Insurance and Financial Risk Management

4.1. Insurance Risk Management

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. Risk is incidental due to the nature of the insurance process. The most basic risk in insurance contracts is the possibility of realized claims and rights and benefits provided to policyholders are realized above the technical provisions in the financial statements made for insurance contracts.

In the every field and stage of insurance operations the definition of risk is made clearly and risk is abolished, possibilities of risks under control or to be insurable should be examined comprehensively.

First condition to manage risk is being able to define the risk. Basic risk fields to manage in Insurance Operations by Company are identified as follows:

- Insurable assets
- Pricing models, tariff structure
- Reinsurance
- Optimum conservation
- Claim costs
- Intermediaries
- Insurance contract provisions

4. Insurance and Financial Risk Management(continued)

4.1. Insurance Risk Management(continued)

The most significant resource to manage the risk is the convenience of the data for analyzing which is produced by Company's operations (premium production resources, client, policy, product, branch, commitment, claim file, numbers, premiums etc.).

Risk, in essence is a variable factor, therefore it is vital for Companies to follow the development of risk down to the last detail and form and/or direct strategies according to risk. To manage risk, essential point is to set up and activate internal control mechanisms for the identification of risk areas and points. For this purpose, Company primarily has formed committees for risks for which they regard as significant. Agency Risk Tracing Committee, Pricing and Watching Tariffs Committee, Claim and Risk Acceptance Basics Committee are the main committees formed for risk management..

Insurable Assests

In insurance, segmentation is crucial for the identification of insurable assets. As it is prescribed by the law, segmentation by branches, is not enough for the definition of risk. Defining various factors separately by Company via the systems maintain meaningful connections like client, client's insurance demands, operation type, locality, external factor, past statistics, possible damage volume and frequency, insurable securities and assets become convenient for pricing. In this stage today's communication platforms and technological advances enable to make faster and more accurate definitions.

In addition to these, during insurance of Small and Middle Sized Enterprises ("SME") and industrial risks, risk acceptance and expertise evaluation criterias should be identified clearly and should put down in black and white. Criterias for the acceptance of this kind of significant risks must be convenient with the scope of reinsurance contracts made.

Pricing Models, Tariff Structure

Most important resource for to create the price of an insurance product is the past statistics. By using the advanced technology, the accuracy of statistical data, security, entrance to the system convenient for creating price and tariff and becoming meaningful information in the data set become possible. For this purpose Company has made software investment in 2008. By this investment detailed analysis can be made on the basis of distribution channel, risk location, style of use, client and policy. By this analysis damage frequency and violence modeling systems and tariff and pricing process are implemented much more sensitively. With the developments in planning and reporting fields, the effect of analysis of Company's premium production for current and previous year to period end and future periods can be made via using current data and projected assumptions.

Reinsurance

Company is under risk due to assets taken under insurance commitment. By considering the qualification (risk size, risk possibility) of insurance assets and Company's equity power, Company transfers some part of risks taken on to reinsurers via made agreements. After this transfer, while Company is sharing the obtained premiums with transfer rate to reinsurer, Company takes commission over it and shares the claim liability that it has to endure with same transfer rate to reinsurer too.

The power of the reinsurer that Company has made agreement for risk sharing, dependency of the matters that put sides under obligation, criterias to transfer reinsurer (which kind of risks, commission to receive, payment dates etc.) are determined as the significant risk areas in this matter..

Company transfer the risks as part of the proportional reinsurance agreements with surplus and quota-share treaties by branches. For the business which exceeds treaty capacities varies for different branches, facultative reinsurance is practiced by technical units.

4. Insurance and Financial Risk Management(continued)

4.1 Insurance Risk Management(continued)

The reinsurers who worked mostly and their last credit ratings are as follows:

Reassurer	Standard & Poors			AM Best		
	Grading	Appearance	Date	Grading	Appearance	Date
Milli Re	trA+	-	August 17, 2018	B+	Negative	August 9, 2018
Sompo Japan Nipponkoa Insurance Inc.	A+	Stationary	February 22, 2012	A+	Stationary	July 20, 2018
Mapfre Re	A	Stationary	May 30, 2014	A	Stationary	September 6, 2018
Munich Re	AA-	Stationary	December 22, 2016	A+	Stationary	July 13, 2018
Everest Re	A+	Stationary	March 13, 2009	A+	Stationary	March 16, 2018
QBE	A+	Stationary	November 1, 2012	A	Stationary	June 13, 2018

Optimum Conversation

Some of the risks that Company decided to adopt are valid which is similar to the risk emerged during the reinsurance plan matter. For the risks which is under its conservation, Company purchases protection in definite criterias ("XL") too. Company management believes that, Company's data set's (statistics) quality helps the right evaluation of these data and the determination of optimum conservation level.

Claim Costs

Claim costs is the Company's main expense factor. From the risk standpoint, alongside it's a direct cash outflow factor, due to the obligation of compensating the victimization of insured, every process from the notification of claim to the payment of claim should be divided into risk areas and should be followed. Claim handling costs are settled down to every claim has reached to its real compensation amount and to provide that every claim has been paid to right person or institution. During this process, arrangement of insurance policy, client, insured assets, quality of claim, expertise, elimination of claim, spare parts and labor etc. and other expense items are the risk and cost factors and they directly affect the technical results of the Company. Company follows the relevant risk related with claim costs via Claim and Risk Acceptance Basics Appraisal Committee.

Intermediaries

Company realizes significant part of premium production from insurance intermediaries (agency, broker, banks etc.). Authorities of policy issuance and premium collections of intermediaries are transferred authorities from insurance companies. From the selection of risk and client to offer right price, on the other hand from incurred claims to collection of premium on time the senility that Companies are responsible to show is to be expected from agencies too. However, Company makes the controls whether authorized agencies rule their operations or not convenient with Company's policy, via analyzing the collected data by agency..

At the same time, in order to manage receivable transfer risk accurately, proper commitments are taken by agency and it is practiced to increase the application of direct collection systems.

Insurance Contract Provisions

Company makes provisions for not yet due, not certain debts and liabilities and even if it has not occurred per statistics income and expense factors that may bring right and/or liability. The primary objective here is, Company's responsibilities to government, clients, partners and shareholders are convenient with laws and they are accurately stated in financial statements and Company's books.

It is a significant risk that the technical provisions booked are not entirely enough to meet Company's liabilities. In this context, with the regulations it made legal authority has clearly stated that insurance companies has to book the reserves that they need to make provisions are calculated standard and accurately. In order to eliminate those risks, Company make practices for management of all risk areas oriented to provide the security and accuracy of the data used and decent and fast practice of management reporting system.

4. Insurance and Financial Risk Management(continued)

4.2. Financial Risk Management

Introduction and Overview

This note shows the risks that Company is exposed to each one of stated below, accordingly Company's policy, procedures and aims in order to manage and measure it's risks and information about capital management. Company is exposed to the below risks emerged due to the usage of financial instruments.

- credit risk
- liquidity risk
- market risk

Whole responsibility belongs to the Board of Directors during the establishment and supervision of structure of risk management. Board of Directors manages the effectiveness of risk management system via Company's internal audit department.

Company's risk management policy are established in order to, identify and analyze the risks that Company faces, determine the risk limits and controls, follow the risks and convenience of them to the defined limits. Risk management policy and systems are reviewed regularly the way that they reflect the changes in products and services presented and market conditions. Company aims to develop a disciplined and constructive control environment that every employee understands their duty and responsibilities via education and management standards.

Credit Risk

Credit risk is most simply defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The balance sheet items that the Company is exposed to credit risks are as follows:

- cash and cash equivalents
- held-to-maturity financial assets
- premium receivables from policyholders
- receivables from intermediaries
- receivables from reinsurance companies related to commissions and claims paid
- reinsurance shares of insurance liability
- receivables from related parties
- other receivables

The Company's financial assets, which are subject to credit risk are generally composed of domestic government bonds and time and demand deposits kept in banks and other financial institutions in Turkey and such receivables are not deemed to have high credit risk.

Most common method to manage insurance risk is to make reinsurance contract. However, the transfer of insurance risk via insurance contract does not remove the liability of first insurer Company. If reinsurance firm does not pay the claim, Company's responsibility against policyholder continues. Company evaluates the reliability of reinsurance firm by investigating the financial position of the related firm before the yearly contract made and by regarding the compensation payment performance of the firm.

4. Insurance and Financial Risk Management(continued)

4.2. Financial Risk Management(

On December 31, 2018 and December 31, 2017, net book value of the assets that is exposed to credit risk are shown in the table below:

	December 31, 2018	December 31, 2017
Cash and cash equivalents (Note 14)	3.058.256.072	2.735.520.972
Financial Assests (Note 11)	178.332.763	5.068.638
Receivables from main operations (Note 12)	403.601.904	294.896.282
Due from related parties (Note 12)	43.577	50.022
Other receivables (Note 12)	113.812	679.316
Reinsurer share in outstanding claims reserve (Note 10), (Note 17)	474.613.046	383.197.476
Total	4.114.961.174	3.419.412.706

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

	December 31, 2018		December 31, 2017	
	Gross Amount	Provision	Gross Amount	Provision
Not past due	367.862.045	-	434.032.687	-
Past due 0-30 days	9.060.270	-	7.150.721	-
Past due 31-60 days	7.638.564	-	2.339.070	-
Past due 61-180 days	12.269.644	-	3.271.586	-
Past due 181-365 days(*)	9.821.413	(5.162.574)	(6.205.840)	(6.205.840)
Past due over 1 year	10.563.409	(8.450.867)	(5.732.008)	(4.904.512)
Provision for Doubtful Subrogation				
Receivables from Main Operations	92.661.885	(92.661.885)	(64.424.791)	(64.424.791)
Toplam	509.877.230	(106.275.326)	370.431.425	(75.535.143)

(*) In accordance with the Republic of Turkey Ministry of Treasury and Finance's letter numbered B.02.1.HM.O.SGM.0.3.1/01/05 and dated February 3, 2005, If subrogation transactions are carried out through lawsuit/enforcement, the related amounts are followed in the doubtful receivables from main operations account in the financial statements. And also the same amount of doubtful receivables are set aside. As of December 31, 2018 and December 31, 2017, the Company also recognizes and makes provisions for it's subrogation and salvage income in accordance with the principles set out in the circular dated September 20, 2010 and numbered 2010/13 of the Ministry of Treasury and Finance.

