

2018

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General Information

A-GENERAL INFORMATION

A-1 Declaration of Management

Following declaration has been prepared and submitted to the Board of Directors pursuant to Paragraph 1 of Article 19 of Regulation on Financial Organization of Insurance, Reinsurance and Pension Companies by the individuals specified in the above-mentioned provision of legislation as well as Resolution of Board of Directors dated 21/02/2019 and numbered 2019/03/02.

We hereby declare that the contents of “Katılım Emeklilik ve Hayat A.Ş. Board of Directors’ Activity Report pertaining to activities of 2018” have been prepared in accordance with Article 516 of Turkish Commercial Code No 6102, the provisions of the “Regulation on Determination of the Minimum Content of the Companies’ Annual Activity Reports”, which is published by the Ministry of Customs and Trade, as well as the principles and procedures set forth in the Chapter Six, Article 17 of the “Regulation on Financial Organization of Insurance, Reinsurance and Pension Companies” under the titles of

- Presentation and General Information on the Company,
- Information on Company Management and Corporate Management Structure,
- Assessments on Financial Information and Risk Management,

A-2 Summarized Financial Information on the Results of the Accounting Period Activities

Within the scope of Group Life Insurance activities, Katılım Emeklilik ve Hayat A.Ş. has made gross premium production equal to TRY 42.5 Million in the year 2018. On the other hand, the company has made gross indemnity payment equal to TRY 5,4 Million in the same period. The total amount of technical expenses, including the afore-mentioned gross indemnity payment, is TRY 36,5 Million.

Within the scope of Personal Accident Insurance activities, the company has made gross premium production equal to TRY 9.3 Million. On the other hand, the company has made gross indemnity payment equal to TRY 948 Thousand. The total amount of technical expenses, including the afore-mentioned gross indemnity payment, is TRY 5,6 Million.

As for Private Pension segment activities, the company’s fund has reached to total value of TRY 1.546 Billion. Within this scope, the company has made technical pension income amounting to TRY 41.2 Million, while spending TRY 31.3 Million in technical pension expenses.

Within the scope of Health segment activities, the company has made gross premium production equal to TRY 1.4 Million. On the other hand, the company has made gross indemnity payment equal to TRY 27 Thousand. The total amount of technical expense, including the afore-mentioned gross indemnity payment, is TRY 508 Thousand. While the total amount of investment income within the activity period is TRY 12.2 Million, the total amount of investment expenses is TRY 2.8 Million, and the total amount of other expenses is TRY 1.3 Million.

Within this context, the company has closed the activity period of 2018 with business-related profit after tax amounting to TRY 14.5 Million (the accounting period of 2017 was closed with business-related profit amounting to TRY 8.2 Million).

A-3 Company Information, Historical Development, Corporate Values, Our Vision and Mission

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Pursuant to applicable laws and related legislation, the company establishment permission has been granted by the writ of Republic of Turkey's Ministry of Treasury and Finance, dated November 27, 2013 and numbered 18631.

Company establishment proceedings were swiftly completed; and thereafter, Katılım Emeklilik ve Hayat A.Ş. was founded for the purpose of carrying out activities in the field of Private Pension and Group Life Insurance on December 23, 2013, by being registered to Istanbul Trade Registry Office, under trade registry number of 895027.

Following the completion of official establishment proceedings, the company submitted the requisite petitions (i) dated 27/12/2013 and numbered GM-016 to carry out activities in the field of Private Pension; (ii) dated 14/01/2014 and numbered GM-14-003 to carry out activities in the field of Group Life Insurance. Upon reviews and assessments conducted by the Ministry of Treasury and Finance, on 09/05/2014, our company was granted with the mandatory license to carry out business activities in the fields of Private Pension, Life Insurance, Accident Insurance, Capital Redemption, Investment Fund and Marriage/Birth Insurance. The developments regarding the License acquisitions were announced and published in the Trade Registry Gazette; the news about the operating license regarding Group Life Insurance segment activities was published on the issue no 8575, on 20/05/2014, the news about the operating license regarding Private Pension segment activities was published on issue no 8576, on 26/06/2014, and the news about the operating license regarding Disease/Health segment activities was published on issue no 9402, on 06/09/2017.

Corporate Values

Meeting customer demand and exceeding expectations by utilizing interest-free financial instruments based on the principles of "participation, sharing and trust", Katılım Emeklilik ve Hayat A.Ş. raises awareness among its customer base by improving their financial literacy. Our corporate goal is to become a distinguished brand of Turkey and contribute to the Turkish economy by providing transparent, fast and high-quality services.

Missions

To aid our customers on their journey towards achieving their financial objectives with interest-free instruments of insurance and pension, in accordance with our ethical principles.

Vision

To create value for our customers by providing trustworthy, accurate and advanced insurance solutions in interest-free pensions and life insurances, and by giving our potential customers better insight on financial literacy; to become the leading interest-free insurance company of Turkey with the support of our customers.



A-4 Review and Expectations of Our Chairman of Board of Directors pertaining to 2018

The world is changing and transforming, rapidly. States, communities and economies are trying to keep up with this ever-lasting change; we are trying to accommodate ourselves to a cycle of transformation. From the perspective of the business world, those who can be visionaries, anticipate and prepare for the future are trying to set the course per winds of change, which may cause disruption in many sectors, as much as generating development. Digitalization is altering the communal patterns of behaviour, lifestyle and consumption.

While the digital age, which has become the zeitgeist, is constantly surrounding us, the outcomes of daily eco-political developments are running us down. Neither global financial players nor government officials can avoid turning into reactionaries. Considering the circumstances, it becomes extremely hard to evaluate the past and to foresee the future.

The International Monetary Fund (IMF) substantiates these concerns. Negatively revising its global economic projections for 2019 and 2020, the IMF has foreseen 0.2 and 0.1 drops in the global GDP, predicting 3.5 and 3.6 per cent growth, respectively.

Although the predictions of IMF do not signal a recession, the number of people anticipating a global recession is not to be neglected. According to a survey conducted by the World Economic Forum among 800 CEOs, the economic recession is regarded as the most significant risk in 2019.

We will have a year of rebalancing

Obviously, all these developments have an impact on our national economy, which is integrated with the world. The organizations closely monitoring the global economy, such as the World Bank and International Monetary Fund, are of the opinion that in 2019, Turkey will show a lesser economic performance than the previous year. Due to the fluctuation of the world economy and capital flows, the risk of economic shrinkage in Turkey is thought to be on the rise throughout 2019. Likewise, the IMF predicts that the Turkish economy will slow down more than anticipations in 2019. It is also predicted in the section of the report focusing on Turkey that the country will see a slower recovery in 2020.

According to KPMG Turkey's report on macroeconomic developments in the world and Turkey, the risk of economic shrinkage in our national economy has increased in 2019. It is expected that the recovery of inflation and the current deficit will continue in 2019, in conjunction with the measures taken by the government in the last period of 2018, the fall in petroleum prices, the withdrawal of foreign currency rates and the deceleration in the domestic demand.

Export increase is reassuring

It is emphasized that an early reduction on interest rates may expose Turkish financial assets during a potential period of global risk avoiding and that TRY may follow a fragile path. Provided that the Central Bank of the Republic of Turkey (CBRT) maintains its determined stance until inflation recovers significantly, it is projected that TRY may regain real value.

Even though a 2% growth is plausible in 2019, it is thought that domestic demand may stay under pressure for some time due to delayed impacts of increased rates of interest and foreign currency in 2018. While the imports decrease with weak domestic demand and low petroleum prices, exports continue to increase due to the low rate of TRY. As this creates a drastic reduction in the trade deficit, Turkey's strong tourism performance has brought successive current accounts surplus in the period between August and November.

