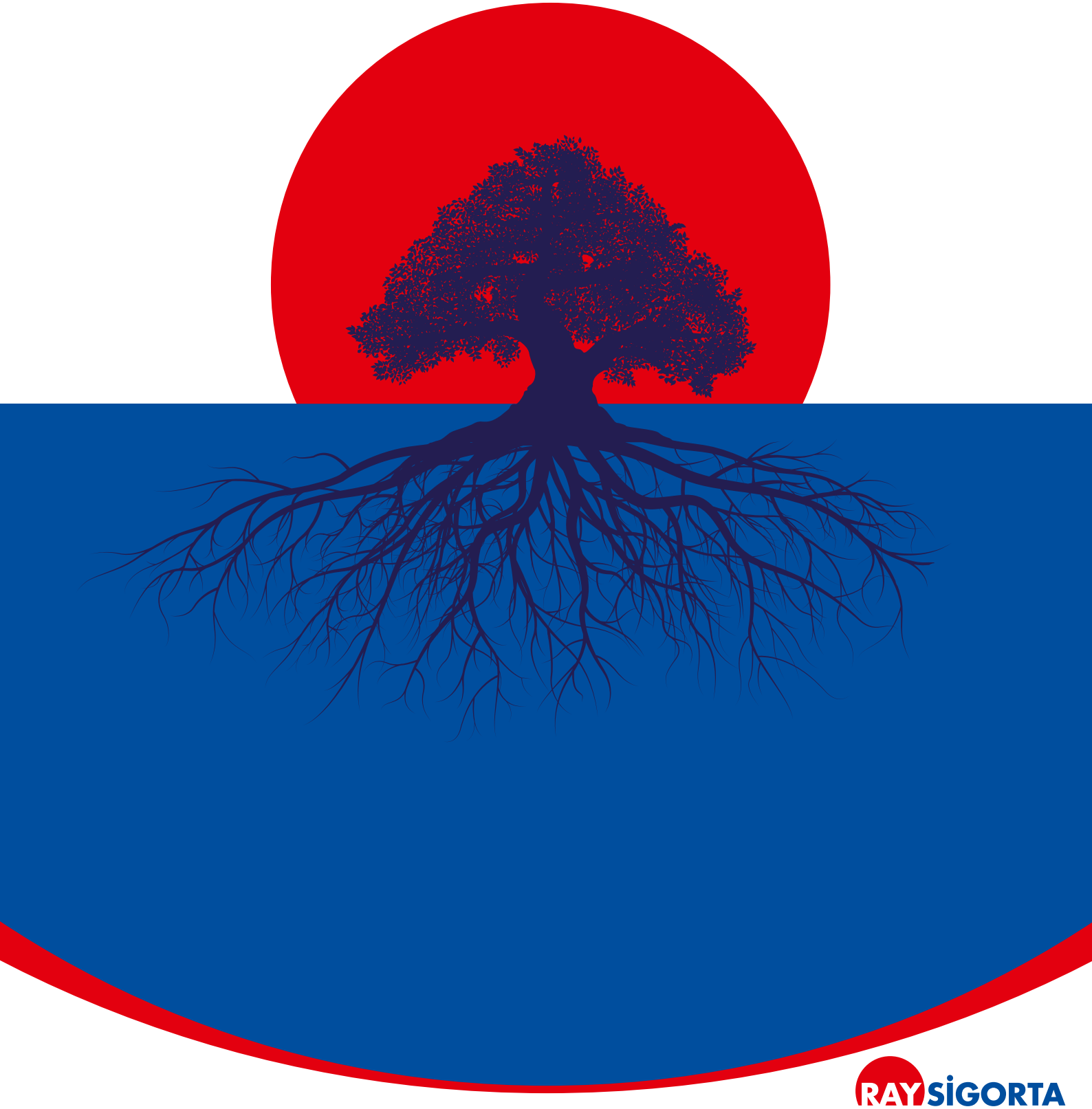
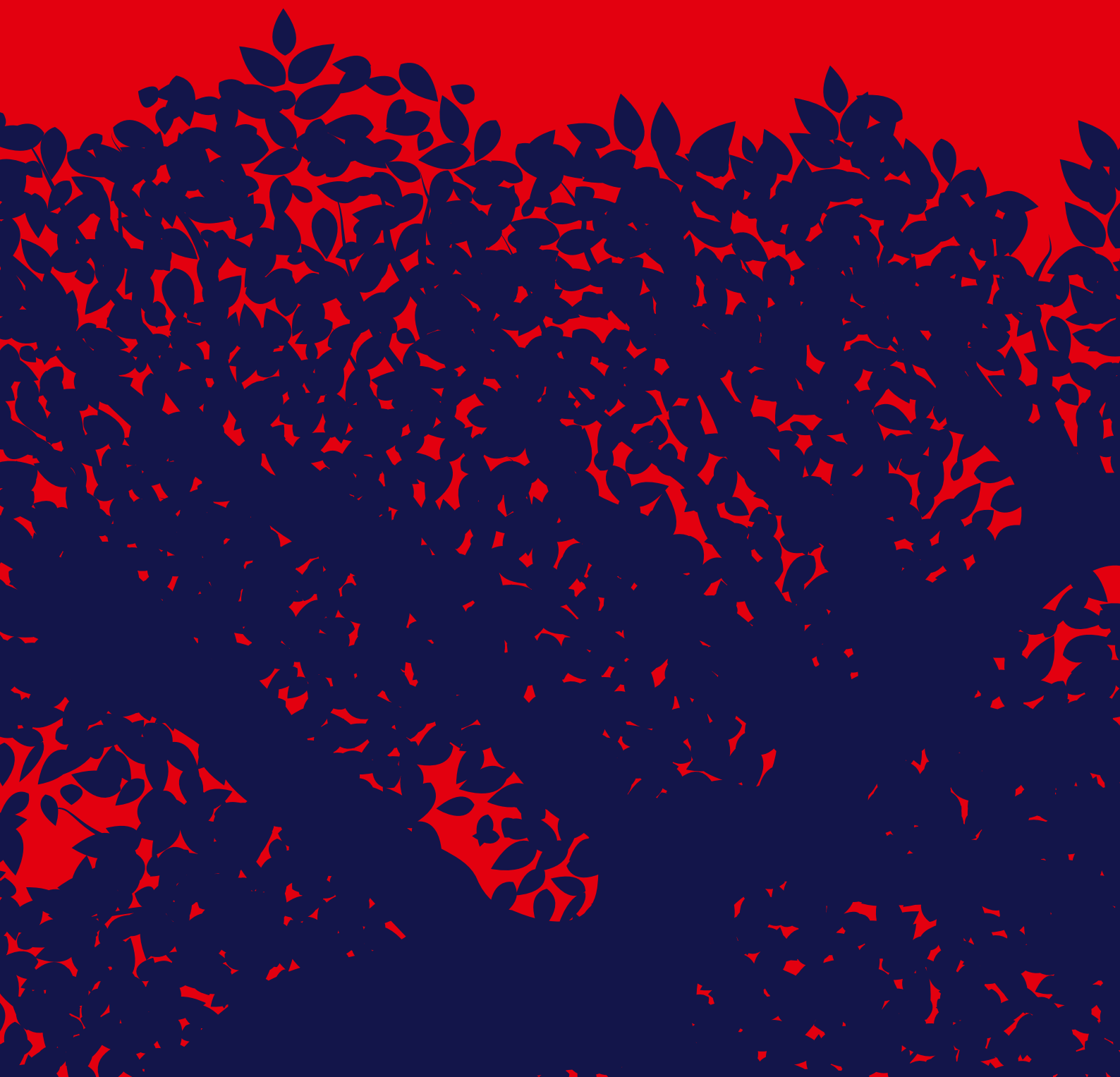
2018 ANNUAL REPORT



RAY SİGORTA
VIENNA INSURANCE GROUP

ANNUAL REPORT
THE PERIOD OF
JANUARY 1, 2018
DECEMBER 31, 2018

2018



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CORPORATE PROFILE

Having left behind a past of 60 years in insurance industry, Ray Sigorta, through a premium production of TL 906,193,305 in 2018, ranked as the 18th among non-life insurance companies with a market share of 1.9%.

As of the end of 2018, Ray Sigorta is manned by 261 employees in 8 Regional Directorates and 1 Call Center.

In 2018, it is supported by 1,138 agencies, 50 ABank branches, 72 Fibabank branches, 80 brokers and 4 leasing companies. Further with 968 contracted automobile service stations, 514 glazier shops and 2,980 contracted healthcare institutions, Ray Sigorta is successfully maintaining its value creating company vision in its industry.

GENERAL INFORMATION ABOUT RAY SİGORTA

Company Name:
Ray Sigorta Anonim Şirketi

Trade Registry Number:
297257

Mersis Number:
0734 – 0039 – 7980 – 0033

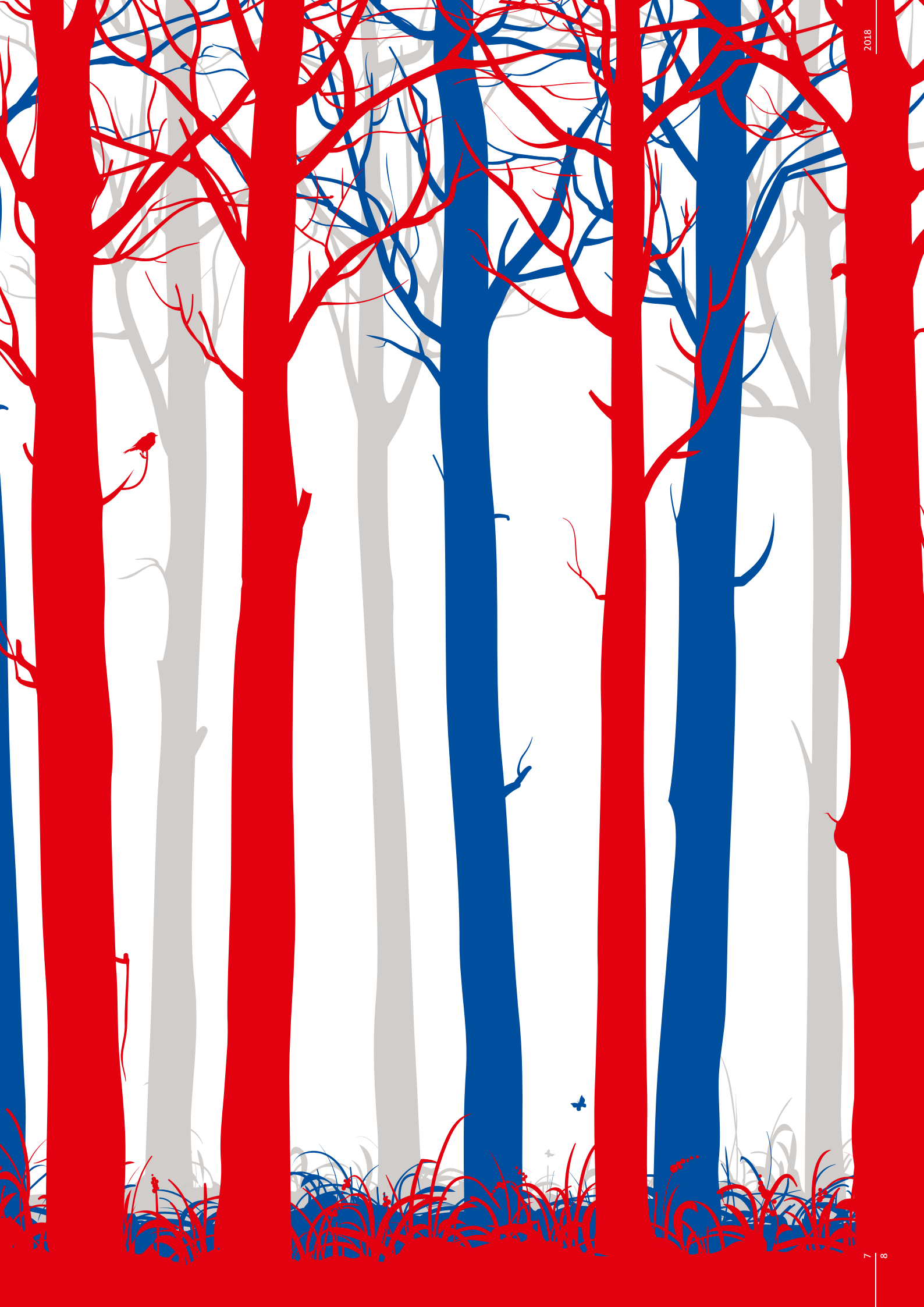
Electronic Mail Address:
info@raysigorta.com.tr

Web Address:
www.raysigorta.com.tr

Registered Electronic Mail Address (KEP):
raysigorta@hs03.kep.tr

Address of Registered Offices:
Cumhuriyet Mahallesi
Haydar Aliyev Caddesi No: 28 34457 Sarıyer/İstanbul

T. 0 212 363 25 00
F. 0 212 299 48 49



MANIFESTO

The seeds of trust are sown and planted in this land 60 years ago.
At the first moment we bushed out, we were only a small sapling.

Yet we grew up and up by years.
And we tightly and firmly held on to this land where we were born.
Our roots hugged and dug down deep.
So that everyone seeking trust may take a deep breath of fresh air,
We sprouted at steep and sheer slopes, and
Confronted and stood up against blustering winds.

And we harbored in our shadow in sunny days,
And in our trunk in stormy and rough weather.

Then, seasons changed.
Years passed by.
As long as sun embraced and received us with open arms, our skyward growth never stopped.
Both our branches and our roots are ever-grown unceasingly.
We produced fruits.
We dropped our leaves.
But each dropping leaf is immediately replaced by a new one,
And each broken branch is superseded by a stronger one.

We, as Ray Sigorta, always continued to a brand name of this land.
And we are deep-rooted as a brand of trust all over our country.

And this is exactly what is expected from us as a company of trust born and deep-rooted in this land.

REGIONAL DIRECTORATES BRANCH OFFICES:

Istanbul Anatolian Side Regional Directorate
Merdivenköy Mah. Yumurtacı Abidibey Cad.
Nur Sokak No: 1 A Blok Kat: 10
Ofis No: 94-95 İç Kapı No: 1004-1005
34734 Kadıköy/İstanbul
T. 0216 411 16 06
F. 0216 411 16 19

Istanbul European Side Regional Directorate
Yeşilköy Mah. Atatürk Cad.
Egs Business Park Blokları
No: 12 B/1 Blok No: 323-324
34149 Bakırköy/İstanbul
T. 0212 465 40 45
F. 0212 465 04 75

Ankara Regional Directorate
Beştepe Mah. Yaşam Cad. Adalet Sokak
Neorama İş Merkezi
No: 13/A Kat: 4 D: 11-12-14-15-16
Söğütözü 06510 Yenimahalle/Ankara
T. 0312 428 50 00
F. 0312 428 50 49

Central Anatolia Regional Directorate
Beştepe Mah. Yaşam Cad. Adalet Sokak
Neorama İş Merkezi
No: 13/A Kat: 4 D: 11-12-14-15-16
Söğütözü 06510 Yenimahalle/Ankara
T. 0312 428 50 00
F. 0312 428 50 49

İzmir (Aegean) Regional Directorate
Akdeniz Mah. Halit Ziya Bulvarı
No: 72 Taner İşhanı A Blok Kat: 2 D: 207
Çankaya 35210 Konak/İzmir
T. 0232 483 72 46
F. 0232 489 86 05

Bursa (Marmara) Regional Directorate
Konak Mah. Lefkoşe Cad. NM Ofis Park A-Blok
Kat: 3 No: 34-36
16110 Nilüfer/Bursa
T. 0224 211 28 27
F. 0224 211 28 37

Adana (Southeastern Anatolia) Regional Directorate
Cemalpaşa Mah. Atatürk Cad. Sapmaz İş Merkezi
No: 48 D: 10-11
1120 Seyhan/Adana
T. 0322 457 06 83
F. 0322 454 77 61

Antalya (Mediterranean) Regional Directorate
Deniz Mah. Konyaaltı Cad. Antmarin İş Merkezi
No: 24 Kat: 6 07050 Konyaaltı/Antalya
T. 0242 247 20 25
F. 0242 247 39 59

OUR VISION

To be a preferred insurance company in Turkey via sustainable and profitable growth and to be ranked among the first 6 in Turkey and one of the big core companies in VIG.

OUR MISSION

To rank in the top 6 in non-life insurance segment as the best insurance company for its customers, business partners, stakeholders, employees and particularly its distribution channels.

OUR VALUES

We are ...

A family,

Honest,

Respectful to ethical values,

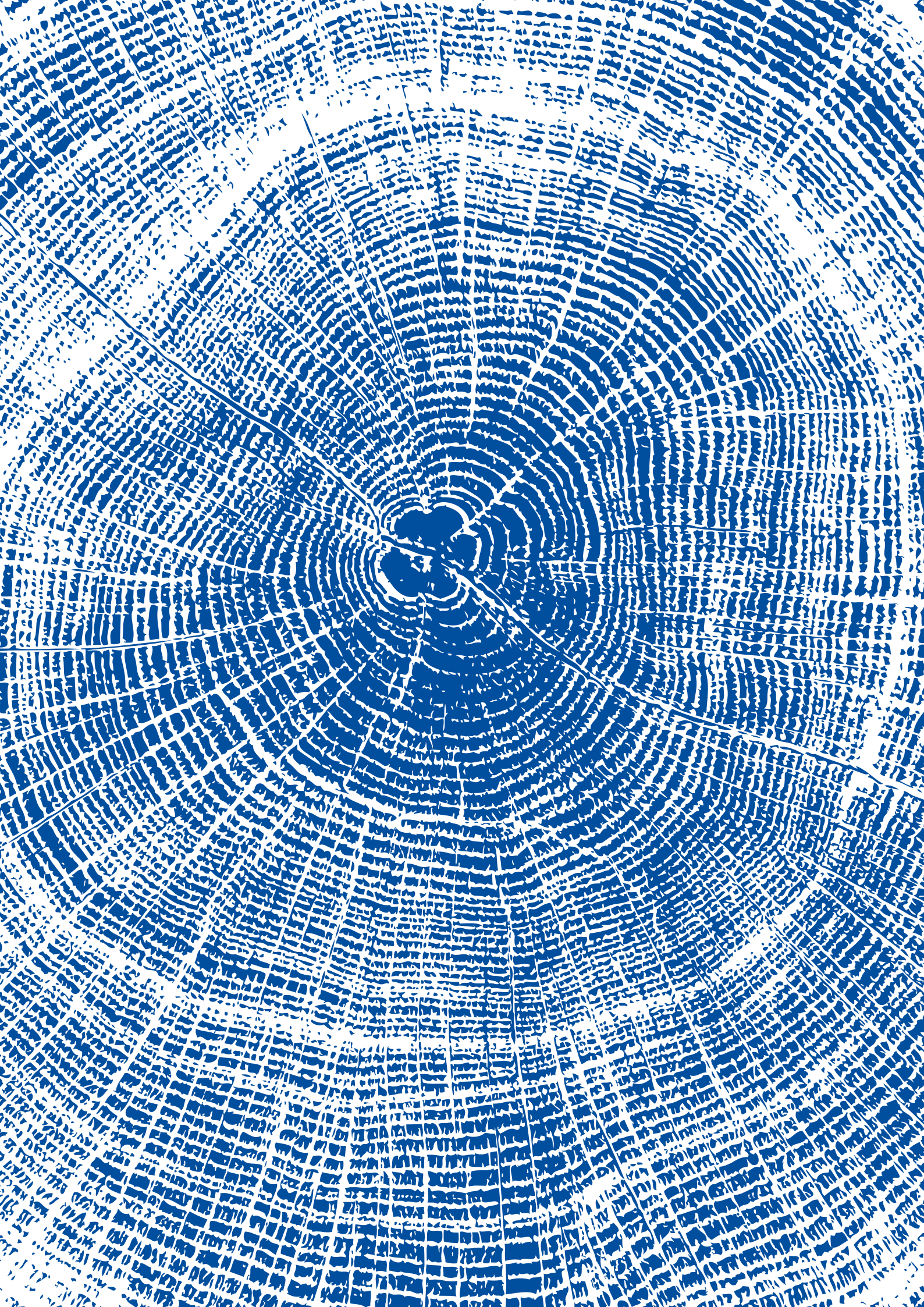
Fair,

Transparent and participative,

Strong together,

Creative and productive,

With our focus on human value.



FROM PAST TO PRESENT

1958 Founded as an initiative of national transportation companies (Turkish Airlines, Turkish Maritime Lines, State Railways, PTT).

1992 Privatized and sold to Doğan Holding.

1997 Listed in Istanbul Stock Exchange.

2007 74.26% of its capital is acquired by TBIH Financial Services Group, an affiliate of VIG.

2008 Ray Sigorta added Vienna Insurance Group to its logo.

2009 The Company's partnership structure is designed as 84.26% held by VIG, 10% by Doğan Group, and 5.74% floating shares by more than 4,000 investors.

2011 Shareholdings are changed as 81.59% owned by TBIH Services Group N.V, 12.67% by Vienna Insurance Group (VIG) and 5.04% as public float.

2018 Its total premium production amounted to TL 906,193,305. Its market share among non-life insurance companies is increased to 1.9%. It ranked as the 18th among the non-life insurance companies. The Company announced an annual profit of TL 28,391,530.

STATEMENT OF LIABILITY

STATEMENT OF RESPONSIBILITY PURSUANT TO FINANCIAL REPORTS FOR THE PERIOD OF JANUARY 1, 2018 AND DECEMBER 31, 2018

RESOLUTION OF BOARD OF DIRECTORS ON APPROVAL OF FINANCIAL REPORTS
MEETING DATE: 28 / 02 / 2019
MEETING NO.: 1564
RESOLUTION NO.: 6293 ve 6294

We declare that we are responsible for the disclosed of,

• The Balance Sheets, Statement of Income, Statement of Cash Flows, Statement of Changes in Shareholders' Equity together with the prepared notes

• Annual Report

• Corporate Governance Compliance Report and Corporate Governance Information Form of Ray Sigorta A.Ş. for the period 01.01.2018 – 31.12.2018 , which have been prepared and audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., in accordance with the Capital Markets Board's Communiqué Series II No: 14-1, the Financial Reporting Standards published by Public Oversight Accounting and the insurance legislation,

a) Has been examined,

b) Within the framework of information available in so far as its duties and responsibilities; the financial statements and interim report do not contain any misrepresentation of the facts on major issues, or any omissions that may be construed as misleading as of the date of the disclosure,

c) Within the framework of information available in so far as its duties and responsibilities; The financial statements prepared in accordance with applicable financial reporting standards truthfully reflect the facts about the assets, liabilities, financial condition and profit and loss of the Company and also truthfully reflects, along with major risks and uncertainties that might be occurred, the progress and performance of the Company.

Yours sincerely,
RAY SİGORTA ANONİM ŞİRKETİ HEAD OFFICE

Kemal BOZYİĞİT
Audit Committee and Corporate Governance Committee Chairman

Yılmaz KORAP
Audit Committee Member

Koray ERDOĞAN
Board of Directors Member, General Manager

Derya ÖZTÜRK
Member of the Management Board, CFO Assistant General Manager

CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITOR'S REPORT RELATED TO ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the Shareholders of Ray Sigorta Anonim Şirketi

Opinion
We have audited the annual report of Ray Sigorta Anonim Şirketi (the "Company") for the period between 1 January 2018 and 31 December 2018, since we have audited the complete set financial statements for this period.
In our opinion, the financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent, in all material respects, with the audited complete set of financial statements and information obtained during the audit and provides a fair presentation.

Basis for Opinion
We conducted our audit in accordance with the Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA") and the insurance legislation. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Annual Report 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 in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the 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.

Auditor's Opinion on Complete Set of Financial Statements
We have expressed an unqualified opinion on the complete set of financial statements of the Company for the period between 1 January 2018 and 31 December 2018 on 28 February 2019.

Board of Directors' Responsibility for the Annual Report
In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC") and Regulation On Financial Structures Of Insurance, Reinsurance And Pension Companies ("the Communique") published in the Official Journal dated 7 August 2007 and No. 26606, the Company's management is responsible for the following regarding the annual report:

a) The Company's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.

b) The Company's management prepares its annual report in such a way that it reflects the operations of the year and the financial position of the Company accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Company's financial statements. The annual report shall also clearly indicates the details about the Company's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.

c) The annual report also includes the matters below:

- Significant events occurred in the Company after the reporting period,
- The Company's research and development activities.
- Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.

When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

Auditor's Responsibility for the Audit of the Annual Report
Our objective is to express an opinion on whether the financial information included in the annual report in accordance with the TCC and the Communiqué and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent with the audited financial statements of the Company and the information obtained during the audit and give a true and fair view and form a report that includes this opinion.

We conducted our audit in accordance with Standards on Auditing issued by POA and the insurance legislation. These standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent with the financial statements and the information obtained during the audit and provides a fair presentation.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative
Alper Güvenç, SMMM
Independent Auditor
February 28, 2019
Istanbul, Turkey

Dear Shareholders,

The year 2018, marked with unsteady growth and rising trade tensions, has been a vigorous year full of action and surprises in many aspects all over the world. We have so left behind another year which was by all means tough and difficult also in Turkey. In spite of negative reflections and effects of global events and developments on the Turkish economy, Ray Sigorta has succeeded to close the year 2018 by a growth rate higher than the sectoral average this year as well. According to statistical data published by the Insurance Association of Turkey, insurance sector providing a material support to national economy has recorded a growth of around 17% in comparison to the year 2017, with its total premium production in excess of 54.6 billion TL. This growth in insurance sector was again led by the non-life insurance branches with a production of 47.7 billion TL in total.

A review of 2018 yearly operating results of Ray Sigorta reveals that our Company is continuing to grow at a pace above the sectoral average in the last two years. Also in 2018, our Company has grown by 28.2%, and with a total premium production of TL 906,193,305, has succeeded to rise its market share to 1.9%. Besides growing at a pace above the sectoral average in terms of overall premium production, Ray Sigorta has also grown more than the average of the first ten players of the insurance sector in such individual branches as motor own damage, health, marine and general liability insurance.

Having completed its 60 years in the sector, Ray Sigorta is taking steps forward towards its healthy and sustainable growth objectives within the frame of its established vision and values. Thus, the assurance offered by insurance products against the changes of the world of our day has become more and more important. Ray Sigorta is further expanding its service network by addition of innovative products by correctly assessing the customer expectations of digital age, and already has the strength creating a difference in the marketplace with its past experience of long years.

In the name of Vienna Insurance Group Management and as the Chairman of the Board of Directors of Ray Sigorta, I would like to express my gratitude and thanks to our Ray Sigorta employees and agencies who have worked with determination and full of energy and have thus played a major role in completion of the last year with success in spite of all difficulties and challenges of the year 2018, and also to our policyholders and shareholders for the trust they have shown to our Company.

With my best regards,

Dr. Peter Thirring
Chairman of the Board of Directors

Dear Shareholders,

Insurance sector has left behind the year 2018 which was fairly challenging, difficult and vigorous. Under the effects of global reflections of geopolitical tensions continuing in the marketplaces, sudden and rapid fluctuations are observed in basic economic indicators, particularly in exchange and interest rates. In spite of indispensable effects of exchange rate fluctuations and inflationist impacts on the insurance sector, in 2018, total premium production in non-life branches reached 47.7 billion TL, which points out a growth of 20.2% in comparison to the past year. It is my sincere belief that we will overcome these tough times by taking prudent, but hopeful steps forward and by adopting new economic policies focused on sustainable and balanced growth.

In such a difficult year on the part of both the national economy and the insurance sector, we, as Ray Sigorta, succeeded in raising our market share to 1.9% with a total premium production of TL 906,193,305 at a growth rate again above the sector's average. On the basis of branches, the highest growth rate is recorded in health insurance branch with a rate of 75.6%, followed by marine insurance with a rate of 51.6%, general liability insurance with a rate of 46.6%, motor own damage insurance with a rate of 41%, traffic insurance with a rate of 34% and fire insurance with a rate of 13%.

In 2018, we have declared an overall profit of TL 28,391,530. These successful figures achieved as a result of our efforts which once again prove us that we are on the right path with our new strategy. Since the year 2016 declared as the year of change, our Company has so far maintained and will surely maintain in the future its sustainable profitability by increasing its growth rate and market share thanks to its positive operating results befitting to its history.

2018 was also a year of our efforts aimed at further developing our foreign trading relations and finding new investment and cooperation areas. Ray Sigorta affiliated itself to Foreign Economic Relations Board (DEIK), and to Turkey - Austria Business Council in DEIK. Thus, our Company will be capable of playing a more active role on such issues as increasing the foreign investments and developing the technological and commercial cooperation.

In the course of our transformation project initiated under our 2024 vision, we are taking firm steps towards our goals. However, in the quickly changing circumstances of our day, we should not only evaluate and assess our Company over its balance sheet figures, but also make our customers and shareholders feel that we are at all times besides them with our innovative products and services in order to create a distinguishing perception in their minds. We have revised and developed all our existing products by taking into consideration both the differentiating needs of consumers and the change of dynamics in our present marketplace. Thus, we managed to put our signature under projects making us different through brand new products in insurance sector which will surely add more value to lives of our customers. And we continued our strategic marketing communication activities in order to promote and introduce our trademark through all kinds of channels, also including social media. We are proud to witness our hard work by being selected as one of "Most Valuable 100 Trademarks of Turkey" with A+ trademark degree in 2018.

We are rapidly continuing our projects in digital field. Besides updating our internet website by using more practical and user-friendly software programs, we have also made it possible for our agencies, representing an important part of our sales strategy, to easily access to a lot of information such as training, campaigns, advertisements, etc. other than daily production, damage premiums, technical results and all policy renewals, through Ray Portal. Furthermore, we are also continuing to work on our mobile application specific to our customers, which is expected to create a great difference in service quality in general.

In 2018, as Ray Sigorta, we have increasingly continued our successful steps and improvement efforts applied towards correct and productive use of natural resources in tandem with our approach of liability towards the world and the community we are operating in. As a result, our Headquarters building is granted a "Green Office Certificate" by WWF, an international nature protection organization operating in more than 100 countries on the world.

With the strength created by our roots of 60 years and received from Vienna Insurance Group having a past experience of 190 years in insurance, we are going to continue to add new rings to our chain of achievements by offering insurance solutions focused on specific needs and demands of our customers and by adding value to our corporation. It is a fact that we are achieving success only if we work in close ranks towards our goals and objectives. I would like to express my gratitude and thanks to all our employees and distribution channels showing great efforts for achievement of our goals, and to our business partners representing our Company, and to our customers, shareholders and directors trusting in us.

Regards,

Koray Erdoğan
Member of Board of Directors and General Manager

SHAREHOLDING STRUCTURE

As of 31.12.2018, shareholding structure of Ray Sigorta A.Ş. is as follows:

Shareholders	Percentage of Shares	Number of Shares	Amount of Shares (TL)
ATBIH GmbH.(*)	81,59%	13.304.862.688	133.048.626.88
Vienna Insurance Group (Wiener Staedtische Versicherung AG)	12,67%	2.066.352.811	20.663.528.11
LVP Holding GmbH (*)	0,70%	114.573.400	1.145.734.00
Other (Publicly Traded) (**)	5,04%	821.196.701	8.211.967.01
TOTAL			**163.069.856.00**

(*) ATBIH GmbH and LVP Holding GmbH are affiliates of Vienna Insurance Group AG. Total share of VIG Group in the Company is 94.96%.

(**) All of the free floating shares are listed and traded in Borsa İstanbul A.Ş. (Istanbul Stock Exchange).

Our Company is within the Registered Capital System pursuant to and under the capital markets laws and regulations. For the years 2014 - 2018, we have taken permission from the Capital Markets Board for a Registered Capital Ceiling of TL 200,000,000.

As of 31.12.2018, there are no privileges granted to share certificates representing our capital. Neither the president and members of the Board of Directors, nor general manager and his assistants hold and own shares in the capital of our Company.

Capital Increase:
During 2018, the paid-in capital of our Company has not changed. Our Company has made its recent capital increase in 2011. At that time, our capital has been increased from TL 137,069,856 to TL 163,069,856 by an addition of TL 26,000,000 paid fully in cash.