The movements of provision for receivables from insurance operations are as follows:

	December 31, 2018	December 31, 2017
Provision for receivables from insurance operations at the beginning of the period	75.535.143	53.188.470
Provisions for agency receivables during the period	3.170.627	(422.549)
Provisions for subrogaiton and salavage receivables during the period	27.569.556	22.769.222
Provision for receivables from insurance operations at the end of the period	106.275.326	75.535.143

Liquidity Risk

Liquidity is the risk that the Company's struggle to perform its obligations which is arised from financial liabilities.

Management of liquidity risk

To avoid liquidity risk, maturity match between the assets and liabilities are considered, liquid assets are conserved in order to meet liquidity need completely.

4. Insurance and Financial Risk Management(continued)

4.2. Financial Risk Management(continued)

Liquidity Risk(continued)

Management of the liquidity risk (continued)

As of December 31, 2018 and 2017 remaining maturity distribution of monetary assets and liabilities are

December 31, 2018	Book value	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Cash and cash equivalents	3.058.256.072	986.055.080	1.607.233.769	464.967.223	-	-
Financial instruments and financial investments that risk of them belongs to insured	178.332.763	-	29.227.591	83.057.982	66.047.190	-
Receivables from main operations	403.601.904	151.865.918	73.938.193	146.449.299	19.939.519	11.408.975
Receivables from related parties	43.577	43.577	-	-	-	-
Other receivables	113.812	113.812	-	-	-	-
Total monetary assests	3.640.348.128	1.138.078.387	1.710.399.553	694.474.504	85.986.709	11.408.975
Financial liabilities	75.542.202	75.542.202	-	-	-	-
Payables from main operations	212.385.075	144.356.187	32.316.453	35.702.863	9.572	-
Due to related parties	43.762	43.762	-	-	-	-
Other liabilities	47.688.486	25.674.586	22.013.900	-	-	-
Insurance technical provisions (*)	1.448.091.453	-	-	-	1.448.091.453	-
Tax and other similar liabilities and provisions for them	35.894.664	30.558.290	5.336.374	-	-	-
Provisions related with other risks	10.323.167	10.323.167	-	-	-	-
Total monetary liabilities	1.829.968.809	286.498.194	59.666.727	35.702.863	1.448.101.025	-
Net monetary position	1.810.379.319	851.580.193	1.650.732.826	658.771.641	(1.362.114.316)	11.408.975
December 31, 2017	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Cash and cash equivalents	2.735.520.972	767.586.848	1.040.235.320	640.803.270	286.895.534	-
Financial instruments and financial investments that risk of them belongs to insured	5.068.638	-	-	-	5.068.638	-
Receivables from main operations	294.896.282	130.483.210	36.166.356	109.253.396	13.081.281	5.912.039
Receivables from related parties	50.022	50.022	-	-	-	-
Other receivables	679.316	679.316	-	-	-	-
Total monetary assests	3.036.215.230	898.799.396	1.076.401.676	750.056.666	305.045.453	5.912.039
Payables from main operations	199.044.905	138.916.673	22.818.390	34.757.721	2.552.121	-
Due to related parties	27.049	27.049	-	-	-	-
Other liabilities	54.145.441	31.223.879	22.917.850	-	3.712	-
Insurance technical provisions (*)	1.174.297.380	-	-	-	1.174.297.380	-
Tax and other similar liabilities and provisions for them	58.645.471	36.783.504	21.861.967	-	-	-
Provisions related with other risks	9.850.671	9.850.671	-	-	-	-
Total monetary liabilities	1.496.010.917	216.801.776	67.598.207	34.757.721	1.176.853.213	-
Net monetary position	1.540.204.313	681.997.620	1.008.803.469	715.298.945	(871.807.760)	5.912.039

(*) Outstanding claims provisions are presented under short term liabilities in the accompanying financial statements.

Market Risk

Market risk is the risk that changes might happen in interest rate and currency rates may affect the Company's income or the value of financial assets that Company holds. The purpose of managing the market risk is to control of market risk amount is at acceptable parameters by optimizing the risk profitability.

Currency Risk

Company is exposed to the currency risk due to insurance and reinsurance operations made indexed to foreign exchange.

4. Insurance and Financial Risk Management(continued)

4.2. Financial Risk Management(continued)

Market Risk(continued)

Currency Risk(continued)

Foreign exchange gains and losses arised from foreign currency transactions are booked in records in the period which process is taken place. At the end of the period, amount of foreign currency active and passive accounts are valued using the T.C. Central Bank's buying rate of exchange and converted to TL and exchange differences occurred are reflected to books as a foreign exchange gain or loss.

The details of currency risk that Company is exposed to be is listed in the table below:

December 31, 2018	USD	Euro	Other Currencies	Total
Cash and cash equivalents	12.701.055	9.053.380	-	21.754.435
Receivables from main operations	54.395.986	84.773.291	112.551	139.281.828
Total foreign currency assets	67.097.041	93.826.671	112.551	161.036.263
Payables from main operations	31.982.185	52.695.544	324.817	85.002.546
Insurance technical provisions	650.724	1.841	-	652.565
Other payables	4.677.166	1.548.405	-	6.225.571
Total foreign currency liabilities	37.310.075	54.245.790	324.817	91.880.682
Balance sheet position	29.786.966	39.580.881	(212.266)	69.155.581

December 31, 2017	USD	Euro	Other Currencies	Total
Cash and cash equivalents	16.269.926	11.286.663	-	27.556.589
Receivables from main operations	40.692.242	47.195.154	167.154	88.054.550
Total foreign currency assets	56.962.168	58.481.817	167.154	115.611.139
Payables from main operations	34.703.468	26.736.986	169.626	61.610.080
Insurance technical provisions	1.420.948	1.699.016	33.881	3.153.845
Other payables	2.836.585	1.042.288	-	3.878.873
Total foreign currency liabilities	38.961.001	29.478.290	203.507	68.642.798
Balance sheet position	18.001.167	29.003.527	(36.353)	46.968.341

In order to evaluate the table above related foreign currency amounts are converted to TL.

As at the end the of reporting period currency rates used to convert to foreign currencies are listed below:

	USD	Euro
December 31, 2018	5,2609	6,0280
December 31, 2017	3,7719	4,5155

Exposure Rate Risk

Due to the possibility of TL's 10% value decrease against currencies below, as of the period ended at December 31, 2018 and 2017 increase/(decrease) to be stated in equity and income statement (net of deferred tax) is shown in the table below. This analysis is prepared assuming that all other variables, especially interest rates remained stable. If TL's value increases 10% against related currencies the effect will be at the same amount but with reverse direction.

	December 31,2018 Income Statement	December 31, 2017 Income Statement
USD	2.978.697	1.800.117
Euro	3.958.088	2.900.353
Other	(21.227)	(3.635)
Total, net	6.915.558	4.696.835

4. Insurance and Financial Risk Management(continued)

4.2. Financial Risk Management(continued)

Exposure Interest Rate Risk

The risk that available for sale financial instrument portfolios face is the fluctuation in the market value of financial instruments as a result of the changes in interest rates. The basic risk that not available for sale financial instrument portfolios experience is the loss which will emerge due to the fluctuation that will occur in the upcoming cash flows and the decrease in fair value of financial instruments, as a result of the changes in interest rates in the market. Management of interest rate risk is made by following the interest rate margin and determining the previously approved limits for repricing bands.

As of December 31, 2018 and 2017, interest profile of Company's interest yield and not interest yield financial assets and liabilities are detailed in the table below:

	December 31, 2018	December 31, 2017
<i>Financial assests with fixed interest rates:</i>		
Bank deposit (Note 14)	2.586.568.277	2.290.008.800
Financial assets held-to maturity	178.332.763	-
<i>Variable interest financial assets</i>		
Financial assets held-to maturity	-	5.068.638

Interest rate sensitivity of the financial instruments

Interest senility of income statement is the effect of net interest income to the change of interest rate in assumed defiance's below, as of at the end of the years of December 31, 2018 and 2017, fair value of financial assets that their fair value differences are reflected to profit or loss, variable interest not available for sale financial assets and liabilities. During this analysis, other variables, especially the currency rates are assumed as stable.

December 31, 2018	Income Statement		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets held-to maturity	(664.470)	672.940	(664.470)	672.940
Financial assets held-to maturity	(664.470)	672.940	(664.470)	672.940
December 31, 2017	Income Statement		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets held-to maturity	(37.727)	38.352	(37.727)	38.352
Total, net	(37.727)	38.352	(37.727)	38.352

Classification related with fair value and measurement

"IFRS 7- Financial Instruments: Explanation" standard requires to state in a row by reflecting the significance of the data which used to identify the fair value of financial instruments which is stated in financial statements over their measured fair values. This classification essentially depends on the relevant data is whether observable or not. Observable data means the usage of market data gathered from independent resources and not observable data means the usage of Company's market estimation and assumptions. This kind of segregation generally reveals the below classifications:

Book value of financial assets held to maturity is amounting to TL 178.332.763 (December 31, 2017: TL 5.068.638) and it is stated at amortized cost in the accompanying financial statements and the fair value of the financial assets is amounting to TL 180.885.994 (December 31, 2017: TL 5,006,177).

4. Insurance and Financial Risk Management(continued)

4.2. Financial Risk Management(continued)

Classification of fair value measurements(continued)

Level 1: Registered (unadjusted) prices in the active market for identical assets and liabilities ,

Level 2: Directly (via prices) or by implication (by deriving from prices) observable data except the registered prices for assets and liabilities which taken part in the 1st level

Level 3: The data (not observable data) related to the assets and liabilities which does not depend on the observable market data

Classification requires that the usage of observable market data if it is applicable.