We should focus on production and technology

Due to the weaknesses in local and global demand, it is forecasted that the upside risks are limited in the Turkish economy, which concluded the year of 2018 with a 20.3% inflation rate. Additionally, the low price of petroleum is regarded as a factor that may reduce the cost pressure. However, it is evaluated that the pricing behaviours and inflation outlook may recover due to the increased minimum wage and the tendency towards indexing past inflation.

While Turkey, along with the rest of the world, is getting through a tough period of time, the challenges are forcing us to be stronger. We should develop our own technology and focus on local production. We should increase the number of value-added products. We should re-evaluate our strengths, such as agriculture. Turkey, once again, must rise to the level of rare countries that can be self-sufficient when it comes to foodstuffs. We should also encourage savings through Private Pension System.

We have to think, produce and consume in local and national terms. Above all, we must emphasize the importance of savings over and over again, while we still have the chance. This is when it can be easier to recognize the significance of the role undertaken by Katılım Emeklilik, which was established in partnership between Kuveyt Türk and Albaraka Türk, the pioneers of participation based financial activities in Turkey. It is high time for the real economy to start using the key of savings, which is also a necessity for society. As Katılım Emeklilik, we have seen in our experience up to now that those who get through this interest-free gate and invest for their future are happy and will continue to be so. The real economy that we support with our people's own resources feels much better.

We are reducing the economic tension

As Katılım Emeklilik, our social and economic roles are highly critical. If we work hard, we will have been greatly contributed to the rule of production and prosperity on these lands, rather than consumption and poverty. In such a case, our savings will increase and the economic tension will be reduced with us. I would like to candidly congratulate each member of Katılım Emeklilik family, who have realized our 5-year plan within 4 years upon the founding of our company. In 2018, we have reached TRY 1.5 billion in fund growth with Private Pension System and exceeded 500 thousand contracts. Another significant achievement was our performance in fund management. Per annual performance in 2018, our funds, "Katılım Standard Fund", "Katılım Aggressive Variable Fund" (Foreign Currency), "Katılım Gold Fund", "Katılım Starting Fund", "OKS Attack Katılım Variable Fund" (Foreign Currency) have demonstrated the best performance in comparison to other similar funds in the interest-free category, yielding the greatest results and becoming the champions of funds. Additionally, Katılım Emeklilik has earned for its participants more than 5.5% of the average income, per cumulative average income performance of all pension funds. For 2019, our goal is to reach 100 thousand Private Pension System contracts.

We are the pioneers of participation insurance, which is a field that we expect to provide depth to Turkey's economy. In 2018, we maintained our leading position in the sector by creating life insurance premiums amounting to TRY 42.5 million and holding 58.5% market share; as for personal accident insurances, we have created premiums amounting to TRY 7.8 Million, which, in total, exceeds TRY 50 million interest-free insurance premiums. We have shown with our product range that participation based insurances can be applied to all areas of life. For 2019, our goal is to create TRY 68 million premiums in total.

We are aware of what is at stake over the course of our mission. I am certain that we will go even further altogether by emphasizing the importance of savings and extending the reach of the Private Pension System and participation system to larger masses.

With my best regards.

Sincerely yours,

Melikşah UTKU

Chairman of the Board of Directors.





A-5 Review and Expectations of Our General Manager pertaining to 2018

While conducting research for a historical event, the historians pay as much attention to the circumstances of the day as the event itself in order to paint an authentic picture. In addition to mentioning that it was a rough period on several grounds, I believe that it is worth stating what has happened in the year of 2018. We left behind a year in which we witnessed the impacts of politics and geo-strategy on both global and national economies.

The concern caused by the trade wars between USA and China has grown even further with the deceleration in the growth rate in China, Japan and Eurozone, the FED's decision to increase interest rates, and the Brexit. As a result, global trade has shrunk. The most prominent subjects of the public discourse in Turkey were the country's strategy forming process, which had to be adjusted per global winds since the economic structure is integrated to the world, as well as the military operations conducted in Syria, and the Presidential elections. We have witnessed the peak political tension with the US, followed by the exchange rate of dollar reaching

to the historically high point on international markets, trading at 7.21.

Exchange Rate Fluctuations' Negative Impact on the Real Economy

While the 6.2% growth rate in the first half of 2018 has slowed down in the third and fourth periods, we have witnessed extreme market fluctuations. The exchange rate of US dollar started 2018 at 3.78, finished at 5.29. As for the Euro, the exchange rate started the year at 4.54, rose as much as 8.22, and finished at 6.06. The price of Gold Gr/TRY started at TRY 158, rose as much as TRY 280 and finished at TRY 218. The fluctuations of exchange rate have had a negative impact on the real economy.

Economic Rebalancing is Done

While the inflation rate was 11.92% in 2017, it closed 2018 at 20.30% due to the impact of fluctuating currency. As for the unemployment rate; it was 10.9% in 2017, but it increased to 11.7% in 2018. When we look at the international trade data, the country finished the year with increased exports and decreased imports, both of which was a result of the exchange rate fluctuations. The importation figures were USD 223 billion, while the exportation figures were USD 168 billion. We have observed a reduction in the Central Bank reserves. The reserves were standing at USD 111 billion on the New Year, and it has regressed to the level of USD 89 billion. However, the positive movement of tourism incomes continues. In 2018, the tourism-related income of our country has increased from USD 26 billion to USD 29 billion, while the number of visitors has increased from 38 million to 45 million.

We Accomplished Our 5-year Goal Within 4 Four Years.

After summarizing the events of the last year in Turkey and also around the world, I would like to discuss what we, as Katılım Emeklilik, have done in this difficult year. First and foremost, we have left behind a year in which we have accomplished our 5-year goals in just 4 years. We visited the office of our customer, who signed the 500 thousandth contract of our company, and presented our gift.

Since the establishment of our company, we have seen that our participation based concept has been well-received. While the sector has regressed 0.13% in Private Pension System contract increases (excluding OKS), Katılım Emeklilik has shown 27% growth in this particular area.

We Are Leading the Contract Increase

As our current number of Private Pension System contracts has reached to 535 thousand, we have exceeded TRY 1.5 billion in fund growth. We have completed 2018 as the sector leader with 63 thousand annual net increase in the number of Private Pension System contracts. We finished the year in the first place among all pension companies.

Another significant achievement on our part was in fund management. Per 2018 annual performance, our funds, "Katılım Standard Fund", "Katılım Aggressive Variable Fund" (Foreign Currency), "Katılım Gold Fund", "Katılım Starting Fund", "OKS Attack Katılım Variable Fund" were the best performing

compared to other similar funds in the interest-free category, yielding the greatest results and becoming the champions of funds. Additionally, Katılım Emeklilik has earned for its participants more than 5.5% of the average income, per cumulative average income performance of all pension funds.

Our Journey Continues With New Goals

For 2019, our goal is to reach 100 thousand optional Private Pension System contracts. In 2018, we have maintained our leading position in the field of participation insurance.

We are leading the interest-free sector by creating life insurance premiums amounting to TRY 42.5 million and holding 58.5% market share; as for personal accident insurances, we have created premiums amounting to TRY 7.8 Million, which, in total, exceeds TRY 50 million interest-free insurance premiums. We have shown with our product range that participation based insurances can be applied to all areas of life. For 2019, our goal is to create TRY 68 million premiums in total.

At the heart of all accomplishments lies our understanding to treat digitalization and customer satisfaction with the centre of attention. In light of this understanding, we have continued investing in technology without slowing down. Right now, we can approve participation applications online and enable the companies chosen to work with us through the internet branch to easily manage the process. We are developing and integrating robotics and artificial intelligence solutions in our various units, particularly in the operations unit. We are enabling all participants to carry out transactions from anywhere via our mobile application.