SUMMARY FINANCIAL INFORMATION

SUMMARY FINANCIAL INDICATORS	2018	2017
Total Assets	926.672.507	735.353.658
Paid-in Capital	163.069.856	163.069.856
Shareholders' Equity	212.171.865	184.925.667
Premiums Written	906.193.305	706.217.663
Earned Premiums – Net	337.400.311	275.128.192
Claims Incurred – Net	-267.393.003	-218.317.243
Other Technical Revenues / Expenses – Net	-7.780.906	1.787.816
Operating Expenses	-79.147.919	-60.063.143
Change in Other Technical Reserves	-4.480.605	-2.270.839
Investment Income Transferred to Technical Part	44.721.557	29.418.740
Technical Part Balance (Technical Profit)	23.319.435	25.683.524
Net Profit / Loss	**28.391.530**	**21.277.863**

(Thousand TL)	Claims Incurred (Net)		Earned Premiums (Net)		Loss Ratio (Net)	
	2018	2017	2018	2017	2018	2017
FIRE	10,682	7,082	27,818	19,762	38.4%	35.8%
TCIP	0	0	0	0	0%	0%
MARINE	4,554	2,556	13,168	7,584	34.6%	33.7%
CASUALTY	229,805	195,073	273,178	228,104	84.1%	85.5%
ENGINEERING	11,785	10,603	13,682	13,621	86.1%	77.8%
AGRICULTURE	0	0	0	0	0%	0%
HEALTH	10,566	3,004	9,554	6,058	110.6%	49.6%
TOTAL	**267,393**	**218,317**	**337,400**	**275,128**	**79.3%**	**79.4%**

(Thousand TL)	Technical Part Balance Technical Profit		Technical Part / Underwritten Premiums	
	2018	2017	2018	2017
FIRE	16,299	8,913	9.9%	6%
TCIP	-607	-521	-3.3%	-3.8%
MARINE	8,618	6,185	22.7%	23.7%
CASUALTY	12,949	3,689	2.5%	1%
ENGINEERING	-1,056	7,398	-1%	7,4%
AGRICULTURE	-32	18	-0.1%	0.1%
HEALTH	-12,851	2	-34.3%	0%
TOTAL	**23,319**	**25,684**	**2.6%**	**3.6%**

(Thousand TL)	Premiums Written		Change %	Share %	
	2018	2017		2018	2017
FIRE	165,359	149,647	10.5%	18.2%	21.2%
TCIP	18,416	13,865	32.8%	2%	2%
MARINE	38,006	26,047	45.9%	4.2%	3.7%
CASUALTY	515,981	375,528	37.4%	56.9%	53.2%
ENGINEERING	104,500	99,522	5%	11.5%	14.1%
AGRICULTURE	26,453	20,271	30.5%	2.9%	2.9%
HEALTH	37,478	21,338	75.6%	4.1%	3%
TOTAL	**906,193**	**706,218**	**28.3%**	**100%**	**100%**

(Thousand TL)	Retention Premium		Change %	Retention Ratio %	
	2018	2017		2018	2017
FIRE	36,597	19,950	83.4%	22.1%	13.3%
TCIP	0	0	0%	0%	0%
MARINE	13,942	8,273	68.5%	36.7%	31.8%
CASUALTY	342,640	240,806	42.3%	66.4%	64.1%
ENGINEERING	15,136	13,708	10.4%	14.5%	13.8%
AGRICULTURE	0	0	0%	0%	0%
HEALTH	11,483	8,153	40.8%	30.6%	38.2%
TOTAL	**419,798**	**290,890**	**44.3%**	**46.3%**	**41.2%**

VIENNA INSURANCE GROUP COMPANY PROFILE

"We focus on providing our customers in Austria and CEE with custom products and services tailored to their needs. Our strategy is geared towards long-term profitability and steady earnings growth, making us a reliable partner in rapidly changing times."

Over 25,000 employees work for the Vienna Insurance Group (VIG), at around 50 companies in 25 countries. We develop insurance solutions in line with personal and local needs, which has made us one of the leaders in the insurance industry in Austria and Central and Eastern Europe (CEE).

EXPERTISE AND STABILITY

The Vienna Insurance Group is an international insurance group headquartered in the Austrian capital. After the fall of the Iron Curtain in 1989, VIG expanded rapidly from a purely Austrian business into an international group. VIG is synonymous with stability and expertise in providing financial protection against risks. The Group's origins date back to 1824. Almost two centuries of experience, coupled with a focus on our core competence of providing insurance coverage, forms a solid and secure basis for the Group's 20 million-plus customers.

FOCUS ON CENTRAL AND EASTERN EUROPE

Besides Austria, VIG places a clear emphasis on Central and Eastern Europe as its home market. The Group generates more than half of its premium income in CEE. VIG's operations are also focused on this region. This primarily reflects the forecasts for economic growth in CEE, which is predicted to be twice as high as in Western Europe, as well as the current level of insurance density, which is still well below the EU average.

LOCAL MARKET PRESENCE

For VIG, protecting customers financially against risk is a responsibility. The Group pursues a multi-brand strategy based on established local markets as well as local management. Ultimately, the Group's success and closeness to its customers is down to the strengths of each individual brand and local know-how.

STRONG FINCANCES AND CREDIT RATING

VIG has an A+ rating with stable outlook from well-known rating agency Standard & Poor's, meaning that it remains the top-rated company on the Vienna Stock Exchange's index of leading shares, the ATX. The Vienna Insurance Group is listed in both Vienna and Prague. Wiener Städtische Versicherungsverein – a stable core shareholder with a long-term focus – owns around 70% of VIG's shares. The remaining shares are in free float.

THE VIG MISSION STATEMENT

VIG
VIENNA INSURANCE GROUP
Protecting what matters.

OUR VISION

We want to be the first choice for our customers. Our stakeholders see us as a stable and reliable partner. This enables us to consolidate our position as the leading insurance group in Austria, Central and Eastern Europe.

OUR MISSION

We stand for stability and competence in the field of risk protection. We use our experience, know-how and diversity to move closer to our customers. We see it as our responsibility to protect the values that matter to our customers.

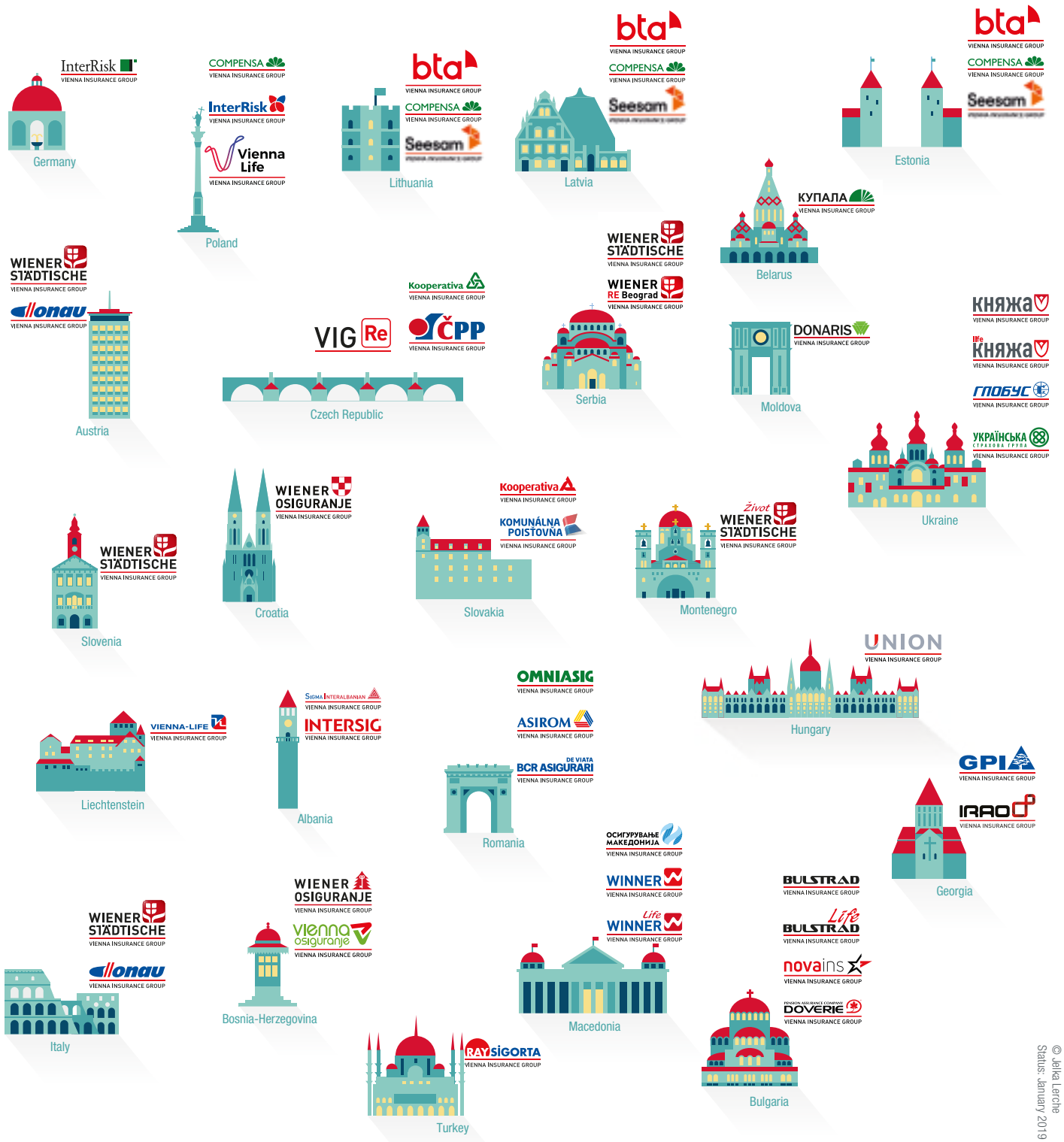
OUR VALUES

Diversity
Customer proximity
Responsibility

OUR PROMISE

We enable customers to live a safer and better life:
Protecting what matters.

CORPORATE STRATEGY | SUSTAINABILITY STRATEGY
EMPLOYER BRANDING | CORPORATE BEHAVIOUR



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Status: January 2019

WE ARE THE **NUMBER ONE** IN AUSTRIA, CENTRAL AND EASTERN EUROPE.

VIG
VIENNA INSURANCE GROUP
Protecting what matters.

CHANGES IN APPLICABLE LAWS AND REGULATIONS

Changes in Codes of Practice of Highways Motor Vehicles Non-voluntary Financial Liability Insurance Tariff

By the changes made in 2017 in the Regulation on Codes of Practice of Highways Motor Vehicles Non-voluntary Financial Liability Insurance Tariff, the ceiling premium and base commission rates are rearranged and the codes of practice are explained, and it is provided that if any compensation is not paid for the car operator during the term of the contract, the upper step will be applied as the next applicable premium discount rate, and for each material monetary damages paid during the validity term of the policy, the lower step will be applied as the premium increase rate applicable on the next contract, and for each disability benefit and each compensation for loss of support, second lower step will be applied as the premium increase rate. Thereafter, by a Circular no. 2017/73 of the Treasury and Finance Ministry, its expiry date is extended to 31.12.2018, and it is decided to continue the ceiling price application also in the year 2018.

And pursuant to the provisions of the Regulation on Amendments in the Regulation on Codes of Practice of Highways Motor Vehicles Non-voluntary Financial Liability Insurance Tariff, promulgated in the Official Gazette on 22.06.2018, first paragraph of temporary article 9 of the Regulation on Codes of Practice of Highways Motor Vehicles Non-voluntary Financial Liability Insurance Tariff has been amended, and it is provided that if an insurance policy is cancelled and terminated as per the applicable laws, the premium due and payable to the insurance firm may not be less than 25 TL, and a portion of 20 TL of this premium will become due and payable as an agency commission.

Communiqué on Amendments in the Communiqué on Procedures and Principles Regarding Corporate Contributions in Medical Malpractice Non-voluntary Financial Liability Insurance

Article A.2 "Geographical Borders of Insurance Cover" of the General Terms and Conditions given in attachment to the Communiqué on Procedures and Principles Regarding Corporate Contributions in Medical Malpractice Non-voluntary Financial Liability Insurance (2010/1), promulgated in the Official Gazette edition 27648 on 01.07.2010, has been amended, and its geographical coverage is rearranged so as to be valid only for the professional activities and services performed by the insured within the borders of the Republic of Turkey. However, the professional activities and services of the insured enrolled in the staff of the Turkish Armed

Forced performed abroad are kept as an exception, and are covered thereby.

The Presidency Decree no. 85 on Amendments in the Decree no. 32 About Protection of Value of Turkish Currency

This Presidency Decree has been promulgated in the Official Gazette edition 30534 on 13.09.2018 and has become effective in the same day. By this Decree, a new subparagraph (subparagraph g) is added to article 4 of the Decree no. 32 About Protection of Value of Turkish Currency, no. 32, dated 07.08.1989, and in addition, Temporary Article 8 showing the effective date of the aforesaid subparagraph is also added to the Decree. As per the provisions of the Decree no. 32, in the contracts entered into by persons resident in Turkey for purchase or sale of personal or real properties, or for leasing and rental of all kinds of personal or real properties, also including rent-a-car and financial leasing agreements, or in the business, service and work contracts of them, neither the contract fee nor any other payment obligations arising out of the contract may be expressed in or agreed upon as a foreign currency or as a rate indexed to foreign exchange rates. Thereafter, by a Communiqué no. 2018-32/51 published by the Treasury and Finance Ministry on 06.10.2018, some rearrangements are made in Article 8 of the Decree no. 32, and such rearrangements have clarified such issues as the scope and exceptions of the prohibition on contracts in foreign currency, and as to how the contract fees will be re-determined in Turkish Lira. The aforesaid Communiqué clearly keeps especially various types of service contracts, such as data processing contracts, and independent audit contracts, etc. frequently used in the insurance sector exempt from said prohibition. Thereafter, the insurance contracts themselves have also been exempted therefrom upon announcement by the Ministry of an explanatory note containing Questions and Answers on 12.10.2018 by taking into consideration particularly the uncertainties faced in calculation at the time of conversion from foreign currencies to Turkish Lira and the criticisms as to codification thereof. In the related text, insurance contracts are explicitly kept out of scope of the Communiqué no. 32 and the regulations associated therewith.

Regulation on Deletion, Destruction or Anonymization of Personal Data

The Regulation on Deletion, Destruction or Anonymization of Personal Data has been published. The Regulation determining the procedures and principles as to deletion, destruction or anonymization of personal data has become effective on 01.01.2018. Thereafter, for the sake of clarity in implementation as to the method and modus operandi of deletion, destruction or anonymization acts mentioned in the Regulation, the Guideline on Deletion, Destruction or Anonymization of Personal Data has been published by the Personal Data Protection Board.

Regulation on Data Supervisors Registry

The Regulation on Data Supervisors Registry has been promulgated in the Official Gazette on 30.12.2017. The regulation dealing with the procedures and principles of registration of Data Supervisors in VERBIS Data Supervisors Registry has become effective on 01.01.2018.

HUMAN RESOURCES PRACTICES

The value attached by our Company to its employees and the value added by our employees to our Company are inside a cycle where they continuously support, reinforce and strengthen each other. Our objective is to make sure that our human resources potential involved in this cycle is effectively and efficiently planned, managed and permanently developed, improved, and its inherently existing potential is revealed and released, and it is oriented towards our corporate goals.

Within the frame of our basic values, we are carrying out a recruitment, selection and placement process based on objectivity and competences and designed specifically with the aim of placing the right person in the right job in strict compliance with our Company's mission, vision and goals. To this end, we are organizing and holding orientation and development trainings so as to speed up the adaptation of our newly recruited employees to our corporate organization, and to build a professionally sound infrastructure for them in line with their needs and requirements.

Our "Performance Management" process encouraging our employees to work by focusing on the same target parallel to our Company's overall goals and objectives is comprised of respectively goal setting, monitoring, assessment and feedback stages. By this process, we are aiming to make sure that our employees are objectively assessed, and that such results of the employment system as promotion, waging, development and career planning are applied efficiently, effectively and correctly.

Everchanging and developing needs and demands of our employees and customers shed a light on which direction we have to further develop our expertise and competence. In line with these demands, we are offering training opportunities for continuous development of our employees and business partners.

In the course of management of all these practices, our Human Resources policy is built on the basis of the following principles:

• To train and raise customer-oriented leaders capable of strongly and sensitively planning our Company's today and future within the frame of and in tandem with our vision and basic values; and

• To act in harmony with the principle of equal opportunity against discrimination due to race, ethnical origin, nationality, language, religion and gender; and

• To create a work atmosphere providing our employees with the opportunity to develop themselves continuously in a safe, transparent, participant and flexible environment; and

• To see to it that the rights, benefits, social security and business-private life balance of our employees are protected; and

• To further improve the job efficiency of our employees through a correct career planning within the frame of an objective performance assessment system; and

• To enable our employees to develop themselves to the highest extent through internal and external training opportunities in strict compliance with our Company's vision and basic values.

NUMBER OF EMPLOYEES AS OF 31.12.2018

LOCATIONS	NUMBER OF EMPLOYEES
HEADQUARTERS	193
ADK CALL CENTER	5
ANATOLIAN REGIONAL DIRECTORATE	7
EUROPEAN REGIONAL DIRECTORATE	5
ANKARA REGIONAL DIRECTORATE	21
CENTRAL ANATOLIA REGIONAL DIRECTORATE	5
İZMİR REGIONAL DIRECTORATE	9
ANTALYA REGIONAL DIRECTORATE	5
ADANA REGIONAL DIRECTORATE	6
BURSA REGIONAL DIRECTORATE	5
TOTAL	**261**

BOARD OF DIRECTORS

Dr. Peter Thirring

Position
Chairman of the Board of Directors
Member of the Corporate Governance Committee

Education
Bachelor's Degree / Law

Date of Appointment
07.08.2018

Professional Experience
He has held various offices and managers in different insurance firms for 18 years. He has been serving as the Member of the Managing Board, CFO of Vienna Insurance Group AG since July 2018.

Dr. Martin Simhandl

Position
Deputy Chairman of the Board of Directors and Member of the Early Identification of Risk Committee

Education
Bachelor's Degree / Law

Date of Appointment
12.04.2011

Professional Experience
He has held various offices within the organization of Vienna Insurance Group AG between 1985 and 2004. He has been serving as the Member of the Managing Board, CFO of Vienna Insurance Group AG since 2004. He was chairman of Board of Directors between 2014-2018.

Karl Fink

Position
Member of the Board of Directors

Education
University of Business and Economics

Date of Appointment
31.03.2016

Professional Experience
He has held various offices within the organization of Vienna Insurance Group AG since 1975. He has been also a member of Managing Board in Wiener Staedtische Wechselseitiger Versicherungsverein-Vermögensverwaltung since 2004.

Dr. İsmail Hakkı Ergener

Position
Member of the Board of Directors

Education
PhD/Economics

Date of Appointment
18.08.2012
Re-elected 07.08.2018

Professional Experience
He has served at various banks in Turkey and Europe since 1984. As of 2009, he has been serving as the CEO at SK Danube AG. He has been an independent member between 2012-2018.

Dr. Josef Aigner

Position
Member of the Board of Directors

Education
Bachelor's Degree / Chemistry

Date of Appointment
29.03.2013

Professional Experience
He worked at Allianz Insurance Group between 1995 and 1999, and at Vienna Insurance Group AG between 2000 and 2007. He has been serving as the Head of Corporate Business Department of Vienna Insurance Group AG since 2007.

Gerald Klemensich

Position
Member of the Board of Directors, Member of the Corporate Governance Committee and Early Identification of Risk Committee

Education
Bachelor's Degree / Business Economics

Date of Appointment
11.06.2014

Professional Experience
He held various positions at Vienna Insurance Group AG since 1995. Since 2007, he has been a Senior Executive in the Reinsurance Department of Vienna Insurance Group AG and a board member of Wiener RE.

Kemal Bozyiğit

Position
Independent Member , Chairman of the Audit Committee, Corporate Governance Committee and Early Identification of Risk Committee

Education
Engineer for Metallurgy

Date of Appointment
04.07.2017

Professional Experience
He has been in professional life since 1990. He is still the General Manager of Voestalpine Eurostahl GmbH, Istanbul.

Yılmaz Korap

Position
Independent Member of the Board of Directors and Member of the Audit Committee

Education
Master Degree in International Management

Date of Appointment
07.08.2018

Professional Experience
Between 1982 and 2005, he has held as product/sales manager and General Manager at various firms in Turkey. Since 2005, he has been serving as a General Manager at Arılı Plastik Sanayi A.Ş. in Istanbul.

Koray Erdoğan

Position
Member of the Board of Directors and General Manager

Education
Master Degree / Administrative Sciences

Date of Appointment
01.08.2015

Professional Experience
He started his career in 1997 as an Insurance Auditing Specialist in the Insurance Auditing Board of the Undersecretariat of Treasury. Since 2009, he served as Deputy Chairman thereof. He joined Ray Sigorta A.Ş. as a member of the Management Board and Financial and Administrative Affairs Director on 02.05.2011. He served as the Deputy General Manager since 01.01.2014 and has appointed as General Manager and Board Member on 01.08.2015. He is still member of Board of Directors of VIG Ukraine: UIG, Kniazha, Globus and Kniazha Life.

MANAGEMENT BOARD & MANAGEMENT TEAM

Koray Erdoğan

Position
Member of the Board of Directors / Chairman of Management Board and General Manager

Joined on:
02.05.2011

Date of Appointment
01.08.2015

Education
Master Degree / Administrative Sciences

Professional Experience
2015 - Present / Ray Sigorta A.Ş. / Member of the Board of Directors / Chairman of Management Board and General Manager
2011 - 2015 / Ray Sigorta A.Ş. / Deputy General Manager Financial and Administrative Affairs
2010 - Present / Hacettepe University / Lecturer
2009 - 2011 / Deputy Chairman of the Board / Insurance Auditing Board of the Undersecretariat of Treasury
1997 - 2009 / Insurance Auditing Specialist / Insurance Auditing Board of the Undersecretariat of Treasury

Eyüp Kemal Daldal

Position
Member of the Management Board,
Underwriting and Reinsurance,
Deputy General Manager

Joined on:
13.10.1993

Date of Appointment
01.08.2015

Education
Bachelor's Degree / Civil Engineering

Professional Experience
1993 - Present / Ray Sigorta A.Ş.
1989 - 1993 / T. Halk Bank A.Ş. / Control Chief
1987 - 1989 / Anadolu Endustri Holding / Assistant Worksite Chief

Derya Öztürk

Position
Member of the Management Board,
CFO,
Assistant General Manager

Joined on:
07.01.2012

Date of Appointment
01.01.2018

Education
Master of Social and Economical Studies

Professional Experience
2015 - Present / Ray Sigorta A.Ş., CFO
2012 - 2015 / Ray Sigorta A.Ş. General Secretarial
2008 - 2015 / Vienna Insurance Group AG

İhsan Çağlar Baloş

Position
Member of Management Board,
Sales,
Assistant General Manager

Joined on:
01.09.2010

Date of Appointment
01.01.2018

Education
Bachelor's Degree

Professional Experience
2010 - 2016 / Ray Sigorta A.Ş. / Broker and Direct Business Sales Manager
2008 - 2009 / Zurich Sigorta A.Ş. / Regional Manager / Agencies Sales Manager
2000 - 2008 / Axa Sigorta A.Ş. / Sales Deputy Manager
1996 - 2000 / Garanti Sigorta A.Ş. / Portfolio Specialist

INDEPENDENT AUDIT OF OUR COMPANY

The independent audit firm entrusted with the task of independent audit of 2018 financial statements of our Company has been determined in the annual ordinary meeting of our General Assembly of Shareholders held on 30.03.2018.

Accordingly:
Period:
01.01.2018 – 31.12.2018

Company Title:
KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
(A member of KPMG International)

Trade Reg. No:
480474

Address:
İş Kuleleri, Kule 3, Kat:2/9 Levent-İstanbul

RAY SİGORTA INTERNAL AUDIT DEPARTMENT

Name and Surname:
Kubilay Bolayır , CIA, SMMM, CRMA

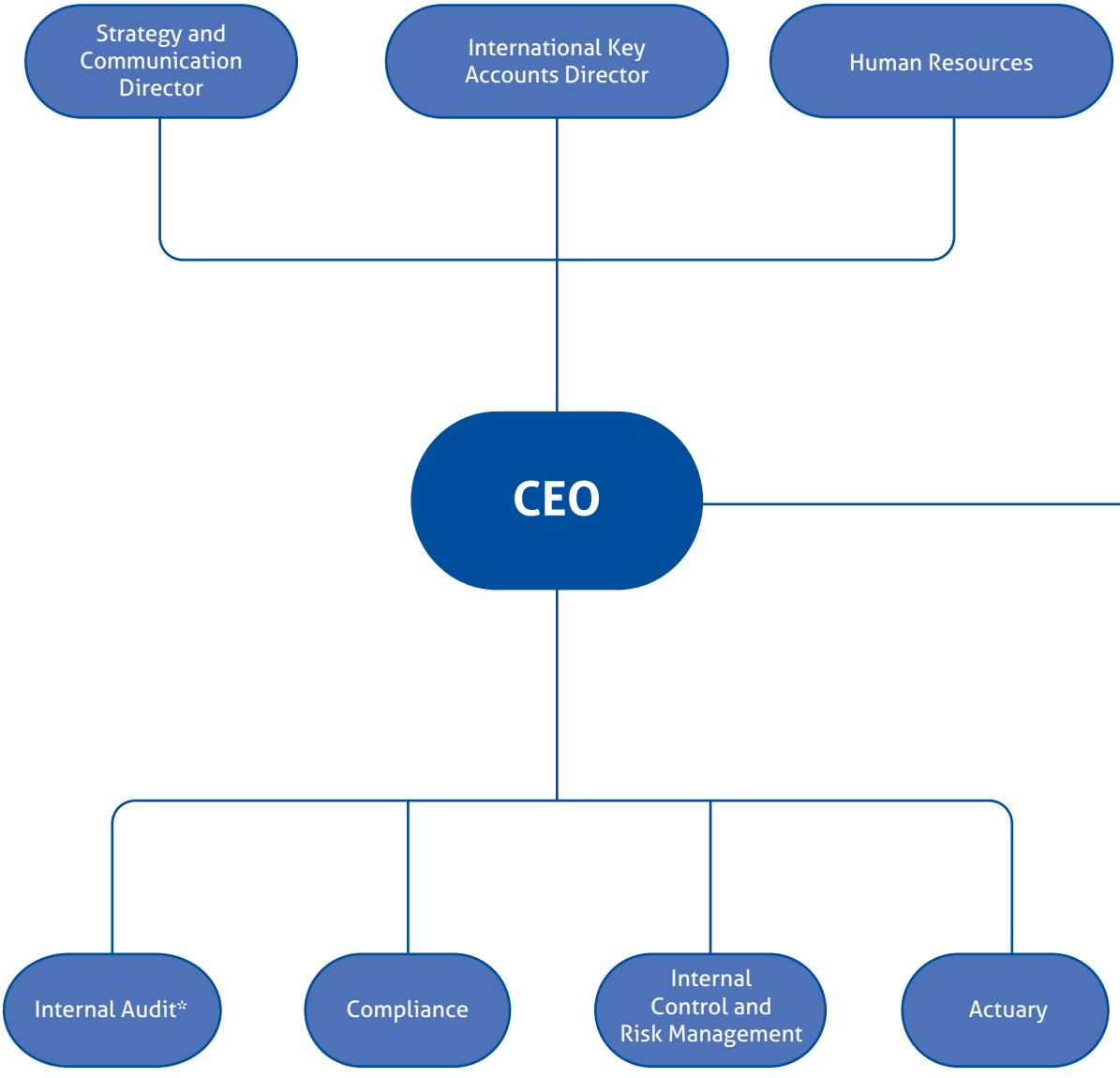
Position:
Internal Audit Manager

Date of Recruitment: 03.05.2005

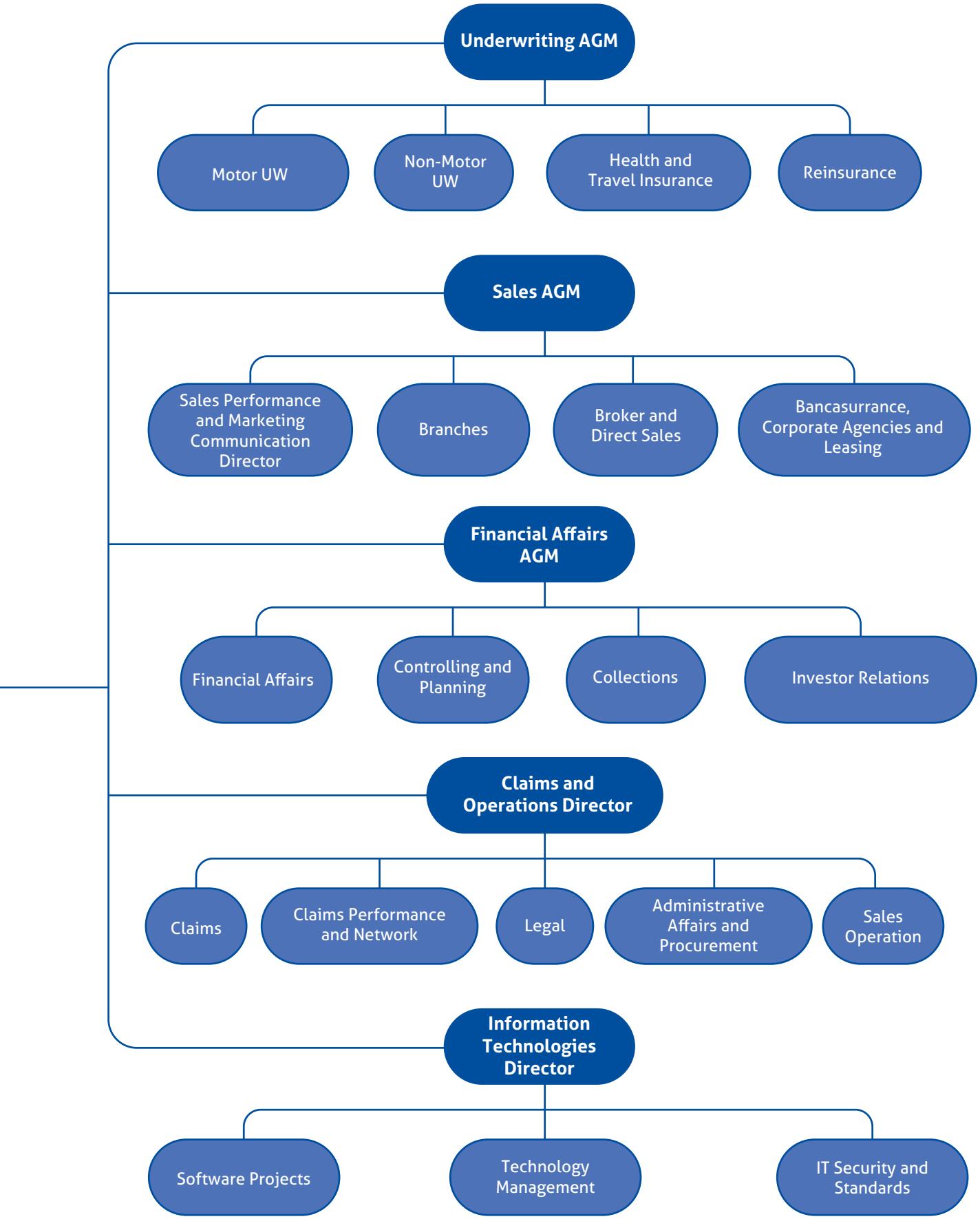
Education:
University / Finance

Professional Experience:
2005-Present Ray Sigorta A.Ş.
2002-2005 Saving Deposits Insurance Fund / Assigned Inspector
2002 Bayındırbank A.Ş. / Inspector
2001-2002 Etibank A.Ş. / Inspector
2000-2001 Etibank A.Ş. / Authorized Assistant Inspector
1998 – 2000 Etibank A.Ş. / Assistant Inspector

RAY SİGORTA ORGANIZATION CHART



*Internal Audit works under Board of Directors.


Underwriting AGM
Motor UW
Non-Motor UW
Health and Travel Insurance
Reinsurance
Sales AGM
Sales Performance and Marketing Communication Director
Branches
Broker and Direct Sales
Bancasurrance, Corporate Agencies and Leasing
Financial Affairs AGM
Financial Affairs
Controlling and Planning
Collections
Investor Relations
Claims and Operations Director
Claims
Claims Performance and Network
Legal
Administrative Affairs and Procurement
Sales Operation
Information Technologies Director
Software Projects
Technology Management
IT Security and Standards

BOARD OF DIRECTORS' REPORT

Our Board of Directors is organized in accordance with the Corporate Governance Principles published by the Capital Markets Board. It is composed of a total of 9 directors, two of which are independent directors. Our Board of Directors is fully comprised of non-executive directors, except for our General Manager. All Directors will take office until the Annual Ordinary Meeting of the General Assembly of Shareholders to be held in the year 2020.

In the Extraordinary Meeting of the General Assembly of Shareholders held on 07.08.2018, it is agreed to increase the number of Directors from 7 to 9, and thereupon, 2 new directors are appointed. Furthermore, an independent director has resigned due to lapse of his term of office of 6 years, and a new independent director has also been elected in the same meeting.

According to our Articles of Association, our Company's Board of Directors is required to meet at least 4 times during a calendar year. Accordingly, our Board of Directors has held 4 meetings in 2018. Each of Mr. Karl Fink, Mr. Gerald Klemensich and Mr. Yılmaz Korap could not attend 1 meeting due to their excuses. All other directors have attended all meetings of the Board of Directors. In addition, in emergencies, the required decisions can be taken without holding a physical meeting with prior consent and approval of all Directors. During the report year, all decisions have been taken by unanimous vote. No Director has expressed a negative opinion about any decision.

Our Company has a Management Board in addition to and other than the Board of Directors. The Management Board is composed of a total of 4 members under chair of the General Manager. The Board of Directors has delegated to the Management Board all of its powers and authorities, other than the powers which cannot be delegated and transferred as per the Turkish Commercial Code.