Capital Management

Company's major capital management policies are stated below:

- To adapt the capital adequacy conditions determined by Republic of Turkey Ministry of Treasury and Finance
- By ensuring the Company's sustainability providing permanent returns to shareholders and partners
- By determining the price of insurance policies in proportion with received insurance risk level, providing sufficient return to shareholders .

The Capital Adequacy of the Company is calculated within the framework of the Regulation on the Measurement and Assessment of the Capital Adequacy of Insurance and Reinsurance Companies and Pension Companies, which is published and published in the Official Gazette dated August 23, 2015 and numbered 29454. As of December 31, 2018, Company's minimum required equity capital amount calculated is TL 533.394.062 (December 31, 2017 – TL 452.750.610). As of December 31, 2018 Company's equity capital is TL 634.303.678 (December 31, 2017- TL 422.063.429) more than minimum required equity capital amount. .

Gains and losses arised from financial assets

	December 31, 2018	December 31, 2017
Foreign exchange gains	798.224.063	27.248.665
Income gained from financial investments	221.578.203	247.644.975
Income gained from derivative transactions	16.410.850	-
Valuation of financial assets	10.427.056	68.638
Income gained from Building, Land and Property	44.790	38.910
Incomes of subsidiaries	63.044	140.533
Maturity difference interest income	-	19.076
Other income	66.840	260.629
Gains obtained from financial assests	1.046.703.216	275.382.516
Loss from disposal of financial assets	(75.542.202)	-
Foreign exchange losses	(525.391.763)	(22.928.960)
Losses obtained from financial assests	(600.933.965)	(22.928.960)
Financial gains and losses recognized in income statement, net	445.769.251	252.453.556

5. Segment Information

A segment is a severable part of Company's product or service production (operating segments) or economic environment (geographical section) in which risk and benefits of products and services produced may be distinguished from other segments .

Scope segments: As of the end of the reporting period, since the Company carries operations in the non-life insurance field which is followed as a sole reporting section, segment reporting is not presented .

6. Tangible Fixed Assets

Movement of tangible fixed assets between the periods of January 1 - December 31, 2018 and January 1 - December 31, 2017 are as follows: :

	January 1, 2018	Additions	Disposals	December 31, 20178
Cost:				
Investment Properties (Note 7)	1.651.000	340.878	-	1.991.878
Properties for use	6.407.519	2.135.250	-	8.542.769
Furniture and Fixtures	17.374.521	5.707.754	(4.819)	23.077.456
Motor Vehicles	93.626	2.132.150	(279.495)	1.946.281
Other Tangible Assests (including leasehold improvements)	9.273.034	1.730.622	-	11.003.656
Fixed assets obtained via leasing	72.809	-	-	72.809
	34.872.509	12.046.654	(284.314)	46.634.849
Accumulated depreciation:				
Investment Properties (Note 7)	(117.945)	(32.881)	-	(150.826)
Properties for use	(117.471)	(131.709)	-	(249.180)
Furniture and Fixtures	(8.482.934)	(3.183.041)	3.577	(11.662.398)
Motor Vehicles	(74.133)	(99.693)	59.500	(114.326)
Other Tangible Assests (including leasehold improvements)	(3.823.238)	(1.973.362)	-	(5.796.600)
Fixed assets obtained via leasing	(72.809)	-	-	(72.809)
	(12.688.530)	(5.420.686)	63.077	(18.046.139)
Net book value	22.183.979			28.588.710

	January 1, 2017	Additions	Disposals	December 31, 2017
Costs:				
Investment Properties (Note 7)	1.651.000	-	-	1.651.000
Properties for use	-	6.407.519	-	6.407.519
Furniture and Fixtures	13.901.329	3.690.387	(217.195)	17.374.521
Motor Vehicles	322.587	19.900	(248.861)	93.626
Other Tangible Assests (including leasehold improvements)	6.902.790	2.431.212	(60.968)	9.273.034
Fixed assets obtained via leasing	72.809	-	-	72.809
	22.850.515	12.549.018	(527.024)	34.872.509
Accumulated depreciation:				
Investment Properties (Note 7)	(85.063)	(32.882)	-	(117.945)
Properties for use	-	(117.471)	-	(117.471)
Furniture and Fixtures	(5.856.979)	(2.776.877)	150.922	(8.482.934)
Motor Vehicles	(275.485)	(19.219)	220.571	(74.133)
Other Tangible Assests (including leasehold improvements)	(2.254.845)	(1.622.606)	54.213	(3.823.238)
Fixed assets obtained via leasing	(72.809)	-	-	(72.809)
	(8.545.181)	(4.569.055)	425.706	(12.688.530)
Net book value	14.305.334			22.183.979

Revaluation is not applied over tangible fixed assets.

There is not any change in depreciation calculation method in the current period.

7. Investment Properties

As of balance sheet date, details of investment properties as follows:

	December 31, 2018	December 31, 2017
	Book value	Book value
Malatya – Office	46.294	46.294
Konya – Karatay, Land	6.931	6.931
İstanbul Esenyurt, Flat	85.000	85.000
Heybeli Ada-House	749.022	749.022
İzmir Bornova- Building	523.603	523.603
Sapanca	240.150	240.150
Bilecik Land	23.400	-
Fon Sg Land	317.478	-
Total	1.991.878	1.651.000
Accumulated depreciation	(150.826)	(117.945)
Net book value	1.841.052	1.533.055

Rent income gained from investment properties is TL 44.790 during the period (31 December 2017: TL 38.910)

8. Intangible Fixed Assets

Movements of intangible fixed assets between the periods of January 1 - December 31, 2018 and January 1 - December 31, 2017 are as follows:

	January 1, 2018	Additions	Transfer	Disposals	December 31, 2018
Cost:					
Other intangible fixed assets	18.202.066	5.891.453	-	-	24.093.519
Advances given	-	229.732	-	-	229.732
	18.202.066	6.121.185	-	-	24.323.251
Accumulated depreciation:					
Other intangible fixed assets	(10.225.081)	(4.011.868)	-	-	(14.236.949)
	(10.225.081)	(4.011.868)	-	-	(14.236.949)
Carrying Amount	7.976.985				10.086.302

	January 1, 2017	Additions	Transfer	Disposals	December 31, 2017
Cost:					
Other intangible fixed assets	12.525.795	4.292.663	1.494.829	(111.221)	18.202.066
Advances given	1.494.829	-	(1.494.829)	-	-
	14.020.624	4.292.663	-	(111.221)	18.202.066
Accumulated depreciation:					
Other Intangible Assets	(7.258.691)	(3.034.824)	-	68.434	(10.225.081)
	(7.258.691)	(3.034.824)	-	68.434	(10.225.081)
Carrying Amount	6.761.933				7.976.985

9. Investments in Associates

	December 31, 2018		December 31, 2017	
	Registered Value	Share rate %	Registered Value	Share rate %
Tarım Sig. Havuz İřlt. A.ř.	430.032	4,00	346.211	4,00
Associates, net	430.032		346.211	

10. Reinsurance Assests and Liabilities

Reinsurance assets and liabilities of Company's cedent business title as a result of the current reinsurance agreements are showed detailed in the table below:

Reinsurance assests	December 31, 2018	December 31, 2017
Reinsurer's share of outstanding claim reserve (Note 17)	474.613.048	383.197.476
Reinsurer's share of unearned premiums reserve (Note 17)	565.104.720	480.815.606
Reinsurer's share of equalization reserve (Note 17)	92.878.822	70.514.757
Receivables from reinsurance firms (Note 12)	18.128.728	20.495.106
Reinsurer's share of unexpired risks reserve (Note 17)	1.029.627	1.167.125
Total	1.151.754.945	956.190.070

There is not recognized impairment related with reinsurance assets.

Reassurance Liabilites	December 31, 2018	December 31, 2017
Payables to reinsurance firms, net (Note 19)	153.208.180	40.460.007
Deferred commission income (Note 19)	94.018.857	80.803.817
Toplam	247.227.037	121.263.824

Gains and losses which recognized in the income statement according to the Company's reinsurance agreements are shown in the table below:

	December 31, 2018	December 31, 2017
Ceded premiums to reinsurer in the current period	(877.146.895)	(627.549.761)
Reinsurer's share of unearned premiums reserve at the beginning of the year	(480.815.606)	(261.883.522)
Reinsurer's share of unearned premiums reserve at the end of the year	565.104.720	480.815.606
Earned reinsurer premiums	(792.857.781)	(408.617.677)
Reinsurer share of claims paid in the current period (Note 17))	347.541.287	163.395.785
Reinsurer share of outstanding claims reserve at the beginning of the year (Note 17)	(383.197.476)	(381.598.506)
Reinsurer share of outstanding claims reserve at the end of the year (Note 17)	474.613.046	383.197.476
Reinsurer's share in claims (Note 17)	438.956.857	164.994.755
Accrued commission income in the period from reinsurers (Note 32)	155.589.837	130.999.769
Deferred commission income at the beginning of the year	80.803.817	37.964.557
Deferred commission income at the end of the year (Note 19), (Note 32)	(94.018.857)	(80.803.817)
Commission income earned from reinsurers (Note 32)	142.374.797	88.160.509
Change in unexpired risk reserves, reinsurer share (Note 17)	(137.498)	(2.442.592)
Change in equalization reserve, reinsurer share (Note 17)	22.364.065	18.230.605
Total, net	(189.299.560)	(139.674.400)

11. Financial Assets

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

	December 31, 2018			
	Nominal Value	Acquiring Cost	Fair Value	Book Value
Debt Securities:				
Bank Bills – TL	193.120.000	167.837.069	180.885.994	178.332.763
Financial Assests Held-to Maturity	193.120.000	167.837.069	180.885.994	178.332.763

	December 31, 2017			
	Nominal Value	Acquiring Cost	Fair Value	Carrying Amount
Debt Securities:				
Bank Bills – TL	5.000.000	5.000.000	5.006.177	5.068.638
Financial Assests Held-to Maturity	5.000.000	5.000.000	5.006.177	5.068.638

There is not overdue but not impaired yet financial assets in Company's financial asset portfolio.