We intend to remain as the leading company in the sector in 2019, in terms of both results and quality.

We Will Boost Savings With Insurance Literacy Studies

One of our goals is to raise insurance-literacy awareness in Turkey by starting with our customers first and spreading throughout the county, eventually. We have conducted an important study for this specific purpose. We have shared the results of the study, of which preparation process was completed in 2018, with the public in a well-attended press conference held in early 2019. The study has drawn strong feedback and positive response. I believe that we, as Katılım Emeklilik, have brought something new to the public discourse in Turkey. We intend to raise insurance-literacy awareness, thereby increasing savings in Turkey through our social responsibility project, which will be carried out with educational activities from now on. By this way, we will be able to enrich our domestic resources, which is what our real economy needs. While the Turkish economy gains its strength against external influences, the individuals will live in a comfortable future.

Meeting customer demand and exceeding expectations by using interest-free financial instruments, Katılım Emeklilik is leading the sector with its accomplishments. We are showing with our interest-free insurance products that we appeal to all areas of life, and extending our course. New investment opportunities are emerging as the participation based Private Pension System and participation based insurance products develop.

We, as Katılım Emeklilik, would like to express our gratitude to all of our customers, who understand and trust us. We will continue to work on growing with our innovative approach, contributing to the national economy, and we will aspire to be deserving of our nations' confidence in us.

Finally, I would like to express my gratitude to each member of Katılım Emeklilik family, employees in our banks, our esteemed members of the board of directors, all participants and stakeholders chose us, for their support to these accomplishments.

Best Regards,

Ayhan SİNCEK

General Manager

A-6 Information on the Amendment of the Articles of Association and the Structure of Partnership

By virtue of the board of directors resolution dated 15/04/2016 and numbered 2016/06/01, the company has been transformed into a registered capital system, following the requisite permission for the amendment of the Article 7 (titled: Capital) of the Articles of Association was obtained for the purpose of transforming the company into a Registered Capital System pursuant to Extraordinary General Assembly Resolution dated 27/04/2016 and Article 332 of Turkish Commercial Code No 6102, in accordance with “the Notification Regarding the Principles of Registered Capital System in Non-Public Companies” and the provisions of the Turkish Commercial Code No 61002, Article 460. Pursuant to the board of directors resolution dated 11/07/2016 and numbered 2016/10/01, the company capital has been increased from TRY 31,000,000.00 to TRY 40,000,000.00; the amount of capital increase in question has been paid fully in advance by the shareholders of the company. The capital increase has been announced on the Turkish Trade Gazette Issue No 9120, Date 21/07/2016.

Shareholder's Title	Share Percentage (%)	Amount of Capital
Albaraka Türk Katılım Bankası A.Ş.	% 50	20.000.000 TL
Kuveyt Türk Katılım Bankası A.Ş.	% 50	20.000.000 TL
Şirketin Toplam Sermayesi	%100	40.000.000 TL

A-7 Remarks About the Shares Owned by the Chairman and Members of the Board of Directors, General Manager or Assistant General Managers (if any)

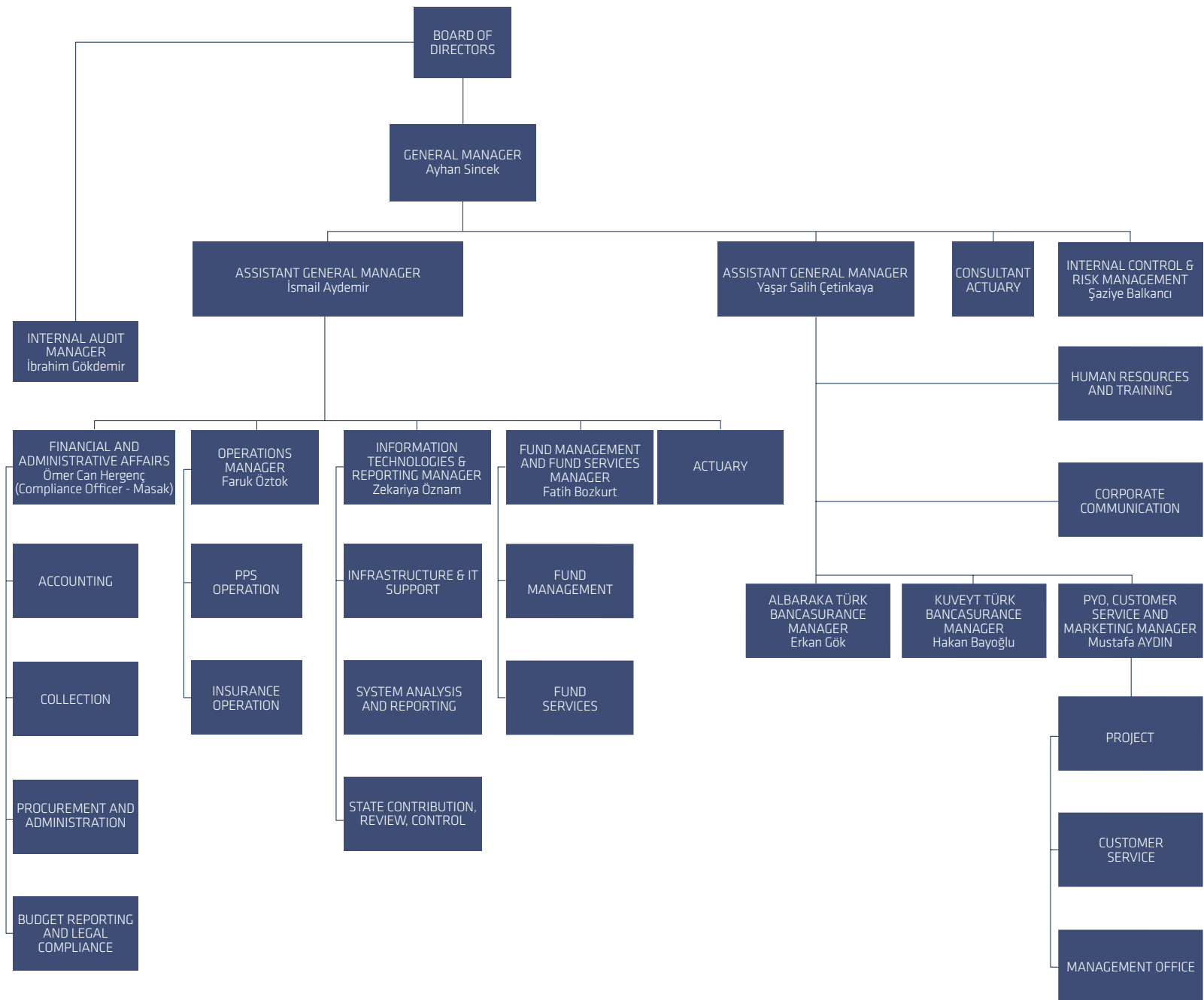
The Chairman of the Board of Directors, the Members of the Board of Directors, the General Manager or the Assistant General Managers do not hold any share of the company capital.

A-8 Human Resources Policies and Practices

The procedures regulating the recruitment, service conditions, qualifications, careers, appointments, rights and obligations, personal rights, social benefits, disciplinary provisions, leaving conditions as well as the principles applied to these areas and various rules subject to Katılım Emeklilik employees are available, in addition to the Human Resources Guidelines approved by the Board of Directors and the procedures pertaining thereto.