Please find below information about composition, working principles and 2018 activities of the committees appointed in accordance with the current regulations of the Capital Markets Board in order to enable our Board of Directors to perform its duties and responsibilities in a healthy manner in our Company:

1. Audit Committee:

It is comprised of two independent members of the Board of Directors. The Audit Committee has met 4 times during the report year. This Committee is entrusted with the task of supervising the resulting effects of modus operandi of the accounting and financial reporting order, and disclosure to public of the financial statements and reports, and modus operandi of independent audit and internal control system. The Committee has performed the initial examination of the financial statements disclosed on quarterly basis and has submitted the same to the Board of Directors' approval for clarification purposes. One of its other duties is to make a preliminary choice of an Independent Audit Firm and present its

choice to the Board of Directors for its comments.

This Committee has held all of its meetings in the days prior to the date of disclosure of financial reports, and has examined the financial statements, and has presented its approval to the Board of Directors. This Committee is working very effectively, and is also inviting the officers of audit firm to its meetings held at the time of conduct of independent audit in our Company. Furthermore, it is also inviting the relevant managers of our Company to its meetings in order to inform them about the troubles detected by it and to request remedial of them, and is reviewing the results of such remedies in its subsequent meetings.

2) Corporate Governance Committee:
This Committee is comprised of 4 members under chair of our Independent Director. It is also functioning as a Nomination Committee and a Remuneration Committee as well. It has met twice during the year 2018. Its functions are to observe and check whether the corporate governance principles are complied with or not in our Company, and to identify and detect risks that may be caused by non-compliance with rules, and to formulate remedial suggestions for compliance with rules. During the year, this Committee is examining the developments regarding compliance with the Corporate Governance Principles in our Company and presenting reports to our Board of Directors about the actions required to be taken. In addition, in its meeting held in June, due to vacation in the seat of the Independent Director, new candidates have been reviewed, and one of the candidates has been presented to the approval of the Board of Directors for membership therein.

3) Early Identification of Risk Committee:
This Committee is comprised of 3 members under chair of the Independent Director. During the year 2018, it has met 6 times as stipulated in its internal bylaws. Its functions are "to proactively detect and identify the risks endangering the existence, development and continuity of the Company, and in case of detection of such risks, to take the required actions and to manage these risks". The Committee collects information about its agenda topics from various organization units of the Company. It presents its meeting results in the form of a report to our Board of Directors. And the comments expressed in its report are carefully examined by our Board of Directors. These comments are further shared with the executive units, and the actions taken in reliance upon such comments are also followed up continuously. Our Company's Independent Audit Firm KPMG has presented to our Board of Directors its report about this Committee on 01.03.2018 pursuant to Article 378 of the Turkish Commercial Code. The results section of said report contains the following statement: "Our audit has revealed that the early identification of risk system and committee of Ray Sigorta A.Ş. are, in all material aspects and by all means, adequate within the frame of Article 378 of the Turkish Commercial Code.

INFORMATION ABOUT TRANSACTIONS OF THE COMPANY WITH ITS RISK GROUP

During 2018 activity year, within the frame of pertinent provisions of the Turkish Commercial Code, our Company, and other VIG Group Companies, and the Company's shareholders, affiliates and subsidiaries, and top echelon management are identified and considered as related parties as for the financial statements of the Company.

Pursuant to article 199 of the Turkish Commercial Code, our Company's Board of Directors has given the following statement in the conclusion section of its affiliation report issued about relations of our Company with its controlling company and with affiliates and subsidiaries of its controlling company.

Main transactions with the related companies are in the form of transfer of premiums as a requirement of insurance activities. We have quota-share and surplus reinsurance treaties with the related companies, and voluntary reinsurance transfers are also effected in accordance with the current market conditions. Other than insurance activities, if and when required, consulting and advice services are purchased in information technologies, actuary and reinsurance fields, and these services are purchased over prices or fees determined on arms' length basis.

These transactions are required by activities and operations of our Company, and except for these transactions, there is:

• no debt relationship or no transfer of assets or properties, and

• no legal transactions creating such responsibilities as surety, guarantee or aval, and

• no legal transactions which may result in profit shifting or transfer between VIG Group companies and the Company's shareholders, affiliates and subsidiaries, or top echelon managers.

As a conclusion, by this report issued pursuant to article 199 of the Turkish Commercial Code, we hereby declare and state that our Company has not incurred any damages or losses due to any transaction with or between VIG Group companies and the Company's shareholders, affiliates and subsidiaries, or top echelon managers in 2018 activity year.

Details of and explanations on the transactions effected by our Company with its risk group during 2018 are given in the footnote 45 among the footnotes of financial statements included in the annual report.

FINANCIAL RIGHTS AND OTHER BENEFITS PROVIDED TO MEMBERS OF MANAGEMENT BODY, BOARD OF DIRECTORS AND MANAGEMENT BOARD

FINANCIAL RIGHTS

Total sum of wages, salaries and similar other fees paid to the members of the Board of Directors and the members of Management Board during the accounting period ending as of 31.12.2018 is TL 4,286,181.

Relevant section of our financial statement footnotes contains more detailed information thereabout.

OTHER BENEFITS

Total sum of expenditures made for business-related travels and similar other activities of the members of the Board of Directors and the members of Management Board is TL 307,064.

GENERAL ASSEMBLY MEETINGS

GENERAL ASSEMBLY MEETINGS HELD DURING THE YEAR 2018

1) Annual Ordinary Meeting of the General Assembly of Shareholders held for 2017 Fiscal Year:

Annual Ordinary Meeting of the General Assembly of Shareholders of Ray Sigorta A.Ş. for the 2017 fiscal year has been held at the address of "Cumhuriyet Mahallesi, Haydar Aliyev Cad. No. 28 Sarıyer/Istanbul" at 10:00 on Friday 30.03.2018 under supervision of Mr. Mustafa Çalışkan, Ministerial Representative assigned and appointed by Istanbul Provincial Directorate of Customs and Trade.

In this meeting, the agenda topics required to be handled as per the pertinent provisions of the Turkish Commercial Code and the Capital Markets Law have been discussed.

The proposal of the Board of Directors relating to distribution of net profit of the year 2017 has been discussed and put to vote, and thereafter, it has been resolved by unanimous vote to retain the net profit of TL 21,277,863 earned as a result of business operations in the year 2017, and to set it off the accumulated losses of past periods, in line with the proposal of the Board of Directors.

Furthermore, for audit of our Company's interim and annual financial statements and annual report issued for the year 2018 within the frame of the pertinent provisions of the Turkish Commercial Code, Insurance Laws, Capital Markets Laws and other relevant applicable laws and regulations, it is resolved unanimously to elect and appoint KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. as our Company's independent auditor.

Our shareholders are informed about our Company's "Remuneration Policy".

The General Assembly of Shareholders is informed that the shareholders holding the controlling shares in our Company, or our Directors, top echelon managers and executives, or their spouses and blood relatives and relatives by marriage up to second degree have, during the year 2017, not ever taken an action or entered into a transaction which may lead to a conflict of interests with our Company, and not engaged directly themselves or indirectly through third parties in any business activities included in our Company's fields of business, and not become a

partner with unlimited liability in another firm or company dealing with the same fields of business with our Company. It is also reported to the General Assembly of Shareholders that no act has been taken during the year 2017 as referred to in Articles 395 and 396 of the Turkish Commercial Code.

Fees and remunerations payable to the Directors are determined.

2) Extraordinary Meeting of the General Assembly of Shareholders held during the Report Period:

Our Company has held an Extraordinary Meeting of the General Assembly of Shareholders in its Headquarters at 10:30 on Tuesday 07.08.2018. In this meeting, the proposed increase of the number of Directors from 7 to 9 has been discussed.

First of all, Mr. İsmail Hakkı Ergener who has expired his term of office of 6 years as an Independent Director and has therefore resigned from the Board of Directors is replaced by Mr. Yılmaz Korap who is elected as the new Independent Director.

Then, upon increase of the number of Directors, Mr. Dr. Peter Thirring and Mr. Dr. İsmail Hakkı Ergener are elected as the new Directors thereto.

AMENDMENTS TO ARTICLES OF ASSOCIATION

During 2018, no amendments have been made to the Articles of Association of our Company.

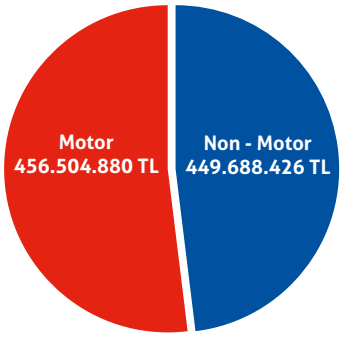
Current copy of the Articles of Association of our Company is published in the homepage of the Public Disclosure Platform of Ray Sigorta A.Ş. and in the section "About Us / Investor Relations" in our Internet Site.

TECHNICAL RESULTS

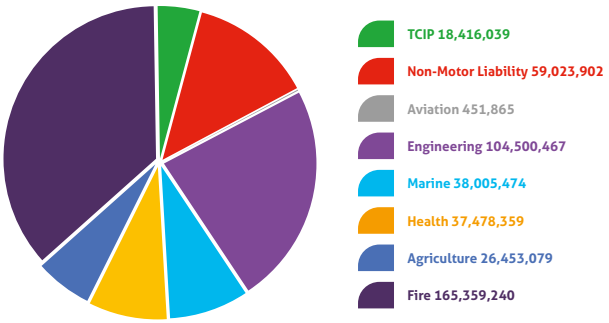
A) NON-MOTOR

The Company's total premium production for 2018 has been TL 906,193,305 and non-motor premium has been TL 449,688,426 in this premium production.

Distribution of premium production by insurance branches

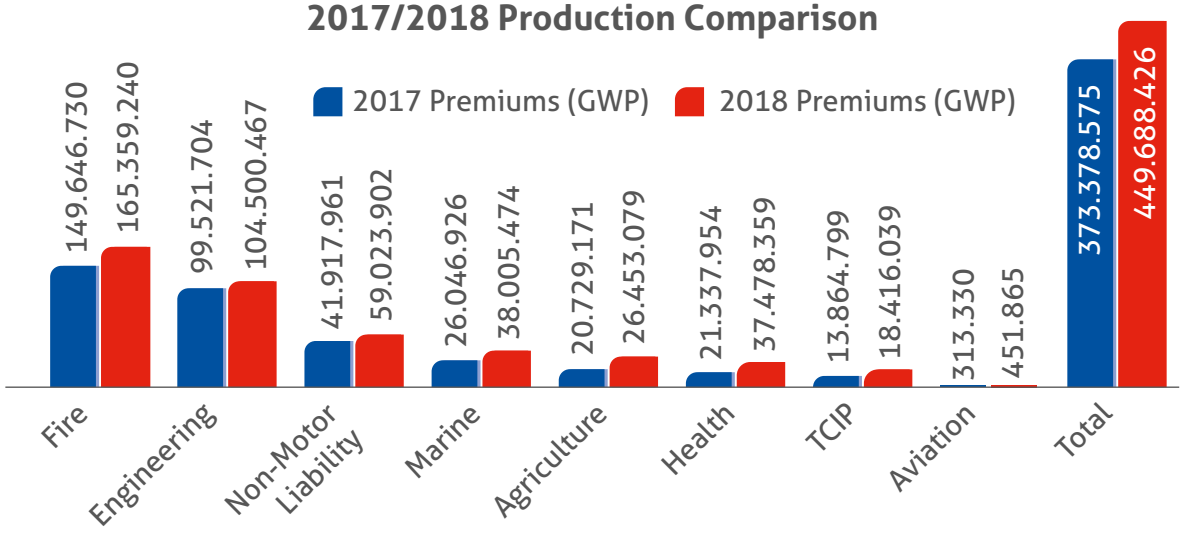


2018 Premium distributions by branches

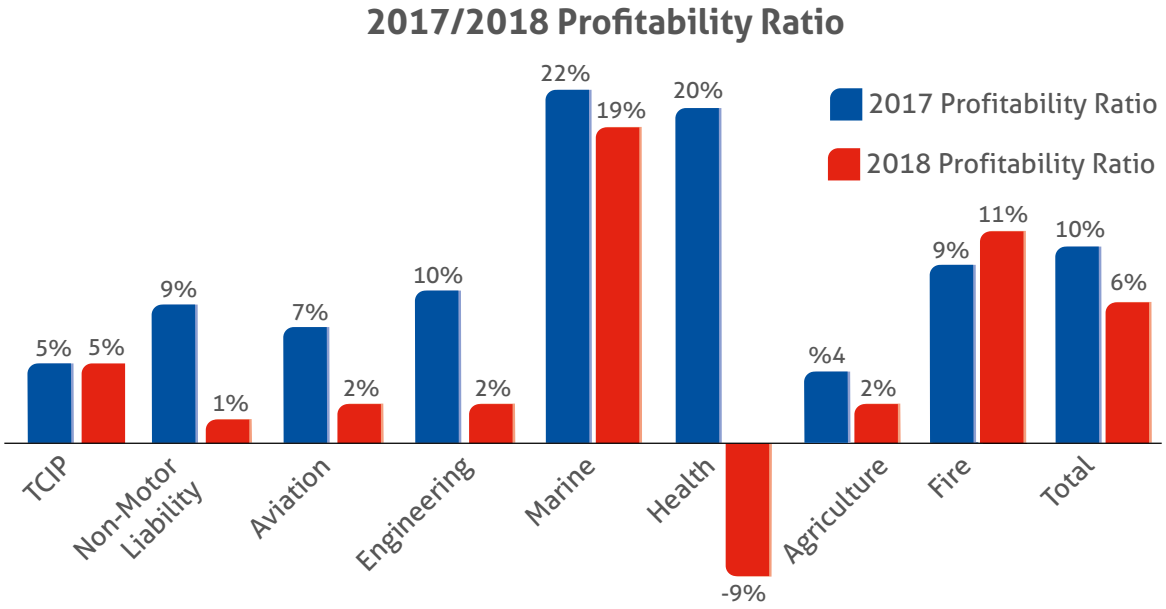


INSURANCE BRANCHES	2017		2018	
	PREMIUMS (GWP)	TOTAL PREMIUM SHARE %	PREMIUMS (GWP)	TOTAL PREMIUM SHARE %
FIRE	149.646.730	40%	165.359.240	37%
ENGINEERING	99.521.704	27%	104.500.467	23%
NON MOTOR LIABILITY	41.917.961	11%	59.023.902	13%
MARINE	26.046.926	7%	38.005.474	8%
AGRICULTURE	20.729.171	6%	26.453.079	6%
HEALTH	21.337.954	6%	37.478.359	8%
TCIP	13.864.799	4%	18.416.039	4%
AVIATION	313.330	0,08%	451.865	0,10%
TOTAL	**373.378.575**	**100%**	**449.688.426**	**100%**

2017/2018 Production Comparison



BRANCHES	2017			2018		
	TECHNICAL PROFIT	PREMIUM GWP	PROFITABILITY RATIO %	TECHNICAL PROFIT	PREMIUM GWP	PROFITABILITY RATIO %
TCIP	752.090	13.864.799	5%	865.686	18.416.039	5%
NON MOTOR LIABILITY	3.816.754	41.917.961	9%	493.650	59.023.902	1%
AVIATION	22.322	313.330	7%	7.205	451.865	2%
ENGINEERING	9.913.252	99.521.704	10%	2.245.789	104.500.467	2%
MARINE	5.682.519	26.046.926	22%	7.386.000	38.005.474	19%
HEALTH	4.351.320	21.337.954	20%	-3.475.713	37.478.359	-9%
AGRICULTURE	496.695	20.729.171	4%	590.640	26.453.079	2%
FIRE	13.540.528	149.646.730	9%	18.125.859	165.359.240	11%
TOTAL	**38.575.480**	**373.378.575**	**10%**	**26.239.116**	**449.688.426**	**6%**



When reviewed by branches;

Fire, Fire Insurances hold a share of 37% in non-motor total premium production, and has increased profitability rate of 11% compared with the previous year. In the sector production listing, it is ranked the 13th in the production list of the sector.

Non-Motor Liability, Non-motor Accident Insurances hold a share of 13% in non-motor total premium production, and with an increasing rate of 2% compared to the previous year.

Engineering Insurances, Non-motor Accident Insurances hold a share of 23% in non-motor total premium production, and with a decreasing rate of 4% compared to the previous year as parallel to the sector. In the sector production listing, it is ranked the 10th in the production list of the sector.

Marine Insurances, Marine Insurances hold a share of 8% in non-motor total premium production, this branch hold a profitability rate of 19%. In the sector production listing, it is ranked the 10th in the production list of the sector.

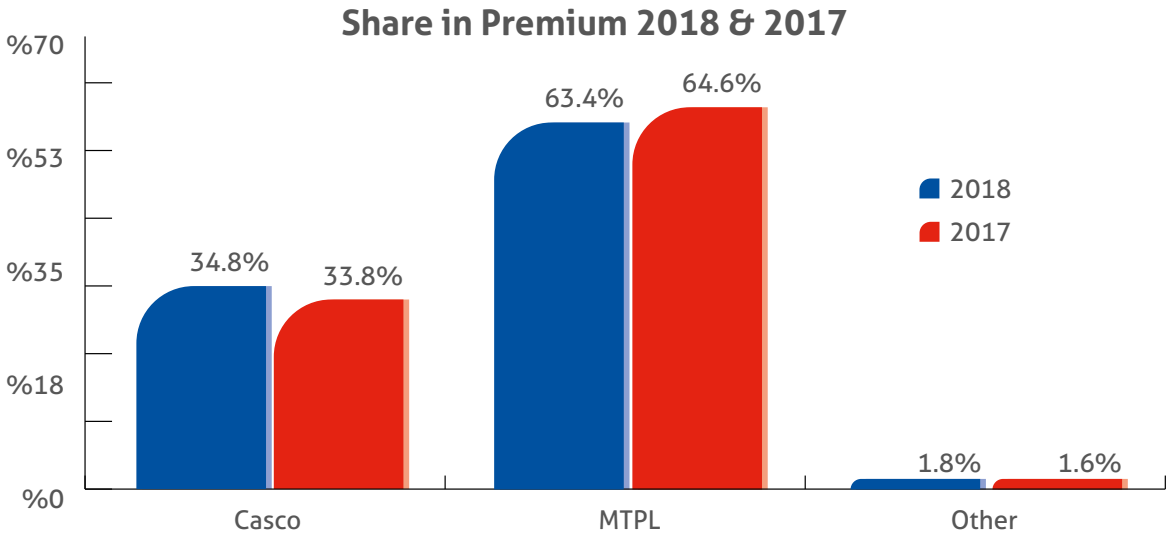
Health, Health Insurances hold a share of 8% in non-motor total premium production, with an increasing rate of 75.6%.

B) MOTOR

Premium production of the Company in Motor branch has increased by 37% to TL 456,504,880 in 2018. In Motor branch, the technical profit of TL 7,687,678 in 2017 has come out to be TL 12,009,755 with an increase of 56.2%. The following table indicates the distribution of our premium production, rates of variation, and technical profit/loss amounts, by branches, in comparison to 2018.

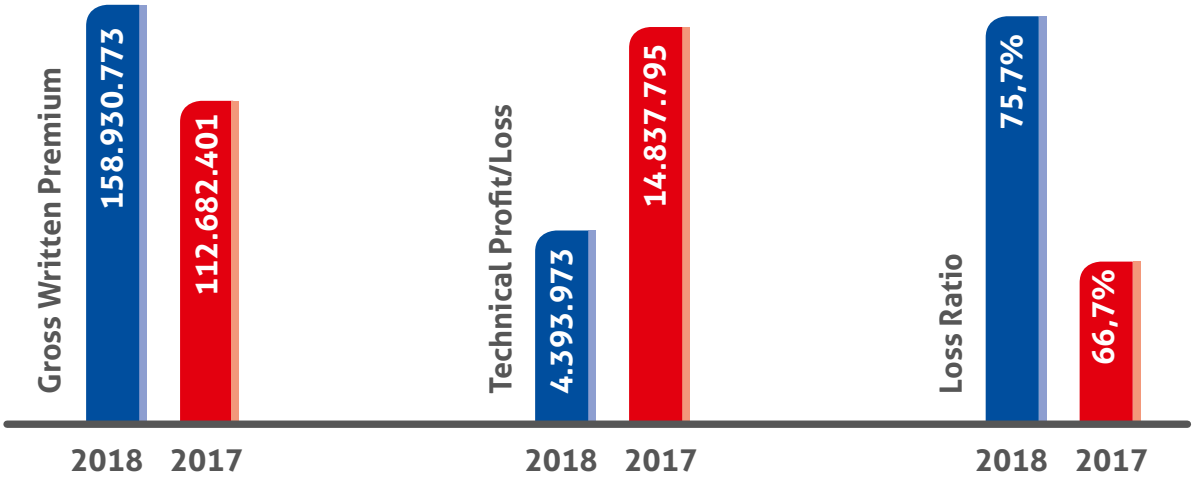
Branches	2018			2017			Change of Premium	Change of Technical Profit/ Loss
	Gross Written Premium	Technical Profit/Loss	Share in Premium	Gross Written Premium	Technical Profit/Loss	Share in Premium		
Casco	158,930,773	4,393,973	34.8%	112,682,401	14,837,795	33.8%	41%	-70.4%
MTPL	289,250,197	4,467,142	63.4%	215,221,717	-7,892,923	64.6%	34.4%	156.6%
Motor Facultative TPL	7,914,429	2,887,860	1.7%	4,920,339	506,070	1.5%	60.9%	470.6%
Legal Protection	356,908	244,225	0.1%	279,269	247,055	0.1%	27.8%	-1.1%
Comp. Personel Accident For Buses	52,572	16,555	0%	14,630	-10,319	0%	259.3%	260.4%
Total	**456,504,880**	**12,009,755**	**100%**	**333,118,356**	**7,687,678**	**100%**	**37%**	**56.2%**

Total share of Comprehensive Automobile and Traffic insurances in the motor branch has been 98.2%, and in 2018, premium production has reached TL 158,930,773 with an increase of 41% in comprehensive automobile insurances, and TL 289,250,197 with an increase of 34.4% in traffic insurances.



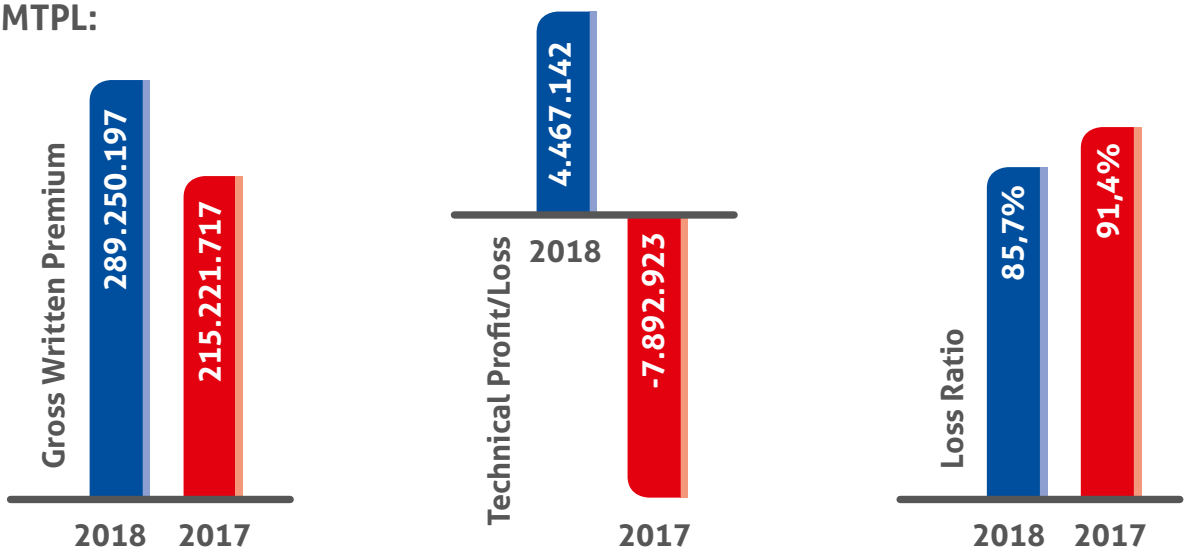
Other: Motor Facultative TPL, Compulsory Personel Accident For Buses, Legal Protection

Casco:



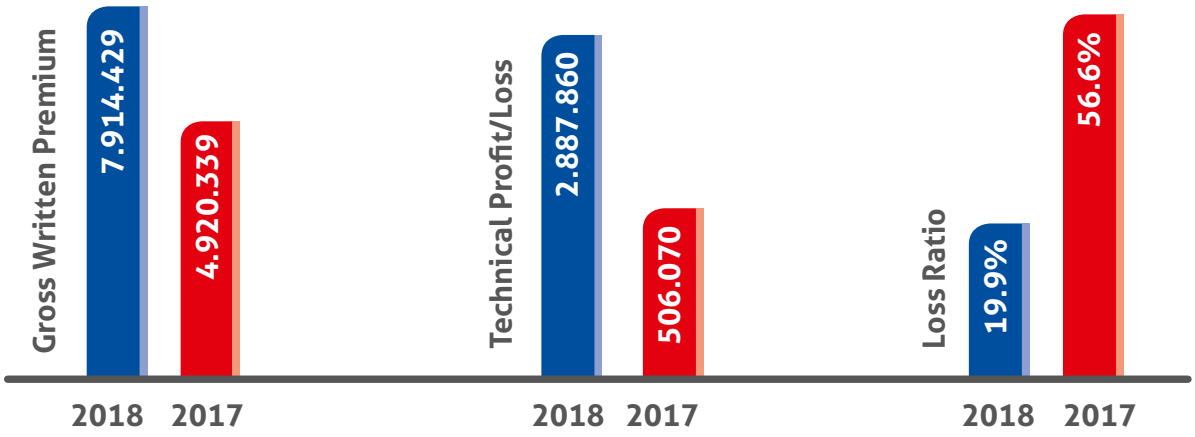
In 2018, in casco insurance, our premium production was TL 158,930,773 with an increase of 41%, and its share is 34.8% in total premiums produced in the motor branch. In this branch, total sum of damages paid is TL 94,308,124; and end-of-period outstanding claims portfolio is TL 15,345,496. The resulting technical profit is equal to 2.76% of premiums, and the amount of technical profit is TL 4,393,973. In this branch, the loss ratio is 75.7%.

MTPL:



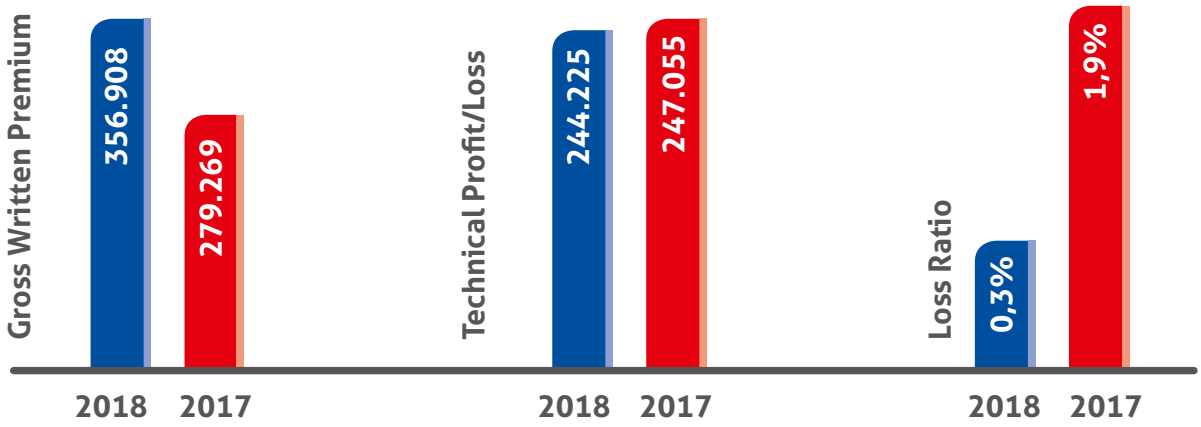
In 2018, in MTPL insurance, our premium production was TL 289,250,197 with an increase of 34.4%, and its share is 63.4% in total premiums produced in the motor branch. In this branch, the total sum of claim is TL 142,834,905 and TL 51,604,031 was paid by our reinsurers. End of period outstanding claims portfolio is TL 242,107,228 and TL 85,287,673 corresponding to our reinsurers. In this branch, a technical profit of TL 4,467,142 has been recorded, and the loss ratio was 85.7%.

Motor Facultative TPL:



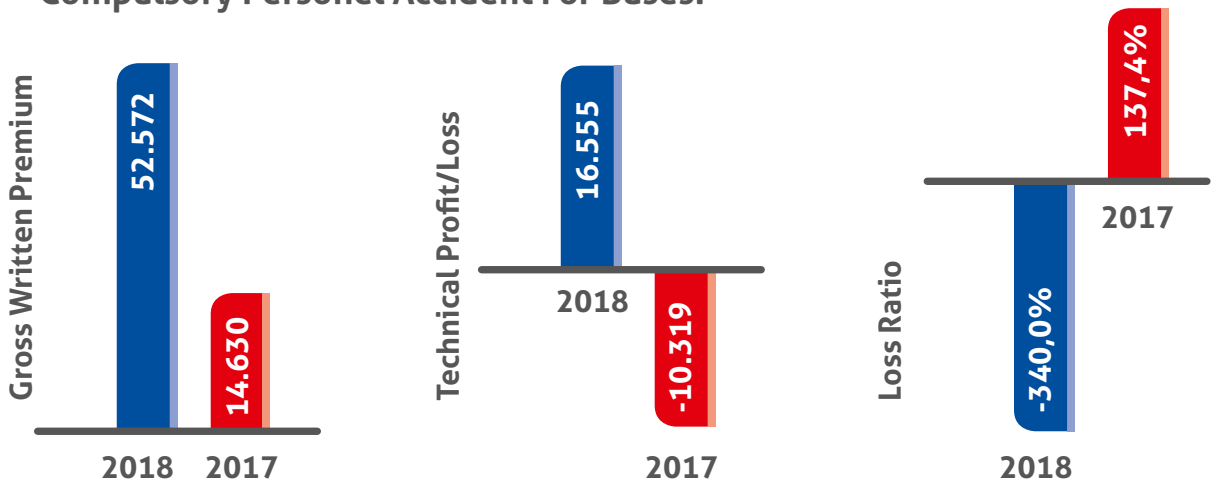
In 2018, in Motor Facultative TPL insurance, our premium production was TL 7,914,429 with an increase of 60.9%, and a technical profit of TL 2,887,860 has been recorded. In this branch, the loss ratio was 19.9%.

Legal Protection Insurance:



In 2018, in Legal Protection insurance, our premium production was TL 356,908 with an increase of 27.8%, and a technical profit of TL 244,225 has been recorded. In this branch, the loss ratio was 0.3%.

Compulsory Personel Accident For Buses:

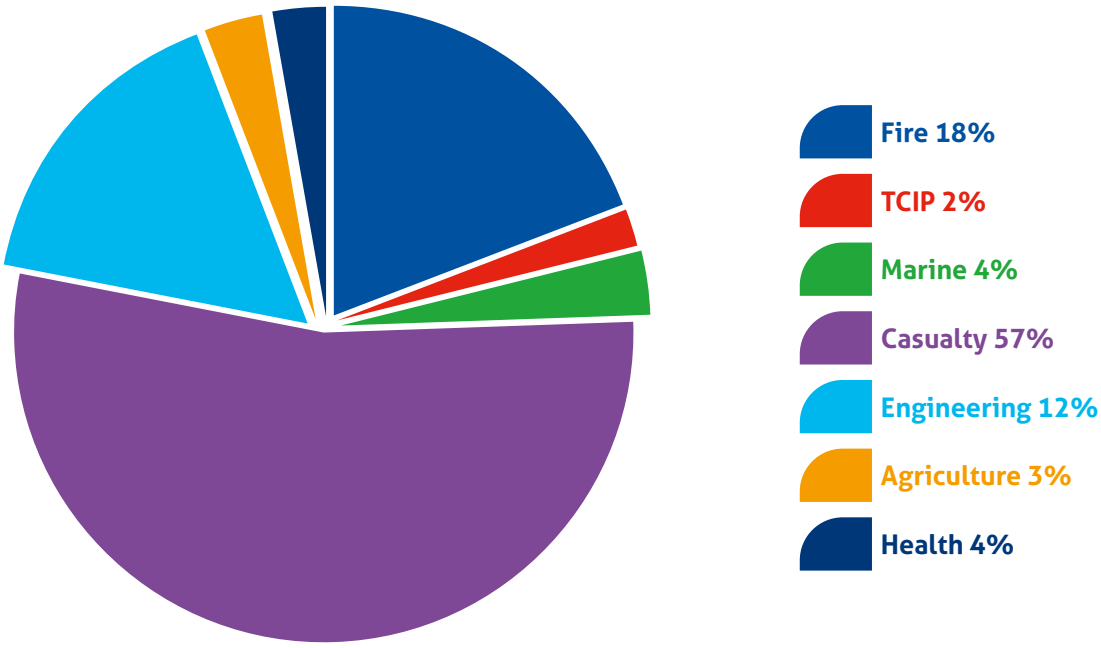


In 2018, in Compulsory Personal Accident For Buses insurance, our premium production was TL 52,572 with an increase of 259.3%, and a technical loss of TL 16,555 has been recorded.

TECHNICAL RESULTS

Premium Production:

The Company's premium production has been TL 906,193,305 in 2018. With this amount of premium, Ray Sigorta has been ranked the 18th with a market share of 1.9% among the insurance carriers operating in non-life insurance branches.