There is not security that represents borrowing which is issued in the current period or amortized in the current period of previously issued.

Movement of financial assets in the current period is presented below:

	December 31, 2018	December 31, 2017
Value at the beginning of the period	5.068.638	5.000.000
Acquisitions in the current period	167.837.069	-
Disposals (amortization and sales)	(5.000.000)	-
Valuation of Financial Investments (Note 4.2)	10.427.056	68.638
Value at the end of the period	178.332.763	5.068.638

As of 31 December 2018, the Company does not have any available for sale or trading financial assets.(31 December 2017:None.)

12. Credits and Receivables

	December 31, 2018	December 31, 2017
Receivables from main operations (Note 4.2)	403.601.904	294.896.282
Other Receivables (Not 4.2)	113.812	679.316
Receivables from Related Parties (Note 4.2), (Note 45)	43.577	50.022
Toplam	403.759.293	295.625.620
Short-term Receivables	392.350.722	289.713.581
Middle and Long-term Receivables	11.408.975	5.912.039
Total	403.759.293	295.625.620

(*) As of December 31, 2018, the Company's other receivables amounted TL 113.812 (31 December 2017: TL 679.316) consist of receivables from Natural Disaster Insurance Institution (TCIP) deposits and commitments given and other receivables.

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

	December 31, 2018	December 31, 2017
Receivables from agencies, brokers and intermediaries	316.682.108	239.803.845
Allowance for doubtful receivables from main operations- subrogation receivables	92.661.886	64.424.791
The amounts to be collected via subrogation and salvage	53.339.187	33.617.447
Receivables from main operations- Legal follow-up	9.444.915	5.732.008
Receivables from insured	13.196.333	5.949.941
Receivables from reinsurance firms (Note 10)	18.128.728	20.495.106
Receivables from insurance companies	9.429.226	2.086.462
Rediscount of receivables from insurance operations	(3.005.153)	(1.678.175)
Total receivable from insurance operations	509.877.230	370.431.425
Allowance for doubtful receivable from main operations – subrogation receivables (Note 4.2)	(92.661.885)	(64.424.791)
Allowance for doubtful receivable from main operations – legal and execution follow-up (Note 4.2)	(8.450.867)	(4.904.512)
Impairment provision of premium receivables from agency, broker and intermediaries	(2.678.430)	(3.054.158)
Provision of subrogation and salvage receivable	(2.484.144)	(3.151.682)
Total provisions for receivables from insurance operations	403.601.904	294.896.282

Company makes provisions for receivables as following the dated September 20, 2010 published by Undersecretariat of Treasury "Circular numbered 2010/13 Related with Subrogation and Salvage Income" which states following the 6 months of claim payment of accrued subrogation receivables for in debt insurance firm or following the 4 months for 3rd parties. As of December 31, 2018 Company has made provisions for receivable amounted to TL 815.737 (December 31, 2017 – TL 794.391) for the subrogation receivables not collected in the periods stated in the circular above

As at 31 December 2018 and 31 December 2017, the details of mortgages and other commitments for the Company's receivables are presented below:

	December 31, 2018	December 31, 2017
Mortgage bond	25.722.000	26.285.000
Guarentee letter	24.028.145	22.658.000
Other commitments received	6.482.035	5.392.264
Other guarantee and bails	3.740.194	3.071.839
Total	59.972.374	57.407.103

12. Receivables (continued)

Provisions for doubtful receivables for overdue receivables and receivables not due yet:

a) Movement of allowance for doubtful receivables (due) in legal and execution follow-up in the period as follows:

	December 31, 2018	December 31, 2017
Receivable provision in legal and execution follow-up at the beginning of the period	4.904.512	4.884.480
Canceled in the period	(349.142)	(250)
Booked provision in current period	3.895.497	20.282
Receivable provision in legal and execution follow-up at the end of the year	8.450.867	4.904.512

b) Movement of premium receivable provisions in the period as follows:

	December 31, 2018	December 31, 2017
Premium receivable provision at the beginning of the period	3.054.158	3.496.739
Canceled in the period	(534.528)	(596.108)
Booked provision in current period	158.800	153.527
Premium receivable provision at the end of the year	2.678.430	3.054.158

c) Movement of subrogation receivable provision which is subject to a suit in the period as follows:

	December 31, 2018	December 31, 2017
Receivable provision which is subject to a suit at the beginning of the year	64.424.791	43.755.793
Net booked provision in current period	28.237.094	20.668.998
Receivable provision which is subject to a suit at the end of the year	92.661.885	64.424.791

d) Movement of subrogation and salvage receivables provisions in the period as follows:

	December 31, 2018	December 31, 2017
Subrogation and salvage receivables provision at the beginning of the year	3.151.682	1.051.458
Booked/cancelled provisions in the current period	(667.538)	2.100.224
Subrogation and salvage receivables provision at the end of the year	2.484.144	3.151.682

Company's receivable and payable relationship with shareholders, subsidiaries and associates are stated detailed in Note 45.

Receivables and payables which does not have an exchange rate guarantee and represented via foreign currencies and the separate amounts of current foreign exchange moneys and their conversion rate to TL is stated in Note 4.2.

13. Derivative Financial Instruments

As of reporting date, due to forward foreign currency contracts the Company has appreciation balance under their income accruals amounting to TL 16.410.850 (December 31, 2017: None.) and deprecation value under their other financial liabilities amounting to TL (75.542.202) (December, 31 2017: None.). The Company recognizes derivative transactions in accordance with TAS 39 - Financial Instruments: Accounting and Measurement. Derivative transactions are measured at their fair values in the periods following their recognition. Derivative transactions are presented at "Income Accruals" or "Other financial liabilities" whether the fair value is positive or negative. Changes in the fair value of the related derivative financial instruments are recognized in the income statement.

14. Cash and Cash Equivalents

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

	December 31, 2018	December 31, 2017
Bank Deposits	2.599.101.461	2.301.513.136
Bank Guaranteed Credit Card Receivables With Maturity Less Than Three Months	458.776.402	433.051.210
Other Cash and Cash Equivalents	378.209	956.626
Total	3.058.256.072	2.735.520.972

As at December 31, 2018 and December 31, 2017, detail of bank deposits account as follows:

	December 31, 2018		December 31, 2017	
	Original Amount	TL Amount	Original Amount	TL Amount
Demand:				
USD	231.189	1.216.264	203.389	767.162
EUR	1.468.194	8.850.273	219.530	991.238
TL	2.466.752	2.466.647	9.745.936	9.745.936
Time:				
USD	2.183.047	11.484.791	4.110.068	15.502.764
EUR	202.876.737	1.222.940.970	2.280.019	10.295.425
TL	1.352.142.516	1.352.142.516	2.264.210.611	2.264.210.611
Total		2.599.101.461		2.301.513.136

As of December 31, 2018 and December 31, 2017, other cash and cash equivalents consist of credit card receivables. Credit card receivables are hold for 26 and 90 days blockage in account.

Details of financial assets which Company gave as a commitment on behalf of Republic of Turkey Ministry of Treasury and Finance as a need of insurance operations are as follows :

	December 31, 2018			
	Nominal Value	Acquisition Value	Fair Value	Book Value
Time Deposits (Note 17)	190.000.000	190.000.000	197.860.479	197.860.479
Total	190.000.000	190.000.000	197.860.479	197.860.479

	December 31, 2017			
	Nominal Value	Acquisition Value	Fair Value	Book Value
Time Deposits (Note 17)	161.000.000	161.000.000	178.209.562	178.209.562
Total	161.000.000	161.000.000	178.209.562	178.209.562

15. Equity

Paid Capital

As of December 31, 2018, the Company's nominal capital is TL 190.000.000 (31 December 2017: TL 190.000.000) Company's capital is comprised of issued and worth of Kuruş 1 nominal value for each one of 19.000.000.000 numbers of shares.

There is no privilege recognized to equity shares which represents the capital.

Sompo Japan Nipponkoa Insurance Inc. is the capital group whose direct or indirect control over the Company's capital as of December 31, 2018 and 2017 is concerned.

There are not Company's own equity shares which is kept by Company or Company's associate or Company's subsidiaries. There are not equity shares in Company to issue for float shares by force of futures and contracts.

15. Equity

Legal reserves

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

The movement table for legal reserves is as follows:

	December 31, 2018	December 31, 2017
Legal reserves at the beginning of the year	26.009.663	18.908.567
Transfer from current year profit	13.916.489	7.101.096
Legal reserves at the end of the period	39.926.152	26.009.663

Extraordinary reserves

The movement table for extraordinary reserves is as follows:

	December 31, 2018	December 31, 2017
Extraordinary reserves at the beginning of the year	345.597.056	210.676.226
Transfer from current year profit	264.413.277	134.920.829
Extraordinary reserves at the end of the period	610.010.333	345.597.055

Other reserves

At dated July 4, 2007 and numbered 2007/3 published by Undersecretariat of Treasury "Circular of Orientation of Provisions of Insurance, Reinsurance and Pension Firms to the numbered 5684 Provisions of Insurance Laws" for the year 2007 it is sentenced not to book earthquake damage provision. However, previously booked earthquake damage provisions (earthquake damage provision amount which is stated in balance sheet as of December 31, 2006) are required to transfer to voluntary reserves according to the temporary 5th item of mentioned law, for this purpose it is stated that the current earthquake damage provision amount as of December 31, 2006 and including the gains obtained via directing related amount to investment, related provisions are going to be transferred to 549.01 account "transferred earthquake damage provisions" which will be identified as of September 1, 2007 and it will not be a subject to dividend payment and will not be transferred to another account under no circumstances. Following related circular Company has stated TL 8.808.507 (December 31, 2017 – TL 8.808.057) earthquake damage provision under other profit reserves which Company has booked in its December 31, 2006 financials due to the earthquake damage provision Company has booked and including the gains obtained via directing related amount to investment.