- Human Resources Guidelines
- Ethical Principles
- Procedure of Working Hours and Overtime
- Procedure of Disciplinary Process
- Principles and Instructions for Company Vehicles
- List of Subsistence and Social Compensations
- Procedure of Business Travel
- Procedure of Recruitment
- Procedure of Leave
- Procedure of Business Attire
- Work Procedure for Sales Personnel
- Procedure of Salary Applications
- Application Principles of Foreign Language Compensations

A-9 Organizational Structure and Organization Chart of the Company



B-INFORMATION ON BOARD OF DIRECTORS, MANAGEMENT AND PERSONNEL

B-1 Information on the Board of Directors of the Company

Members of the Board of Directors	Full Name	Starting Date of Tenure	Education Status	Field of Specialty	Total Period Served in the Field (Year)
Chairman	Melikşah UTKU	01.02.2017	Master's Degree	Banking	26
Vice Chairman	Mehmet ORAL	09.01.2014	Bachelor's Degree	Banking	27
Member	Aslan DEMİR	09.01.2014	Bachelor's Degree	Banking	24
Member	Turgut SİMİTÇİOĞLU	01.02.2017	Master's Degree	Banking	29
Member (General Manager)	Ayhan SİNCEK	09.01.2014	Master's Degree	Banking	24



Information on our company's Chairman and Members of the Board of Directors are provided below.



Melikşah UTKU Chairman of the Board of Directors

He was born in 1968, in Ankara. He graduated from Boğaziçi University, Department of Mechanical Engineering in 1990. He completed his master's degree in the field of Economic Development by studying at London School of Economics between 1990-1992 and at Marmara University between 1996-1998. He started working as a General Management Consultant for Albaraka Türk in 2004. He served as the Chief Economist for Albaraka Türk between 2006-2007. He wrote an economics column for a national newspaper, Yeni Şafak, between 1995 and December 2009. After serving as the Director of Investor Relations between 2007-2009, he was made Assistant General Manager and CIO in December 2009. Then, he continued to work as the CFO who is responsible for Financial Affairs, Budget, Financial Reporting and Corporate Communications. Mr. Utku also served as a Member of the Board of Directors for Borsa İstanbul between 2013 and 2016. As of October 2016, he was appointed as the General Manager of Albaraka Türk, which is a position he has been holding while serving as the Chairman of the Board of Directors for Participation Banks Association of Turkey, Bereket Varlık Kiralama A.Ş., Katılım Emeklilik ve Hayat A.Ş., Albaraka Gayrimenkul Portföy Yönetimi A.Ş. In the meantime, he is a member of Albaraka Türk Credits Committee, Pricing Committee and Executive Committee.



Mehmet ORAL Vice Chairman of the Board of Directors

Graduated from Uludağ University, Department of Business Administration, Mr. Mehmet Oral started his career within the organization of Kuveyt Türk family as an authorized signatory at the main branch in 1992. After serving for the main branch for 8 years, he was appointed as the Manager of IMES Branch in 2000. Mr. Oral served as the Bursa Branch Manager between 2001-2004, afterwards, he was transferred to Merter Branch to serve between 2004-2005. As the company adopted Regional Directorship structure, he was appointed as the Regional Manager of Istanbul European Side Region in 2005. Having served as the Regional Manager for 4 years, Mr. Oral has been continuing his career as the HR, Training and Quality Group Manager since 2009. Besides, he has undertaken the positions of Assistant General Manager of Individuals and Enterprises Banking since October 201, and the Vice Chairman of Board of Directors for Katılım Emeklilik ve Hayat A.Ş. since 2014.





Aslan DEMİR Member of the Board of Directors

Graduated from Marmara University with a Bachelor's Degree in International Relations, Mr. Demir is currently working on his master's degree at the Executive MBA Program of Sheffield University. Started his career in the field of banking as the authorized signatory of Department of Treasury of Kuveyt Türk in 1995, Mr. Demir served 6 years within the organization of Treasury Department. Afterwards, he continued his career in Project Management and Quality Department between 2001-2004. Appointed as the Director of Project Management and Quality Assessment in 2005, he continued his career as the Director of Information Technologies Group with the restructuring of the company in 2007. Since October 2012, he has been working as the Assistant General Manager of Strategy. In 2014, he was appointed as a Member of the Board of Directors of Katılım Emeklilik ve Hayat A.Ş.



Turgut SİMİTCİOĞLU Member of the Board of Directors

He was born in 1961, in Erzurum. He graduated from King Saud University, Faculty of Education in 1989. He completed his master's degree at Fatih University, Institute of Social Sciences in 1989. He started working for Albaraka Türk in 1990. He served for the Department of Fund Application between 1990-1995 and was employed in the main branch between 1995-2001. He worked as a Director for the main branch between 2001-2003 and for the Department of Corporate Banking between 2003-2009. He served as the Manager of the Main Branch between 2003-2009. He was appointed as an Assistant General Manager in December 2009. In his position as the Assistant General Manager, he oversaw Credits Operation, External Transactions Operation, Payment Systems Operation, Banking Services Operation and Risk Monitoring. He is currently serving as the Deputy General Manager and the Head Assistant General Manager.



Ayhan SİNCEK Member of the Board of Directors - General Manager

The General Manager of our Company, Mr. Ayhan Sincek was born in 1970, in Kütahya. He got his Bachelor's Degree from Middle Eastern Technical University, in the field of Mathematics in 1994; furthermore, he completed his master's degree at Boston University, in the Department of Actuary, in 2004. He started working as an Instructor within the organization of Middle Eastern Technical University, Department of Mathematics, in 1995. Afterwards, he served as the Actuary Examiner within the organization of Republic of Turkey's Ministry of Treasury and Finance, Insurance Auditing Board. He was appointed as the Assistant General Manager of Credit Life Europe in 2007. He served as the Assistant General Manager for Anadolu Hayat Emeklilik between 2010-2013. Since having been appointed as the Founding General Manager in August 2013, he has been a Member of the Board of Directors and General Manager of Katılım Emeklilik ve Hayat A.Ş.

B-2 Information on Upper-Management of the Company

Information on our company's Upper Management is provided below.

Full Name	Title	Starting Date of Tenure	Education Status	Field of Specialty	Total Period Served in the Field (Years)	Other Positions Held Outside Company
Ayhan SİNCEK	General Manager	09.01.2014	Master's Degree	Insurance	24	None
İsmail AYDEMİR	Assistant General Manager	09.01.2014	Master's Degree	Insurance	19	None
Yaşar SALİH ÇETİNKAYA	Assistant General Manager	09.01.2014	Bachelor's Degree	Insurance	22	None



İsmail AYDEMİR Assistant General Manager of Finance, IT, Fund Management, Operations and Actuary

The Assistant General Manager of our Company, Mr. İsmail Aydemir was born in 1977, in Balıkesir. He graduated from Boğaziçi University, Department of Mathematics with a Bachelor's Degree in 2000. Afterwards, he completed the MBA Program at Bilgi University in 2003; furthermore, he got a master's degree from Bahçeşehir University, in the field of Actuary in 2006.

He served as the Director of Actuary within the organization of Garanti Emeklilik ve Hayat A.Ş. between 2000-2007. Then, between 2007 and 2010, he worked as the Technical Actuary Unit Manager at Cigna Finans Emeklilik ve Hayat A.Ş. Starting from 2010 he served as the Technical Actuary Group Manager for Cigna Finans Emeklilik ve Hayat A.Ş.

Since August 2013 he has been working as the Assistant General Manager of Katılım Emeklilik ve Hayat AŞ., overseeing the Departments of Finance, IT, Fund Management, Operations and Actuary.