Technical Profit:

Technical Profit has reduced from TL 25,683,522 in 2017 to TL 23,319,438 in 2018 by an decrease of 9%. The following table shows the distribution of our premium production, rates of increase/decrease, and technical profit amounts separately for different branches and in comparison to 2017.

	2018		2017		
	PREMIUM	TECHNICAL PROFIT	PREMIUM	TECHNICAL PROFIT	CHANGE IN PREMIUM
Fire	165.359.240	16.298.687	149.646.730	8.913.109	10.5%
TCIP	18.416.039	-607.247	13.864.799	-520.963	32.8%
Marine	38.005.474	8.617.784	26.046.926	6.184.733	45.9%
Casualty	515.980.647	12.949.297	375.528.436	3.688.529	37.4%
Engineering	104.500.467	-1.056.030	99.521.704	7.397.798	5%
Agriculture	26.453.079	-31.995	20.271.113	18.089	30.5%
Health	37.478.359	-12.851.059	21.337.954	2.227	75.6%
Total	**906.193.305**	**23.319.438**	**706.217.663**	**25.683.522**	**28.3%**

Results of Technical Transactions

In 2018:

• Ray Sigorta has produced premiums of TL 906,193,305, and has transferred a portion of TL 486,395,686 thereof to reinsurers. The rate of growth was 28.3% in regards to the amount of premiums. By addition of various other income and expense items, a technical profit before operating income and expense of TL 38,248,871 has been recorded. After including various operating income and expense, the technical profit is set up TL 23,319,438.

• Ray Sigorta has, in consideration of these premiums produced, paid a commission of TL 107,067,764, including the variation in deferred paid commissions, and has, in consideration of the premiums transferred to reinsurers, paid a commission of TL 87,570,835, including the variation in deferred collected commissions.

• Ray Sigorta has paid for claims and damages in a total amount of TL 480,730,859, and a portion of TL 260,015,042 thereof has been received back as share of reinsurers. Total outstanding claims reserve is equal to TL 626,615,791, and share of reinsurer companies therein is TL 410,509,405.

• Investment income has increased from TL 58,621,439 in 2017 to TL 141,996,080 in 2018. On the other hand, investment management expenses have increased from TL 46,795,747 in 2017 to TL 113,581,449. A review of the investment income items reveals that the largest income item is time deposits income of TL 55,224,242. A gain of TL 2,423,173 has been incurred upon realization of financial investments comprised of state bonds and share certificates purchased by our Company, and a loss of TL 6,234,239 has been incurred out of assessment and appraisal of these investments.

• As a result of the sudden rise in foreign exchange rates in 2018, TL 79,483,102 of foreign exchange income and investment expenses of TL 53,160,890 were reflected to our financial statements.

ACTIVITIES OF DIRECTORATE OF STRATEGY AND INTERNAL COMMUNICATION

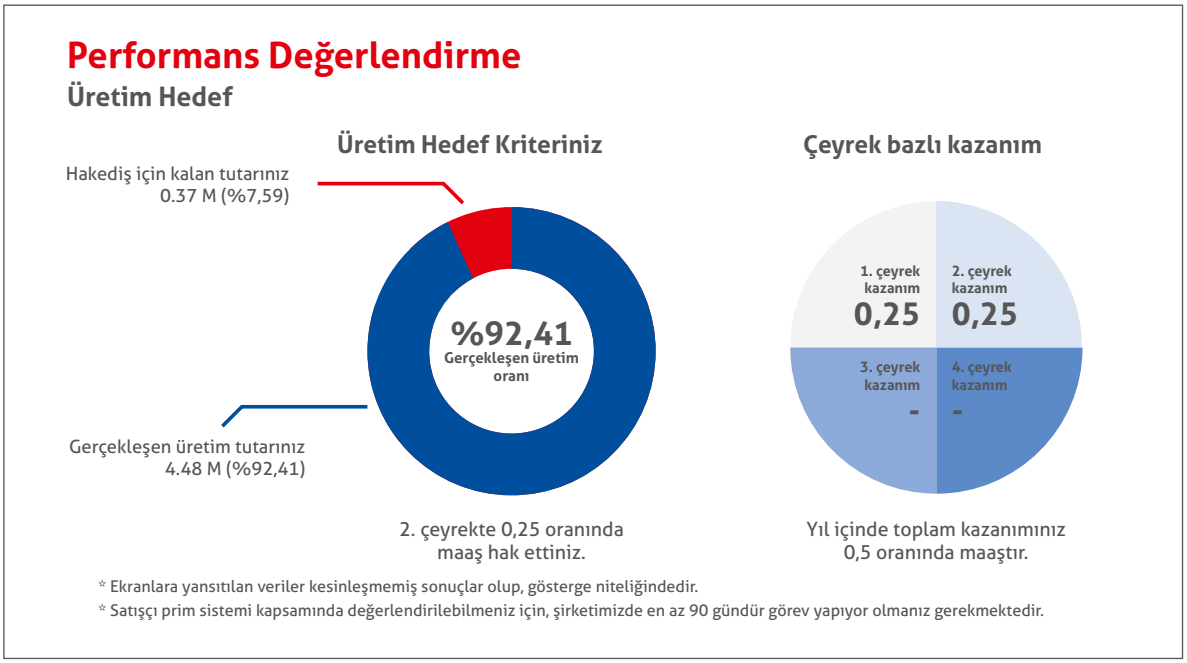
The Directorate of Strategy and Internal Communication started its activities as of 17.01.2018 in order to help our Company to operate in line with the company strategies in terms of sales, techniques, technology, human resources, process improvement, and resource and cost management as well as to contribute to making the Company reach the intended level of market share, profitability and technology by performing activities with respect to planning the Company's place in the market.

There are three departments reporting to the Directorate of Strategy.

- Business Intelligence and Project Management
- Product and Business Development
- Internal Communication

The system of target distributions and salesmen bonuses was revised to establish Strategic Target management. With the new salesmen bonus system helping to increase the bonuses in desired segments and branches, and created in reliance upon the win-win principle, individual bonus production increased by 35.65%, and rewards of the individual channel sales unit increased by 100% in parallel thereto.

In addition thereto, the required source of motivation has been created by establishment of a portal platform where each sales representative and Regional Manager can instantaneously view their own performance in the bonus system.



Operations for Agency Rates -calculated by taking into account such criteria as agencies' growth, profitability and loyalty to the Company- and Performance Reporting System, have been performed by bearing in mind the importance of effective channel management in strategy planning. These operations too can be instantaneously tracked through the portal screens. There are efforts underway to make agency assessments, rewarding and service processes function in parallel to these rates. Roles and responsibilities of the departments reporting to the Directorate of Strategy, and 2018 activities have been detailed below.

Business Intelligence and Project Department

Fundamental objectives of the department are reporting and conducting analyses to determine company strategies at the level of senior management, improving the reporting system in compliance with this objective, providing assurance for meeting the Company's all reporting needs at the day-to-day business level, and ensuring establishment of project management, CRM, digital transformation, smart systems, alarm mechanisms and learning algorithms.

Business Intelligence and Project Department essentially has two main functions, and assumes responsibility for various tasks and duties as well. These fundamental functions are business intelligence and project management.

Fundamental Duties and Tasks of the Business Intelligence Function

- To ensure that management and business units be able to track their production and their objectives via designed reports and screens,
- To prepare and make available for use of business units the reports and analyses containing different points of view,
- To simplify the obtained data in order to allow preparation of reports and conducting of analyses,
- To generate easily understandable outputs,
- To provide profitability-increasing findings and recommendations with respect to the company's objectives.

Activities Performed in Business Intelligence Function Throughout 2018

In accordance with the above mentioned point of view and duties, various activities have been performed throughout the year.

- Operations have been initiated for the Reporting Project, one of our Company's biggest projects. The objectives of the Reporting Project are,
  - To reflect to the business units and the management the data used in all of our Company's processes in a reliable and clear language,
  - Visualisation of data (Finance Management Platform, Sales Management Platform, Senior Management Dashboards, Target/Actual and Production Follow-up),

- Rapid access to analytical report outputs (Estimation, Customer/Channel/ Region Scoring, Customer Segmentation, Management of Potential Customers, Customer Retention),
- Creation of a data dictionary in order to help utilize a common reporting language across the Company,
- A clearer presentation of the generated reports to users by addition of the meta-data thereof.

- The analyses, through which branch-based (fire insurance, casco, health insurance, traffic insurance etc.) sector and company comparisons may be tracked, are submitted to business units and the management. Opportunities and risks in the sector and portfolio of our Company are compared by making use of these reports, and it is intended to contribute to company strategies.
- A new casco tariff is being prepared for our company with the collaboration of Business Intelligence and Project, Actuary and Auto Technical Departments and Willis Towers Watson as a part of Casco Tariff Project.

Fundamental Tasks and Duties of Project Management Function

- To help projects to be prioritized and materialized in accordance with the company strategy,
- To accelerate processes by facilitating the communication between business units and information technologies, and prioritizing the operations,
- To manage communication among the project stakeholders throughout the project,
- To create a project calendar and coordinate the continuity of operations in line with this calendar,
- To oversee whether project scopes comply with company objectives, vision and profitability,
- To conduct impact analyses of the requested developments and uncover the reflections thereof across the company,
- To follow up post-project impacts.

Activities Performed in Project Management Function Throughout 2018

Throughout the year, activities and operations have been performed in line with the above-mentioned points of view and tasks.

Scope of Project Management has been determined as follows:

- Project evaluation (making a decision with respect to whether the desired development will be included in the process by taking into consideration the scope, cost, duration and resource requirements),
- Determination of project scope (Clarification of open points, scope, limitations

and risks together with stakeholders),

• Allocation of tasks and resources (Planning of tasks and resources by reaching an understanding with the stakeholders),

• Timetable determination (Preparation of project timetable),

• Project process follow-up (Providing controls and coordination to ensure that the progression of the project process is in compliance with the pre-determined scope and duration of time),

• Preparation of deliverables (Preparation of the deliverables and accumulation of the experience obtained therefrom so as to be used in upcoming projects, and sharing of deliverables across the company).

Project Management objectives have been determined:

• Determination of project management methodology (Determination and implementation of a methodology in compliance with international standards and organizational rules),

• Scaling of project (Determination of project scale -small, medium, large- and management thereof according to a structure consistent with the scale),

• Project prioritization (Prioritization of project according to measurable criteria),

• Project information (Preparation and drafting of status reports regarding the project, and preparation of opening and closure announcements)

• Impact of Project Management on Performance Measurement (Considering the performances of the company employees -compliance with time, cost and quality requirements- who are involved in the project process as resource, as a criteria in their performance evaluations)

Product and Development Department

It performs the functions of establishing market-sensitive product structure and conditions, effective product management, product optimizations and revisions, and creation of new products that may contribute to profitability and growth.

In this framework, the activities conducted in 2018 are the following;

• Transportation Products Revision

• Engineering Products Revision

• Travel Products Revision

• Motor and Non-Motor Authorization Rules Revision

• Fast Offer Screens Design

• Dask (Turkish Catastrophe Insurance Pool) Product Revision

Internal Communication Department

With a view to increasing the productivity with contented and happy employees, and establishing loyalty to the Company, this department has organized activities, events and parties throughout the year.

Our 2018 events and activities:

- Women's Day gifts
- Mothers' Day gifts
- Fathers' Day gifts
- Kandil simidi (Pastry rings consumed on Holy Days)
- Ramadan packs
- Chocolate on Holy Festivals
- Welcome packs for new employees
- Personalized carafes engraved with name
- Birth and wedding gifts
- Birthday cinema ticket gifts
- Kick-off meeting with Üstün Dökmen
- Open-air cinema, happy hour parties, and coffee and ice cream treats as a part of 60th Anniversary Celebrations...

ACTIVITIES OF AUTOMOBILE DAMAGES AND RECOURSE DEPARTMENT

In the year 2018, we, as the Bodily Injury Department, has increased the momentum of settlement efforts on bodily injury damages files, and thus, the number of files paid by our Company has increased by 20% over the previous year.

Furthermore, as a result of improvement works, the provisions for claims outstanding has been reached to optimum adequacy, and cost control is maintained thanks to the settlement efforts.

During 2018, we have reviewed the files over the system, and contributed to improvement of the completion and closing time of damages files. Through our new system, all files and transactions are recorded, and the performance follow-up criteria are revised so as to be able to manage the damages and recourse (subrogation) processes in a more efficient and effective manner. The results are regularly reported daily, and are analyzed together with the relevant unit managers.

The works aimed at expanding the service network of quick repair centers established by us for a privileged service to our customers as the first in the insurance market in 2008 with a view to rising the customer satisfaction, keeping the costs of damages under control and increasing the service quality level are continued to reach a total of 42 services in 31 provinces. Furthermore, the works for further expansion of the contracted service network are also continued to reach 965 contracted services in 79 provinces.

With the intention of improving the efficiency in Field Control practices, the areas of function and responsibility of the Field Specialists are revised. In addition, we have given weight to the teams appointed for quick surveying and determination of damages so as to further shorten the repair and file completion and closing time and to maintain the optimum costs of damages.

Security of our policyholders is the most important agenda item of the Damages and Recourse Department also in the year 2018. To this end, the repaired automobiles of our policyholders have undergone repair quality control by our specialized teams after completion of repair works.

Our contracted firms providing service in glass breakage damages and the glass breakage clause in our policies have been revised for the sake of contribution to customer satisfaction and cost control.

ACTIVITIES OF NON-AUTOMOBILE DAMAGES DEPARTMENT

After the Damages, Legal, Recourse and Operations departments are gathered under a single roof as a part of the revision of organization completed in 2018, our Department has also put into practice the following projects, works and improvements aimed at our Company's growth and profitability:

- Within the Full Scope Review works, all pending files have been reviewed. Our agencies, brokers and policyholders are contacted in order to complete the missing documents and speed up the file review process, thereby increasing the agency and customer satisfaction.
- Through the Quick House Repair Project, "Ankara" province has been elected as the pilot area in order to quickly review the house damages and claims. The purposes of this Project may be listed as to shorten the damages review time, to reduce the costs and most importantly, to increase the agency and customer satisfaction.
- A review on recourse has been initiated, and the files previously closed due to the recourse prescription time have been revised.
- Salvage and repair firms are also reviewed in order to further reduce the costs of damages.
- Payment, claims outstanding, costs, refusal, authorization and limitation definitions are reviewed and revised. Then, systematic definition works are completed for these authorizations.
- In outstanding claims in foreign currency files, it is ensured that the currency conversions are made over the exchange rate valid as of the end of month.
- Distribution of works to file managers (on channel / policy type basis) is revised.

In the coming periods, our works will be continued for the targets and goals revised parallel to the change and growth in our Company's portfolio structure.

ACTIVITIES OF DIRECTORATE OF SALES PERFORMANCE AND MARKETING COMMUNICATION

With its past experience of 60 years in insurance market, Ray Sigorta continues to strengthen and improve its position and image therein in reliance upon its innovative, distinctive and customer-oriented approach. This section sets down the projects and other developments achieved by our Company in terms of sales performance and marketing communications throughout 2018.

WE ARE SELECTED AS ONE OF "THE MOST VALUABLE 100 TRADEMARKS OF TURKEY"

With a view to further reinforcing its brand perception in the marketplace, Ray Sigorta is focused on offering value-added innovative products and services addressed to both consumers and different other stakeholder groups through intensive marketing activities via all and any channels including social media.

As a result of its business operations summarized hereinabove, and with its proven brand value and power, Ray Sigorta has achieved to rank among "The Most Valuable 100 Trademarks of Turkey" for the first time in the report issued by Brand Finance, an international brand ranking agency. "Brand Power" of Ray Sigorta is ranked "A+" in the aforesaid report.

PRESS COMMUNICATION

During its 60th year, with its brand recognition and corporate image, Ray Sigorta has been the subject of a total of 565 news in national, local and sectoral publications within the frame of its written and digital press communication activities. As a part of our visual press communication activities aiming to strengthen the visibility and recognition of Ray Sigorta brand, total 50 advertisements have been published in 1 paper and 5 magazines during the report period.

CHANNEL COMMUNICATION

Also in 2018, we, as Ray Sigorta, maintained our activities aiming to improve effectiveness and efficiency of our communication with and within our distribution channels, particularly our agencies standing as the biggest distribution channel of us. Ray Portal, developed specifically for our agencies, allows quick and easy access of them to data, announcements, campaigns, trainings and many other information about production activities. In addition thereto, daily and timely information flow with our agencies is also maintained through e-mails and SMS sent in accordance with our strategic communication plan.

CUSTOMER SATISFACTION

To further improve customer service, the related department was restructured and call center processes were revised in this context.

DIGITAL MARKETING AND SOCIAL MEDIA

Recently, communication strategies integrated into digital world constitutes the focal point of the business strategy of Ray Sigorta with the intention of better understanding the consumers for the sake of being able to offer better and better products and services to them, being mindful of the fact that their level of knowledge and power of discernment are ever rising and their behaviors are inevitably changing in tandem with the technology penetrating into every bit of life increasingly day by day. Accordingly, our products and services are now introduced and advertised to large crowds using innovative and informative contents via various channels such as search engines, video-advertisement networks etc. Moreover, via such social media channels like Facebook, Twitter, Instagram and Youtube, catchy and attractive contents based on information about products are created and shared together with posts containing suggestions on actions against probable risks of daily life, thereby generating added value for our brand. Our interaction with targeted consumers is further strengthened through digital marketing activities aiming to reinforce the insurance image in general and specifically enhance our brand's recognition, thereby being able to analyze the existing and potential customer behaviors. Actions for further improvement of our marketplace communication in general are also continued to be taken through measurements of advertisement campaigns.

WWF GREEN OFFICE CERTIFICATE

As an indication of its awareness of responsibility towards nature, Ray Sigorta has already become a part of the "Green Office" project of WWF Turkey, and now, as a recognition of its successful savings aiming effective and efficient use of consumption resources, it is awarded the Green Office Certification of WWF specifically for its Corporate Headquarters.

'EVIM SARAY' CAMPAIGN

Within the scope of an incentive campaign organized for agencies during 01.04.2018 to 30.04.2018 period, agencies reaching Evim Saray product sales targets during April are rewarded.

ZUBIZU CAMPAIGN

Sales of casco products are supported through discount opportunities offered to customers through agencies via mobile application Zubizu.

CUBA AND MARRAKECH CAMPAIGNS

In 2018, incentive campaigns with travel rewards are organized to increase sales and other performances of agencies. In the campaign aiming to support the motor and non-motor insurance production, a Cuba travel is held in April 2018 with our agencies successfully reaching the campaign targets.

And in the sales campaign organized for encouraging house and individual accident insurance production efforts of agencies between 15.06.2018 and 31.07.2018, our successful agencies are awarded a travel to Marrakech, the famous "Red City" of the Morocco, between 11.10.2018 and 14.10.2018 as an indication of the difference of Ray Sigorta.

HOM CAMPAIGN

A campaign is organized for increasing awareness of our agencies and customers about the rapidly expanding network of Ray Sigorta Quick Repair Centres (HOM), our contracted service stations providing top quality, quick and solution-oriented repair services. Between the dates of 01.10.2018 and 31.12.2018, our agencies are granted the opportunity to win an additional commission over claim payments for automobiles directed by them to HOMs.

AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING OF YEAR 2018 OF RAY SİGORTA ANONİM ŞİRKETİ

1. Opening of the General Assembly Meeting and election of the Chairman of the Meeting,
2. Reading and discussing Independent Audit Report which were prepared for the year 2018,
3. Reading, discussing and approval of the Annual Report of the Board of Directors and the Financial Statements of the year 2018,
4. Release of each of the members of the Board of Directors from their liabilities with respect to the activities and accounts of 2018,
5. Discussing and resolving on the proposal of the Board of Directors pertaining to dividend distribution for the year 2018,
6. Appointment of the independent auditor for year 2019,
7. Amendment of the Articles of Association with respect to its Article 7 "Share Capital and Transfer of Shares", to the General Assembly's approval,
8. As per Corporate Governance Principles, submitting information to the General Assembly regarding significant transactions of (i) Controlling Shareholders, (ii) Board Members, (iii) Senior Executives, (iv) their spouses and their relatives by blood and marriage up to the second degree executed with the Company and with the subsidiaries of the Company in 2018 in a manner that may cause conflict of interest; submitting information to the General Assembly regarding transactions falling under the scope of activity of the Company or of the subsidiaries of the Company executed by the abovementioned persons for their own accounts and for the account of third parties in 2018, and submitting information to the General Assembly on whether or not abovementioned persons participate in other companies dealing with similar business as unlimited liability shareholders,
9. Submission of the "Remuneration Policy" to the information of the General Assembly,
10. Determination of the remuneration to be paid to members of the Board of Directors in the year 2019,
11. Wishes and Closing.

RAY SİGORTA A.Ş.
DIVIDEND DISTRIBUTION POLICY

Principles regarding Dividend Distribution Policy of Ray Sigorta A.Ş. (the "Company") are stated as follows:

1) Dividend distribution practices are subject to the relevant provisions of the Turkish Commercial Code, Capital Markets Legislation, Tax Legislation and Articles of Association of the Company.

2) The dividend shall not be distributed so long as the portion of the accumulated losses, if any, exceeding the total amount of (i) legal reserves including share premiums, (ii) retained earnings, and (iii) equity inflation adjustments excluding inflation adjustment to share capital, are not deducted from the net profit amount.

3) As a principle, the Company distributes dividends. However, dividend distribution proposal to be submitted to the General Assembly shall be determined by taking into account financial conditions, liquidity, investment strategies, funding needs and net distributable profit amount of the Company and macro economic conditions and regulations affecting the dividend distribution. In the event that it is not proposed to conduct a dividend distribution, the reason behind shall be submitted to the information of shareholders at the General Assembly Meeting. In the event that a distribution is proposed to the General Assembly, the amount to be distributed shall not be less than 20% of the net distributable profit amount.

4) Dividends may be distributed as cash or as bonus shares or as a combination of cash and bonus shares. In the event that the dividend is decided to be distributed as cash, it may be paid in instalments in accordance with the provisions of the Capital Markets Legislation.

5) Dividend distribution dates shall be determined by the General Assembly in a manner to commence no later than the end of June of any given year in which the Company decides to distribute dividends.

6) Since there is no provision regarding the distribution of advance dividends in the Articles of Association, there won't be any advance dividend distribution.

This Dividend Distribution Policy enters into force upon approval of the General Assembly. Any amendments related to the Policy are subject to the approval of the General Assembly.

(*) Profit Distribution Policy has been approved at the Ordinary General Assembly Meeting held on 31.03.2014.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The "Regulation on Internal Systems of Insurance and Reassurance and Pension Companies", no. 26913, dated 21 June 2008, promulgated by the Republic of Turkey, Treasury and Finance Ministry, General Directorate of Insurance has categorized the internal systems activities of the Companies in three groups, namely internal audit, risk management and internal control. This Regulation sets down and regulates the procedures and principles regarding Internal Control, Risk Management and Internal Audit systems required to be established in insurance and reassurance companies resident in Turkey and branches in Turkey of insurance and reassurance companies resident in foreign countries and pension companies, together with the modus operandi of said systems. According to this Regulation, the companies are under obligation to establish, operate, manage and further develop adequate and effective internal systems compliant with the scope and structure of their business activities and in conformity with the changing conditions and circumstances, within all of their regional directorates and organizational units, with the intention of monitoring and controlling all risks they are exposed to, within the frame of the procedures and principles specified in the regulations issued thereinfor. As per this Regulation, it is under the responsibility of the Internal Control and Risk Management Department to carry out the risk management system activities ensuring that the risks the Company is exposed to are identified, detected, measured, monitored and controlled with the help of policies, procedures, practices and limits determined with the intention of monitoring, keeping under control, and if needed, changing the internal control activities built for effective, adequate and appropriate management, operation and development of internal control system, and the risk and benefit structure of the Company embedded in its future cash flows, and the nature and level of its business activities in tandem therewith.

RISK MANAGEMENT AND INTERNAL CONTROL ACTIVITIES

Pursuant to the "Regulation on Internal Systems of Insurance and Reassurance and Pension Companies", a Director in charge of Internal Systems, also covering the Risk Management and Internal Control systems, is appointed to our Company's Board of Directors. Furthermore, a Corporate Risk Management Committee is created under chair of the General Manager and under coordination responsibility of the Internal Control and Risk Management Manager with a view to supervising the efficiency and effectiveness of practices of risk management process, and taking joint decisions with regard to our Company's risk profile and risk strategy, as well as the levels and limits of risks that may be taken by our

Company. Risk Management activities aim to integrate the Risk Management System with the Company's other existing functions and processes, and to ensure that it is implemented as a whole throughout the Company, and to generate a risk culture all over the Company, to protect and maintain the capital structure, to assure effective and efficient capital management, to manage the risks accurately if and when risks are identified in the course of achievement of the Company goals, to strengthen the planning and decision making processes, and to increase the added value of its activities. In line with these goals and targets, our Company's risk management activities are carried out and performed by our Internal Control and Risk Management Department according to the following criteria and in accordance with the applicable laws and regulations:

- To determine and identify the risk management policies, practices and procedures on the basis of risk management strategies; and
- To ensure that risk management policies, practices and procedures are implemented and complied with; and
- Before entering into a transaction, to ensure that the risks available therein are well understood and adequately assessed; and
- To participate in the process of design, selection, implementation and preliminary approval of risk measurement models, and to regularly review the models and make the required changes or revisions therein; and
- To generate reports out of the risk measurement models used by the Company, and analyze the reports; and
- To make sure that the digitizable risks are kept within certain predetermined limits and to monitor the use of said limits; and
- To consolidate the limits determined separately for each risk on unit basis, and monitor the compliance of the Company with the limits determined for all; and
- To ensure that the risk measurement and risk monitoring results are regularly reported on time to the Board of Directors or the relevant internal systems supervisor and the General Manager.

To perform analyses supporting the yearly targets and objectives of the Company is determined as a priority in activity planning for the Internal Control and Risk Management systems. Though the process-based risk management modeling is adopted as a basis in our Company's Risk Management methodology, the whole operational risk management process is being conducted in accordance with the integrated risk control system structure as a part of the Corporate Risk Control Matrix. Accordingly, with the participation of the relevant process owners, operational risk scenarios regarding all processes in scope are assessed, and are then rated according to our Company's risk assessment and rating methodology.

Risk assessment process is comprised of the stages of testing of the existing key controls relating to the operational risk, and assessment of control deficiencies and identification of new controls, and rating of risks, and generation of action plans for risks of high degrees. Depending on the results of risk assessment, the processes covered by the scope of assessment are determined, and the relevant work flows are revised. Then, the documents and findings created and the suggestions developed with regard to each process are shared with the process owners and the Company Management..

INFORMATION ON RISK TYPES AND
RISK MANAGEMENT POLICIES APPLIED FOR THEM

Risks assessed in measurements and modeling as a part of the risk inventory employed in the course of risk management process of our Company are as listed below:

1) **Insurance Risk:**

Risks affecting insurance contracts may be defined as the probability of occurrence of the insured event, and the inability to exactly know and appraise the amount of damages that may be caused by this event. Because of and by definition of nature of insurance contracts, the aforesaid risk is entirely accidental and random and therefore, cannot be exactly forecasted. From the point of view of different insurance branches, for automobile damages (motor vehicles accident) insurance, the most important criteria to be taken into consideration in determination of risks are motor vehicle type, age, purpose of use, servicing costs, owner's profession, gender and age, etc. factors. In non-automobile damages (motorless vehicles accident) insurance, we may mention about three different fields, namely the risks covered by liability, personal accident and accident insurances. Important factors in determination of liability risks are insurance subject, yearly turnover, risk types, statistical data of past years, regional cover and similar other factors. For cargo insurances, such information as inventories and product types, types of ship or other transportation vehicles and from where the products are carried to where are the criteria required to be taken into consideration before determination and assessment of risks. Risks for hull insurance are generally determined and declared by the Headquarters. This methodology is appropriately chosen because this insurance type is not used so much and its risks are specifically determined. Fire insurance may be considered in two separate categories, namely industrial and personal. Damages that may be caused by physical loss or fire, lightning, explosion or other reasons covered by the policy are covered by this insurance protection. Insurance cover is taken according to risk acceptance criteria, contract clauses and then-available market conditions. Engineering insurance requires contracts covering permanent risks or contracts covering non-chronical and temporary risks. In the first group,

unforeseeable and sudden losses and damages in mechanical equipments, electronic equipments and power stations are taken into account, while in the second group, scope of contract is limited by the period of warranty. Insurance cover is taken according to then-available market conditions, risk acceptance criteria and reassurance contract clauses. The most important risk carried by the Company for its insurance contracts is the excess of the reserves set aside by the Company for risks by the actual damages and claims paid by the Company. The Company is determining and formulating its policy writing strategy according to types of accepted insurance risks and the resulting damages. The Company is managing the aforesaid risks by its policy writing strategy and through its reassurance agreements entered into in all insurance branches.

2) **Financial Risks:**

Most important components of financial risks are market risk (currency risk, market value interest rate risk, cash flow risk and pricing risk), credit risk and liquidity risk. The Company's financial risk management activities are concentrated on the variability and instability of financial markets and on minimization of probable negative effects of this variability and instability on the financial performance of the Company. Financial risks are managed by the Company management in accordance with the procedures and limits approved by the Board of Directors in connection therewit.

a) Market Risk:

i. Interest Risk

Interest risk is the risk encountered due to variations in interest rates, and negatively or positively affects the return expected from any investment, or is effective on borrowing activities and loans of the company, because interest rate has direct effects and reflections on cash flows to be obtained or to be outflowed by the end of maturity. The Company is managing its interest risk by assessing and monitoring the market conditions in line with the procedures approved by the Board of Directors.

ii. Currency Risk

The Company is exposed to currency risk arising out of variations in exchange rates due to conversion of receivables and payables from foreign currencies to Turkish Lira. These risks are monitored and limited through analysis of foreign currency positions. The Company is managing its currency risk by assessing and monitoring the market conditions in line with the procedures approved by the Board of Directors.

iii. Pricing Risk

Pricing risk refers to and stands for a probable negative change in the current market price of a fixed income security in line with the changes in market interest

rates. The Company is managing its pricing risk by assessing and monitoring the market conditions in line with the procedures approved by the Board of Directors.

b) Credit Risk

Title on financial assets bears the risk of non-compliance of the counterparty with the terms and conditions agreed upon in the contract. The Company's credit risk arises out of its cash and cash equivalents and bank deposits, financial assets, reassurance shares in its insurance obligations and liabilities, its receivables from reassurance companies, and its premium receivables from policyholders and intermediary institutions. The Company is monitoring and limiting its credit risk for its financial assets classified as credits and receivables, and for its receivables arising out of insurance activities and operations (also including its reassurance receivables) through covers taken and procedures applied in selection of counterparties.

c) Liquidity Risk

Liquidity risk means the risk of inability of the Company in meeting its funding needs. Our Company is regularly managing its liquidity risk by regularly monitoring the amount and maturity mismatches between its assets and liabilities.

3. Strategic Risks

Strategic risks refer to probable threats and risks encountered by the Company in its way towards achieving its goals and objectives. The Company is managing its strategic risks by structuring its in-house risk management policies and applications in accordance with the Company's goals and objectives and within the frame of its strategic planning at the Board of Directors level.

4. Operational Risks

Operational risks refer to probable damages and losses that may be directly or indirectly incurred by the Company due to human, system, process and external factors. Our Company is managing its operational risks by developing effective controls throughout the Company as a part of its risk control matrix by taking into consideration its past-oriented operational risk data and the results of its risk-based process reviews being a part of its internal control activities and operations.

5. Reputation Risks

Reputation risks refer to the probability of negative effects of the events which may impair the reputation and prestige of the Company on the future development of the Company. Following a loss of reputation of the Company, trust of its customers, investors and employees may reduce, and this in turn may lead to financial losses. The Company is managing reputation risk in line with its written policies pertaining thereto.

INTERNAL AUDIT

Ray Sigorta Internal Audit Department, established in 2004, is carrying out its activities in accordance with the applicable current laws and regulations.

Purpose, scope, standards, structure, duties, powers, responsibilities, activities and operating principles of the Internal Audit Department are specified in the Internal Audit Regulation. Accordingly, the Internal Audit Department aims to provide assurance that our Company's activities and operations are carried out in accordance with the applicable laws and other regulations and the internal strategies, policies, principles and goals of the Company, and to assess the efficiency of, and further develop, the management, control and risk management processes.

The affairs and transactions in the Internal Audit Department's own organization are handled with an approach contributing to increase of competitive power, beyond the requirement to comply with the applicable laws and regulations. In accordance with this purpose, the framework of Internal Audit activities is determined by a systematic, continuous and disciplined approach in compliance with not only the current applicable laws, but also the generally accepted international internal audit standards.

Ray Sigorta A.Ş. Internal Audit Department holds internationally valid CIA and CRMA certificates and SMMM (CPA) certificates, being the indicators of professionalism. Through combination of business experience in insurance sector with training and knowledge directly applicable on all kinds of institutions or business circles, as confirmed by the said certificates, the professional knowledge and skills are assured to be kept and further developed. Training activities are participated as a requirement of our membership in the Institute of Internal Auditing – Turkey, and we are also participating in "VIG Auditor" program having the authorization to conduct audits in VIG Holding firms.