Special Funds

TAS 19 - Employee Benefits Related to Turkey Accounting Standard requires the use of actuarial method in calculating the provision for employee termination benefits. As of 31 December 2018, actuarial calculation has been made for related liabilities and actuarial loss (deferred tax free) has been recorded amounting to TL 734.959 in special funds under equity. (31 December 2017: TL 551.812)

16. Other Provisions and Capital Component of Discretionary Participation

As of December 31, 2018 and 2017 there is not any other reserves which is stated under equity except the previously booked earthquake damage provision which is recognized under "other profit reserves". As of December 31, 2018 and 2017 Company does not have a contract with a future of capital component of discretionary participation.

17. Insurance Liabilities and Reinsurance Assets

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

	December 31, 2018	December 31, 2017
Gross unearned premiums reserve	1.392.891.032	1.280.902.481
Reinsurer's share of unearned premiums reserve (Note 10)	(507.537.011)	(418.183.895)
SSI's share of unearned premiums reserve	(57.567.709)	(62.631.711)
Unearned premiums reserve, net	827.786.312	800.086.875
Gross outstanding claim reserve	1.922.704.499	1.557.494.856
Reinsurer's share of gross outstanding claim reserve (Note 4.2) (Note 10)	(474.613.046)	(383.197.476)
Outstanding claim reserve, net	1.448.091.453	1.174.297.380
Equalization reserve	124.726.204	97.099.969
Reinsurer's share of equalization reserve (Note 10)	(92.878.822)	(70.514.757)
Equalization reserve, net	31.847.382	26.585.212
Unexpired risks reserve	1.088.787	1.358.945
Reinsurer's share of unexpired risks reserve (Note 10)	(1.029.627)	(1.167.125)
Unexpired risks reserve, net	59.160	191.820
Total technical provisions, net	2.307.784.307	2.001.161.287
Short-term	2.275.936.925	1.974.576.075
Medium and long-term	31.847.382	26.585.212
Total technical provisions, net	2.307.784.307	2.001.161.287
Unearned premiums reserve:		
	December 31, 2018	
	Gross	Reinsurer and SSI share Net
Unearned premiums reserve at the beginning of the year	1.280.902.481	(480.815.606) 800.086.875
Premiums written during the period	2.509.170.943	(986.249.220) 1.522.921.723
Premiums earned during the period	(2.397.182.392)	901.960.106 (1.495.222.286)
Unearned premiums reserve at the end of the year	1.392.891.032	(565.104.720) 827.786.312
	December 31, 2017	
	Gross	Reinsurer and SSI share Net
Unearned premiums reserve at the beginning of the year	1.228.527.916	(261.883.522) 966.644.394
Written premiums in the period	2.264.027.373	(741.921.577) 1.522.105.796
Earned premiums in the period	(2.211.652.808)	522.989.493 (1.688.663.315)
Unearned premiums reserve at the end of the year	1.280.902.481	(480.815.606) 800.086.875

17. Insurance Liabilities and Reinsurance Assets(continued)

Provision for outstanding claims

	December 31, 2018		
	Gross	Reinsurer Share	Net
Outstanding claim reserve at the beginning of the year	1.557.494.856	(383.197.476)	1.174.297.380
Reported claims in the period and the changes in estimations of outstanding claim reserve at the beginning of the year	1.639.603.252	(438.956.857)	1.200.646.395
Claim payments during the period	(1.274.393.609)	347.541.287	(926.852.322)
Outstanding claim reserve at the end of the year	1.922.704.499	(474.613.046)	1.448.091.453

	December 31, 2017		
	Gross	Reinsurer Share	Net
Outstanding claim reserve at the beginning of the year	1.120.440.020	(381.598.506)	738.841.514
Reported claims in the period and the changes in estimations of outstanding claim reserve at the beginning of the year	1.387.529.681	(164.994.755)	1.222.534.926
Claim payments during the period	(950.474.845)	163.395.785	(787.079.060)
Outstanding claim reserve at the end of the year	1.557.494.856	(383.197.476)	1.174.297.380

	December 31, 2018			December 31, 2017		
	Gross	Reinsurer Share	Net	Gross	Reinsurer Share	Net
Incurred and reported damages	1.041.933.070	(415.582.426)	626.350.644	851.909.583	(339.608.441)	512.301.142
Incurred but not reported damages	1.193.655.327	(91.425.864)	1.102.229.463	960.521.936	(60.341.429)	900.180.507
Net Cash Flow Discount	(312.883.898)	32.395.244	(280.488.654)	(254.936.663)	16.752.394	(238.184.269)
Total	1.922.704.499	(474.613.046)	1.448.091.453	1.557.494.856	(383.197.476)	1.174.297.380

Equilization Reserve

	December 31, 2018		
	Gross	Reinsurer Share	Net
Equilization reserve at the beginning of the year	97.099.969	(70.514.757)	26.585.212
Net change	27.626.235	(22.364.065)	5.262.170
Equilization reserve at the end of the year	124.726.204	(92.878.822)	31.847.382

	December 31, 2017		
	Gross	Reinsurer Share	Net
Equilization reserve at the beginning of the year	74.168.862	(52.284.152)	21.884.710
Net change	22.931.107	(18.230.605)	4.700.502
Equilization reserve at the end of the year	97.099.969	(70.514.757)	26.585.212

17. Insurance Liabilities and Reinsurance Assets(continued)**Provision for unexpired risks**

	December 31, 2018		
	Gross	Reinsurer Share	Net
Provision for unexpired risks at the beginning of the period	1.358.945	(1.167.125)	191.820
Net change	(270.158)	137.498	(132.660)
Provision for unexpired risks at the end of the period	1.088.787	(1.029.627)	59.160

	December 31, 2017		
	Gross	Reinsurer Share	Net
Provision for unexpired risks at the beginning of the period	3.756.908	(3.609.717)	147.191
Net change	(2.397.963)	2.442.592	44.629
Provision for unexpired risks at the end of the period	1.358.945	(1.167.125)	191.820

Claim Development Table

The main assumption used to predict the outstanding claim reserve is Company's claim development experience from the past periods. Company management uses its own judgments while determining how external factors like legal decisions and changes in regulations will affect the outstanding claim reserve. Sensitivity of some estimations like legal changes and uncertainties during the prediction process is not measurable. Besides, long delays between the time of claim incurred and the time payment is made inhibits the determination of outstanding claim reserve definitely as of balance sheet date. Therefore, total liabilities may differ depending on the subsequent events and the differences occurred due to the re-estimation of liabilities are reflected to financial statement in upcoming periods. The development of insurance liabilities enables to measure the Company's performance of estimation of total claim liabilities. The numbers that is shown in the upside of below tables, from the years claims has incurred in, show the change of Company's total estimations for claims in the subsequent years. The numbers that are shown in the underside of the tables, give the outstanding claim reserves stated in financial statements and their confirmation.

17. Insurance Liabilities and Reinsurance Assets(continued)

December 31, 2018	2012	2013	2014	2015	2016	2017	2018	Total
Claim Year								
Claim year	188.752.805	214.667.782	269.378.483	496.318.042	690.717.354	928.845.197	1.143.651.876	3.932.331.539
1 year later	196.308.163	218.389.776	279.959.576	527.599.455	766.575.828	1.059.249.292	-	3.048.082.090
2 year later	206.288.797	227.602.688	300.128.180	556.441.207	827.317.075	-	-	2.117.777.947
3 year later	210.660.064	238.365.704	310.663.949	585.670.823	-	-	-	1.345.360.540
4 year later	219.829.476	248.266.046	324.072.668	-	-	-	-	792.168.190
5 year later	228.194.862	251.691.580	-	-	-	-	-	479.886.442
6 year later	235.837.329	-	-	-	-	-	-	235.837.329
Gross incurred claims	235.837.329	251.691.580	324.072.668	585.670.823	827.317.075	1.059.249.292	1.143.651.876	4.427.490.643
Total payments made up to today	197.830.276	219.716.168	277.121.332	434.879.466	644.216.251	894.673.982	838.263.553	3.506.701.028
Total provision in financial statements	38.007.053	31.975.412	46.951.336	150.791.357	183.100.824	164.575.310	305.388.323	920.789.615
Gross outstanding claims reserves, lawsuit discounts and Exchange difference which is booked for prior of 2012	-	-	-	-	-	-	-	121.143.455
Gross IBNR amount booked as of December 2018	-	-	-	-	-	-	-	1.193.655.327
Outstanding claim provisions discount adjustment	-	-	-	-	-	-	-	(312.863.898)
Total gross outstanding claim reserve amount stated in financial statements at the end of the year	-	-	-	-	-	-	-	1.922.704.499
December 31, 2017								
Claim Year								
Claim year	158.811.121	188.752.805	214.667.782	269.378.483	496.318.042	690.717.354	928.845.197	2.947.490.784
1 year later	165.391.790	196.308.163	218.389.776	279.959.576	527.599.455	766.575.828	-	2.154.224.588
2 year later	176.936.871	206.288.797	227.602.688	300.128.180	556.441.208	-	-	1.467.397.744
3 year later	188.082.117	210.660.064	238.365.704	310.663.948	-	-	-	947.771.833
4 year later	197.261.782	219.829.476	248.266.046	-	-	-	-	665.357.304
5 year later	205.848.280	228.194.862	-	-	-	-	-	434.043.142
6 year later	210.295.697	-	-	-	-	-	-	210.295.697
Total gross incurred claims	210.295.697	228.194.862	248.266.046	310.663.948	556.441.208	766.575.828	928.845.197	3.249.282.786
Total payments made up to today	176.782.117	192.852.531	213.014.105	266.250.519	417.327.393	598.133.681	665.538.445	2.529.898.791
Total provision in financial statements	33.513.580	35.342.331	35.251.941	44.413.429	139.113.815	168.442.147	263.306.752	719.383.995
Gross outstanding claims reserves, lawsuit discounts and Exchange difference which is booked for prior of 2012	-	-	-	-	-	-	-	132.525.588
Gross IBNR amount booked as of December 2018	-	-	-	-	-	-	-	960.521.936
Outstanding claim provisions discount adjustment	-	-	-	-	-	-	-	(254.936.663)
Total gross outstanding claim reserve amount stated in financial statements at the end of the year	-	-	-	-	-	-	-	1.557.494.856