Yaşar Salih ÇETİNKAYA Assistant General Manager of Sales, Marketing and Human Resources

The Assistant Manager of our Company Mr. Yaşar Salih Çetinkaya was born in 1972, in Keşan District of Edirne. He graduated from Mimar Sinan University, Department of History with a Bachelor's Degree in 1995. He started his career at AvivaSa Emeklilik ve Hayat AŞ., serving as a Financial Consultant between 1997 and 1998. Afterwards, he worked as a Sales Manager between 1998 and 2001; and as a Branch Manager between 2001 and 2007.

After having been appointed as the Assistant General Manager of Credit Europa Life in 2007, he was named the General Manager in 2011.

Since August 2013, he has been working as the Assistant General Manager of Katılım Emeklilik ve Hayat AŞ., overseeing the Departments of Sales, Marketing and Human Resources.

B-3 Information on Salaries and Similar Benefits Provided to the Senior Officials such as Chairman and Members of the Board of Directors, General Coordinator, Assistant General Managers in the current period

As of the accounting period between January 01, 2018 and December 31, 2018, the total amount of salaries and similar benefits provided to the senior officials such as the Chairman, Members of the Board of Directors, General Manager and Assistant General Managers corresponds to TRY 3,129,531.00.

B-4 Information on Directors of the Units and Under Report Units

Full Name	Title	Education Status	Professional Experience (Year)	Direct Report Units	Tel, Fax, E-mail	Picture
Ömer Can HERGENÇ	Director	Bachelor's Degree	19	Accounting, Collection, Procurement and Administrative Affairs, Budget Reporting and Legal Compliance	Tel: 0216 999 81 13 Fax: 0216 692 11 22 omer.hergenc@katilimemeklilik.com.tr	
Zekeriya ÖZNAM	Director	Bachelor's Degree	21	State Contribution, Monitoring, Review, System Analysis and Reporting, Infrastructure and IT Support	Tel: 0216 999 81 14 Fax: 0216 692 11 22 zekeriya.oznam@katilimemeklilik.com.tr	
Mustafa AYDIN	Director	Master's Degree	22	Project Management, Customer Service and Marketing	Tel: 0216 999 81 15 Fax: 0216 692 11 22 mustafa.aydin@katilimemeklilik.com.tr	
İbrahim GÖKDEMİR	Director	Bachelor's Degree	12	Internal Auditing	Tel: 0216 999 81 18 Fax: 0216 692 11 22 ibrahim.gokdemir@katilimemeklilik.com.tr	
Erkan GÖK	Director	Bachelor's Degree	25	Bancassurance - Albaraka Türk	Tel: 0216 999 81 17 Fax: 0216 692 11 22 erkan.gok@katilimemeklilik.com.tr	
Fatih BOZKURT	Director	Bachelor's Degree	11	Fund Management, Fund Services	Tel: 0216 999 81 32 Fax: 0216 692 11 22 fatih.bozkurt@katilimemeklilik.com.tr	
Hakan BAYOĞLU	Director	Master's Degree	14	Bancassurance - Kuveyt Türk	Tel: 0216 999 81 16 Fax: 0216 692 11 22 hakan.bayoglu@katilimemeklilik.com.tr	
Faruk ÖZTOK	Director	Bachelor's Degree	18	Operations	Tel: 0216 999 81 34 Fax: 0216 692 11 22 farukoztok@katilimemeklilik.com.tr	
Şaziye BALKANCI	Director	Bachelor's Degree	10	Internal Review and Risk Management	Tel: 0216 999 81 33 Fax: 0216 692 11 22 saziye.balkanci@katilimemeklilik.com.tr	

B-5 Miscellaneous Information and Statistics about Company Personnel

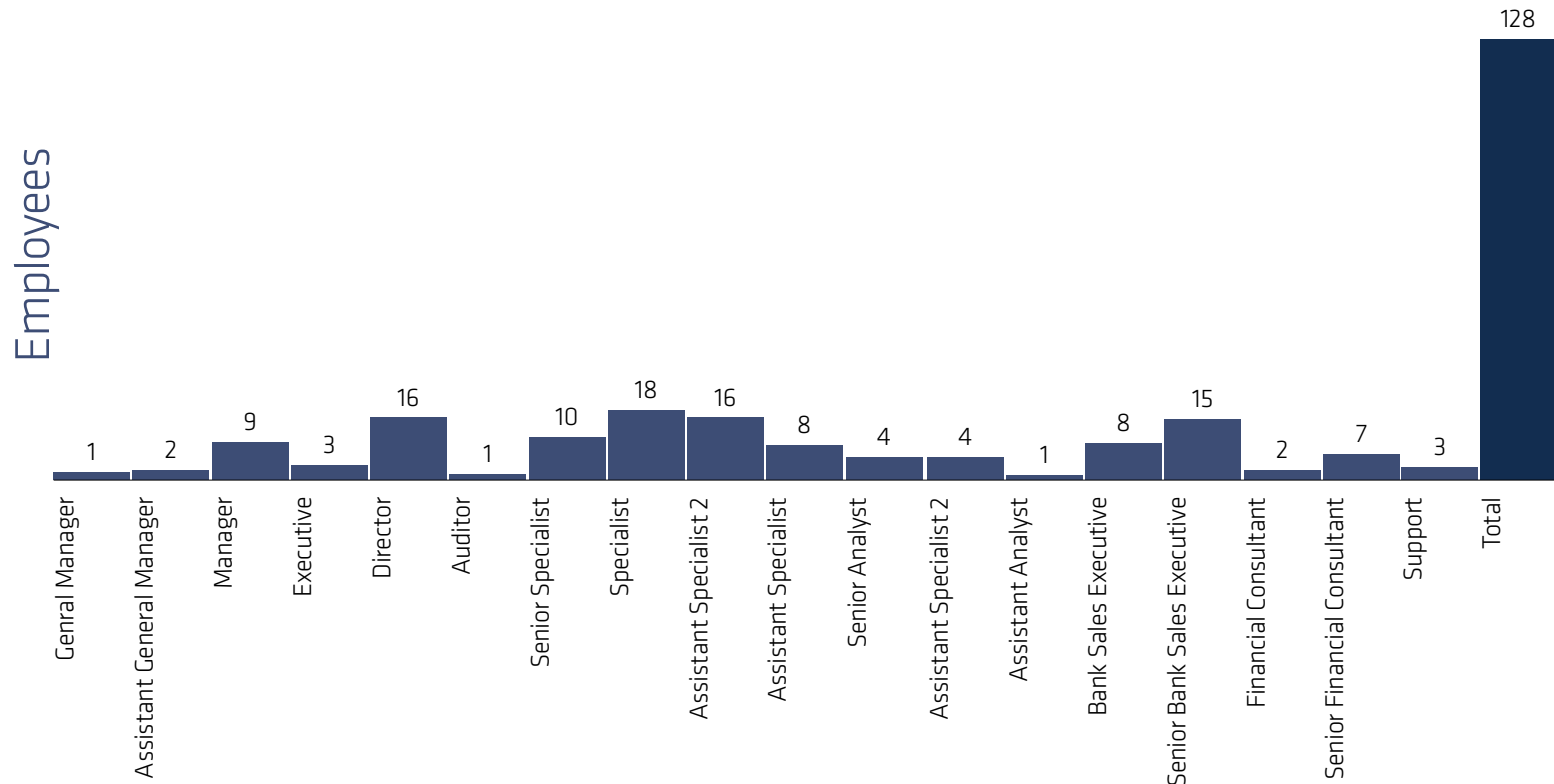
Since our company has completed its establishment process within an industry-record period while creating its Human Resources Policies, designating employment strategies and concluding its organizational structure, the Human Resources strategies are the fundamental dynamic of our company's journey towards industry leadership, which is the new agenda henceforth.