Pursuant to the Solvency requirements and Internal Audit Principles published by VIG Holding, such internal audit activities as risk assessment, planning, follow-up

of findings, documentation, and organization of joint audits, etc. are performed in cooperation and coordination with VIG Holding. For this reason, Ray Sigorta A.Ş. Internal Audit Department aims to provide assurance to the Board of Directors about efficiency of internal control and risk management systems, and makes suggestions aimed at early diagnosis and detection of risks. Thus, in the course of implementation of corporate governance principles, further development is aimed through supervision and efficiency of the modus operandi of internal control and risk management systems.

Internal Audit activities in Ray Sigorta A.Ş. are being conducted under yearly and three years' Internal Audit Plans prepared in coordination with VIG Holding Internal Audit Division and approved by our Company's Board of Directors. Internal Audit Department is associated directly to our Board of Directors, and is reporting to the Audit Committee of our Board of Directors. Audit reports prepared as a result of audits under a risk-based audit plan are presented to the Board of Directors and top echelon management, and may be sent to the Treasury Undersecretariat.

Actions deemed necessary by our Company with regard to the audit opinions and suggestions presented in the Internal Audit reports are regularly followed up by the Internal Audit Department. Thus, a systematic approach is shown in order to assess the efficiency of, and to further develop, the Internal Control and Risk Management system of our Company. Internal Audit activity results and findings are assessed by our Company's Board of Directors and by VIG Holding through yearly internal audit activity report and findings follow-up list.

COMPLIANCE WITH LAWS ON PREVENTION OF LAUNDERING OF CRIME REVENUES AND OF FINANCING OF TERRORISM

The Presidency of Financial Crimes Investigation Board has determined and published principles for implementation of provisions of the "Law on Prevention of Laundering of Crime Revenues", no. 5549 dated 11/10/2006, and of the "Regulation on Measures For Prevention of Laundering of Crime Revenues and of Financing of Terrorism" published for implementation of the said Law.

Our Corporate Policy formulated in accordance with these principles directs and leads the activities and practices of our Company.

The obligation of identification and confirmation of identity of the insured / policyholder / beneficiaries is performed in accordance with the "Know Your Customer" principle.

In the case of any information, doubt or suspicion showing that the properties being the subject of transactions executed or attempted to be executed in our Company or through our business partners may have been acquired by illegal ways or are used for illegal purposes, such transactions will be considered and treated as "doubtful transactions" and will be reported and notified in accordance with the relevant written processes through the system established by the Presidency of Financial Crimes Investigation Board.

Our Company's risk analyses, reporting and results have been made assessable within the frame of our Corporate Policy.

As a requirement of the "Program of Compliance with Obligations Pertaining to Prevention of Laundering of Crime Revenues and of Financing of Terrorism", the contents of "e-learning" have been shared with our personnel and agencies, and all our personnel and agencies have been induced to participate in the training and measurement process.

CORPORATE GOVERNANCE COMPLIANCE REPORT & CORPORATE GOVERNANCE INFORMATION FORM

Declaration of Compliance with Corporate Governance Principles:

Ray Sigorta A.Ş. shows great care in order to make sure that the Corporate Governance Principles are complied with. All of the mandatory principles included in the Corporate Governance Communiqué, no. II-17.1, are being strictly complied with, and a great part of the non-mandatory principles are also abided by. And actions for assuring compliance with the principles not put into practice yet are also ongoing. These principles are as follows:

(a) Principle no. 1.5: The Articles of Association does not contain a specific provision on Minority Interests and Rights.

(b) Principle no. 3.2: Supporting the Stakeholders in Participation in the Company Management. The Articles of Association does not contain a clause in connection therewith.

(c) Principle no. 4.2.8: The provision requiring the Company to take out an insurance cover equal to 25% of the share capital of the Company against faults that may be committed by the Directors during performance of their duties is not applied.

(d) Principle no. 4.3.9: Female Directors Quota. The Company determines a target rate and timing not being less than 25% for rate of female directors in the Board of Directors, and produces a policy for achievement of this objective. However, for now, we do not have any female director in our Board of Directors.

(e) Principle no. 4.5.5: A Director should not principally be elected to more than one committee. This rule is being abided by, save for the Independent Directors.

(f) Principle no. 4.6.5: Remunerations paid and all other benefits provided to the Directors and other managers and executives with managerial responsibilities are made public through the annual report. This disclosure is required to be made on the basis of persons. However, this disclosure is not made on person basis in our Company.

As for the non-mandatory principles, disclosures are made in the following sections of this report. To date, no conflict of interests has been faced due to non-mandatory principles not put into practice. Some certain in-house arrangements are made for avoidance of the conflicts of interests.

You can reach Corporate Governance Compliance Report and Corporte Governance Information Form which have been arranged by our firm at the below adresses.

Public Disclosure Platform
https://www.kap.org.tr/tr/sirket-bilgileri/ozet/1063-ray-sigorta-a-s

Company's official internet site
https://www.raysigorta.com.tr/About/General/11585/2018-uyum-raporu

RAY SİGORTA A.Ş.

31 DECEMBER 2018 FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Ray Sigorta Anonim Şirketi
A) Audit of the Financial Statements

Opinion
We have audited the accompanying balance sheet of Ray Sigorta Anonim Şirketi ("the Company") as at 31 December 2018 and the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 the accounting principles and standards in force as per the insurance legislation and that are not regulated by them for "Insurance Accounting and Financial Reporting Legislation" including Turkey Accounting Standards.

Basis for Opinion
We conducted our audit in accordance with the accounting principles and standards 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 are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code") together with 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 these requirements and the IESBA Code. 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.
Accounting policies for recognition of insurance technical reserves and estimations and assumptions used in calculation of insurance technical reserves please refer to footnote 2.26 and 17.

Key Audit Matter	How our audit addressed the key audit matter
As of 31 December 2018, the Company's total technical reserves amounting to 484.639.437 TL and constitute 52 percent of total liabilities.The company make provisions for outstanding claims amount of 216.106.386 TL. There are also incurred but not reported provisions ("IBNR") amounting to 88.576.876 TL in the provision for outstanding claims for possible future claims. The Management has used actuarial assumptions and estimations for calculating the outstanding claims reserve by using registered actuary. Due to the nature of the technical reserves calculations which has uncertainty estimations and management judgments determined this matter as one of the key audit matters	Our auditing procedures for the matter are given – as below: We evaluated the assumptions and estimations of the company's outstanding claims provision calculations with actuarial specialists. In this context, we get support by our IT specialists to evaluate the actual outstanding claims internal controls and effectiveness of the process. We choose samples and tested by getting supported documents of the actual outstanding claims . The lawsuit files of the outstanding claims are controlled by getting letter of confirmation from company lawyer. We controlled the mathematical accuracy of the calculations and average file and opening amounts which are determined by company actuarial specialists.. We evaluate the calculation amount of each case in technical reserves. We made recalculation for technical reserves. We controlled the analyzes accuracy of the past experience of the company and legislation. Additionally, the adequacy of financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities have been evaluated.

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 the accounting principles and standards, in force as per the insurance 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 processs.

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 accounting principles and standards, in force as per the insurance legislation and standards on auditing issued by the CMB and Standards on Auditing issued by POA. Misstatements can arise from fraud or error. They 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 the accounting principles and standards, in force as per the insurance legislation and the standards on auditing issued by the CMB 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.
We also provide those charged with governance with a statement that we have complied with

relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 28 February 2019.
2) Pursuant to the fourth paragraph of Article 402 of the 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
3) 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

Alper Güvenç
Responsible Auditor

28 February 2019
İstanbul, Türkiye

RAY SİGORTA ANONİM ŞİRKETİ
FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018

We confirm that the financial statements and related disclosures and footnotes as at 31 December 2018 which were prepared in accordance with the accounting principles and standards in force as per the regulations of Republic of Turkish Prime Ministry Undersecreteriat of Treasury are in compliance with the "Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies" and the financial records of our Company.

İstanbul, 28 February 2019

Koray ERDOĞAN
Member of Board of Directors
General Manager

Derya ÖZTÜRK
Member of the Management Board
Financial Affairs
Deputy General Manager

Mustafa ÖNDER
Finance Manager

Banu GÖNENÇ
Actuary

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Statement of Profit Distribution

Notes To The Financial Statements

Ray Sigorta Anonim Şirketi
Balance Sheet As At 31 December 2018

(Currency: Turkish Lira (TL))

ASSETS			
I- Current Assets	**Note**	**Audited Current Period 31 December 2018**	**Audited Prior Period 31 December 2017**
A- Cash and Cash Equivalents	**14**	**535.849.907**	**410.129.914**
1- Cash	14	22.431	52.870
2- Cheques Received	14	12	12
3- Banks	14	426.518.056	336.769.731
4- Cheques Given and Payment Orders		-	-
5- Bank Guaranteed Credit Card Receivables with Maturities Less ThanThree Months	14	109.309.408	73.307.301
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments with Risks on Policyholders	**11**	**-**	**36.478.564**
1- Available-for-Sale Financial Assets		-	-
2- Held to Maturity Investments		-	-
3- Financial Assets Held for Trading	11	-	36.478.564
4- Loans and Receivables		-	-
5- Provision for Loans and Receivables		-	-
6- Financial Investments with Risks on Saving Life Policyholders		-	-
7- Company's Own Equity Shares		-	-
8- Diminution in Value of Financial Investments		-	-
C- Receivables from Main Operations	**12**	**225.247.317**	**157.637.144**
1- Receivables from Insurance Operations	12	225.524.645	157.353.925
2- Provision for Receivables from Insurance Operations	12	(1.124.814)	(564.267)
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited to Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Operations		-	-
9- Doubtful Receivables from Main Operations	12	85.521.967	72.012.327
10- Provision for Doubtful Receivables from Main Operations	12	(84.674.481)	(71.164.841)
D- Due from Related Parties	**12**	**23.332**	**-**
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel	12	23.332	-
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**	**893.480**	**229.944**
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given	12	942.188	530.922
4- Other Miscellaneous Receivables	12	(48.708)	(300.978)
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
F- Prepaid Expenses and Income Accruals	**17**	**82.823.147**	**54.596.107**
1- Deferred Acquisition Costs	17	69.838.885	54.596.107
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Prepaid Expenses	17	12.984.262	-
G- Other Current Assets	**12,19**	**4.859.406**	**1.270.122**
1- Stocks to be Used in the Following Months		-	-
2- Prepaid Taxes and Funds	12,19	4.814.098	1.270.122
3- Deferred Tax Assets		-	-
4- Job Advances		-	-
5- Advances Given to Personnel		-	-
6- Inventory Count Differences		-	-
7- Other Miscellaneous Current Assets		45.308	-
8- Provision for Other Current Assets		-	-
I- Total Current Assets		**849.696.589**	**660.341.795**

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

(Currency: Turkish Lira (TL))

ASSETS			
II- Non-Current Assets	**Note**	**Audited Current Period 31 December 2018**	**Audited Prior Period 31 December 2017**
A- Receivables from Main Operations		**-**	**-**
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited for Insurance 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**	**445.032**	**361.210**
1- Investments in Equity Shares	9	430.032	346.210
2- Investments in Associates	9	15.000	15.000
3- Capital Commitments to Associates		-	-
4- Investments in Subsidiaries		-	-
5- Capital Commitments to Subsidiaries		-	-
6- Investments in Joint Ventures		-	-
7- Capital Commitments to Joint Ventures		-	-
8- Financial Assets and Financial Investments with Risks on Policyholders		-	-
9- Other Financial Assets		-	-
10- Impairment in Value of Financial Assets		-	-
E- Tangible Assets	**6**	**66.477.012**	**66.668.456**
1- Investment Property		-	-
2- Impairment on Investment Property		-	-
3- Owner Occupied Property	6	62.260.701	62.260.701
4- Machinery and Equipments		-	-
5- Furniture and Fixtures	6	5.800.290	4.028.470
6- Motor Vehicles	6	4.448.551	3.756.937
7- Other Tangible Assets (Including Leasehold Improvements)	6	2.490.102	2.200.777
8- Tangible Assets Acquired Through Finance Leases	6	140.695	140.695
9- Accumulated Depreciation	6	(8.663.327)	(5.719.124)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-

Ray Sigorta Anonim Şirketi
Balance Sheet As At 31 December 2018

(Currency: Turkish Lira (TL))

F- Intangible Assets	**8**	**9.716.465**	**5.033.239**
1- Rights	8	17.823.554	11.798.498
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortization	8	(8.107.089)	(6.765.259)
7- Advances Paid for Intangible Assets		-	-
G-Prepaid Expenses and Income Accruals	**17**	**337.409**	**2.948.958**
1- Deferred Acquisition Costs		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses	17	337.409	2.948.958
H-Other Non-Current Assets		**-**	**-**
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		-	-
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		**76.975.918**	**75.011.863**
TOTAL ASSETS		**926.672.507**	**735.353.658**

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

Ray Sigorta Anonim Şirketi
Balance Sheet As At 31 December 2018

(Currency: Turkish Lira (TL))

LIABILITIES			
III- Short-Term Liabilities	**Note**	**Audited Current Period 31 December 2018**	**Audited Prior Period 31 December 2017**
A- Financial Liabilities		**-**	**-**
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Leasing Costs		-	-
4- Current Portion of Long-Term Debts		-	-
5- Principal Installments and Interests on Bonds Issued		-	-
6- Other Financial Assets Issued		-	-
7- Valuation Differences of Other Financial Assets Issued		-	-
8- Other Financial Liabilities		-	-
B- Payables Arising from Main Operations	**19**	**125.784.159**	**108.883.783**
1- Payables Arising from Insurance Operations	19	34.648.760	38.158.302
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies	19	91.135.399	70.725.481
4- Payables Arising from Individual Pension Business		-	-
5- Payables Arising from Other Main Operations		-	-
6- Discount on Payables from Other Main Operations		-	-
C- Due to Related Parties	19	-	216.338
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel	19	-	216.338
6- Due to Other Related Parties		-	-
D- Other Payables	19	23.432.150	18.320.071
1- Deposits and Guarantees Received	19	3.619.949	2.642.793
2- Payables to Social Security Institution	19	7.540.185	5.666.146
3- Other Miscellaneous Payables	19	12.272.016	10.011.132
4- Discount on Other Miscellaneous Payables		-	-
E- Insurance Technical Provisions	**17**	**449.582.899**	**322.000.643**
1- Reserve for Unearned Premiums - Net	17	230.988.195	152.097.818
2- Reserve for Unexpired Risks- Net	2.25,17	2.488.318	473.625
3- Life Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net	17	216.106.386	169.429.200
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Provisions - Net		-	-
F- Provisions for Taxes and Other Similar Obligations	**19**	**13.514.161**	**9.646.672**
1- Taxes and Funds Payable	19	12.890.915	9.140.397
2- Social Security Premiums Payable	19	623.246	506.275
3- Overdue. Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Similar Payables		-	-
5- Corporate Tax Payable	19	10.431.663	9.875.432
6- Prepaid Taxes and Other Liabilities Regarding Current Period Profit	19	(10.431.663)	(9.875.432)
7- Provisions for Other Taxes and Similar Liabilities		-	-
G- Provisions for Other Risks	**23**	**10.644.058**	**8.837.999**
1- Provision for Employee Termination Benefits		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs	23	10.644.058	8.837.999
H- Deferred Income and Expense Accruals	**19**	**49.814.638**	**45.696.625**
1- Deferred Commission Income	19	49.814.638	45.696.625
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
I- Other Short-Term Liabilities		**-**	**-**
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		-	-
3- Other Various Short Term Liabilities		-	-
III- Total Short-Term Liabilities		**672.772.065**	**513.602.131**

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

Ray Sigorta Anonim Şirketi
Balance Sheet As At 31 December 2018

(Currency: Turkish Lira (TL))

LIABILITIES			
IV- Long-Term Liabilities	**Note**	**Audited Current Period 31 December 2018**	**Audited Prior Period 31 December 2017**
A- Financial Liabilities		**-**	**-**
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Liabilities		-	-
3- Deferred Leasing Costs		-	-
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assets Issued		-	-
7- Other Financial Liabilities		-	-
B- Payables Arising from Main Operations		**-**	**-**
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business		-	-
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other Operations		-	-
C- Due to Related Parties		**-**	**-**
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		**-**	**-**
1- Deposits and Guarantees Received		-	-
2- Medical Treatment Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables		-	-
4- Discount on Other Miscellaneous Payables		-	-
E-Insurance Technical Provisions	**17**	**35.056.538**	**29.083.695**
1- Reserve for Unearned Premiums – Net	17	18.738.366	17.246.128
2- Reserve for Unexpired Risks - Net		-	-
3- Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts – Net		-	-
6- Other Technical Provisions – Net	17	16.318.172	11.837.567
F-Other Liabilities and Relevant Accruals		**-**	**-**
1- Other Liabilities		-	-
2- Overdue, Deferred or By Instalment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks	**23**	**4.393.675**	**3.373.068**
1- Provision for Employee Termination Benefits	23	4.393.675	3.373.068
2- Provision for Pension Fund Deficits		-	-
H-Deferred Income and Expense Accruals		**-**	**-**
1- Deferred Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Long-Term Liabilities	**21**	**2.278.364**	**4.369.097**
1- Deferred Tax Liabilities	21	2.278.364	4.369.097
2- Other Long-Term Liabilities		-	-
IV- Total Long-Term Liabilities		**41.728.577**	**36.825.860**

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

Ray Sigorta Anonim Şirketi
Balance Sheet As At 31 December 2018

(Currency: Turkish Lira (TL))

EQUITY			
V- Shareholders' Equity	**Note**	**Audited Current Period 31 December 2018**	**Audited Prior Period 31 December 2017**
A- Paid in Capital		**163.069.856**	**163.069.856**
1- (Nominal) Capital	2.13,15	163.069.856	163.069.856
2- Unpaid Capital		-	-
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences		-	-
5- Unregistered Capital		-	-
B- Capital Reserves	**15**	**2.070.152**	**2.070.152**
1- Share Premium	15	2.070.152	2.070.152
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Asset Sales That Will Be Transferred to Capital		-	-
4- Currency Translation Adjustments		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves	**15**	**45.171.528**	**47.761.348**
1- Legal Reserves		-	-
2- Statutory Reserves		-	-
3- Extraordinary Reserves		-	-
4- Special Funds		-	-
5- Revaluation of Financial Assets		-	-
6- Other Profit Reserves	15	45.171.528	47.761.348
D- Retained Earnings		-	-
1- Retained Earnings		-	-
E- Accumulated Losses		**(26.531.201)**	**(49.253.552)**
1- Accumulated Losses		(26.531.201)	(49.253.552)
F-Net Profit/(Loss) for the Period		**28.391.530**	**21.277.863**
1- Net Profit for the Year		28.391.530	21.277.863
2- Net Loss for the Year		-	-
3- Net Profit for the Period not Subject to Distribution		-	-
V- Total Equity		**212.171.865**	**184.925.667**
TOTAL EQUITY AND LIABILITIES		**926.672.507**	**735.353.658**

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

Ray Sigorta Anonim Şirketi Statement of Income
For the Year Ended 31 December 2018

(Currency: Turkish Lira (TL))

I-TECHNICAL SECTION	Note	Audited Current Period 31 December 2018	Audited Prior Period 31 December 2017
A- Non-Life Technical Income		**374.340.962**	**306.334.748**
1- Earned Premiums (Net of Reinsurer Share)		337.400.311	275.128.192
1.1- Written Premiums (Net of Reinsurer Share)	17	419.797.619	290.890.278
1.1.1- Written Premiums. gross	17	906.193.305	706.217.663
1.1.2- Written Premiums. ceded	10,17	(464.768.124)	(397.142.047)
1.1.3- Written Premiums. transferred to SSI	17	(21.627.562)	(18.185.338)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(80.382.615)	(15.288.461)
1.2.1- Reserve for Unearned Premiums. gross	17	(102.820.527)	(72.542.162)
1.2.2- Reserve for Unearned Premiums. ceded	17	19.730.758	57.508.196
1.2.3- Reserve for Unearned Premiums. SSI share	17	2.707.154	(254.495)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(2.014.693)	(473.625)
1.3.1- Reserve for Unexpired Risks. gross		(10.649.377)	(4.293.259)
1.3.2- Reserve for Unexpired Risks. ceded		8.634.684	3.819.634
2- Investment Income - Transferred from Non-Technical Section		44.721.557	29.418.740
3- Other Technical Income (Net of Reinsurer Share)		(17.799.234)	(8.172.138)
3.1- Other Technical Income. gross		(17.799.234)	(8.172.138)
3.2- Other Technical Income. ceded		-	-
4. Accrued Salvage and Subrogation Income		10.018.328	9.959.954
B- Non-Life Technical Expense		**(351.021.527)**	**(280.651.225)**
1- Incurred Losses (Net of Reinsurer Share)	17	(267.393.003)	(218.317.243)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(220.715.817)	(164.297.193)
1.1.1- Claims Paid. gross	17	(480.730.859)	(326.922.264)
1.1.2- Claims Paid. ceded	10,17	260.015.042	162.625.071
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(46.677.186)	(54.020.050)
1.2.1- Change in Provisions for Outstanding Claims. gross	17	(207.770.030)	(155.494.614)
1.2.2- Change in Provisions for Outstanding Claims. ceded	17	161.092.844	101.474.564
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)	29	(4.480.605)	(2.270.839)
4- Operating Expenses	32	(79.147.919)	(60.063.143)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
5.1- Mathematical Provisions		-	-
5.2- Mathematical Provisions. ceded		-	-
6- Other Technical Expense		-	-
6.1- Other Technical Expense. gross		-	-
6.2- Other Technical Expense. ceded		-	-
C- Net Technical Income-Non-Life (A – B)		**23.319.435**	**25.683.523**
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)		-	-

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

Ray Sigorta Anonim Şirketi Statement of Income
For the Year Ended 31 December 2018

(Currency: Turkish Lira (TL))

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

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

Ray Sigorta Anonim Şirketi Statement of Income
For the Year Ended 31 December 2018

(Currency: Turkish Lira (TL))

II-NON-TECHNICAL SECTION	Note	Audited Current Period 31 December 2018	Audited Prior Period 31 December 2017
C- Net Technical Income – Non-Life (A-B)		**23.319.435**	**25.683.523**
F- Net Technical Income – Life (D-E)		**-**	**-**
I - Net Technical Income – Pension Business (G-H)		**-**	**-**
J- Total Net Technical Income (C+F+I)		**23.319.435**	**25.683.523**
K- Investment Income		**141.996.080**	**58.621.439**
1- Income from Financial Assets	4.2	60.089.805	39.037.563
2- Income from Disposal of Financial Assets	4.2	2.423.173	220.010
3- Valuation of Financial Assets		-	-
4- Foreign Exchange Gains	4.2	79.483.102	19.363.866
5- Income from Associates		-	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment		-	-
8- Income from Derivative Transactions		-	-
9- Other Investments			-
10- Income Transferred from Life Section		-	-
L- Investment Expense		**(113.581.449)**	**(46.795.747)**
1- Investment Management Expenses (including. interest)	4.2	(4.634.482)	(3.069.842)
2- Diminution in Value of Investments	4.2	-	(159.103)
3- Loss from Disposal of Financial Assets	4.2	(6.234.239)	-
4- Investment Income Transferred to Non-Life Technical Section		(44.721.557)	(29.418.740)
5- Loss from Derivative Transactions		-	-
6- Foreign Exchange Losses	4.2	(53.160.890)	(11.290.074)
7- Depreciation and Amortization Expenses	6,8	(4.830.281)	(2.857.988)
8- Other Investment Expenses		-	-
M- Income and Expenses From Other and Extraordinary Operations		**(12.910.873)**	**(6.355.920)**
1- Provisions	47	(14.900.308)	(12.615.593)
2- Rediscounts		-	-
3- Specified Insurance Accounts		-	-
4- Monetary Gains and Losses		-	-
5- Deferred Taxation (Deferred Tax Assets)		1.804.401	5.896.323
6- Deferred Taxation (Deferred Tax Liabilities)		-	-
7- Other Income and Profits		866.486	1.301.594
8- Other Expenses and Losses		(681.452)	(938.244)
9- Prior Year's Income		-	-
10- Prior Year's Expenses and Losses		-	-
N- Net Profit or Loss for the Period		**28.391.530**	**21.277.863**
1- Profit or Loss for the Period		38.823.193	31.153.295
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(10.431.663)	(9.875.432)
3- Net Profit or Loss for the Period		28.391.530	21.277.863
4- Monetary Gains and Losses		-	-

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

Ray Sigorta Anonim Şirketi Statement of Cash Flow
For the Year Ended 31 December 2018

(Currency: Turkish Lira (TL))

	Note	Audited Current Period 31 December 2018	Audited Prior Period 31 December 2017
A - Cash flows from operating activities			
1. Cash provided from insurance activities		828.434.988	656.338.746
2. Cash provided from reinsurance activities		10.656.516	27.369.962
3. Cash provided from pension business		-	-
4. Cash used in insurance activities		(501.865.397)	(352.740.093)
5. Cash used in reinsurance activities		(159.616.011)	(150.275.048)
6. Cash used in pension business		-	-
7. Cash provided from operating activities		**177.610.096**	**180.693.567**
8. Interest paid		-	-
9. Income taxes paid		(15.319.897)	(5.806.084)
10. Other cash inflows		7.013.135	5.038.185
11. Other cash outflows		(162.973.277)	(139.925.651)
12. Net cash provided from operating activities		**6.330.057**	**40.000.017**
B. Cash flows from investing activities			
1. Disposal of tangible assets		231.700	2.037.440
2. Acquisition of tangible assets	6,8	(9.412.227)	(6.505.074)
3. Acquisition of financial assets	11	(120.670.978)	(75.727.510)
4. Disposal of financial assets	11	157.149.542	57.908.609
5. Interests received		53.263.368	24.117.648
6. Dividends received		-	-
7. Other cash inflows		-	-
8. Other cash outflows		-	-
9. Net cash provided by investing activities		**80.561.405**	**1.831.112**
C. Cash used in financing activities		-	-
1. Equity shares issued		-	-
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 used in financing activities		-	-
D. Impact of currency differences on cash and cash equivalents		**26.322.212**	**2.091.620**
E. Net increase/(decrease) in cash and cash equivalents		**113.213.674**	**43.922.749**
F. Cash and cash equivalents at the beginning of the period	14	**345.587.462**	**301.664.713**
G. Cash and cash equivalents at the end of the period	14	**458.801.136**	**345.587.462**

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

Shareholder's Equity – 31 December 2017 – Audited												
	Note	Share Capital	Treasury Shares	Value Increase in Assets	Inflation Adjustments	Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Profit	Net Profit for the Period	Retained Earnings / Previous Years' Losses	Total
I – Balance at 31 December 2016		**163.069.856**	**-**	**22.742.252**	**-**	**-**	**-**	**-**	**8.758.520**	**37.358.377**	**(87.437.152)**	**144.491.853**
II- Changes in Accounting Policy (*)		-	-	-	-	-	-	-	-	-	-	-
III - New balance (I + II) (1 January 2017)		**163.069.856**	**-**	**22.742.252**	**-**	**-**	**-**	**-**	**8.758.520**	**37.358.377**	**(87.437.152)**	**144.491.853**
A- Capital increase		-	-	-	-	-	-	-	-	-	-	-
1 – In cash		-	-	-	-	-	-	-	-	-	-	-
2 – From reserves		-	-	-	-	-	-	-	-	-	-	-
B- Treasury shares		-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not recognized in the statement of income		-	-	-	-	-	-	-	(238.807)	-	-	**(238.807)**
D- Change in the value of financial assets		-	-	18.569.535	-	-	-	-	-	-	825.223	**19.394.758**
E- Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period		-	-	-	-	-	-	-	-	21.277.863	-	**21.277.863**
I- Dividends paid		-	-	-	-	-	-	-	-	-	-	-
J – Transfers	15	-	-	-	-	-	-	-	-	(37.358.377)	37.358.377	-
II –Balance at 31 December 2017		**163.069.856**	**-**	**41.311.787**	**-**	**-**	**-**	**-**	**8.519.713**	**21.277.863**	**(49.253.552)**	**184.925.667**

Shareholder's Equity – 31 December 2017 – Audited												
	Note	Share Capital	Treasury Shares	Value Increase in Assets	Inflation Adjustments	Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Profit	Net Profit for the Period	Retained Earnings / Previous Years' Losses	Total
I – Balance at 31 December 2017		**163.069.856**	**-**	**41.311.787**	**-**	**-**	**-**	**-**	**8.519.713**	**21.277.863**	**(49.253.552)**	**184.925.667**
II- Changes in Accounting Policy (*)		-	-	-	-	-	-	-	-	-	-	-
III - New balance (I + II) (1 January 2018)		**163.069.856**	**-**	**41.311.787**	**-**	**-**	**-**	**-**	**8.519.713**	**21.277.863**	**(49.253.552)**	**184.925.667**
A- Capital increase		-	-	-	-	-	-	-	-	-	-	-
1 – In cash		-	-	-	-	-	-	-	-	-	-	-
2 – From reserves		-	-	-	-	-	-	-	-	-	-	-
B- Treasury shares		-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not recognized in the statement of income		-	-	-	-	-	-	-	(1.145.332)	-	-	**(1.145.332)**
D- Change in the value of financial assets		-	-	(1.444.488)	-	-	-	-	-	-	1.444.488	-
E- Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period		-	-	-	-	-	-	-	-	28.391.530	-	**28.391.530**
I - Dividends paid		-	-	-	-	-	-	-	-	-	-	-
J- Transfers	15	-	-	-	-	-	-	-	-	(21.277.863)	21.277.863	-
II – Balance at 31 December 2018		**163.069.856**	**-**	**39.867.299**	**-**	**-**	**-**	**-**	**7.374.381**	**28.391.530**	**(26.531.201)**	**212.171.865**

The accompanying notes are integral part of these financial statements.

Ray Sigorta Anonim Şirketi Statement of Profit Distrubution For the Year Ended 31 December 2018

(Currency: Turkish Lira (TL))

		Audited Current Period 31 December 2018(*)	Audited Current Period 31 December 2017
I. DISTRIBUTION OF PERIOD PROFIT			
1.1. PERIOD PROFIT/(LOSS)		**38.823.193**	**31.153.295**
2. PAYABLE TAXES AND LEGAL LIABILITIES		(10.431.663)	(9.875.432)
1.2.1. Corporate Tax (Income Tax)		(10.431.663)	(9.875.432)
1.2.2. Income Tax Deduction		-	-
1.2.3. Other Tax and Legal Liabilities		-	-
A NET PERIOD PROFIT/(LOSS) (1.1 – 1.2)		28.391.530	**21.277.863**
1.3. RETAINING LOSS (-)		(26.531.201)	(49.253.552)
4. PRIMARY RESERVE		(93.016)	-
5. COMPULSORY LEGAL FUNDS (-)		-	-
B DISTRIBUTABLE NET PERIOD PROFIT [(A-(1.3 + 1.4 + 1.5)]		1.767.313	**-**
1.6. FIRST DIVIDEND TO SHAREHOLDERS		-	-
1.6.1. To Shareholders		-	-
1.6.2. To Privileged Shareholders		-	-
3. To Participating Shareholders		-	-
4. To Participating Bond Shareholders		-	-
5. To Profıt and Loss Sharing Certificate Holders		-	-
1.7. DIVIDEND TO PERSONNEL		-	-
1.8. DIVIDEND TO BOARD OF DIRECTORS		-	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
1.9.1. To Shareholders		-	-
1.9.2. To Privileged Shareholders		-	-
1.9.3. To Participating Shareholders		-	-
1.9.4. To Participating Bond Shareholders		-	-
1.9.5. To Profıt and Loss Sharing Certificate Holders		-	-
1.10. SECOND LEGAL RESERVE (-)		-	-
1.11. STATÜS RESERVE (-)		-	-
1.12. EXTRAORDINARY RESERVES		-	-
1.13. OTHER RESERVES		-	-
1.14. SPECIAL FUNDS		-	-
II. DISTRIBUTION FROM RESERVES		-	-
2.1. DISTRIBUTED RESERVES		-	-
2.2. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
2.3. SHARE TO PARTNERS		-	-
2.3.1. To Shareholders		-	-
2.3.2 To Privileged Shareholders		-	-
2.3.3. To Participating Shareholders		-	-
2.3.4 To Participating Bond Shareholders		-	-
2.3.5 To Profıt and Loss Sharing Certificate Holders		-	-
2.4. SHARE TO PERSONNEL (-)		-	-
2.5. SHARE TO BOARD OF DIRECTORS (-)		-	-
III. EARNINGS PER SHARE		-	-
3.1. TO SHAREHOLDERS		-	-
3.2. TO SHAREHOLDERS (%)		-	-
3.3. TO PRIVILEGED SHAREHOLDERS		-	-
3.4. TO PRIVILEGED SHAREHOLDERS (%)		-	-
IV. DIVIDEND PER SHARE		-	-
4.1. TO SHAREHOLDERS		-	-
4.2. TO SHAREHOLDERS (%)		-	-
4.3. TO PRIVILEGED SHAREHOLDERS		-	-
4.4. TO PRIVILEGED SHAREHOLDERS (%)		-	-

(*) Profit distributiıon table is not be fulfilled since the proposal for profit distribution as to 2018 has not been prepared yet by the Board of Directors.