17. Insurance Liabilities and Reinsurance Assets(continued)

December 31, 2018	2012	2013	2014	2015	2016	2017	2018	Total
Claim Year								
Claim year	141.169.567	168.827.560	220.020.264	308.382.993	532.214.006	780.952.935	939.208.379	3.090.775.704
1 year later	147.825.429	173.259.936	226.137.672	329.875.624	625.731.202	906.891.308	-	2.409.721.171
2 year later	156.084.279	180.311.176	245.494.893	355.044.564	681.353.362	-	-	1.618.288.274
3 year later	159.917.167	189.152.946	254.128.906	367.279.167	-	-	-	970.478.186
4 year later	168.097.784	197.428.136	265.318.528	-	-	-	-	630.844.447
5 year later	173.839.175	200.946.786	-	-	-	-	-	374.785.961
6 year later	178.827.529	-	-	-	-	-	-	178.827.529
Total gross incurred claims	178.827.529	200.946.786	265.318.528	367.279.167	681.353.362	906.891.308	939.208.379	3.539.825.059
Total payments made up to today	158.130.620	180.952.433	231.447.410	321.633.495	553.680.297	770.516.303	771.598.000	2.987.958.558
Total provision in financial statements	20.696.909	19.994.353	33.871.118	45.645.672	127.673.065	136.375.005	167.610.379	551.866.501
Gross outstanding claims reserves, lawsuit discounts and Exchange difference which is booked for prior of 2012	-	-	-	-	-	-	-	74.484.143
Gross IBNR amount booked as of December 2018	-	-	-	-	-	-	-	1.102.229.463
Outstanding claim provisions discount adjustment	-	-	-	-	-	-	-	(280.488.654)
Total net outstanding claim reserve amount stated in financial statements at the end of the year	-	-	-	-	-	-	-	1.448.091.453

December 31, 2017	2011	2012	2013	2014	2015	2016	2017	Total
Claim Year								
Claim year	129.523.914	141.169.567	168.827.560	220.020.264	308.382.993	532.214.006	780.952.935	2.281.091.239
1 year later	134.829.335	147.825.429	173.259.936	226.137.672	329.875.624	625.731.202	-	1.637.659.198
2 year later	146.017.994	156.084.279	180.311.176	245.494.893	355.044.564	-	-	1.082.952.906
3 year later	154.601.048	159.917.167	189.152.946	254.128.906	-	-	-	757.800.067
4 year later	159.136.713	168.097.784	197.428.136	-	-	-	-	524.662.633
5 year later	165.561.758	173.839.175	-	-	-	-	-	339.400.933
6 year later	169.662.722	-	-	-	-	-	-	169.662.722
Total gross incurred claims	169.662.722	173.839.175	197.428.136	254.128.906	355.044.564	625.731.202	780.952.935	2.556.787.640
Total payments made up to today	152.195.199	153.858.505	174.987.061	221.199.057	305.445.885	510.557.806	595.355.618	2.113.599.131
Total provision in financial statements	17.467.523	19.980.670	22.441.075	32.929.849	49.598.679	115.173.396	185.597.317	443.188.509
Gross outstanding claims reserves, lawsuit discounts and Exchange difference which is booked for prior of 2012	-	-	-	-	-	-	-	69.112.633
Gross IBNR amount booked as of December 2018	-	-	-	-	-	-	-	900.180.507
Outstanding claim provisions discount adjustment	-	-	-	-	-	-	-	(238.184.269)
Total net outstanding claim reserve amount stated in financial statements at the end of the year	-	-	-	-	-	-	-	1.174.297.380

17. Insurance Liabilities and Reinsurance Assets(continued)

Guarantees to be provided for life and non-life insurance branches and guarantees provided for life and non-life insurances based on assets:

	December 31, 2018			December 31 2017		
	To be provided (**)	Provided (*)	Book value	To be provided (**)	Provided (*)	Book value
Non-life:						
Financial assets (*)	177.702.783	190.000.000	197.860.479	160.577.584	161.000.000	178.209.562
Total	177.702.783	190.000.000	197.860.479	160.577.584	161.000.000	178.209.562

(*) In accordance with the article 6 of Communiqué regarding "The Financial Structure of Insurance, Reinsurance and Pension Companies", government bonds classified under financial assets are shown by using the daily prices published by CBRT as of December 31, 2017 and 2016.

(**) In accordance with the article 7 of Communiqué regarding "The Financial Structure of Insurance, Reinsurance and Pension Companies", insurance companies and pension companies operating in the life and personal accident branches have to provide their guarantees following the 2 months of capital adequacy calculation periods. In accordance with Communiqué regarding "The Financial Structure of Insurance, Reinsurance and Pension Companies" Companies send their capital adequacy table to T.C. Ministry of Treasury and Finance for the June and December periods within the 2 months period. .

Insurance guarantee amounts given by branches

	December 31, 2018	December 31, 2017
Third party liability for motor vehicles (MTPL)	6.448.916.992.943	7.611.492.350.404
Fire and Natural Disasters	1.380.955.285.902	1.108.046.329.789
General Losses	368.674.211.847	312.890.471.447
Health	257.346.380.535	152.664.627.754
Transportation	120.043.928.114	87.782.588.374
General Liability	51.455.910.649	50.250.339.676
Accident	47.672.322.194	45.429.135.883
Motor Vehicles	37.166.061.622	28.019.727.223
Legal Protection	31.220.998.407	31.116.781.054
Financial Losses	22.703.102.888	21.223.113.451
Aircraft	2.379.436.393	2.013.332.555
Water Craft	1.668.353.777	1.219.285.649
Water Craft Liability	930.890.589	800.037.420
Total	8.771.133.875.860	9.452.948.120.679

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

None.

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

None.

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

None.

Accrued subrogation and salvage income

As of December 31, 2018, the Company has subrogation and salvage income amounting to TL 48.626.571 (December 31, 2017: TL 27.529.281).

17. Insurance Liabilities and Reinsurance Assets(continued)

Deferred commission expenses

Hanging in the following periods of paid commissions to related intermediaries for premium production is capitalized under the "prepaid expenses" account. Prepaid expenses amounted TL 210.698.497 (December 31, 2017: TL 172.726.375) consist of deferred production commission amounted TL 185.071.189 (31 December 2017: TL 163.228.009), income accruals amounted TL 16.410.850 (December 31, 2017: None) and other prepaid expenses amounted TL 9.216.458 (31 December 2017: TL 9.498.366)

Movement of deferred production commissions as of December 31, 2018 and 2017 is as follows::

	December 31,2018	December 31,2017
Deferred production commissions at the beginning of the year	163.228.009	156.557.031
Commissions to intermediaries accrued during the period (Note 32)	344.703.580	302.250.433
Commissions recognized as expense during the period (Note 32)	(322.860.400)	(295.579.454)
Deferred production commissions at the end of the year	185.071.189	163.228.009

Individual pension

None.

18. Investment contract liabilities

None.

19. Trade and other payables and deferred income

	December 31,2018	December 31,2017
Payables from main operations	212.385.075	199.044.905
Income related to future months/years and expense accruals	96.611.221	87.900.155
Taxes and other similar liabilities to be paid and their provisions	30.558.290	58.645.471
Other payables	47.688.486	54.145.441
Dues to related parties	43.762	27.049
Total	387.286.834	399.763.021
Short-term liabilities	377.773.861	392.962.409
Medium and long-term liabilities	9.512.973	6.800.612
Total	387.286.834	399.763.021

With "Numbered 6111 Law to make change in Restructuring of Some Receivables and Social Insurance and General Health Insurance Law and Some Other Law and Delegated Legislations" dated February 25, 2011 and numbered 27857 came into force by issued in Official Gazette and dated August 27, 2012 and numbered 28038 issued in the Official Gazette "Regulation of Rules and Procedures Related with the Collection of Service Fees which is presented to Whom it may Concern due to the Traffic Accidents" and written premiums between the time period of Regulation numbered 2012/17 and all of the payable amount TL 30.070.844 (December 31, 2017 – TL 34.499.157) to be ceded to SSI for those premiums, is classified under short term liabilities as "Payables to Social Security Institution Related to Treatment Expenses".

As of December 31, 2018 and 2017 other payables consist of premiums to be ceded to SSI related with treatment costs and payments to make for external benefit and services..

Income related to future months and expense accruals consist of deferred commission income (Note 10) amounting to TL 94.018.857 (31 December 2017: TL 80.803.817) and other expense accruals amounted to TL 2.592.364 (31 December 2017: TL 7.096.338).

19. Trade and other payables and deferred income(continued)

Details of Company's payables from main operations account as of December 31, 2018 and 2017 is as follows:

	December 31, 2018	December 31, 2017
Payables to reinsurance firms (Note 10)	156.761.578	42.720.509
Payables to agency and insurance companies	31.263.832	131.842.963
Rediscount on payables to reinsurance firms (Note 10)	(3.553.398)	(2.260.502)
Total payables from insurance operations	184.472.012	172.302.970
Other payables from main operations	27.913.063	26.741.935
Payables from main operations	212.385.075	199.044.905

As of December 31, 2018 and December 31, 2017, receivables from other main operations consist of receivables to authorized services and suppliers.

Corporate tax provision and taxes to be paid are detailed below:

	December 31, 2018	December 31, 2017
Prepaid taxes	94.326.317	56.738.521
Provision of calculated corporate tax	(93.861.576)	(72.258.569)
Current period tax asset / (liability), net	464.741	(15.520.048)

20. Financial Liabilities

As of 31 December 2018 and 31 December 2017 financial liabilities are as follows:

	31 December 2018	31 December 2017
Expense accruals	75.542.202	-
	75.542.202	-

As of 31 December 2018, due to forward foreign currency contracts the Company has depreciation balance under their other financial liabilities account. The Company recognizes derivative transactions in accordance with TAS 39 - Financial Instruments: Accounting and Measurement. Derivative transactions are measured at their fair values in the periods following their recognition. Derivative transactions are presented at "Revenue Accruals" or "Other financial liabilities" whether the fair value is positive or negative. Changes in the fair value of the related derivative financial instruments are recognized in the income statement.