After closing the year 2017 with 117 personnel, our company has shown a 9.5 % development in this area in the year 2018, increasing the number of employees to 128. Katılım Emeklilik ve Hayat A.Ş. considers its human resources as its most valuable asset. Therefore, the areas of employee satisfaction and employee investment are among the prominent goals of our company. The basic fields of the human resources activities consist of choosing the right people, employee training, employee positioning, employee retention and increasing performance. Within this context, our human resources policy is to clearly define our business and qualification goals, to support continuous training and development, to encourage teamwork, to establish common corporate culture focusing on high performance and employee satisfaction, and to ensure sustainability.

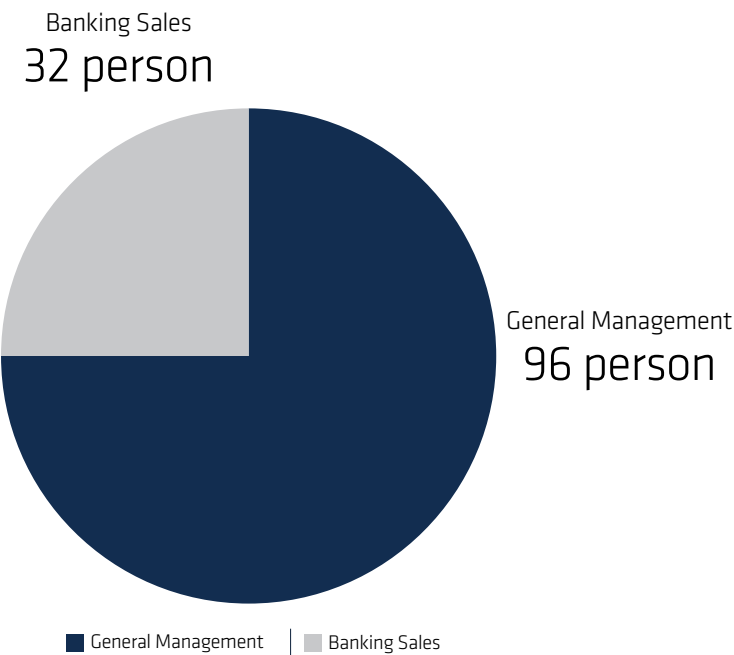
Creating professional and individual development opportunities for our employees, as required by their tasks and responsibilities, is among the goals of our company. The objectives are; to rapidly familiarize new employees with the company culture by means of orientation programs, to teach them business conduct and to create human resources committed to company values.

In light of this vision, the year 2018 has been defined by our Human Resources Department as the year of continuous improvement, development and progress.

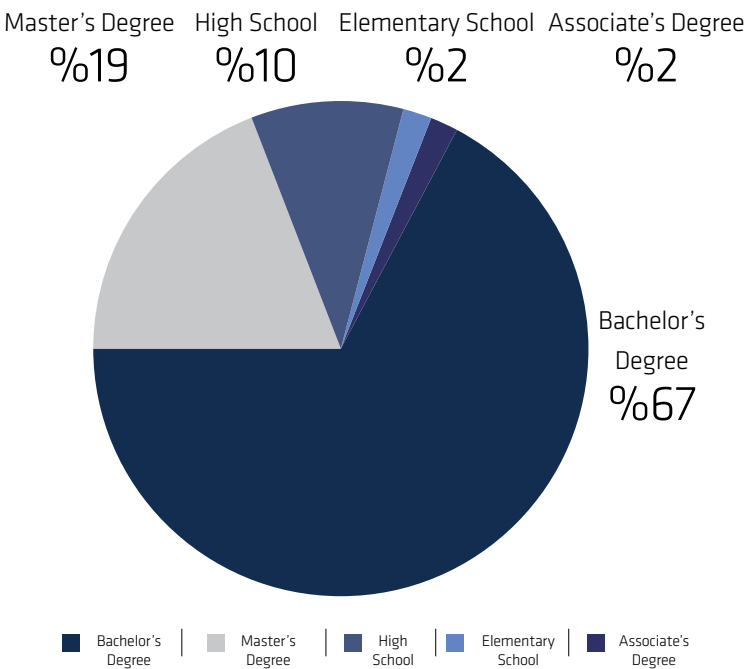
1- Employees per Position / Number of Employees per Position



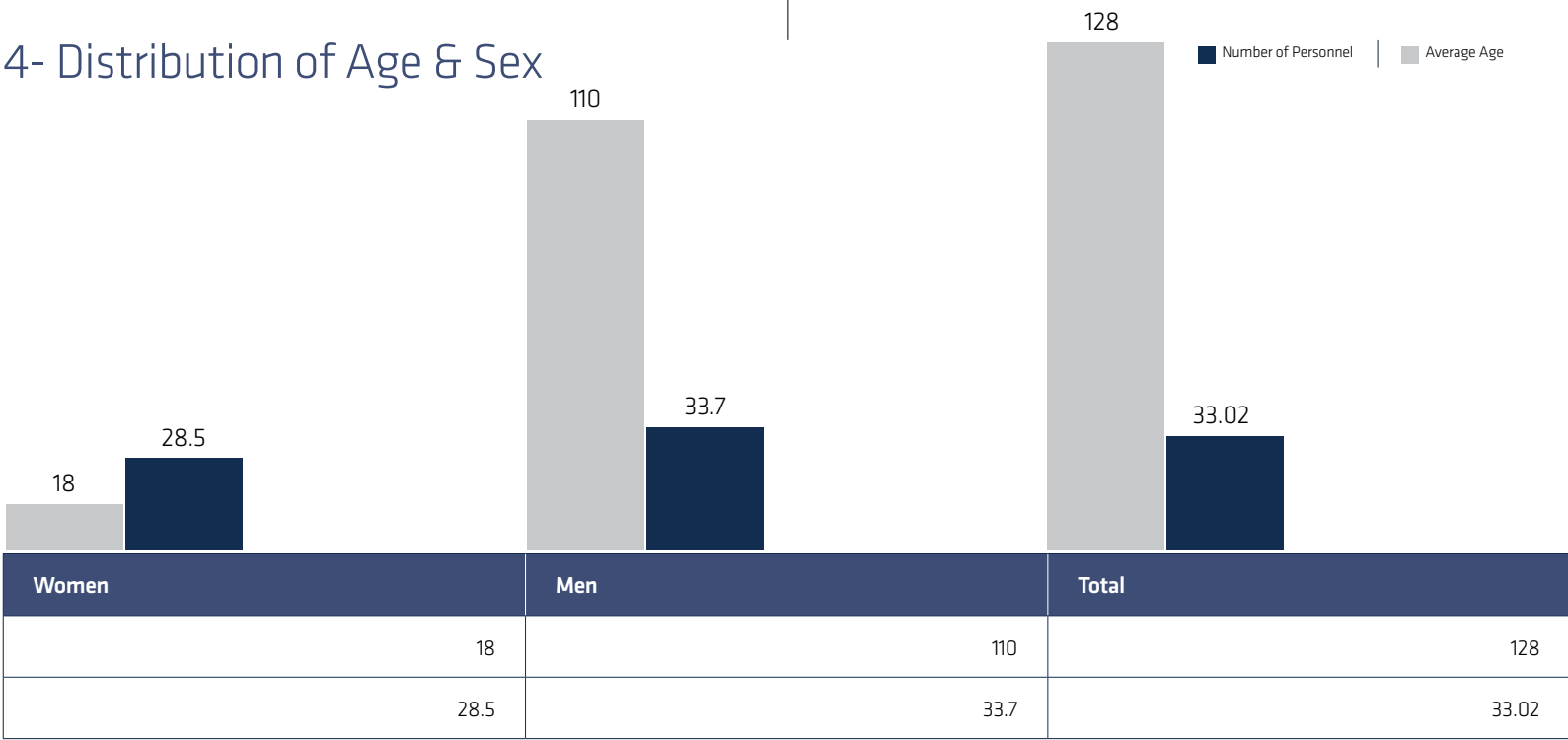
2- Distribution of Place of Business



3- Distribution of Education Status



4- Distribution of Age & Sex



B-6 Information on the Board Meetings

The Board of Directors has held 13 meetings on various occasions within the year 2018, in which they have made 29 resolutions concerning the administration of the company.