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

Ray Sigorta Anonim Şirketi
Notes to the Financial Statements As at 31 December 2018
(Currency: Turkish Lira (TL))

1 General Information

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

The shareholding structure of Ray Sigorta Anonim Şirketi ("the Company") is presented below. As at 31 December 2018 and 31 December 2017, the shareholder having direct control over the shares of Ray Sigorta Anonim Şirketi ("the Company") is ATBIH GmbH and the ultimate parent company is Vienna Insurance Group AG ("VIG"). %5,04 (31 December 2017: %5.04) of shares are being traded at Borsa İstanbul A.Ş. ("BİST").

Name	31 December 2018		31 December 2017	
	Shareholding Amount (TL)	Shareholding Rate (%)	Shareholding Amount (TL)	Shareholding Rate (%)
ATBIH GmbH	133.048.627	81,59	133.048.627	81,59
Vienna Insurance Group	20.663.528	12,67	20.663.528	12,67
LVP Holding Gmbh	1.145.734	0,70	1.145.734	0,70
Other	8.211.967	5,04	8.211.967	5,04
Paid in Capital	**163.069.856**	**100,00**	**163.069.856**	**100,00**

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

The Company was registered in Turkey and has the status of 'Incorporated Company'. The Company's address is "Cumhuriyet Mahallesi Haydar Aliyev Caddesi No:28 Tarabya-İstanbul" and the Company has seven regional offices; two of them established in İstanbul and others established in Antalya, İzmir, Adana, two in Ankara (Ankara and Central Anatolia) and Bursa.

1.3 Business of the Company

The Company operates in almost all non-life insurance branches consisting of mainly accident, health, motor vehicles, air vehicles, water vehicles, transportation, fire and natural disasters, general loss, credit, financial losses, and legal protection.
As at 31 December 2018, the Company serves through, 1.138 authorized agencies, 50 Alternatif Bank branches, 72 Fibabanka branches, 7 broker, 4 leasing (31 December 2017: 1.214 authorized agencies, 57 Alternatif Bank branches,82 Fibabanka branches, 77 broker, 4 leasing) of which, 1.417 agencies (31 December 2017: 1.434 authorized).

1.4 Description of the main operations of the Company

The Company conducts its operations in accordance with the Insurance Law No.5684 (the "Insurance Law") issued in 14 June 2007 dated and 26552 numbered Official Gazette and the communiqués and other regulations in force issued by the Ministry of Treasury and Finance based on the Insurance Law. The Company operates in insurance branches as mentioned above Note 1.3 Business of the Company.
The Company's shares have been listed on the Istanbul Stock Exchange ("ISE"). The Company operates in their own specific laws and regulations for the matters of establishment, auditing, supervision/oversight, accounting and financial reporting in accordance Capital Market Law No:6362, part of VIII and paragraph of 5 of Article 136.

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

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

	31 December 2018	31 December 2017
Senior and middle level menagers	38	30
Other	223	214
Total	**261**	**244**

1.6 Wages and similar benefits provided to the senior management

For the year ended 31 December 2018, wages and similar benefits provided to the senior and middle level management including chairman is amounting to TL 6.012.681 (31 December 2017: 5.526.099 TL).

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

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

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

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

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

The accompanying financial statements comprise only the financial information of the Company.

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

Trade name of the Company : Ray Sigorta Anonim Şirketi
Registered address of the head office : Haydar Aliyev Caddesi No:28 Tarabya 34457 Sarıyer / İstanbul
The web page of the Company : www.raysigorta.com.tr

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

1.10 Events after the reporting date

There haven't been any change at services of the Company, recording of this services and company policies after accounting date.

2.1 Basis of preparation

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

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

In Article 4 of the mentioned regulation; insurance contracts, subsidiaries, recognition of jointly controlled

subsidiaries and affiliates, and consolidated financial statements with financial statements will be disclosed to the public are set out the principles and procedures relating to the preparation of notes and disclosures related to these it will be determined by Communiqués to be issued by the Turkish Republic Ministry of Treasury and Finance.
"Communiqué Related to Presentation of Financial Statements published in Offical Gazette dated 18 April 2008 and numbered 26851 by ensuring the comparision of the prior period financial statements and the financial statements of other companies regulated the form and content of the financial statements that are prepared by companies.

Additional paragraph for convenience translation to English

As explained in note 2.1, the accompanying financial statements are not intended to present the financial position of the Company and results of its operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Other accounting policies appropriate for the understanding of the financial statements
Accounting in hyperinflationary countries
Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the Turkish Lira based on "TAS 29 – Financial Reporting in Hyperinflationary Economies" as at 31 December 2004. TAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous years be restated in the same terms.
With respect to the declaration of the Turkish Treasury with the article dated 4 April 2005 and numbered 19387, financial statements as of 31 December 2004 are adjusted for the opening balances of 2005 in accordance with the section with respect to inflation accounting of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated 15 January 2003 and numbered 25290. Inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Turkish Treasury. Accordingly, as at 31 December 2018, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded before 31 December 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded after 1 January 2005 are measured at their nominal values
Other accounting policies
Information regarding other accounting polices is disclosed above in "Note 2.1.1 - Information about the principles and the specific accounting policies used in the preparation of the financial statements" and each under its own caption in the following sections of this report.

2.1.3 Valid and presentation currency
The accompanying financial statements are presented in TL, which is the Company's functional currency and reporting.

2.1.4 Rounding scale of the amounts presented in the financial statements
Financial information presented in TL, has been rounded to the nearest TL values.

2.1.5 Basis of measurement used in the preparation of the financial statements
The accompanying financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2004, except for the financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments and associates which are measured at their fair values unless reliable measures are available.

2.1.6 Accounting policies, changes in accounting estimates and errors
Explanations on accounting estimates demonstrated in Note 3 - Significant accounting estimates and judgments.

2.1.7 Comparative Information
As of 31 December 2017 financials of Ray Sigorta A.Ş., TL 15.000 classified under "Financial Assets – Investments in Equity Shares" according to comparative financial tables, amount classified under "Financial Assets – Investments in Associates" and TL 1.572.062 classified under "Prepaid Expenses and Income Accruals – Other Prepaid Expenses" according to comparative financial tables, amount classified under "Prepaid Expenses and Income Accruals – Deferred Acquisition Costs".

2 Summary of significant accounting policies (continued)

2.2 Consolidation
The Company has not any associate or subsidiary to be consolidated as of the reporting period,so consolidated financial statements have not been prepared.

2.3 Segment reporting
An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Since the main economic environment, where the Company operates, is Turkey, a geographical segment reporting has not been presented. A business segment reporting of the Company is presented in Note 5 in accordance with TFRS 8- Operating Segments standard.

2.4 Foreign currency transactions
Transactions are recorded in TL, which is the Company's functional currency. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates ruling at the reporting date and foreign currency exchange differences are offset and all exchange differences are recognized in the statement of income.

2 Summary of significant accounting policies (continued)

2.5 Tangible assets
Except for buildings in use, tangible assets of the Company are recorded at their historical costs that have been adjusted for the effects of inflation until the end of 31 December 2004. There have been no other inflationary adjustments for these tangible assets for the following years and therefore they have been recorded at their costs restated for the effects of inflation until 31 December 2004. Tangible assets that have been purchased after 1 January 2005 have been recorded at their costs after deducting any exchange rate differences and finance expenses.
The Company measures its properties for use through far value. For the properties measured at fair value that subject to amortisation, the amortisation started to be calculated by taking into consideration the rest of lives of related properties as of the date of the fair value determined.
Revaluation surplus arising from fair value measurement in buildings is recorded in "Other Capital Reserves" under equity by taking into account the effects of deferred tax. Decreases after revaluation arising from fair value measurement in buildings is subtracted from related assets "Other Capital Reserves" under Shareholders' Equity by comparing on the basis of account. Decreases after revaluation of the assets with no balances in "Other Capital Reserves" under Shareholders' Equity is associated with profit / loss accounts.
Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net carrying value and the proceeds from the disposal of related tangible assets and reflected to the statement of income of the related period.

Maintenance and repair costs incurred in the ordinary course of the business are recorded as expense.
There are no pledges, mortgages and other encumbrances on tangible fixed assets.
There are no changes in accounting estimates that have significant effect on the current period or that are expected to have significant effect on the following periods.
Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.
Depreciation rates and estimated useful lives are as follows:

Tangible Assets	Estimated Useful Lives (years)	Depreciation Rates (%)
Buildings	50	2,0
Machinery and equipments	3 – 16	6,3 – 33,3
Furniture and fixtures	4 – 16	6,3 – 25,0
Vehicles	5	20,0
Other tangible assets (including leasehold improvements)	5 – 10	10,0 – 20,0
Leased tangible assets	4 – 10	10,0 – 25,0

2 Summary of significant accounting policies (continued)

2.6 Investment properties
Investment properties are held either to earn rentals and/or for capital appreciation or for both.
Investment properties are measured initially at cost including transaction costs.
Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of retirement or disposal.
The Company does not have investment properties as of the reporting period (31 December 2017: None).

2.7 Intangible Assets
The Company's intangible assets consist of computer softwares and rights.
Intangible assets are recorded at cost in compliance with "TAS 38 – Accounting for intangible assets". The cost of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs.
Amortization is charged on a straight-line basis over their estimated useful lives over the cost of the asset.
Intangible assets' useful lifes are 3 and 5 years.

2.8 Financial assets
A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.
Financial assets are classified in two categories; as financial assets fair value through profit or loss and loans and receivables.
Financial assets at fair value through profit or loss are presented as financial assets held for trading in the accompanying financial statements and trading securities and derivatives are included in this category. Financial assets at fair value through profit or loss measured at their fair values and gain/loss arising due to changes in the fair values of related financial assets is recorded in profit / loss. Interest income earned on trading purpose financial assets and the difference between their fair values and acquisition costs are recorded as interest income in the statement of income. In case of disposal of such financial assets before their maturities, the gains/losses on such disposal are recorded under trading income/losses. Accounting policies of derivatives are detailed in note 2.10 – Derivative financial instruments.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables those are not interest earning are measured by discounting of future cash flows less impairment losses, and interest earning loans and receivables are measured at amortized cost less impairment losses.

2 Summary of significant accounting policies (contiuned)

2.8 Financial assets (contiuned)

Securities are recognized and derecognized at the date of settlement.
Long-term securities are financial assets that give a power to govern the financial and operating policies to benefit from the Company's benefit. These financial assets are measured at their cost value after deducting the proviison for impairment,if any.
A financial asset is derecognized when the control over the contractual rights that comprise that asset is lost. This occurs when the rights are realized, expire or are surrendered.

2.9 Impairment on assets

Impairment on financial asset

Financial assets or group of financial assets are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, the Company estimates the amount of impairment. A financial asset is impaired if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) ("loss event(s)") incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.
Loans and receivables are presented net of specific allowances for uncollectibility. Specific allowances are made against the carrying amounts of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and receivable to their recoverable amounts.
The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments and purchased loans measured to fair value is calculated as the present value of the expected future cash flows discounted at the current market rate of interest.
An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the statement of operations. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

Impairment on tangible and intangible assets

On each reporting date, the Company evaluates whether there is an indication of impairment of tangible and intangible assets. If there is an objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the "TAS 36 – Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.
Rediscount and provision expenses of the period are detailed in Note 47.

2 Summary of significant accounting policies (contiuned)

2.10 Derivative financial instruments

As of the reporting date, the Company does not have any derivative financial instruments. Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 – Financial Instruments: Recognition and measurement.
Derivative financial instruments are initially recognized at their fair value.
The receivables and liabilities arising from the derivative transactions are recognized under the off-balance sheet accounts through the contract amounts.
Derivative financial instruments are subsequently remeasured at fair value and positive fair value differences are presented either as "financial assets held for trading" and negative fair value differences are presented as

"other financial liabilities" in the accompanying financial statements. All unrealized gains and losses on these instruments are included in the statement of income.

2.11 Offsetting of financial assets

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.
Income and expenses are presented on a net basis only when permitted by the Reporting Standards, or for gains and losses arising from a group of transactions resulting from the Company's similar activities like trading transactions.

2.12 Cash and cash equivalents

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

2 Summary of significant accounting policies (contiuned)

2.13 Capital

As at 31 December 2018 and 31 December 2017, the shareholder having direct control over the shares of Ray Sigorta Anonim Şirketi ("the Company") is ATBIH GmbH and the ultimate parent company is VIG. As at 31 December 2018 and 31 December 2017, the share capital and ownership structure of the Company are as follows:

Name	31 December 2018		31 December 2017	
	Shareholding Amount (TL)	Shareholding Rate (%)	Shareholding Amount (TL)	Shareholding Rate (%)
ATBIH GbmH	133.048.627	81,59	133.048.627	81,59
Vienna Insurance Group	20.663.528	12,67	20.663.528	12,67
LVP Holding Gmbh	1.145.734	0,70	1.145.734	0,70
Other	8.211.967	5,04	8.211.967	5,04
Paid in Capital	**163.069.856**	**100,00**	**163.069.856**	**100,00**

Sources of capital increases during the period

The Company has not performed capital increase as at 31 December 2018. (31 December 2017: None).

Privileges on common shares representing share capital

As at 31 December 2018, the issued share capital of the Company is TL 163.069.856 (31 December 2017: TL 163.069.856) and the share capital of the Company consists of 16,306,985,600 (31 December 2017: 16,306,985,600 shares) issued shares with TL 0.01 nominal value each.

Registered capital system in the Company

The Company has accepted the registered capital system. As of 31 December 2018, the Company's registered capital is TL 200.000.000 (31 December 2017: TL 200.000.000).

Repurchased own shares by the Company

None (31 December 2017: None).

2 Summary of significant accounting policies (contiuned)

2.14 Insurance and investments contracts-classification

An insurance contract is a contract under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk covers all risk except for financial risks. All

premiums have been received within the coverage of insurance contracts recognized as revenue under the account caption "written premiums".
Investment contracts are those contracts which transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided, that it is not specific to a party to the contract, in the case of a non-financial variable.
As of the reporting date, the Company does not have a contract which is classified as an investment contract.

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

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

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

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

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

2 Summary of significant accounting policies (contiuned)

2.18 Income 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 Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; 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. The withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.
Prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be

deducted from the annual corporate tax calculated for the whole year earnings.
In accordance with Turkish Tax Legislation, tax losses can be carried forward to offset against future taxable income for up to five years. The Company has not deductible tax losses as of 31 December 2018 (Note 21) (31 December 2017: None).
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 taxes
In accordance with TAS 12 – Income taxes, deferred tax assets and liabilities are recognized on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.
Deferred tax assets and liabilities are reported as net in the financial statements if, and only if, the Company has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity.
In case where gains/losses resulting from the subsequent measurement of the assets are recognized in the statement of income, then the related current and/or deferred tax effects are also recognized in the statement of income. On the other hand, if such gains/losses are recognized as an item under equity, then the related current and/or deferred tax effects are also recognized directly in the equity.

2 Summary of significant accounting policies (contiuned)

2.18 Income taxes (continued)

Transfer pricing
In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.
In accordance with the General Comminique, if a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

2.19 Employee benefits

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 amaount as at 31 December 2018 is TL 5.434 (31 December 2017: TL 4.732).
In Accordance IAS 19 which published by Public Company Accounting Oversight Board (PCAOB) dated March 12, 2013 is about "Benefits Employee Accounting Standard" and defined by beginning from December 31,2012 net defined benefit liability of the actuarial gains and losses arising on re-measurement should be recognized in other comprehensive income under shareholders' equity and this effect should be applied retrospectively. The Company

started to account current actuarial gains and losses under equity (other profit reserves) due to the fact that prior period actuarial gains and losses have remained below the materiality.
The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 – Employee Benefits, The major actuarial assumptions used in the calculation of the total liability as at 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018	31 December 2017
Discount rate	%4,72	%4,72
Expected retirement turnover rate	%94	%94

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

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

2 Summary of significant accounting policies (continued)

2.20 Provisions
A provision is made for an existing obligation resulting from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the reporting date and, if material, such expenses are discounted to their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Company to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.
A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Company discloses the contingent asset.

2.21 Revenue recognition
Written premiums and claims paid
Written premiums represent premiums on policies written during the period net of taxes, premiums of the cancelled policies which were produced in prior periods and premium ceded to reinsurance companies,.
Premiums ceded to reinsurance companies are accounted as "written premiums, ceded" in the statement of income.
Claims are recognized as expense as they are paid. Outstanding claims provision is provided for both reported unpaid claims at period-end and incurred but not reported claims. Reinsurer's shares of claims paid and outstanding claims provisions are off-set against these reserves.

2 Summary of significant accounting policies (continued)

2.21 Revenue recognition (contiuned)

Subrogation, salvage and quasi income

According to the Communiqué 2010/13 dated 20 September 2010; the Company may account for income accrual for subrogation receivables without any voucher after the completion of the claim payments made to the insure. If the amount cannot be collected from the counterparty insurance company, the Company provides provision for uncollected amounts due for six months. If the counter party is not an insurance Company, the provision is provided after four months. As at the reporting date, in accordance with the related Communiqué the Company provided TL 7.069.952 (31 December 2017: TL 5.399.124) subrogation receivables and recorded TL 7.115.684 (31 December 2017: TL 5.418.769) (Note 12) net subrogation and salvage receivables under receivables from main operations. The Company provided allowance for uncollected subrogation receivables amounting to TL 1.009.023 (31 December 2017: TL 444.140) (Note 12) in accordance with Communiqué
For the years ended 31 December 2018 and 2017, salvage and subrogation collected are as follows:

	31 December 2018	31 December 2017
Motor Vehicles	32.753.160	22.777.614
Third Party Liability For Motor Vehicles (MTPL)	1.912.356	1.659.865
Fire and Natural Disaster	454.883	318.610
Transportation	185.370	526.670
General Losses	157.311	76.893
Health	20.617	365
General Responsibility	2.101	297
Water Vehicles	1.571	-
Breach of Trust	900	805
Accident	-	33
Financial Loss	-	1.734
Total	**35.488.269**	**25.362.886**

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

	31 December 2018	31 December 2017
Motor Vehicles	4.705.001	3.469.895
Third Party Liability For Motor Vehicles (MTPL)	1.438.338	888.303
Transportation	332.962	391.017
Fire and Natural Disaster	426.168	340.463
General Losses	77.203	316.454
General Responsibility	63.777	-
Water Vehicles	39.628	12.060
Breach of Trust	32.607	577
Total	**7.115.684**	**5.418.769**

2 Summary of significant accounting policies (continued)

Revenue recognition (continued)

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 1 January 2008 and recognizing deferred commission income and deferred commission expense in the financial statements for the policies produced after 1 January 2008.

Interest income and expense

Interest income and expense are recognized using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.
The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Trading income/expense

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

Dividends

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

2.22 Leasing transactions

The maximum period of the lease contracts is 10 years. Tangible assets acquired by way of finance leases are recorded in tangible assets and the obligations under finance leases arising from the lease contracts are presented under "Finance Lease Payables" account in the financial statements. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate.
If there is impairment in the value of the assets obtained through finance lease and in the expected future benefits, the leased assets are measured at net realizable value. Depreciation for assets obtained through financial lease is calculated in the same manner as tangible assets.
Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease.

2.23 Dividend distribution

The principles that are stated in the declaration of profit sharing, titled II-19.1, which were published in the federal register in 23 Jan 2014 by the Capital Market Board should be executed according to the decrees that are stated in the core contract between the partners and the profit sharing policies that were announced by the companies to the public. The Company's "Dividend Policy" was approved at the Annual General Meeting held on March 31,2014.

2 Summary of significant accounting policies (continued)
2.23 Dividend distribution (continued)

Additionally, as stated within the aforementioned decision of CMB, for entities required to prepare consolidated financial statements, it has been agreed upon to require the net distributed profit calculations to be performed on the net profit for the period as stated on the consolidated financial statements, so long that the distribution can be funded through statutory resources.
The Company did not perform dividend distribution in 2016 and 2017. The Company perform ordinary meeting of the general assembly on 30 March 2018. Assembly made the decision of not to share net profit of the year TL 21.277.863 and account for loss from previous period.

2.24 Reserve for unearned premiums

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies

and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 26606 numbered and 7 August 2007 dated Official Gazette and put into effect starting from 1 January 2008, the reserve for unearned premiums represents the proportions of the gross premiums written without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the reporting date for all short-term insurance policies. For commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves.
Reserve for unearned premiums is calculated for all insurance contracts except for the contracts for which the mathematical reserve is provided. Reserve for unearned premiums is also calculated for the annual premiums of the annually renewed long term insurance contracts.
Since the Communiqué on Technical Reserves was effective from 1 January 2008, the Turkish Treasury issued 4 July 2007 dated and 2007/3 numbered "Communiqué to Assure the Compliance of the Technical Reserves of Insurance, Reinsurance and Pension Companies With the Insurance Law No,5684" ("Compliance Communiqué") to regulate the technical provisions between the issuance date and enactment date of the Communiqué on Technical Reserves. In accordance with the Compliance Communiqué, it is stated that companies should consider earthquake premiums written after 14 June 2007 in the calculation of the reserve for unearned premiums while earthquake premiums were deducted in the calculation of the reserve for unearned premiums before. Accordingly, the Company has started to calculate reserve for unearned premiums for the earthquake premiums written after 14 June 2007, while the Company had not calculated reserve for unearned premiums for the earthquake premiums written before 14 June 2007.
According to the 2009/9 Numbered Communiqué Related to Application of Technical Reserves issued on 27 March 2009 reserve for unearned premiums is calculated by taking into account that all polices become active at 12:00 at noon and end at 12:00 at noon.
According to the Communiqué on Technical Reserves, for the calculation of unearned premium reserves of foreign currency indexed insurance agreements, foreign currency selling exchange rates announced by Turkish Central Bank will be considered, unless there is a specified exchange rate in the agreement.
As at the reporting date, the Company has provided reserve for unearned premiums amounting to TL 503.171.620 (31 December 2017: TL 400.351.092) and reinsurer share in reserve for unearned premiums amounting TL 241.426.788 (31 December 2017: TL 221.696.030). Furthermore, reserve for unearned premiums includes Social Security Institution ("SSI") share amounting to TL 12.018.271 (31 December 2017:TL 9.311.117) as at 31 December 2018.

2 Summary of significant accounting policies (continued)

2.25 Reserve for unexpired risks
In accordance with the Communiqué on Technical Reserves, while providing reserve for unearned premiums, in each accounting period, the companies should perform adequacy test covering the preceding 12 months due to the probability that future claims and compensations of the outstanding policies may be in excess of the reserve for unearned premiums already provided. In performing this test, it is required to multiply the reserve for unearned premiums, net with the expected claim/premium ratio. Expected claim/premium ratio is calculated by dividing incurred losses (provision for outstanding claims, net at the end of the period + claims paid, net – provision for outstanding claims, net at the beginning of the period) to earned premiums (written premiums, net + reserve for unearned premiums, net at the beginning of the period – reserve for unearned premiums, net at the end of the period). In the calculation of earned premiums; deferred commission expenses paid to the agencies and deferred commission income received from the reinsurance firms which were netted off from reserve for unearned premiums both at the beginning of the period and at the end of the period are not taken into consideration.
In accordance with Treasury Communiqué numbered 2012/15, unexpired risk reserve started to be calculated over main branches as of December 31, 2012. The test is performed on branch basis and in case where the

expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that specific branch is added to the reserves of that branch.
Accordingly, as at the reporting date, the Company has provided net reserve for unexpired risk amounting to TL 14.942.636 (31 December 2017: 4.293.259) and unexpired risk amounting of reassurance to TL 12.454.318 (31 December 2017: 3.819.634) in the accompanying unconsolidated financial statements.
In accordance with sector announcements of Turkish Treasury numbered 2015/30 and 2016/1, as of 31 December 2018, opening provision for outstanding claims amount which is used in determined expected claim/ premium ratio for calculating the reserve for unexpired risks has been restated in consistently with the current period.
According to the Communiqué numbered 2011/18, the Company excluded both the premiums transferred to SSI and claims related to treatment costs from calculation of reserve for unexpired risks in motor third party liability, compulsory transportation financial liability and compulsory personal accident for bus transportation branches.
As of 31 December 2018, the Company did not use the method stated in "Reserve for unexpired risks" Communique numbered 2016/37 and dated 11 November 2016.

2 Summary of significant accounting policies (continued)

2.26 Provision for outstanding claims
According to Article 7 of Provision for Outstanding Claims titled of the Communique Related to Technical Reserves of Insurance and Reinsurance Companies and the Technical Reserves Invested to Assets dated 7 August 2007 and numbered 26606 entered into force by publishing in the Official Gazette, the Company allocates the provision for outstanding claims for incurred and identified but the actual unpaid claims amounts in the prior accounting periods or current period or for the claims realized with its expected amounts but not be reported when the cost could not be calculated.
Claims incurred before the accounting periods but reported subsequent to those dates are considered as incurred but not reported ("IBNR") claims.
In accordance with the Regulation on the amendment of the relevant Regulation published in the Official Gazette dated July 17, 2012 and numbered 28356, "Inquired but not reported compensation amount, principles of content and implementation shall be calculated by the actuarial chain ladder method determined by the Undersecretariat or by other calculation methods to be determined by the Undersecretariat."
Claims incurred before the accounting periods but reported after these dates are accepted as the claims incurred but not reported. In accordance with the Comminuque Related to Provision for Outstanding Claims that entered into force in January 1, 2015 by publishin in December 5, 2014 and numbered 2014/16, IBNR account in non-life branches can be made calculation of Actuarial Chain Ladder Method (ACLM) with its six different methods as Standart Chain, Claim/Premium, Cape Code, Frequency/Volume, Munich Chain Method or BornhuetterFerguson.
The difference between the amount of accrued and outstanding claims provision determined using the actuarial chain ladder methods determined as IBNR, calculated negative IBNR results are reflected in the financial reports as 100% in the direction of Communique of the Republic of Turkey Ministry of Treasury and Finance numbered with 2011/23 on "Explanations Regarding the Calculation of Inquired But Not Reported (IBNR)".
The Company has applied the IBNR Test method for assessing the Company actuary for branches with insufficient number of files and has not made a major damage claim for these branches.
In accordance with the "Sectoral Announcement Regarding the Method Selection in ACLM Calculation" of the Republic of Turkey Ministry of Treasury and Finance dated April 5, 2013, as of December 31, 2017 the method was changed in IBNR calculation of the Health branch and "Standard Chain" method has begun to be applied.
According to the method explained above, the amount calculated (included subrogation accrual) by the Company is amounting to TL 200.175.737 (31 December 2017: TL 147.021.400) and re-share is amounting TL 111.598.861 (31 December 2017: TL 73.251.636) in financial statements.
In accordance with "Communiqué Related to Information on Calculation of Incurred But Not Reported Claims Reserve" numbered 2011/23 and dated November 26, 2011, companies may decrease their outstanding

claims reserve balances based on the winning ratio of the sub-branches calculated from the last five years claims. Winning ratio used for decrease in provision for outstanding claims could not exceed 25% (15% for the new sub-branches which do not have five year data). Based on the aforementioned regulation, the Company calculated winning ratio within 5%-25% from the last five year data set and TL 48.283.822 (31 December 2017: TL 33.472.440) as IBNR and TL 26.901.262 (31 December 2017: TL 16.505.227) as reinsurer's share of IBNR is excluded from outstanding claims reserve balance.

2 Summary of significant accounting policies (continued)

2.26 Provision for outstanding claims (continued)

The calculated winning ratio of the Company as at 31 December 2018 is within 3% - 25% range (31 December 2017: 3%-25%), winning ratios used in and amounts increased from provision for outstanding claims are as follows:

31 December 2018			
Branch	**Winning Ratios Used**	**Gross Amount Decreased**	**Net Amount Decreased**
Third party liability for motor vehicles (MTPL)	%14-%25	19.038.751	15.444.510
General Responsibility	%5-%25	8.995.839	1.755.616
Fire and natural disasters	%25	6.244.844	1.743.139
General Losses	%25	9.561.686	808.462
Water Vehicles	%25	2.270.476	175.217
Transportation	%25	653.700	114.849
Motor Vehicles	%25	1.273.281	1.257.880
Health	%17	141.272	0
Accident	%23	70.248	49.162
Rail Vehicles	%25	33.725	33.725
Total		**48.283.822**	**21.382.560**

31 December 2017			
Branch	**Winning Ratios Used**	**Gross Amount Decreased**	**Net Amount Decreased**
Third party liability for motor vehicles (MTPL)	%6-%25	15.173.972	12.601.232
General Responsibility	%3-%25	6.654.752	1.369.375
Fire and natural disasters	%25	5.387.548	1.247.503
General Losses	%25	2.346.444	377.091
Water Vehicles	%25	1.695.783	135.285
Transportation	%25	1.033.632	175.280
Motor Vehicles	%25	996.794	978.464
Health	%19	74.940	131
Accident	%22	76.971	51.248
Rail Vehicles	%25	31.604	31.604
Total		**33.472.440**	**16.967.213**

2 Summary of significant accounting policies (continued)

2.26 Provision for outstanding claims (continued)

The company has made a big damage item in the fire branch with the Box-Plot method and no major damage item has been made in other branches.

According to Turkey Insurance, Reinsurance and Pension Companies Association ("MTI") dated September 6, 2017 numbered 2017/4 on "Medical Compulsory Liability Insurance About the Sector Announcement Related to Bad Ideas" reported, it took the lead sharing premium and claims in the respective sub-branches General Liability branch not included in IBNR account. As a result, the gross loss amounting to TL 844.308 and net loss amounting to TL 253.293 has been added to the General Liability branch as the Indirect IBNR and the total gross TL 45.886.213 and net TL 8.957.126 IBNR amounts in General Liability are reflected in the financial statements.
As of December 31, 2018, the Company calculated TL 97.263.685 IBNR for the Compulsory Traffic Branch detailed in material damage and bodily injury. However, in accordance with the "Regulation on the Amendment of the Regulation on Tariff Implementation Principles in the Compulsory Financial Liability Insurance for Road Vehicles Motor Vehicles" published in the Official Gazette on July 11, 2017, the gross amount of IBNR for damages to be transferred to the pool regarding the Risky Insured Pool is TL 27.508.845 identified. For the damages coming from the Risky Insured Pool, the additional reserve of TL 30.801.394 gross and net TL 21.560.976 was added to the IBNR of Total Traffic as Indirect IBNR. In order to reach Net Requirement Traffic, netting account was made by deducting the gross IBNR to be transferred to the pool. .
Furthermore, the minimum wage amount to be applied between January 1, 2019 and December 31, 2019 in accordance with the minimum wage determination commission no. 2018/1 dated December 25, 2018 and published in the Official Gazette dated 27 December 2018 and numbered 30638, was increased by 26%. In order to eliminate the IBNR effect created by the increase in the reserve, an additional reserve amounting to gross 15.414.277 TL has been included in the said amount. 6.662.569 TL of the additional reserve calculated for the minimum wage increase arises from direct business, 4.911.517 TL from the pool and 3.840.190 TL from transferred to the pool. While the Net Traffic IBNR was reached, the net wage increase effect was calculated by deducting the calculated minimum wage increase effect for the works to be transferred to the pool via the gross IBNR to be transferred to the pool from the calculated IBNR and the net amount calculated for the minimum wage increase amounting to TL 7.868.829 was added. Also in the fourth quarter of 2018, as in the third quarter, 100% of the IBNR determined by gradual transition has been included in the calculation. Thus, the total Compulsory Traffic IBNR including gross accruals was reflected in the financial statements as gross TL 144.598.285 TL and net TL 79.032.941.
In accordance with the correspondences dated July 8, 2014 and August 5, 2014 and numbered 1104 and 38681552-306.01.02.01 / 24808 with Treasury, the company hasn't been considered the case claim numbered 20101300354 in IBNR and adequacy of outstanding claims provisions in the Financial Loss Branch due to that case claim affects the claim development negatively and doesn't reflect the real situation truly.
At the end of each period, an outstanding claim adequacy table is prepared by the Company in order to measure the adequacy of the outstanding claims provision for the branches where the new activity has been started and for which there is not sufficient data. During the preparation of the adequacy table and in the calculation of the outstanding claims reserve; outstanding claims that are accrued and accounted for, realized but not reported are taken into consideration. Proportion of outstanding claims to total outstanding claims reserve, including all expense amounts related to the file subject to outstanding claims provision in this framework, represents the outstanding claim adequacy ratio. If the outstanding claim adequacy ratio for these branches is more than 100%, the difference between this ratio and 100% rate is multiplied by the provision for outstanding claims reserve in the current period, and the difference in the adequacy ratio is found.

2 Summary of significant accounting policies (continued)

2.26 Provision for outstanding claims (continued)

The adequacy ratio difference amount is added separately for each branch and the provision for outstanding outstanding claims to be set aside in the current year is calculated. In this framework, the Company has calculated the outstanding claims reserve adequacy ratio calculated for the branches that have started the new activity and not enough data as of December 31, 2018 to be TL 3.725 (31 December 2017: TL 1.355), which is calculated for the branches with the outstanding claim adequacy ratio above 100% in the accompanying

financial statements.
In accordance with the General Assembly of the Republic of Turkey Ministry of Treasury and Finance numbered with 2016/22 about the "Circular on the Reduction of Net Outflows from Outstanding Claims", the Company has discounted the net flows of outstanding claims calculated and recorded according to insurance legislation in its all branches.
The discounting was made using the standard formulation in Table 57 - AZMM, as outlined in the General. The Company has used its own cash flow estimates for these branches because the standard formula given in the IBNR Test method in the IBNR account does not reflect the actual situation as there is not enough file name.
Net IBNR amount calculation is based on branches; current reinsurance shares to reflect the effect of current reinsurance agreements.
ACLM methods chosen by the Company on branch basis are given in the table below.