21. Deferred Tax

Items that resulted in deferred tax assets and liabilities as of December 31, 2018 and December 31, 2017 are as follows:

	December 31, 2018	December 31, 2017
Impairment provision expenses for receivables from main operations	1.246.034	1.381.063
Equilization reserve	6.354.136	4.752.601
Provision for retirement pay and unused vacation	1.117.755	817.811
Unexpired risk reserve	13.015	38.364
Provision for business cases	202.942	144.323
Provision for sales commission	39.653	24.902
Difference between local Tax Legislation and Reporting Standards for tangible and intangible fixed assets	(1.032.704)	(805.032)
Financial items valuation differences - rediscounts	12.039.130	54.507
Bonus provision	950.400	1.008.000
Sliding scale commission provision	2.719.743	1.954.254
Other	700.637	1.558.919
Deferred tax asset, net	24.350.741	10.929.712

Since the corporate tax rate of 22% is entered into force with the Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation", in deferred tax calculations, the rate of 22% is used for temporary differences that would be recovered in 2018, 2019 and 2020 and the rate of 20% is used for the portion exceeding three years in December 31, 2018 financial statements.

As of December 31, 2018 and December 31, 2017, the Company has no unused financial losses.

The movement of deferred tax assets during the period is as follows:

	December 31, 2018	December 31, 2017
Beginning of the period - 1 January	10.929.712	8.370.776
Deferred tax income, net (Note 35)	13.369.372	2.568.961
Deferred tax income / (loss) shown under equity	51.657	(10.025)
End of the period	24.350.741	10.929.712

22. Retirement social aid liabilities

None.

23. Provision for Other Liabilities and Expense

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

	December 31, 2018	December 31, 2017
Short-term employee rights premium provisions	4.320.000	5.040.000
Business case provisions	922.464	721.617
Allowance for cost expenses	5.242.464	5.761.617
Provisions for employee termination benefits	2.016.034	1.889.697
Unused vacation provision	3.064.669	2.199.357
Total provisions for other risks	10.323.167	9.850.671

The movement of provision for employment termination benefits during the period is as follows:

	December 31, 2018	December 31, 2017
Provision for employment termination benefit at the beginning of the period	1.889.697	1.709.776
Payments during the period	(961.687)	(945.719)
Provision booked during the period	853.220	1.175.766
Actuarial loss	234.804	(50.126)
Provision for employment termination benefit at the end of the year	2.016.034	1.889.697

Movement of unused vacation provision in the period is as follows:

	December 31, 2018	December 31, 2017
Unused vacation provision at the beginning of the period	2.199.357	1.708.300
Payments during the period	(237.749)	(251.885)
Provision booked during the period	1.103.061	742.942
Unused vacation provision at the end of the year	3.064.669	2.199.357

Movement of business cases provision in the period is as follows:

	December 31, 2018	December 31, 2017
Business case provisions at the beginning of the year	721.617	585.536
Payments during the period	(199.888)	(79.503)
Provision amount booked/(cancelled) during the period	400.735	215.584
Business case provision at the end of the year	922.464	721.617

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

	31 December 2018	31 December 2017
Payables to suppliers	8.879.642	7.082.084
Other payables	43.781	6.313.264
Total	8.923.423	13.395.348

24. Net Insurance Premium

January 1 – December 31, 2018	Motor vehicles	Motor vehicles liability	Fire and natural disasters	General losses	Transportation	Accident	Other	Total
Premiums received	561.904.008	1.250.121.082	279.504.210	208.330.917	31.699.149	11.055.766	166.555.811	2.509.170.943
Premiums transferred to the reinsurance	(2.553.636)	(379.715.136)	(240.552.990)	(176.280.101)	(19.035.282)	(2.324.550)	(56.685.200)	(877.146.895)
Premiums transferred to the SSI	-	(108.893.493)	-	-	-	(208.832)	-	(109.102.325)
Total	559.350.372	761.512.453	38.951.220	32.050.816	12.663.867	8.522.384	109.870.611	1.522.921.723

1 January - 31 December 2018	Motor vehicles	Motor vehicles liability	Fire and natural disasters	General losses	Transportation	Accident	Other	Total
Premiums received	466.082.804	1.230.130.376	214.084.378	197.207.135	25.561.581	11.569.950	119.391.149	2.264.027.373
Premiums transferred to the reinsurance	(1.913.582)	(225.259.103)	(178.140.829)	(162.419.952)	(15.844.776)	(1.989.136)	(41.982.383)	(627.549.761)
Premiums transferred to the SSI	-	(114.190.583)	-	-	-	(181.233)	-	(114.371.816)
Total	464.169.222	890.680.690	35.943.549	34.787.183	9.716.805	9.399.581	77.408.766	1.522.105.796

25. Fee Income

None.

26. Investment Income/(Expense)

Investment income is presented in "Note 4.2 – Financial Risk Management" above

As of December 31, 2018, the Company's insurance transaction tax is TL 12.703.322 (December 31, 2017: TL 14.430.850).

27. Net income accrual on financial assets

Shown in the "Financial risk management" note (Note 4.2) above.

28. Assets that their fair value differences reflected to the profit or loss

Shown in the "Financial risk management" note (Note 4.2) above.

29. Insurance rights and demands

	December 31, 2018	December 31, 2017
Claims paid as deducted reinsurers' share	(926.852.322)	(787.079.060)
Change in unearned premium reserve, as deducted reinsurers' and SSI share	(27.699.437)	166.557.519
Change in outstanding claims reserve, as deducted reinsurers' share	(273.794.073)	(435.455.866)
Change in equalization reserve as deducted reinsurers' share	(5.262.170)	(4.700.502)
Change in unexpired risks reserve as deducted reinsurers' share	132.660	(44.629)
Total	(1.233.475.340)	(1.060.722.538)

30. Investment agreement rights

None.

31. Mandatory other expenses

Grouping of expenses based on the characteristics and functions in the Company is presented in Note 32 below.

32. Expense by nature

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

	December 31, 2018	December 31, 2017
Commission expenses (Note 17)	(322.860.400)	(295.579.454)
Intermediary commissions accrued during the period (Note 17)	(344.703.580)	(302.250.433)
Change in deferred production commissions(*) (Note 17)	21.843.180	6.670.979
Employee benefits expenses (Note 33)	(81.480.232)	(67.441.815)
Commission income earned from reinsurers (Note 10)	142.374.797	88.160.509
Accrued commission income from reinsurers during the period (Note 10)	155.589.837	130.999.769
Change in deferred commission income (*) (Note 10)	(13.215.040)	(42.839.260)
Rent expenses	(6.854.112)	(5.007.905)
Management and service expenses	(3.320.403)	(2.725.683)
IT expenses	(7.158.646)	(5.580.545)
Vehicle expenses	(4.213.367)	(2.926.023)
Marketing and sales expenses	(16.796.095)	(8.602.449)
Communication expenses	(1.111.162)	(890.816)
Travel expenses	(769.960)	(936.025)
Taxes, duties and fees	(377.193)	(430.652)
Printed matters and Office supplies expenses	(1.356.669)	(956.236)
Mail and cargo expenses	(378.982)	(338.183)
Consulting expenses	(3.136.740)	(964.935)
Bank charges expense	(429.946)	(421.510)
Total	(307.869.110)	(304.641.722)

33. Employee benefit expenses

The details of employee benefits expenses for the period ended December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Salary and wages	(54.662.372)	(43.889.184)
Other vested benefits	(12.197.999)	(9.669.333)
Bonus, premium and commission	(6.253.352)	(6.993.611)
Employer's share of social security premium	(8.366.509)	(6.889.687)
Total	(81.480.232)	(67.441.815)

34. Financial costs

All financial costs for the period are shown in the note "Financial risk management" above (Note 4.2). There is no financial allowance for the cost of production or the cost of fixed assets.

35. Income taxes

Items composing the income tax expenses stated in the financial statements are as follows:

	December 31, 2018	December 31, 2017
Corporate tax liability:		
Calculated corporate tax provision	(93.861.576)	(72.258.569)
Deferred tax:		
Deferred tax income/(loss) (Note 21)	13.558.982	2.558.936
Total	(80.302.594)	(69.699.633)

As of December 31, 2018 and 2017 confirmation of Company's operational profit before taxes arised in Company's financial statements and Company's actual income tax provision calculated via active tax rate are detailed in the table below :

	December 31, 2018		December 31, 2017	
		Tax Rate (%)		Tax Rate (%)
Profit before tax	368.269.894		348.019.374	
Income tax provision by legal tax rate	(81.019.377)	(22,00)	(69.603.875)	(20,00)
Non-deductible expenses	(119.997)	(0,03)	(101.773)	(0,03)
Effect of the changing tax rate	528.783	0,14	-	-
Other	307.997	0,08	6.015	(0,04)
Total income tax income/(expense)	(80.302.594)	(21,81)	(69.699.633)	(19,98)

36. Net foreign exchange gains

Shown in the "Financial risk management" note (Note 4.2) above.

37. Earnings per share

Earnings per share is calculated by dividing net profit of the Company by the weighted average number of shares.

	December 31, 2018	December 31, 2017
Profit as of accounting period	287.777.690	278.329.766
Weighted avarage number of stocks	19.000.000.000	19.000.000.000
Earnings per share (TL)	0,015	0,0146

38. Dividends per share

General Assembly Meeting took place on March 26, 2018,it was decided to transfer the net profit of the Company from the operations of financial year 2017 operations to the profit reserves.

39. Cash generated from operations

Cash flows from operating activities are disclosed in the statement of cash flows.

40. Equity share convertible bonds

None.

41. Cash convertible privileged equity shares:

None.

42. Risks

During the ordinary operations Company faces many legal conflicts, cases and claims for damages mainly from insurance operations. These cases are reflected to financial statements by providing necessary provisions in allowance for cost expenses and outstanding claims reserve.