General Meeting No	Annual Meeting No	Meeting Date	Resolution No.	Number of Members in Attendance
50	1	31.01.2018	1	5
50	1	31.01.2018	2	5
50	1	31.01.2018	3	5
51	2	7.02.2018	1	5
51	2	7.02.2018	2	5
51	2	7.02.2018	3	5
51	2	7.02.2018	4	5
52	3	20.02.2018	1	5
52	3	20.02.2018	2	5
53	4	13.03.2018	1	5
53	4	13.03.2018	2	5
53	4	13.03.2018	3	5
53	4	13.03.2018	4	5
53	4	13.03.2018	5	5
53	4	13.03.2018	6	5
54	5	15.03.2018	1	5
54	5	15.03.2018	2	5
55	6	28.03.2018	1	5
56	7	17.04.2018	1	5
57	8	22.06.2018	1	5
58	9	3.09.2018	1	5
59	10	21.09.2018	1	5
60	11	5.11.2018	1	5
61	12	9.11.2018	1	5
62	13	20.12.2018	1	5
62	13	20.12.2018	2	5
62	13	20.12.2018	3	5
62	13	20.12.2018	4	5
62	13	20.12.2018	5	5

C- INFORMATION ON THE COMPANY ACTIVITIES AND OTHER IMPORTANT DEVELOPMENTS

C-1 Analysis and Evaluation of the Operating Results of the Company, The Realization Level of Planned Activities, the Status of the Company In Terms of Determined Strategic Targets

In addition to being the third year in operation of our Company, 2018 was completed at profit and the values reflected to the income statement are as follows.

Account Group	Account Totals
Non-Life Technical Income	4.561.033
Non-Life Technical Expense*	(6.116.368)
Life Technical Income	39.812.599
Life Technical Expense*	(36.555.967)
Pension Technical Income	41.161.690
Pension Technical Expense *	(31.257.638)
Investment Income	12.232.218
Investment Expenses	(2.774.076)
Other Income / Profit - Expense / Loss	(1.264.213)
Net Profit for The Period	14.497.420

(*) The above mentioned values include the distribution of all expenses under the segments related to the methods determined within the scope of legal legislation.

The investments made are mainly within the scope of the objective for carrying the information technology infrastructure up to a level where it may serve to the sectoral studies and provide our Company reaching to its high targets.

99% of our Company's targeted General Expenses in 2018 have been used for this purpose. In the same period, 93% of the targeted Private Pension technical income was realized and 103% of the targeted Insurance technical income was realized. These realizations are the result of the priorities taken into consideration in the activities of our Company.

C-2 Economic Developments in Turkey and World in 2018

While leaving behind 2018, we witnessed the close effects of politics and geo-strategy on the markets. The first half of the year was under the shadow of the Presidential Elections and Zeytin Dalı Operation in home; in the second half, relations with United States were tensed due to not discharging of Brunson. As a result of the political tensions, exchange rate of dollar has reached the historic level of 7.21 in international markets.

The foreign trade war between the USA and China, and interest rate hike of the USA made the dollar stronger against other currencies. On the other hand, the slowdown in China's growth rate, followed by Japan and the Euro-zone, and therefore shrinkage in global trade couldn't be prevented despite the increase in USA growth rate.

Economy of Turkey has displayed a strong growth of 7.4 percent in 2017. In the first half of 2018, it grew by 6.2 percent and maintained its strong course in spite of many uncertainties at the global and local levels; the domestic demand driven by tax decreases, measure packages and incentives became the main source of the increase.

We witnessed extreme fluctuations in financial markets especially in the second half of 2018. Political and regional risks took precedence over economic activities and formed the basis of pricing. Exchange rate of Dollar started at the level of 3.78 in 2018, increased to 7.21 and closed the year at 5.29. The exchange rate of Euro, on the other hand, started at the level of 4.54 and reached to 8.22 level and closed the year at 6.06. When we check Euro Dollar parity, it reached to 1.25 from 1.20 level and closed the year at 1.14. Gold GR/ TRY price, starting the year at TRY 158 level, has reached up to TRY 280 and has closed the year at TRY 218. Brent Oil started the year at USD 66, has reached up to USD 86 and closed the year at USD 54 due to participation of USA to the demand in particular.

Inflation was realized as 11.92% in 2017, and was closed the year in 2018 at 20.30% with contribution of the exchange rate-based effects. With regard to the unemployment rate; while it was at 10.9% level in 2017, it increased to 11.7%. When foreign trade data are examined, we observed increase in export thanks to the exchange rates, and decrease in import. Importing amount was approximately USD 223 billion, and export amount was approximately USD 168 billion. We observed decrease in reserves of Central Bank. We observed that the reserve, which was at the level of USD 111 billion in the beginning of the year, decreased USD 89 billion. Increase in tourism revenues continues positively. Our tourism revenues, which were USD 26 billion in 2017, increased to USD 29 billion and the number of visitors has increased to 45 million from 38 million.

In terms of credit rating; we closed 2018 with B+(Stable) from S&P, Ba3 (Negative) from Moody's and BB (Negative) from Fitch, which is speculative in nature. While CDS (Credit Default Swap) was at 160 level in the beginning of 2018, it reached up to 360 level at the end of the year.



C-3 Information on Investments Made During the Accounting Period

In 2018, our Company generally made fixed asset investments. The breakdown of the fixed asset investment amounting to total TRY 12.2 Million is as follows.

	Investment Amounts in 2018
Information Technologies	1.022.215
Intangible Rights/Software	2.618.311
Special Cost	1.526.642
Vehicle	4.279.691
Furniture	191.463
Other Fixed Assets	167.164
Total 2018 Investments	9.805.486

C-4 Risk Assessment and Indemnity Management

Our Risk Assessment and Indemnity Management team served in the following areas in 2018;

- Risk assessment procedures of Credit Life / Credit Personal Accident and Optional Insurance products are pursued.
- 17.654 policies were checked and approved in the Credit Life and Credit Personal Accident segments.
- 33.491 policies were produced or approved in the Optional Life and Personal Accident segments.
- The management of Check-ups of 203 insured candidates was provided in Credit Life products.
- In our long-term insurance products, 10.254 surrender transactions were performed and TRY 2.350.013 was paid; 8.992 Day-Based Payment transaction was performed and total payment amount was TRY 617.30745.
- 135 indemnity claims were evaluated and TRY 4.033.691,04 was paid to our insurants, banks or beneficiaries of our policyholders. 40 indemnity claims were rejected.
- At the end of the year, there is an outstanding claim amounting to TRY 1.290.952,05 corresponding to 22 products.
- 50.902 policies were produced under 42 closed Group Personal Accident and Group Life tariffs.

C-5 Our Collection System and Collection Activities

Thanks to its collection infrastructure based on web service integrations, Katılım Emeklilik directly questions the accounts of customers via two separate banks and performs the collection transactions through this structure. By means of this infrastructure, in which we are one of the pioneers in the sector, the time allocated for operational processes has been shortened. With the collection infrastructure that is being used, our unit carries out reconciliations of the amounts processed on behalf of customers and also pursue compliance of the transactions with the legislation.