	31 December 2018	31 December 2017
Motor vehicles	Standard	Standard
Water vehicles	Standard	Standard
Third party liability for motor vehicles (MTPL)	Standard	Standard
Third party liability	Standard	Standard
Third party liability for air vehicles	Test IBNR	Test IBNR
Fire and natural disasters	Standard	Standard
Air crafts	Test IBNR	Test IBNR
Accident	Standard	Standard
General losses	Standard	Standard
Financial losses	Test IBNR	Test IBNR
Health	Standard	Standard
Transportation	Standard	Standard
General liability	Loss/Premium	Loss/Premium
Legal protection	Test IBNR	Test IBNR
Breach of trust	Test IBNR	Test IBNR

2 Summary of significant accounting policies (continued)

2.26 Provision for outstanding claims (continued)

New Regulations on Treatment Costs Resulted from Traffic Accidents in Accordance with the Communiqué Numbered 2011/18 "Communiqué Related to the Accounting of Payments Related to Payment of Treatment Costs Resulted from Traffic Accidents and New Accounts in the Insurance Chart of Accounts"
58th and 59th articles and 1st and 2nd provisional articles of the Law numbered 6111 on "Restructuring of certain receivables and amendment to the law of social insurance and general health insurance and certain other laws and decree laws" published in the Official Gazette numbered 27857 and has come into effect on February 25, 2011.
According to the Article 59 of the aforementioned law, starting from 25 February 2011, premiums written under compulsory motor third party liability insurance contracts providing health assurance will be transferred to SSI by the rate up to 15% which will be later defined by Turkish Treasury. By this premium transfer, all liabilities related to body injuries resulted from traffic accidents will be compensated by SSI. According to the Provisional Article 1 and Article 59 of the Law, up to 20% of the transferred premium amount defined by the Turkish Treasury will also be transferred to SSI and treatment costs resulted from traffic accidents occurred before 25 February 2011 will also be compensated by SSI. As part of the aforementioned law, "Communiqué on Payment of Treatment Costs Resulted from Traffic Accidents" which was issued in Official Gazette numbered 28038 and dated 27 August 2011 has become effective. On 17 October 2011, the Turkish Treasury issued Communiqué numbered 2011/18 "Communiqué Related to the Accounting of Payments Related to Payment of Treatment Costs Resulted from

Traffic Accidents and New Accounts in the Insurance Chart of Accounts".
In accordance with the related Communiqué, the Company recognited outstanding claims reserve amounting to TL 21.627.562 (1 January – 31 December 2017: TL 18.185.338) as "Premium Transferred to SSI"

2 Summary of significant accounting policies (continued)

2.26 Provision for outstanding claims (continued)
New Regulations on Treatment Costs Resulted from Traffic Accidents in Accordance with the Communiqué Numbered 2011/18 "Communiqué Related to the Accounting of Payments Related to Payment of Treatment Costs Resulted from Traffic Accidents and New Accounts in the Insurance Chart of Accounts" (continued)

The movement of the total debt for treatment costs to pay SSI as follow;

	31 December 2018	31 December 2017
Opening Balance	5.666.146	4.926.641
Premiums Transfferred to SSI(*) (**)	21.627.562	18.185.338
Premium Paid to SSI	(19.753.523)	(17.445.833)
Closing Balance	**7.540.185**	**5.666.146**

(*) In statement of income, it is named Premiums Transfferred to SSI..
(**) As described in Note 2.14, as part of the aforementioned law, "Communiqué on Payment of Treatment Costs Resulted from Traffic Accidents" which was issued in Official Gazette numbered 28038 and dated 27 August 2011 has become effective. On 17 October 2011, the Turkish Treasury issued Communiqué numbered 2011/17 "Communiqué Related to the Accounting of Payments Related to Payment of Treatment Costs Resulted from Traffic Accidents and New Accounts in the Insurance Chart of Accounts". In accordance with the related Communiqué, as at 1 January-31 December 2018, the Company recognited outstanding claims reserve amounting to TL 21.627.562 (1 January – 31 December 2017: TL 18.185.338), as "Debt for treartment cost to pay SSI- Short Term" account, payments are decreased till the end of period.
(***) In the event of differences between 2011/17 and 2012/4 Communiqué No. of provisions within the framework of companies reported liabilities and the portion corresponding to the relevant period, the amount found as a result of calculation stated, regarding the difference in the balance sheet as "SSI debt on treatment expenses" account in the income statement other technical income expenses or income statement. In this respect, the Company as at January 1 – 31 December 2017 , taking into account the liability reported for the 2018 fiscal year has no any debt which will be adding to the acount of "SSI debt on treatment costs" (1 January - 31 December 2017: None).

2.27 Equalization provision

In accordance with the Communiqué on Technical Reserves put into effect starting from 1 January 2008, the companies should provide equalization provision in credit insurance and earthquake branches to equalize the fluctuations in future possible claims and for catastrophic risks. Equalization provision, started to be provided in 2008, is calculated as 12% of net premiums written in credit insurance and earthquake branches. In the calculation of net premiums, fees paid for un-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. The companies should provide equalization provision up to reaching 150% of the highest premium amount written in a year within the last five years.
In case where claims incurred, the amounts below exemption limits as stated in the contracts and the share of the reinsurance firms cannot be deducted from equalization provisions. Claims payments are deducted from first year's equalization provisions by first in first out method. Equalization provisions are presented under "other technical reserves" in the accompanying financial statements. As at the reporting date, the Company provided equalization provision amounting to TL 16.318.172 in the accompanying unconsolidated financial statements (31 December 2017: TL 11.837.567).
Net losses (after reinsurance) resulted from earthquake occurred in several cities amounting to TL 18.676 (31 December 2017: TL 154.265) are decreased from prior periods' equalization provision.

	31 December 2018	31 December 2017
Opening Balance	11.837.567	9.566.728
Provisions during the year	4.499.281	2.425.104
Discounted from equalization earthquake	(18.676)	(154.265)
Total	**16.318.172**	**11.837.567**

2 Summary of significant acounting policies (continued)

2.28 Related parties

Parties are considered related to the Company if;

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

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

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

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

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

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

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

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

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

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

2.29 Earnings per share

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

2.30 Events after the reporting date

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

2 Summary of significant accounting policies (continued)

2.31 Standards and interpretations issued but not yet effective

Standards issued but not yet effective and not early adopted

New standards, interpretations and amendments to existing standards are not effective at reporting date but 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 13 January 2016, 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 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 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Company is

assessing 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 1 January 2019, with earlier application permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TFRS 9.

2 Summary of significant accounting policies (continued)

2.31 Standards and interpretations issued but not yet effective

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA (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 recognised 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 [Group/Company] is assessing the potential impact on its [consolidated] 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 2021 but companies can apply it earlier. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 17.

3 Critical accounting estimates and judgments in applying accounting policies

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

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

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

In particular, information about significant areas at estimation uncertainty and critical judgment in applying

accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

Note 4.1 - Management of insurance risk
Note 4.2 - Financial risk management
Note 10 - Reinsurance assets/liabilities
Note 11 - Financial assets
Note 12 - Loans and receivables
Note 17 - Insurance liabilities and reinsurance assets
Note 17 - Deferred acquisition costs
Note 19 - Trade and other payables, deferred income
Note 21 - Deferred income taxes
Note 23 - Provisions for other liabilities and charges

4. Management of insurance and financial risk

4.1. Management of insurance risk

Insurance risk is defined as coverage for exposures that exhibit a possibility of financial loss due to applying inappropriate and insufficient insurance techniques. Main reasons of insurance risk exposure result from the risk selection and inaccurate calculation of insurance coverage, policy terms and fee or inaccurate calculation of coverage portion kept within the company and coverage portion transfers to policyholders and transfer conditions.

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

Potential risks that may be exposed in transactions are managed based on the requirements set out in the Company's "Risk Management Policies" issued by the approval of the Board of Directors. The main objective of risk management policies is to determine the risk measurement, assessment, and control procedures and maintain consistency between the Company's asset quality and limitations allowed by the insurance standards together with the Company's risk tolerance of the accepted risk level assumed in return for a specific consideration. In this respect, instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.
Risk tolerance is determined by the Company's Board of Directors by considering the Company's long-term strategies, equity resources, potential returns and economical expectations, and it is presented by risk limitations. Authorization limitations during policy issuing include authorizations for risk acceptances granted based on geographical regions in relation to unacceptable special risks or pre-approved acceptable special risks, insurance coverage to agencies, district offices, technical offices, assistant general managers and top management in the policy issuance period and authorizations for claim payment granted to district offices, claim management administration, automobile claims administration and Claim Committee established by the managing director and assistant managing director in the claim payment period.
Whatsoever, risk acceptance is based on technical income expectations under the precautionary principle. In determining insurance coverage, policy terms and fee, these expectations are based accordingly
It is essential that all the authorized personnel in charge of executing policy issuance transactions, which is the initial phase of insurance process, should ensure to gather or provide all the accurate and complete information to issue policies in order to obtain evidence on the acceptable risks that the Company can tolerate from the related insurance transactions. On the other hand, decision to be made on risk acceptance will be possible by transferring the coverage to the reinsurers and/or coinsurers and considering the terms of the insurance policy.

In order to avoid destructive losses over company's financial structure, company transfers the exceeding portion of risks assumed over the Company's risk tolerance and equity resources through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies. Insurance coverage and policy terms of reinsurance are determined by assessing the nature of each insurance branch.

4 Management of insurance anf financial risk (continued)

4.1 Management of insurance risk (continued)

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

Sensitivity to insurance risk

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

The case of potential claims' arising from earthquake and other catastrophic risks exceeding the maximum limit of the excess of loss agreements, such risks are treated as the primary insurance risks and are managed based on the precautionary principle. Maximum limit of excess of loss agreements is determined based on the worst case scenario on the possibility of an earthquake that Istanbul might be exposed to in terms of its severity and any potential losses incurred in accordance with the generally accepted international earthquake models. The total amount of protection for catastrophic risks of the company is indentified taking into the compensation amount for an earthquake will occur in a 1000 years.

Reinsurance

Reinsurer	S&P	Status	AM BEST	Status
Milli Reasürans T.A.S.	-	-	B+	Negative
VIG RE zajist'ovna a.s.	A+	Stable	-	-
Vienna Insurance Group AG	A+	Stable	-	-
Hannover Rück SE	AA-	Stable	A+	Stable
Everest Reinsurance Company	A+	Stable	A+	Stable
Trust International Insurance & Reinsurance Co. B.S.C.(c)	-	-	NR	-
Barents Re Reinsurance Company, Inc. (CS)	-	-	A	Stable
UnipolRe Designated Activity Company	-	-	A-	Stable
Polish Re (Polskie Towarzystwo Reasekuracji S.A.)	-	-	A-	Stable
China Reinsurance (Group) Corporation	A	Stable	A	Stable
MAPFRE RE, Compañía de Reaseguros, S.A.	A	Positive	A	Stable

4 Management of insurance and financial risk (continued)

4.1 Management of insurance risk (continued)

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

Insurance risk concentration

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

Total claims liability 31 December 2018	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Motor vehicles liability (MTPL)	248.705.999	(86.599.958)	162.106.041
Motor vehicles	15.345.496	(100.301)	15.245.195
General Liability	91.671.883	(76.387.953)	15.283.930
Fire and natural disasters	153.848.156	(146.041.387)	7.806.769
General Losses	59.738.310	(52.398.264)	7.340.046
Transportation	11.272.353	(8.072.020)	3.200.333
Financial Losses	17.292.852	(14.943.059)	2.349.793
Accident	10.928.563	(10.091.800)	836.763
Health	1.433.558	(706.558)	727.000
Water Vehicles	11.555.126	(10.977.676)	577.450
Breach of Trust	1.881.055	(1.360.689)	520.366
Rail Vehicles	103.776	-	103.776
Legal protection	8.924	-	8.924
Aircrafts	1.502	(1.502)	-
Aircrafts Liability	2.828.238	(2.828.238)	-
Total	**626.615.791**	**(410.509.405)**	**216.106.386**

Total claims liability 31 December 2017	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Motor vehicles liability (MTPL)	181.199.108	(47.437.935)	133.761.173
Motor vehicles	68.033.590	(57.983.444)	10.050.146
General Liability	9.645.062	(677.512)	8.967.550
Fire and natural disasters	86.926.263	(80.006.129)	6.920.134
General Losses	34.238.574	(28.814.964)	5.423.610
Transportation	12.100.758	(10.994.534)	1.106.224
Financial Losses	10.669.735	(9.704.152)	965.583
Accident	1.529.977	(762.058)	767.919
Health	2.236.190	(1.531.841)	704.349
Water Vehicles	9.131.903	(8.580.889)	551.014
Breach of Trust	643.029	(535.325)	107.704
Rail Vehicles	93.797	-	93.797
Legal protection	9.997	-	9.997
Aircrafts	1.496	(1.496)	-
Aircrafts Liability	2.386.282	(2.386.282)	-
Total	**418.845.761**	**(249.416.561)**	**169.429.200**

4 Management of insurance and financial risk (continued)

4.1 Management of insurance risk (continued)

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

Insurance risk concentration (continued)

Given insurance collateral amounts in respect to branches

	31 December 2018	31 December 2017
General Liability	1.685.974.562.509	1.175.709.328.634
Motor vehicles liability (MTPL)	110.642.368.362	87.713.793.496
Fire and natural disasters	62.190.627.309	54.793.821.985
General Losses	56.471.524.612	38.206.637.633
Accident	32.374.209.047	20.249.398.053
Transportation	19.559.653.492	16.585.856.504
Motor vehicles	14.633.888.538	595.467.631
Financial Losses	11.452.462.963	7.017.830.290
Water Vehicles	8.404.739.943	5.569.817.400
Legal Protection	1.687.863.825	272.987.490
Health	1.463.324.575	1.215.946.064
Aircrafts Liability	1.156.892.500	966.225.000
Breach of Trust	273.538.335	186.609.043
Aircrafts	87.472.390	27.868.499
Total	**2.006.373.128.400**	**1.409.111.587.722**

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk

Introduction and overview

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

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Duties and responsibilities of the Risk Management and Internal Control Department include design and implementation of risk management system and identification and implementation of risk management policies. It is also responsible for ensuring that the Company implements all necessary risk management techniques. Activities of the Risk Management and Internal Control Department are managed directly by General Manager. The Board of Directors monitors the effectiveness of the risk management system through company's chairman of the supervisory board.

Risk management policies and guidelines are set by the Board of Directors and applied by the top management. These policies include organisation and scope of the risk management function, risk measurement and assessment methods, duties and responsibilities of the Board of Directors, top management and all of the employees, procedures followed in the case of limit extension and compulsory approval and confirmation processes for certain situations.

Credit Risk

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

- cash at banks
- other cash and cash equivalents
- available for sale financial assets (except equity-shares)
- Premium receivables from policyholders
- receivables from intermediaries (agencies)
- receivables from reinsurance companies related to commissions and claims paid
- reinsurance shares of insurance liability

- receivables from related parties
- other receivables

Reinsurance contracts are the most common method to manage insurance risk. This does not, however, discharge the Company's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of the reinsurance contract.

4 Management of insurance and financial risk (continued)
4.2 Management of financial risk (continued)
Credit risk (continued)

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

	31 December 2018	31 December 2017
Cash and cash equivalents *(Note 14)(*)*	535.827.476	410.077.044
Financial assets *(Note 11)(**)*	-	34.617.218
Reinsurer share in provision for outstanding claims *(Note 10), (Note 17)*	410.509.405	249.416.561
Receivables from main operations *(Note 12)*	225.247.317	157.637.144
Other prepaid expenses *(Not 17)*	83.160.556	57.545.065
Prepaid taxes and funds *(Note 12)*	4.814.098	1.270.122
Other receivables *(Note 12)*	938.788	229.944
Due from related parties *(Note 12)*	23.332	-
Total	**1.260.520.972**	**910.793.098**

(*) Cash balance accounting to TL 22.431 are not included (31 December 2017: TL 52.870).
(**) Equity shares not available for 31 December 2018 (31 December 2017: TL 1.861.346).

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

	31 December 2018		31 December 2017	
	Gross Amount	Provision	Gross Amount	Provision
Not past due	178.971.479	-	127.768.486	-
Past due 0-30 days	30.285.677	-	19.665.898	-
Past due 31-60 days	11.065.519	-	7.813.554	-
Past due 61-90 days	90.723.937	85.799.295	74.118.314	71.729.108
Total	**311.046.612**	**85.799.295**	**229.366.252**	**71.729.108**

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

	31 December 2018	31 December 2017
Provision for receivables from insurance operations at the beginning of the period	71.729.108	59.560.305
Collections and additions during the period, net	14.070.187	12.168.803
Provision for receivables from insurance operations at the end of the period	**85.799.295**	**71.729.108**

4 Management of insurance and financial risk (contiuned)

4.2 Management of financial risk (contiuned)

Liquidity risk

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

Management of the liquidity risk

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

Maturity distribution of monetary assets and liabilities:

31 December 2018	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Unallocated
Cash and cash equivalents	535.849.907	309.721.002	215.174.551	10.954.354	-	-	-
Financial assets(*)	-	-	-	-		-	-
Receivable from main operations	225.247.317	30.422.313	41.405.285	78.410.167	25.613.761	3.119.953	46.275.838
Receivable from related parties	23.332	23.332	-	-	-	-	-
Other receivables and current assets	5.752.886	45.308	-	4.814.098	746.410	147.070	-
Other prepaid expenses	13.321.671	-	-	-	12.984.262	337.409	-
Total monetary assets	**780.195.113**	**340.211.955**	**256.579.836**	**94.178.619**	**39.344.433**	**3.604.432**	**46.275.838**
Liabilities from main operations	125.784.159	4.961.469	11.535.697	106.925.859	859.208	194.333	1.307.593
Other liabilities	23.432.151	14.173.973	5.638.229	-	-	3.619.949	-
Insurance technical provisions(**)	216.106.386	24.517.508	14.409.173	11.041.389	13.897.630	152.240.686	-
Provisions for taxes and other similar obligations	13.514.161	13.514.161	-	-	-	-	-
Provisions for other risks and expense accruals	15.037.733	-	-	2.131.530	8.512.528	4.393.675	-
Total monetary liabilities	**393.874.589**	**57.167.110**	**31.583.099**	**120.098.778**	**23.269.366**	**160.448.643**	**1.307.593**

(*) Provision for outstanding claims is presented as short term liabilities in the accompanying financial statements whereas maturity distribution is presented according to projected payment dated in the above table.

4 Management of insurance and financial risk (contiuned)

4.2 Management of financial risk (contiuned)

Liquidity risk (contiuned)

Management of the liquidity risk (contiuned)

31 December 2017	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Unallocated
Cash and cash equivalents	410.129.914	120.880.389	114.019.008	43.622.670	131.607.847	-	-
Financial assets(*)	34.617.218	-	-	34.617.218	-	-	-
Receivable from main operations	157.637.144	22.221.437	30.281.733	49.553.247	20.947.510	4.764.559	29.868.658
Other receivables and current assets	1.500.066	229.944	-	1.270.122	-	-	-
Other prepaid expenses	2.948.958	-	-	-	-	2.948.958	-
Total monetary assets	**606.833.300**	**143.331.770**	**144.300.741**	**129.063.257**	**152.555.357**	**7.713.517**	**29.868.658**
Liabilities from main operations	108.883.783	13.856.481	17.738.927	599.296	70.812.758	41.403	5.834.918
Other liabilities	18.320.071	14.036.048	3.963.224	320.799	-	-	-
Insurance technical provisions(**)	169.429.200	-	83.699.058	48.550.042	29.347.194	7.832.906	-
Povisions for taxes and other similar obligations	9.646.672	9.646.672	-	-	-	-	-
Provisions for other risks and expense accruals	12.211.067	-	-	-	8.837.999	3.373.068	-
Total monetary liabilities	**318.490.793**	**37.539.201**	**105.401.209**	**49.470.137**	**108.997.951**	**11.247.377**	**5.834.918**

(*) Equity shares amounting to TL 1.861.346 are not included.
(**) Provision for outstanding claims is presented as short term liabilities in the accompanying financial statements whereas maturity distribution is presented according to projected payment dated in the above table.

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk

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

Currency Risk

The Company is exposed to currency risk through insurance and reinsurance transactions in foreign currencies. Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated by the Central Bank of the Republic of Turkey's spot purchase rates and the differences arising from foreign currency rates are recorded as foreign exchange gain or loss in the statement of income.

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

31 December 2018	US Dollar	Euro	Other Currencies	Total
Cash and cash equivalents	1.886.117	3.203.514	68.034	5.157.665
Receivables from main operations	33.075.469	30.767.702	255.158	64.098.329
Total foreign currency assets	**34.961.586**	**33.971.216**	**323.192**	**69.255.994**
Liabilities from main operations	8.814.317	3.978.383	160.777	12.953.477
Insurance technical provisions	3.460.166	3.573.241	-	7.033.407
Total foreign currency liabilities	**12.274.483**	**7.551.624**	**160.777**	**19.986.884**
Net financial position	**22.687.103**	**26.419.592**	**162.415**	**49.269.110**

31 December 2017	US Dollar	Euro	Other Currencies	Total
Cash and cash equivalents	1.804.159	3.835.831	7.658	5.647.648
Receivables from main operations	24.847.277	27.986.433	17.976	52.851.686
Total foreign currency assets	**26.651.436**	**31.822.264**	**25.634**	**58.499.334**
Liabilities from main operations	5.720.842	2.887.306	-	8.608.148
Insurance technical provisions	1.454.331	2.314.448	-	3.768.779
Total foreign currency liabilities	**7.175.173**	**5.201.754**	**-**	**12.376.927**
Net financial position	**19.476.263**	**26.620.510**	**25.634**	**46.122.407**

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

If technical provision denominated in any currency not specified, it is evaluated are evaluated by the Central Bank of the Republic of Turkey's spot sales rates as at 31 December 2018 and as at 31 December 2017 foreign currency transactions are recorded at the foreign exchange rates ruling at the dates of the transactions and foreign currency denominated monetary items are evaluated by the Central Bank of the Republic of Turkey's spot purchase rates as at 31 December 2018 and as at 31 December 2017.

4 Management of insurance and financial risk (continued)
4.2 Management of financial risk (contiuned)
Market risk (contiuned)

Exposure to currency risk

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

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

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

	31 December 2018		31 December 2017	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	2.268.710	2.268.710	1.947.626	1.947.626
Euro	2.641.959	2.641.959	2.662.051	2.662.051
Other	16.242	16.242	2.564	2.564
Total, net	**4.926.911**	**4.926.911**	**4.612.241**	**4.612.241**

(*) Equity effect also includes profit or loss effect of 10% depreciation of TL against related currencies.

4 Management of insurance and financial risk (contiuned)

4.2 Management of financial risk (contiuned)

Market risk (contiuned)

Exposure to interest rate risk

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

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

	31 December 2018	31 December 2017
Cash at banks (Note 14)		
Available for sale financial assets – Government bonds (Note 11)	420.072.747	327.426.086
Available for sale financial assets –bonds (Note 11)	-	34.617.218
Marketable securities to be held until maturity	-	-
Financial assets with variable interest rates:	-	-
Interest rate sensitivity of the financial instruments	None	None

Interest rate sensitivity of the financial instruments

Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income for the trading financial assets and financial liabilities held at 31 December 2018 and 2017. This analysis assumes that all other variables remain constant. Tax effect of changes in interest rate is not taken into consideration in the calculations.

As at 31 December 2018, the Company has no financial asset held for trading.

As at 31 December 2017, Company's financial assets held for trading below:

31 December 2017	Profit or loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets held for trading	346.173	(346.173)	346.173	(346.173)
Total, net	**346.173**	**(346.173)**	**346.173**	**(346.173)**

(*) Equity effect also includes changes in interest rate on statement of income.

4 Management of insurance and financial risk (continued)
4.2 Management of financial risk (continued)
Market risk (continued)

Fair value information

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

The Company has classified its financial assets as financial assets held for trading. As at the reporting date, financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying unconsolidated financial statements. Equity shares not traded in active markets are measured at cost less impairment losses if any.

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

Fair value sensitivity of the equities

Equity price risk is the risk that the fair values of equities decrease as a result of the changes in the levels of equity indices and the value of individual stocks.

The effect on income as a result of 10% change in the fair value of equity instruments held as held for trading financial assets which is traded at BIST due to a reasonably possible change in equity indices (with all other variables held constant) is as follows (excluding tax effect):

	31 December 2018		31 December 2017	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
Alım-satım amaçlı finansal varlıklar	-	-	(186.135)	(186.135)
Toplam, net	**-**	**-**	**(186.135)**	**(186.135)**

(*) Equity impact includes impact of change of conjectural interest rates on income statement.

4 Management of insurance and financial risk (contiuned)

4.2 Management of financial risk (contiuned)

Market risk (contiuned)

Classification of fair value measurements

TFRS 7 – Financial instruments: Disclosures requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:
Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).
Classification requires the utilization of observable market data, if available.
The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

	31 December 2017			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held for trading(Note 11)	36.478.564	-	-	36.478.564
Total financial assets	**36.478.564**	**-**	**-**	**36.478.564**

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Gains and losses from financial assets

Gains and losses recognized in the statement of income:	1 January 31 December 2018	1 January 31 December 2017
Interest income from time deposit	55.224.242	36.121.607
Foreign exchange gains	79.483.102	19.363.866
Marketable securities to be held until maturity	1.647.868	-
Income from equity shares classified as trading financial assets	537.007	414.647
Income from debt securities classified as trading financial assets	5.103.861	2.721.319
Investment income	**141.996.080**	**58.621.439**
Loss from disposal of financial assets	(6.234.239)	-
Foreign exchange losses	(53.160.890)	(11.290.074)
Investment expenses – including interest	(4.634.482)	(3.069.842)
Investment impairments	-	(159.503)
Investment expenses	**(64.029.611)**	**(14.519.019)**
Financial gains and losses recognized in the statement of income, net	**77.966.469**	**44.102.420**

Capital management

The Company's capital management policies include the following:

• To comply with the insurance capital requirements required by the Turkish Treasury
• To safeguard the Company's ability to continue as a going concern

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Individual Pension Companies" issued by Turkish Treasury on 23 August 2015 dated and 29454 numbered; the Company measured its minimum capital requirement as TL 177.899.880 as at 31 December 2018 (31 December 2017: TL 130.213.117). As at 31 December 2018, the capital amount of the Company presented in financial statements is TL 228.490.038 (31 December 2017: 196.763.234 TL) and it has capital surplus amounting to TL 50.590.159 (31 December 2017: TL 66.550.117 according to the communiqué.

5 Segment reporting

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

Business segment

A business segment reporting of the Company is presented in accordance with TFRS 8 – Operating Segments standard in this section.

Insurance Fire and Natural Disaster

Insurance on fire and natural disasters covers material damages occurred due to fire, lightining, explotion or smoke, steam and temperature resulted from fire, lightning and explosion up to insurance policy limits.

Motor Third Party Liability Insurance

According to the Motorway Traffic Code numbered 2918, Motor Third Party Liability Insurance is covers vehicle owner's legal liability for all bodily damages to third persons and financial damages to other vehicles. Damages caused by the trailer or semi-trailers (included light trailers) or the vehicles pulled is covered by the insurance of the trailer. However, the trailers used for transportion of people should be included in an additional

liability insurance in order to obtain coverage.
In order to reduce and prevent the damage in the accident happened, reasonable and neccessary expenses of the policyholder is compensated by the Company. This insurance also covers unfair claims against the policyholders.

Motor Vehicles (Casco)

- Insurance on motor vehicles covers the following dangers related with vehicles. It is possible to widen policy scope for accessories or audio, display and communication devices which are not included in standard version of the vehicle by specifying on the insurance policy.
- Accident with the motorized or non-motorized vehicles which used in high-ways,
- Crash with fixed or moving items without desire of the driver or accidents due to crash, capsize, fall or tumble
- The actions of third parties resulted from bad intention or mischief,
- Burn,
- Theft or attempted theft

Health-illness Insurance

Insurance on health compensates treatment costs of illnesses or accidental injuries during the period of insurance and, if any, daily allowances in this general framework with special conditions up to the amount written in the policy. Geographical limits of the insurance are stated in the policy.

Geographical segment

The main geographical segment which the Company operates is Turkey. Hence, the Company has not disclosed report on geographical segments.

5 Segment reporting (contiuned)

1 January – 31 December 2018	Fire	Transportation	Accident	Engineering	Other	Unallocated	Total
1- Earned Premiums (Net of Reinsurer Share)	27.818.204	13.168.298	273.177.938	13.681.975	9.553.896	-	337.400.311
1.1- Written Premiums (Net of Reinsurer Share)	36.596.830	13.942.337	342.639.531	15.136.167	11.482.754	-	419.797.619
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	-8.739.888	(966.269)	(67.848.522)	(1.454.192)	(1.373.744)	-	(80.382.615)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	-38.738	192.230	(1.613.071)	-	(555.114)	-	(2.014.693)
2- Other Technical Income (Net of Reinsurer Share)	2.214.829	1.146.987	(10.912.004)	1.176.846	(1.407.564)	-	(7.780.906)
Technical Income [*]	**30.033.033**	**14.315.285**	**262.265.934**	**14.858.821**	**8.146.332**	**-**	**329.619.405**
1- Incurred Losses (Net of Reinsurer Share)	-10.681.571	(4.554.094)	(229.805.440)	(11.785.047)	(10.566.851)	-	(267.393.003)
1.1- Claims Paid (Net of Reinsurer Share)	-10.183.070	(3.024.776)	(189.374.341)	(10.062.574)	(8.071.056)	-	(220.715.817)
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	-498.501	(1.529.318)	(40.431.099)	(1.722.473)	(2.495.795)	-	(46.677.186)
2- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	-1.225.603	(2.375.191)	(19.949.885)	(827.985)	401.132	-	(23.977.532)
Technical Expense	**-11.907.174**	**(6.929.285)**	**(249.755.325)**	**(12.613.032)**	**(10.165.719)**	**-**	**(291.370.535)**
Investment Income						141.996.080	**141.996.080**
Personnel Expenses						(33.562.280)	**(33.562.280)**
Administrative Expense						(26.088.712)	**(26.088.712)**
Other and Investment Expense [*]						(83.575.166)	**(83.575.166)**
Profit Before Tax							**37.018.792**
Tax Expense							**(8.627.262)**
Net Profit							**28.391.530**

[*] The investment incomes transferred from non-technical branches amounting to TL 44.721.557 has not been included.

5 Segment reporting (contiuned)

1 January – 31 December 2017	Fire	Transportation	Accident	Engineering	Other	Unallocated	Total
1- Earned Premiums (Net of Reinsurer Share)	19.761.700	7.583.870	228.103.718	13.621.008	6.057.896	-	275.128.192
1.1- Written Premiums (Net of Reinsurer Share)	19.950.167	8.273.061	240.805.794	13.707.960	8.153.296	-	290.890.278
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	(65.202)	(338.831)	(12.702.076)	(86.952)	(2.095.400)	-	(15.288.461)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	(123.265)	(350.360)	-	-	-	-	(473.625)
2- Other Technical Income (Net of Reinsurer Share)	737.438	731.454	390.980	513.685	(585.741)	-	1.787.816
Technical Income (*)	**20.499.138**	**8.315.324**	**228.494.698**	**14.134.693**	**5.472.155**	**-**	**276.916.008**
1- Incurred Losses (Net of Reinsurer Share)	(7.081.575)	(2.555.922)	(195.072.721)	(10.602.748)	(3.004.277)	-	(218.317.243)
1.1- Claims Paid (Net of Reinsurer Share)	(7.033.548)	(1.744.356)	(144.074.279)	(8.909.093)	(2.535.917)	-	(164.297.193)
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	(48.027)	(811.566)	(50.998.442)	(1.693.655)	(468.360)	-	(54.020.050)
2- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	122.965	(76.882)	(21.908.188)	6.381.307	3.132.226	-	(12.348.572)
Technical Expense	**(6.958.610)**	**(2.632.804)**	**(216.980.909)**	**(4.221.441)**	**127.949**	**-**	**(230.665.815)**
Investment Income						58.621.439	**58.621.439**
Other and Investment Expense(*)						(28.023.891)	**(28.023.891)**
Personnel Expense						(21.961.519)	**(21.961.519)**
Administrative Expense						(29.629.250)	**(29.629.250)**
Net Loss Before Tax							**25.256.972**
Tax Revenue							**(3.979.109)**
Net Loss							**21.277.863**

(*) Investment income transferred to non-technical section from technical section amounting to TL 29.418.740 is not included.