As of December 31, 2018 total amount of all cases against the Company is TL 232.895.677 (December 31, 2017 – TL 220.376.583) on the other hand possible responsibility amount that Company is obliged to pay if the case concludes against the Company including the opened cases and execution proceedings made is TL 550.656.857. Company considered the related provision amount TL 550.656.857 (December 31, 2017 – TL 409.908.142) against the Company in the related provision accounts in accompanying financial statements

As of December 31, 2018, if all the cases that Company sues concludes in favor of the Company, gross amount of TL 124.587.873 (December 31, 2017 - TL 90.104.903) subrogation collection is expected and considering the reinsurer shares by providing income accrual amounted TL 92.661.885 (December 31, 2017 – TL 64.424.791) (Note 12) with the same amount receivable provision is reflected to bookings. For the cases Company has opened for its doubtful receivables from agencies, total amount of TL (8.450.867) (December 31, 2017 – TL (4.904.512)) (Note 12) provision is booked. At the same time for the business cases against the Company amounted TL (922.464) (December 31, 2017 – TL (721.617)) (Note 23) provision is booked.

43. Commitments

The details of the guarantees given in the non-life insurance branches in accordance with the Company's activities are given in Note 17.

As part of operational lease total minimum rent payment amounts to be paid for the real estates which is rented for the usage of head office and region offices and rent vehicles assigned to sales team is as follows:

TL commitments	December 31, 2018	December 31, 2017
Less than 1 year	5.396.050	300.500
More than a year less, than five years	16.153.601	180.600
Sum of minimum rent payments to be paid	21.549.651	481.100
USD Dollar commitments	December 31, 2018	December 31, 2017
Less than 1 year	-	964.620
More than a year, less than five years	-	556.500
Sum of minimum rent payments to be paid	-	1.521.120

44. Business merges

None.

45. Related party transactions

Sompo Japan Nipponkoa Insurance Inc. And the groups to which they are affiliated and the associates and subsidiaries of these groups are defined as related parties for these financial statements.

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

	December 31, 2018	December 31, 2017
Sompo Japan Nipponkoa Insurance Inc.	43.577	50.022
Receivables from related parties	43.577	50.022
	December 31, 2018	December 31, 2017
Sompo Japan Nipponkoa Insurance Company of Europe	(67.869)	(455.833)
Sompo Japan Nipponkoa Insurance Company of Europe Germany Branch	47.455	(67.818)
Sompo Japan Nipponkoa Insurance Inc.	(5.707.198)	(5.789.764)
Canopus Managing Limited	(13.996)	(11.727)
Payables from insurance operations	(5.741.608)	(6.325.142)

45. Related party transactions(continued)

Transactions with related parties for the periods ended at December 31, 2018 and December 31, 2017 are as follows:

	December 31, 2018	December 31, 2017
Sompo Japan Nipponkoa Insurance Company of Europe	(183.983)	(126.471)
Sompo Japan Nipponkoa Insurance Company of Europe Germany Branch	68.693	52.744
Sompo Japan Nipponkoa Insurance Inc.	14.713.238	14.033.105
Canopus Managing Limited	1.974	-
Commissions taken	14.599.922	13.959.378
	December 31, 2018	December 31, 2017
Sompo Japan Nipponkoa Insurance Company of Europe	922.733	78.900
Sompo Japan Nipponkoa Insurance Company of Europe Germany Branch	298.039	215.550
Sompo Japan Nipponkoa Insurance	36.260.242	35.398.667
Canopus Managing Limited	7.904	-
Ceded premium	37.488.918	35.693.117
	December 31, 2018	December 31, 2017
Sompo Japan Nipponkoa Insurance Company of Europe	436.118	410.157
Sompo Japan Nipponkoa Insurance Company of Europe Germany Branch	143.897	29.709
Sompo Japan Nipponkoa Insurance Inc.	17.577.457	15.801.254
Canopus Managing Limited	-	679.912
Claims paid	18.157.472	16.921.032
	December 31, 2018	December 31, 2017
Sompo Japan Nipponkoa Insurance Inc.	21.836	23.996
Non-operating income	21.836	23.996

No guarantees have been taken against receivables from related parties.

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

There are not any liabilities like warranty, commitment, bail, advance and endorsement on behalf of shareholders, subsidiaries and associations..

46. Events occurred after reporting date

None.

47. Other

47.1 Details of “Other” items in the balance sheet which exceed 20% of its respective account group of 5% of total assets:

Amount of “Other Miscellaneous Receivables” which is classified under “Other Receivables” is TL 2.274 (December 31, 2017 – TL 592.209), it consists of TCIP’s (Turkish Catastrophe Insurance Pool) current balance and adjustment of reverse balances.

47.2 Due from and due to personnel classified in “Other receivables” and “Other short-term or long-term payables” that exceed 1% of total assets:

None.

47.3 Receivables from salvage and subrogation followed under off-balance sheet items:

None.

47.4 Income and expenses related to prior periods and the amounts and sources of expenses and losses”

None.

Possessed real rights on properties and their values

None.

47.5 Other information that has been obliged to present by Republic of Turkey Ministry of Treasury and Finance

Provision and rediscount income/expenses of the period

a) Provision Expenses

The details of rediscount and provision expenses for the periods ended December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Impairment provision expenses booked for receivables from main operations, net	(31.407.721)	(20.246.452)
Unused vacation provision expenses	(865.312)	(491.057)
Retirement pay provision expenses	(853.220)	(230.047)
Business cases provision (expense)/cancellation	(200.847)	(136.081)
Provisions account	(33.327.100)	(21.103.637)

	December 31, 2018	December 31, 2017
Rediscounts interests income / (expenses)	(10.175.218)	(3.495.158)
Rediscount account	(10.175.218)	(3.495.158)

	December 31, 2018	December 31, 2017
Unearned premium provisions	27.699.437	(166.557.519)
Outstanding claim reserve	(273.794.073)	(435.455.866)
Unexpired risk reserve	132.660	(44.629)
Equalization reserve	(5.262.170)	(4.700.502)
Technical Provisions	(251.224.144)	(606.758.516)

47. Other(continued)

b) Other Expenses and Losses

	December 31, 2018	December 31, 2017
Non-deductible expenses (-)	(545.439)	(508.865)
Other expenses and losses (-)	(26.900)	(4.415)
Other expenses and losses (-)	(572.339)	(513.280)

c) Other Income and Profits

	December 31, 2018	December 31, 2017
Late charge income	893.987	1.621.063
Other income and profits	893.987	1.621.063

d) Other Long-term deferred incomeer prepaid Income

	December 31, 2018	December 31, 2017
Commission income	285.714	-
Prepaid income	285.714	-

e) Other technical expenses

	December 31, 2018	December 31, 2017
Assistance service expenses	(34.668.572)	(33.296.377)
Other technical expenses	(7.829.710)	(9.902.715)
Other technical expenses	(42.498.282)	(43.199.092)

47. Other(continued)

47.6. Statement of profit distribution

	Note	Current Period December 31, 2018	Prior Period December 31, 2017
1.DISTRIBUTION OF PROFIT FOR THE PERIOD			
1.1. PROFIT FOR THE PERIOD		368.269.894	348.019.374
1.2. TAXES PAYABLE AND LEGAL LIABILITIES		(80.492.204)	(69.689.608)
1.2.1. Corporate tax (Income Tax)		(93.861.576)	(72.258.569)
1.2.2. Income Tax Deduction			-
1.2.3. Other Tax and Legal Liabilities		13.369.372	2.568.961
A NET PROFIT FOR THE PERIOD (1.1 – 1.2)		287.777.690	278.329.766
1.3. PREVIOUS YEARS' LOSSES (-)			-
1.4. FIRST LEGAL RESERVE		13.916.489	7.101.096
1.5. LEGAL RESERVES KEPT IN THE COMPANY (-)		-	-
B NET DISTRIBUTABLE PROFIT FOR THE PERIOD [(A - (1.3 + 1.4 + 1.5)]		273.861.201	271.228.670
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. DIVIDEND TO EMPLOYEES (-)		-	-
1.8. DIVIDEND TO BOARD OF DIRECTORS (-)		-	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
1.9.1. To Common Shareholders		-	-
1.9.2. To Preferred Shareholders		-	-
1.9.3. To Owners of Participating Redeemed Shares		-	-
1.9.4. To Owners Of Profit-sharing Securities		-	-
1.9.5. To Owners Of Profit And Loss Sharing Securities		-	-
1.10. SECOND LEGAL RESERVE (-)		-	6.815.393
1.11. STATUTORY RESERVE (-)		-	-
1.12. EXTRAORDINARY RESERVES		-	264.413.277
1.13. OTHER RESERVES		-	-
1.14. SPECIAL FUNDS		-	-
II. DISTRIBUTION FROM RESERVES		-	-
2.1. DISTRIBUTED RESERVES		-	-
2.2. SECOND LEGAL RESERVE (-)		-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1. To Common Shareholders		-	-
2.3.2. To Preferred Shareholders		-	-
2.3.3. To Owners of Participating Redeemed Shares		-	-
2.3.4. To Owners Of Profit-sharing Securities		-	-
2.3.5. To Owners Of Profit And Loss Sharing Securities		-	-
2.4. DIVIDENDS TO EMPLOYEES (-)		-	-
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. DIVIDEND PER SHARE		-	-
4.1. TO COMMON SHAREHOLDERS		-	-
4.2. TO COMMON SHAREHOLDERS (%)		-	-
4.3. TO PREFERRED SHAREHOLDERS		-	-
4.4. TO PREFERRED SHAREHOLDERS (%)		-	-

General Assembly Meeting took place on March 26, 2018 Company's net profit for the period from the operations of financial year 2017 is decided to transfer to the profit reserves. Authorized member for profit distribution is General Assembly and as of financial statements date General Assembly meeting did not take place yet. Since profit distribution proposal for financial year 2018 is not yet prepared by Board of Directors, in 2018 profit distribution table only distributable net income for the period is stated.