6 Tangible assets

Movements in tangible assets in the period from 1 January to 31 December 2018 are presented below

	1 January 2018	Additions	Disposals	31 December 2018
Cost:				
Buildings for own use	62.260.701	-	-	62.260.701
Furniture and fixtures	4.028.470	1.808.502	(36.682)	5.800.290
Motor vehicles	3.756.937	924.240	(232.626)	4.448.551
Other tangible assets (including lease-hold improvements)	2.200.777	654.429	(365.104)	2.490.102
Leased tangible assets	140.695	-	-	140.695
	72.387.580	**3.387.171**	**(634.412)**	**75.140.339**
Accumulated depreciation:				
Buildings for operational use	(92.429)	(2.146.767)	-	(2.239.196)
Furniture and fixtures	(2.701.744)	(428.510)	34.749	(3.095.505)
Motor vehicles	(813.622)	(843.133)	144.396	(1.512.359)
Other tangible assets (including lea-sehold improvements)	(1.970.635)	(70.042)	365.104	(1.675.573)
Leased tangible assets	(140.694)	-	-	(140.694)
	(5.719.124)	**(3.488.452)**	**544.249**	**(8.663.327)**
Carrying amounts	**66.668.456**			**66.477.012**

The Company's buildings for own use are revalued. "Headquarter Building" located in İstanbul and İzmir Office" buildings are presented in financial statements at the amounts determined in the expertise report dated November 17, 2017, is appraised by independent appraisal experts authorized by Capital Markets Board of Turkey using sales comparison method. The Company's buildings for own use are designated as "Level 2" as fair value.

	31 December 2018 Net book value	31 December 2017 Net book value
Headquarter building	60.700.000	60.700.000
İzmir office	1.470.000	1.470.000
Other buildings	88.845	88.845
Land	1.856	1.856
Depreciation	(2.239.196)	(92.429)
Net book value after increasing in value	**60.021.505**	**62.168.272**

Revaluation surplus arising from fair value measurement in buildings is recorded in "Other Capital Reserves" under equity by taking into account the effects of deferred tax. Decreases after revaluation arising from fair value measurement in buildings is subtracted from related assets "Other Capital Reserves" under Shareholders' Equity by comparing on the basis of account. Decreases after revaluation of the assets with no balances in "Other Capital Reserves" under Shareholders' Equity is associated with profit / loss accounts.

6 Tangible assets (contiuned)

Revaluation movement of property for own use in accordance with fair value method as of 31 December 2018 and 2017;

	31 December 2018	31 December 2017
Valuation increase at the begining of period (Note 15)	41.311.787	22.742.252
Fair value increase due to revaluation (Note 15)	-	24.243.446
Deferred tax due to revaluation, net	-	(4.848.688)
Current year depreciation	(1.444.488)	(825.223)
Revaluation increase at the end of period (Note 15)	**39.867.299**	**41.311.787**

Movements in tangible assets in the period from 1 January to 31 December 2017 are presented below:

	1 January 2017	Additions	Disposals	Revaluation Surplus	31 December 2017
Cost:					
Buildings for own use	41.950.701	-	-	20.310.000	62.260.701
Furniture and fixtures	3.927.700	849.218	(748.448)	-	4.028.470
Motor Vehicles	2.316.042	3.010.507	(1.569.612)	-	3.756.937
Other tangible assets (including leasehold improvements)	2.308.660	227.551	(335.434)	-	2.200.777
Leased tangible assets	536.916	-	(396.221)	-	140.695
	51.040.019	**4.087.276**	**(3.049.715)**	**20.310.000**	**72.387.580**
Accumulated depreciation:					
Buildings for own use	(2.653.186)	(1.372.689)	-	3.933.446	(92.429)
Furniture and fixtures	(3.074.315)	(367.975)	740.546	-	(2.701.744)
Motor vehicles	(1.637.590)	(453.679)	1.277.647	-	(813.622)
Other tangible assets (including leasehold improvements)	(2.275.665)	(26.263)	331.293	-	(1.970.635)
Leased tangible assets	(536.915)	-	396.221	-	(140.694)
	(10.177.671)	**(2.220.606)**	**2.745.707**	**3.933.446**	**(5.719.124)**
Carrying amounts	**40.862.348**				**66.668.456**

There is not any change in depreciation method in the current period.
There is not any mortgage over tangible assets of the Company as at 31 December 2018 and 31 December 2017.
As of 31 December 2018 and 2017, details of buildings for own use below:

	31 December 2018 Net Book Value	31 December 2017 Net Book Value	Expert Date	Expert Value	Cost Value
İstanbul – Sarıyer	60.700.000	60.700.000	17 November 2017	60.700.000	16.094.422
İzmir – Konak	1.470.000	1.470.000	17 November 2017	1.470.000	874.708
Net book value after valuation	**62.170.000**	**62.170.000**		**62.170.000**	**16.969.130**

7 Investment properties

There is no investment property (31 December 2017: None).

8 Intangible assests

Movements in intangible assets in the period from 1 January to 31 December 2018 are presented below:

	1 January 2018	Additions	Disposals	31 December 2018
Cost:				
Rights	11.798.498	6.025.056	-	17.823.554
	11.798.498	**6.025.056**	**-**	**17.823.554**
Accumulated amortization:				
Rights	(6.765.259)	(1.341.830)	-	(8.107.089)
	(6.765.259)	**(1.341.830)**	**-**	**(8.107.089)**
Carrying amounts	**5.033.239**			**9.716.465**

Movements in intangible assets in the period from 1 January to 31 December 2017 are presented below:

	1 January 2017	Additions	Disposals	31 December 2017
Cost:				
Rights	9.380.700	2.417.798	-	11.798.498
	9.380.700	**2.417.798**	**-**	**11.798.498**
Accumulated amortization:				
Rights	(6.127.877)	(637.382)	-	(6.765.259)
	(6.127.877)	**(637.382)**	**-**	**(6.765.259)**
Carrying amounts	**3.252.823**			**5.033.239**

9 Investments in associates

In 7 June 2012, Risk Ekspert Risk Danışmanlık Hizmetleri Limited Company has been founded with 30% partnership of the Company as it was registered in "Ticari Sicil Gazetesi". As of 31 December 2018 and 2017, the Company's share amount is accounted with acquisition cost as it has been predicted in accordance with Consolidation Communique. Since the mentioned affiliate's total asset amount is lower than 1% of the Company's total asset amount.

	31 December 2018		31 December 2017	
	Carrying value	Participation rate	Carrying value	Participation rate
Tarım Sigortaları Havuz İşlt. A.Ş.	430.032	%4,16	346.210	%4,00
Risk Ekspert Risk ve Hasar Danışmanlık Hiz. Ltd. Şti.	15.000	%30,00	15.000	%30,00
Investments in associates, net	**445.032**		**361.210**	

Name	Total assets	Shareholders' equity	Retaines earnings	Profit for the period	Audited or not	Period
Tarım Sigortaları Havuz İşlt. A.Ş.	24.933.182	14.341.409	-	3.485.207	Not Audited	31 December 2018
Risk Ekspert Risk ve Hasar Danışmanlık Hiz. Ltd. Şti.	313.933	253.806	138.441	65.365	Not Audited	31 December 2018

10 Reinsurance assets and liabilities

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

Reinsurance assets	**31 December 2018**	**31 December 2017**
Reserve for unearned premiums, ceded (Note 17)	241.426.788	221.696.030
Provision for outstanding claims, ceded(Note 17)	410.509.405	249.416.561
Commission income accrual from reinsurers and receivables due to paid claims (Note 12)	26.502.922	6.409.433
Total	**678.439.115**	**477.522.024**

There is no value decrease for reinsuarance assets.

Reasuarance Liabilities	**31 December 2018**	**31 December 2017**
Commission debts related to written premiums to reinsurance companies (Note 19)	29.749.543	34.535.543
Depository from reasuance company (Note 19)	91.135.399	70.725.481
Total	**120.884.942**	**105.261.024**

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

	31 December 2018	**31 December 2017**
Premiums ceded during the period (Note 17)	(464.768.124)	(397.142.047)
Reserve for unearned premiums, ceded at the beginning of the period (Note 17)	(221.696.030)	(164.187.834)
Reserve for unearned premiums, ceded at the end of the period (Note 17)	241.426.788	221.696.030
Premiums earned, ceded (Note 17)	**(445.037.366)**	**(339.633.851)**
Claims paid, ceded during the period (Note 17)	260.015.042	162.625.071
Provision for outstanding claims, ceded at the beginning of the period (Note 17)	(249.416.561)	(147.942.000
Provision for outstanding claims, ceded at the end of the period (Note 17)	410.509.405	249.416.561
Claims incurred, ceded (Note 17)	**421.107.886**	**264.099.632**
Commission income accrued from reinsurers during the period	91.688.848	86.181.238
Deferred commission income at the beginning of the period (Note 19)	45.696.625	35.359.184
Deferred commission income at the end of the period (Note 19)	(49.814.638)	(45.696.625)
Commission income earned from reinsurers (Note 32)	**87.570.835**	**75.843.797**
Total, net	**63.641.355**	**309.578**

11 Financial assets

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

	31 December 2018	**31 December 2017**
Financial assets held for trading	-	36.478.564
Total	**-**	**36.478.564**

As at 31 December 2018, the Company has no financial asset.

As at 31 December 2017, details of the Company's financial assets held for trading are as follows:

31 December 2017				
Debt instruments:	**Face Value**	**Cost**	**Fair Value**	**Carrying Value**
Government bonds – TL	35.952.927	34.995.368	34.617.218	34.617.218
	35.952.927	**34.995.368**	**34.617.218**	**34.617.218**
Other non-fixed income financial assets:				
Equity shares	266.973	1.701.242	1.861.346	1.861.346
	266.973	**1.701.242**	**1.861.346**	**1.861.346**
Total financial assets held for trading (Note 4.2)	**36.219.900**	**36.696.610**	**36.478.564**	**36.478.564**

11 Financial assets (contiuned)

There is no debt security issued during the period or issued before and paid during the period by the Company. There is no financial asset that is overdue but not impaired among the Company's financial investments portfolio.

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

31 December 2018			
	Trading	**Until Maturity**	**Total**
Balance at the beginning of the period	**36.478.564**	**-**	**36.478.564**
Acquisitions during the period	100.671.521	19.999.457	120.670.978
Disposals (sale and redemption)	(137.150.085)	(19.999.457)	(157.149.542)
Change in the fair value of financial assets	-	-	-
Balance at the end of the period	-	-	-

31 December 2017			
	Trading	**Until Maturity**	**Total**
Balance at the beginning of the period	**18.818.766**	-	**18.818.766**
Acquisitions during the period	75.727.510	-	75.727.510
Disposals (sale and redemption)	(57.908.609)	-	(57.908.609)
Change in the fair value of financial assets	(159.103)	-	(159.103)
Balance at the end of the period	**36.478.564**	**-**	**36.478.564**

As of 31 December 2018, the Company does not have any financial assets given as deposit for the Republic of Turkey Ministry of Treasury and Finance due its insurance activities. (31 December 2017: None)

12 Loans and receivables

	31 December 2018	**31 December 2017**
Receivables from main operations (Note 4.2)	225.247.317	157.637.144
Other receivables (Note 4.2)	938.788	229.944
Prepaid taxes and funds (Note 4.2)	4.814.098	1.270.122
Receivables from ralated parties (Note 4.2)	23.332	-
Total	**231.023.535**	**159.137.210**

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

	31 December 2018	31 December 2017
Receivables from agencies, brokers and intermediaries	135.116.675	105.825.149
Receivebles from guaranteed credit card	40.989.872	27.015.512
Receivebles from policyholders	26.502.922	6.409.433
Salvage and subrogation receivables	8.857.710	5.440.442
Receivables from insurance companies	7.115.684	5.418.769
Receivables from reinsurance companies (Note 10)	6.941.782	7.244.620
Provision from doubtful receivables from insurance operations (Note 4.2)	(1.124.814)	(564.267)
Total receivables from insurance operations, net	**224.399.831**	**156.789.658**
Doubtful receivables from main operations	85.521.967	72.012.327
Provisions for doubtful receivables from main operations (Note 4.2)	(84.674.481)	(71.164.841)
Receivables from main operations(Note 4.2)	**225.247.317**	**157.637.144**

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

	31 December 2018	31 December 2017
Mortgage notes	15.752.708	16.265.568
Letters of guarentees	15.027.921	11.399.155
Public securities	6.000	6.000
Colleteral cheques	2.919.631	1.803.245
Colleteral bills	1.394.134	233.001
Other guarentees	5.610.092	4.228.172
Total	**40.710.486**	**33.935.141**

Provisions for overdue receivables and receivables not due yet

a) Receivables under legal and administrative follow up (due): TL 10.065.755 (31 December 2017: TL 10.024.807).
b) Provision for subrogation receivables under legal and administrative follow up: TL 74.608.726 (31 December 2017: TL 61.140.034).
c) Doubtful receivables from insurance operations: TL 1.124.814 (31 December 2017: TL 564.267).
The Company's receivables from and payables to shareholders, associates and subsidiaries are detailed in note 45 – Related party transactions.
The details of the receivables and payables denominated in foreign currencies and foreign currency rates used for the translation are presented in Note 4.2– Financial risk management.

13 Derivative financial instruments

As at 31 December 2018, the Company does not have derivative financial instruments (31 December 2017: None).

14 Cash and cash equivalents

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

	31 December 2018		31 December 2017	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	22.431	52.870	52.870	40.872
Cheques received	12	12	12	12
Banks	426.518.056	336.769.731	336.769.731	286.268.099
Other cash and cash equivalents	109.309.408	73.307.301	73.307.301	65.583.864
Cash and cash equivalents in the balance sheet	**535.849.907**	**410.129.914**	**410.129.914**	**351.892.847**
Interest accruals on banks deposits	(18.548.771)	(19.542.452)	(19.542.452)	(7.884.935)
Bank deposits – blocked (*) (Note 17)	(58.500.000)	(45.000.000)	(45.000.000)	(42.343.199)
Cash and cash equivalents in the statement of cash flows	**458.801.136**	**345.587.462**	**345.587.462**	**301.664.713**

(*) As at 31 December 2018 and 31 December 2017 cash collateral kept in favour of the Turkish Treasury and TARSİM as a guarantee for the insurance activities.

As at 31 December 2018 and 31 December 2017, bank deposits are further analyzed as follows:

	31 December 2018	31 December 2017
Foreign currency denominated bank deposits		
- demand deposits	5.157.665	5.647.648
- time deposits	-	-
Bank deposits in Turkish Lira		
- demand deposits	1.287.644	3.695.997
- time deposits	420.072.747	327.426.086
Bank deposits	**426.518.056**	**336.769.731**

15 Equity

Paid in capital

The shareholder having direct or indirect control over the shares of the Vienna Insurance Group.
The Company does not increase its share capital in the period ended at 31 December 2018.
As at 31 December 2018, the issued share capital of the Company is TL 163.069.856 (31 December 2017: TL 163.069.856). The share capital of the Company consists of 16.306.985.600 (31 December 2017: 16.306.985.600 shares) issued shares with TL 0.01 nominal value each.

Other capital reserves

In accordance with "TAS 16 – Tangible Assets", the Company accounts for property for operational use using the revaluation model. Increases in the carrying amounts arising on revaluation pf properties, net of tax, are accounted for in "Other profit reserves" under shareholders' equity. At each accounting period, the difference between depreciation based on the ravalued carrying amount of the asset (charged to the statement of income) and the depreciation based on the asset's origial cost is transferred revaluation increases arising from the revaluation of property for operational use are not allowed to be used in capital increases.
In accordance with the 4 July 2007 dated and 2007/3 numbered Compliance Communiqué issued by the Turkish Treasury, it was stated that the companies would not further provide earthquake provision for the year 2007. However, it was also stated that earthquake provisions provided in previous periods (earthquake provision in the financial statements as at 31 December 2006) should be transferred to the reserve accounts under equity in accordance with the 5th Temporary Article of the Insurance Law. The companies had to transfer total amount of provisions, including earthquake provisions reserved as at 31 December 2006 and related gains obtained from investment of these amounts, to the account called as "549.01 – transferred earthquake provisions" which would be opened as at 1 September 2007 within Uniform Chart of Account and the reserves amount should not be subject to dividend distribution or should not be transferred to other accounts.
Other capital reserves distrubution is presented below;

	31 December 2018	31 December 2017
Revaluation fund	39.867.299	41.311.787
Earthquake provision transferred to profit reserve	9.265.403	9.265.403
Actuarial losses, net	(3.961.174)	(2.815.842)
Other capital reserves at the end of the period	**45.171.528**	**47.761.348**

Legal reserves

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

16 Other reserves and equity component of DPF

As at 31 December 2018 and 31 December 2017, change in fair values of available-for-sale financial assets which is presented as "valuation of financial assets" and earthquake provisions provided in the previous years presented under "other profit reserves" are explained in detail in Note 15 – Equity above. As at 31 December 2018 and 31 December 2017, the Company does not hold any insurance or investment contracts which contain a DPF.

17 Insurance contract and reinsurance assets

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

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

	31 December 2018	31 December 2017
Reserve for unearned premiums, gross	503.171.620	400.351.092
Reserve for unearned premiums, ceded (Note 10)	(241.426.788)	(221.696.030)
Reserve for unearned premiums, SSI share	(12.018.271)	(9.311.116)
Reserves for unearned premiums, net	**249.726.561**	**169.343.946**
Provision for outstanding claims, gross	626.615.791	418.845.761
Provision for outstanding claims, ceded (Note 10)	(410.509.405)	(249.416.561)
Provision for outstanding claims, net	**216.106.386**	**169.429.200**
Equalization provision, net	16.318.172	11.837.567
Provision unexpired risk reserve, net	2.488.318	473.625
Other technical provisions, net	**18.806.490**	**12.311.192**
Total technical provisions, net	**484.639.437**	**351.084.338**
Short-term	449.582.899	322.000.643
Medium and long-term	35.056.538	29.083.695
Total technical provisions, net	**484.639.437**	**351.084.338**

17 Insurance liabilities and reinsurance assets (continued)

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

Reserve for unearned premiums	**31 December 2018**			
	Gross	**Reinsurer share**	**SSI share**	**Net**
Reserve for unearned premiums at the beginning of the period	400.351.093	(221.696.030)	(9.311.117)	169.343.946
Premiums written during the period	906.193.305	(464.768.124)	(21.627.562)	419.797.619
Premiums earned during the period	(803.372.778)	445.037.366	18.920.408	(339.415.004)
Reserve for unearned premiums at the end of the period	**503.171.620**	**(241.426.788)**	**(12.018.271)**	**249.726.561**

Reserve for unearned premiums	**31 December 2017**			
	Gross	**Reinsurer share**	**SSI share**	**Net**
Reserve for unearned premiums at the beginning of the period	327.808.930	(164.187.834)	(9.565.611)	154.055.485
Premiums written during the period	706.217.663	(397.142.047)	(18.185.338)	290.890.278
Premiums earned during the period	(633.675.501)	339.633.851	18.439.833	(275.601.817)
Reserve for unearned premiums at the end of the period	**400.351.092**	**(221.696.030)**	**(9.311.116)**	**169.343.946**

Provision for outstanding claims	31 December 2018		
	Gross	Reinsurer share	Net
Provision for outstanding claims at the beginning of the period	418.845.761	(249.416.561)	169.429.200
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	688.500.889	(421.107.886)	267.393.003
Claims paid during the period	(480.730.859)	260.015.042	(220.715.817)
Provision for outstanding claims at the end of the period	**626.615.791**	**(410.509.405)**	**216.106.386**

Provision for outstanding claims	31 December 2017		
	Gross	Reinsurer share	Net
Provision for outstanding claims at the beginning of the period	263.351.150	(147.942.000)	115.409.150
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	482.416.875	(264.099.632)	218.317.243
Claims paid during the period	(326.922.264)	162.625.071	(164.297.193)
Provision for outstanding claims at the end of the period	**418.845.761**	**(249.416.561)**	**169.429.200**

17 Insurance liabilities and reinsurance assets (continued)

Claim development tables

The basic assumption used in the estimation of provisions for outstanding claims is the Company's past experience on claim developments. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. The sensitivity of certain assumptions like legislative change, uncertainty in the estimation process, etc, is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the reporting date. Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognized in subsequent financial statements.

Development of insurance liabilities enables to measure the performance of the Company in estimation of its ultimate claim losses. The amounts presented on the top of the below tables show the changes in estimations of the Company for the claims in subsequent years after claim years. The amounts presented on the below of the below tables give the reconciliation of total liabilities with provision for outstanding claims presented in the accompanying financial statements.

31 December 2018								
Claim year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total gross incurred claims**
Claim incurred in accident period	136.643.044	132.333.394	225.840.918	226.201.820	222.836.979	294.375.434	423.402.968	1.661.634.557
1 year later	41.112.935	45.085.065	105.925.736	83.069.944	151.741.951	151.687.284	-	578.622.915
2 years later	25.005.288	26.187.885	32.695.818	50.730.602	191.815.876	-	-	326.435.470
3 years later	26.428.182	23.966.537	29.037.718	46.620.903	-	-	-	126.053.340
4 years later	25.974.637	25.888.884	30.886.479	-	-	-	-	82.749.999
5 years later	26.794.182	29.464.865	-	-	-	-	-	56.259.047
6 years later	24.678.224	-	-	-	-	-	-	24.678.224
Total gross incurred claims	**306.636.492**	**282.926.630**	**424.386.669**	**406.623.268**	**566.394.806**	**446.062.717**	**423.402.968**	**2.856.433.552**
31 December 2017								
Claim year	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Total gross incurred claims**
Claim incurred in accident period	140.321.021	136.643.044	132.333.394	225.840.918	226.201.820	222.836.979	294.375.434	1.378.552.610
1 year later	35.456.718	41.112.935	45.085.065	105.925.736	83.069.944	151.741.951	-	462.392.349
2 years later	20.282.534	25.005.288	26.187.885	32.695.818	50.730.602	-	-	154.902.127
3 years later	20.899.066	26.428.182	23.966.537	29.037.718	-	-	-	100.331.503
4 years later	20.233.637	25.974.637	25.888.884	-	-	-	-	72.097.157
5 years later	20.342.160	26.794.182	-	-	-	-	-	47.136.342
6 years later	23.912.358	-	-	-	-	-	-	23.912.358
Total gross incurred claims	**281.447.494**	**281.958.268**	**253.461.765**	**393.500.190**	**360.002.366**	**374.578.930**	**294.375.434**	**2.239.324.447**

17 Insurance liabilities and reinsurance assets (continued)

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

31 December 2018			
	Should be placed (*)	**Placed (*)**	**Carrying amount**
Non-life:			
Bank deposits (Note 14)(**)	59.299.960	57.000.000	57.000.000
Total	**59.299.960**	**57.000.000**	**57.000.000**

31 December 2017			
	Should be placed (*)	**Placed (*)**	**Carrying amount**
Non-life:			
Bank deposits (Note 14)	43.404.372	43.500.000	43.500.000
Total	**43.404.372**	**43.500.000**	**43.500.000**

(*) "According to the 10th article of the "Communiqué Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies" which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be established as a guarantee in two months following the calculation period. According to "Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Private Pension Companies", companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Turkish Treasury Department within two months

(**) On 28 January 2019, additional amount of guarantee is placed by the company. Total amount of guarantee has been increased TL 63.000.000 in favor of Republic of Turkey Ministry of Treasury and Finance.

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

None.

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

None.

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

None.

Deferred commission expenses

The Company capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As at 31 December 2018, short-term prepaid expenses amounting to TL 83.160.556 (31 December 2017: TL 57.545.065) consist of deferred commission expenses amounting to TL 69.838.885 (31 December 2017: TL 54.596.107) and other prepaid expenses amounting to TL 13.321.671 (31 December 2017: TL 2.948.958).

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

	31 December 2018	**31 December 2017**
Deferred commission expenses at the beginning of the period	54.596.107	45.014.801
Commissions accrued during the period (Note 32)	107.011.883	85.907.670
Commissions expensed during the period	(91.769.105)	(76.326.364)
Deferred commission expenses at the end of the period	**69.838.885**	**54.596.107**

Individual pension funds

None.

18 Investment contract liabilities

None.

19 Trade and other payables and deferred income

	31 December 2018	31 December 2017
Payables from main operations	125.784.159	108.883.783
Short-term deferred income (Note 10)	49.814.638	45.696.625
Other payables	15.891.965	12.653.925
Taxes and funds payable and other similar obligations	13.514.161	9.646.672
Payables to SSI	7.540.185	5.666.146
Payable to personnels	-	216.338
Total	**212.545.108**	**182.763.489**
Short-term liabilities	212.545.108	182.763.489
Long-term liabilities	-	-
Total	**212.545.108**	**182.763.489**

Payables arising from main operations of the Company as at 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018	31 December 2017
Payables to reinsurance companies (Note 10)	29.749.543	34.535.543
Payables to agencies, brokers and intermediaries	4.899.217	3.622.759
Total payables arising from insurance operations	**34.648.760**	**38.158.302**
Cash deposited by insurance and reinsurance companies(Note 10)	91.135.399	70.725.481
Payables arising from main operations	**125.784.159**	**108.883.783**

Corporate tax liabilities and prepaid taxes are disclosed below:

	31 December 2018	31 December 2017
Prepaid Taxes	15.245.761	11.145.554
Provision of calculated corporate tax	(10.431.663)	(9.875.432)
Corporate tax assets,net	**4.814.098**	**1.270.122**

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

None.

20 Financial liabilities

The Company has no financial liabilities as at 31 December 2018 (31 December 2017: None).

21 Deferred Tax

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

	31 December 2018	31 December 2017
	Deferred tax assets /(liabilities)	Deferred tax assets /(liabilities)
Equalization Provision	3.263.635	2.367.514
Benefit Severence and unused leave provision	1.374.728	1.040.671
Actuarial chain difference	974.769	1.334.661
Other	933.499	877.960
Provision for ongoing risks	547.430	104.198
Provision for recourse receivables	221.985	97.711
Provision for lawsuits	220.113	205.546
Provision for receivables	25.474	26.428
Depreciation adjustments for Turkey Accounting Standards	(9.839.997)	(10.423.786)
Deferred tax assets/(liabilities), net	**(2.278.364)**	**(4.369.097)**

In accordance with the Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; 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.
Deferred tax assets are recognized in the records provided that it is highly probable that future taxable profit will be available against which the temporary differences can be utilized. The Company does not have any deductible financial losses as of the balance sheet date (31 December 2017: None).

22 Retirement benefit obligations

None.

23 Other liabilities and provisions

As at 31 December 2018 and 31 December 2017; the details of the provisions for expense accruals are as follows:

	31 December 2018	31 December 2017
Personnel bonus provision	5.257.502	5.139.802
Provision for unused vacation pay liability	2.254.512	1.663.895
Other expense provisions	2.131.530	1.100.000
Provision for lawsuits	1.000.514	934.302
Provision for expense accruals	**10.644.058**	**8.837.999**

Movements of provision for employee termination benefits during the period are presented below:

	31 December 2018	31 December 2017
Provision at the beginning of the period	3.373.068	3.733.919
Interest and service cost (Note 47)	603.594	503.887
Payments made during the period(Note 47)	(1.014.651)	(1.163.247)
Actuarial difference (Note 15)	1.431.664	298.509
Provision at the end of the period	**4.393.675**	**3.373.068**

24 Net insurance premium

Net insurance premium revenue is presented in detailed in the accompanying statement of income.

25 Fee revenue

None.

26 Investment income

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

27 Net income accrual on financial assets

Net realized gains on financial assets are presented in "Note 4.2 – Financial Risk Management."

28 Assets held at fair value through profit or loss

Presented in "Note 4.2 – Financial Risk Management".

29 Insurance rights and claims

	31 December 2018	31 December 2017
Claims paid, net off reinsurers' share	(220.715.817)	(164.297.193)
Changes in reserve for unearned premiums, net off reinsurers' share	(80.382.615)	(15.288.461)
Changes in provision for outstanding claims, net off reinsurers' share	(46.677.186)	(54.020.050)
Change in equalization provisions	(4.480.605)	(2.270.839)
Changes in reserve for unexpired risks, net off reinsurers' share	(2.014.693)	(473.625)
Total	**(354.270.916)**	**(236.350.168)**

30 Investment contract benefits

None.

31 Other expenses

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

32 Operating expenses

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

	1 January-31 December 2018	1 January-31 December 2017
Commission expenses (Note 17)	107.011.883	85.907.670
Employee benefit expenses (Note 33)	33.562.280	28.023.891
Other expenses	11.075.160	9.739.247
Communication and information technologies expenses	5.937.151	5.219.781
Administration expenses	5.519.502	4.124.848
Advertising and marketing expenses	3.612.778	2.891.503
Commission income from reinsurers (Note 10)	(87.570.835)	(75.843.797)
Total	**79.147.919**	**60.063.143**

33 Employee benefits expenses

	1 January-31 December 2018	1 January-31 December 2017
Wages and salaries	23.888.910	20.430.591
Employer's share of social security premium	4.078.981	3.349.670
Bonus payments	3.724.950	2.399.920
Severance and notice payments	1.146.923	1.313.330
Social Benefits	722.516	530.380
Total	**33.562.280**	**28.023.891**

34 Financial costs

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

35 Income tax

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

	1 January-31 December 2018	1 January-31 December 2017
Current tax expense provision:		
Corporate tax provision	(10.431.663)	(9.875.432)
Deferred taxes:		
Origination and reversal of temporary differences	1.804.401	5.896.323
Total income tax expense recognised in profit or loss		
Deferred taxes:	**(8.627.262)**	**(3.979.109)**

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

	1 January-31 December 2018		1 January-31 December 2017	
Profit before tax	**37.018.792**	**Tax Rate (%)**	**25.256.972**	**Tax Rate (%)**
Taxes on income per statutory tax rate	(8.144.134)	22,00	(5.051.394)	20,00
Other	(483.128)	1,31	1.072.285	(4,25)
Total tax income recognized in profit or loss	**(8.627.262)**	**23,31**	**(3.979.109)**	**15,75**

36 Net foreign exchange gains

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

37 Earnings per share

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

	1 January-31 December 2018	1 January-31 December 2017
Net profit / (loss) for the period	28.391.530	21.277.863
Weighted average number of shares	16.306.985.600	16.306.985.600
Earning per share (TL)	0,0017	0,0013

38 Dividends per share

None.

39 Cash generated from operations

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

40 Convertible bonds

None.

41 Redeemable preference shares

None.

42 Risks

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

As at 31 December 2018, total amount of the claims that the Company face is TL 280.191.830 in gross (31 December 2017: TL 195.376.507). The Company provided provision for outstanding claims in the financial statements by considering collateral amounts.

As at 31 December 2018, ongoing law suits prosecuted by the Company against the third parties amounting TL 85.521.967 (31 December 2017: TL 72.012.327).

43 Commitments

The details of the guarantees that are given by the Company for the operations in non-life branches are presented in Note 17.

The future aggregate minimum lease payments under operating leases for properties rented for use of head office and regional offices and motor vehicles rented for sales and marketing departments are as follows:

	31 December 2018	31 December 2017
Within one year	598.015	212.537
Between one to five year	1.430.300	782.665
Total of minimum lease payments	**2.028.315**	**995.202**

44 Business combinations

None.

45 Related party transactions

The ultimate controlling party of the Company is VIG Group and the affiliates and associates of VIG Group are defined as related parties of the Company.

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

	31 December 2018	31 December 2017
VIG Re	6.337.154	2.507.393
Kooperativa	1.500.989	1.400.755
VIG Holding	-	4.307.434
Other	-	3.622
Payables from main operations	**7.838.143**	**8.219.204**
	31 December 2018	**31 December 2017**
VIG Holding	973.532	-
Other	83.111	-
Receivables from main operations	**1.056.643**	**-**
VIG Holding	158.942.233	75.485.461
VIG Re	90.746.459	62.211.529
Kooperativa	1.435.216	997.862
Other	1.468.064	7.204.428
Technical provisions	**252.591.972**	**145.899.280**
VIG Holding	4.224.752	4.198.730
VIG Re	8.737.090	6.990.035
Other	94.690	71.847
Deferred commission income	**13.056.532**	**11.260.612**

No guarantees have been taken against receivables from related parties.
There are no doubtful receivables from shareholders, subsidiaries and joint ventures.
No guarantees, commitments, guarantee letters, advances and endorsements given in favour of shareholders, associates and subsidiaries.

45 Related party transactions (continued)

The transactions with related parties during the year ended 31 December 2018 and 2017 are as follows:

	1 January-31 December 2018	1 January-31 December 2017
VIG Holding	60.634.908	58.655.101
VIG Re	96.672.939	64.444.584
Other	4.817.848	3.876.817
Premiums written, ceded	**162.125.695**	**126.976.502**
VIG Holding	6.582.839	6.437.957
VIG Re	15.843.834	10.467.047
Other	265.220	221.494
Commissions received	**22.691.893**	**17.126.498**
VIG Holding	32.723.408	45.436.316
VIG Re	50.363.531	28.127.678
Other	12.807.873	4.130.055
Reinsurers' share on paid claims	**95.894.812**	**77.694.049**
VIG Holding	1.514.059	946.311
Operational Expenses, net	**1.514.059**	**946.311**

46 Events after the reporting date

Subsequent events are disclosed in Note 1.10 Events after the reporting date.

47 Others

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

They are presented in the related notes above.

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

None.

Subrogation recorded in "Off-Balance Sheet Accounts"

None.

Real rights on immovable and their values

None.

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

None.

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

	1 January-31 December 2018	1 January-31 December 2017
Subrogation receivables provision under legal follow-up	13.468.692	12.894.987
Other provision expense	1.031.530	(986.000)
Provision for unused vacation	590.617	160.281
Provision for personnel bonuses	117.700	1.621.930
Provision for lawsuits	66.212	(11.564)
Provision for dubtful receivables from main operations	40.948	(319.181)
Provision for receivables from policyholder and intermediaries	(4.334)	(85.502)
Provision for employment termination benefits	(411.057)	(659.358)
Total	**14.900.308**	**12.615.593**