With separation of segments and the banks, the collection unit pursues 20 separate current bank accounts. The fact that banks were separated by

segments and transactions shortened the reconciliation processes. In case of a possible mistake, it is aimed to prevent the customers from suffering any problem by facilitating the detection thereof.

In 2018, customer satisfaction was targeted in the Automatic Participation System and collection integration infrastructure was established with our banks via our corporate internet branch and it was provided for instant collection by the companies to be possible. In this process, in which we aim to reduce the workload in operational terms and to provide faster transactions for our customers, the compliance of the transactions with the legislation and the reconciliation processes are monitored daily by the collection unit.

The system has been made available for the entry of the amounts remitted to out bank current accounts through EFT and transfer methods according to the date of transmission. Thanks to this process started to be used, the number of transactions was reduced in the process of being returned to the source due to amounts not being entered. This process, in which customer satisfaction is held in forefront, has also led to a decrease in the operational processes of our unit.

In order to prevent the delinquency of the customers, for whom the collection was not possible in due time; delinquency calls are being made regularly. The searching process of errors that require change of payment instrument primarily has been initiated in 2018. On the other hand, it was aimed to reach our participants with high contribution amounts and it was provided to increase the collection amounts thanks to customer calls.

C-6 Our Activities for Customer Services

All the teams of our Customer Services department provided services in the following areas in 2018;

In 2018 **Our Call Center** continued to serve our customers through our line: 0850 226 0 123.

As of April 2018, our Call Center rendered service in Edirne by using the service provided by Turkcell Global Bilgi company with 1 Operation Director, 2 Team Leaders, 36 Customer Services Representatives speaking Turkish, 1 Customer Services Representatives speaking Arabic, 1 Customer Services Representatives speaking English, 2 Home Agent Customer Representatives, and 1 Quality Specialist.

The team in the Head Office performed management, training and reporting activities of our call center operation.

In addition to welcome call, customer information update, demands and change procedures, delinquency information, Contribution Increase, delivery address update, out-of-office calls, and our call center served with a separate team in 2018 for persuasion calls.

With the commissioning of the Automatic Participation System, a serious workload in our Call Center has continued throughout 2018, and facilitated process of Auto-Participation withdrawal via IVR has continued accordingly.

In 2018, service was rendered with following performance data:

Inbound call (incoming call) team received 519 thousand calls and average of 1.970 calls per day was met with an average conversation time of 3:20 minutes.

Outbound team (outgoing call) made 75 thousand calls with an average of 285 calls per day and average of conversation time of 3:15 minutes.

Our Complaint Management team has solved 16.284 support requests coming from bank branches via e-mail/Kırlangıç workflow system.

28.957 customer requests and complaints from various channels such as Call Center, Internet Site and official institutions were recorded, examined with due diligence, and solutions were produced accordingly.

Instant uninterrupted service was provided to Bank Branches and our Agencies via Call Center line: **0850 226 0 226; 7.347** incoming calls were satisfied with **2:45** minutes of average conversation time and **93%** response rate.

The executives of all the companies, which signed Group Protocol Agreement in 2018 within the scope of OKS, have been called by our Corporate Services team, which commenced its operations at the beginning of 2017 together with the Automatic Participation System, within the scope of welcome call system, and all the details of the system were informed.

Our team has provided service to the executives of the employers with the following performance:

47.129 incoming calls were satisfied with 2:56 minutes of average conversation time and 70% response rate.

9.937 outbound calls were made an average conversation time of 3:25 minutes.

37.926 requests from corporates, which were commenced with the Kirlangiç workflow system by being sent to our corporate support e-mail address by executives of the employers, were processed and responded accordingly.

2.647 live support requests were responded through the Live Support application on the Corporate Internet Branch.

Our sales support team has provided periodic release of all required reports, such as performance and campaign reports to our Company's Senior Management as well as all stakeholders.

Our team also supported the pursuance of all before and after the sale transactions of our Bancassurance Managers and Regional Sales Managers at the Head Office of our Company.

With our Private Customers team, which was formed at the beginning of 2018; we commenced elite participation application and announced the same to our customers.

424 face to face visits were paid; detailed Information on the Private Pension system and processes was given to our customers.

Total **554** new private pension contracts were signed and entered into force.

In accordance with the requests of our customers, **TRY 4.327.000** fund transferred to our company.

In this process, the fund distribution changes were performed in coordination with the fund management unit and portfolio management company, by taking into account the demands and risk perceptions of our customers.

According to interviews with our customers, **TRY 4.750.000** additional contribution requests were received and directed to the investment.

143 Private Pension contracts in our private customer segment were persuaded and remained in our company.

The Elite Participation application, which was started with 573 customers and 87 million funds, reached up to 1020 customers and 154 million funds as of year-end.

C-7 Our Marketing Activities

In 2018, the Marketing Department was restructured and reorganized into two groups: ADK and Strategic Marketing, and Agencies' Marketing.

ADK and Strategic Marketing team launched more than 10 new products in 2018;

In Health Segment;

- Full Participation Complementary Health Insurance
- Gülümseten Complementary Health Insurance
- Abroad Travel Health Insurance
- Religious Travel Health Insurance
- My Guest is in Safe Foreigner Health Insurance

In Life and Personal Accident Segments;

- Sound Commercial Life Insurance
- Credit Payment Assurance Insurance
- Secured Saving Account Insurance

In 2018, we became the company that reached the highest production rate in the related product group in our sector with a total TRY 1,38 million of premium production.

Throughout the year, it was provided for attention to be attached on sales concentrations within the company with campaigns and sales team commission reporting in addition to periodic reports such as infographics, participation insurance sector development, weekly fund index, press bulletin, etc.

With our Practical Participation Retirement Plan, we launched our first product with a hybrid sales model. With the approvals received from the participants for the proposals made from our Bank branches and agencies, we have reached 186 sales by the customer representatives who hold private pension instrument license within the Corporate Services unit.

After provision of the telemarketing methods training and product information to our customer representatives at the Global Information call center; Supportive Individual Accident Insurance and Gülümseten Complementary Health Insurance sales were commenced for our existing customers by making presentation during incoming calls.

We organized a check-up gift campaign special to Teachers' Day for customers who purchase Critical Disease Insurance, and total 78 sales were made. Arabic and English brochures and forms were designed and prepared, and they started to be sent to the distribution channels.

In the digital field, necessary studies have been carried out on the Mobile and Individual Internet Branches for the addition of new services and development of existing services, such as surveys for fund distribution changes, additional contribution requests and risk return profile.

In order to expand the product portfolio of Critical Disease Insurance, Womenly Assurance Critical Disease Insurance was prepared and opened for sale in our website designed primarily for this purpose. It was started for «Apply Now» requests of the potential customers through our website to be directed to the Corporate Services and Field teams for sales purposes.

Our individual internet branch and internet site commenced to serve our customers by means of live chat channel in order to ease up our call workload and therefore reached our goal to render multi-channel services to our customers. At the same time, by arranging our IVR structure, we started rendering service to our customers in Arabic and English languages and have blazed a trail in the sector.

In 2018, our **Agencies' Marketing** team completed the necessary documentation for the agency channel and sent the same to the agencies. The necessary organization for the channel within the scope of PDPL has been completed.

Web integration with TOBB was completed and implemented.

Information Technologies development studies were initiated by performing necessary work analyzes for the collection processes in the digitally approved sales and bank-blocked installment structure within the scope of the Agency Development Project.

21 new agency acquisitions visits were organized and contracts were signed with 9 of them, thus the number of agents has reached to 61. Product and screen training of all 61 agencies were completed and they were visited regularly.

C-8 Our Project Management Office Activities

In 2018, 15 different projects were pursued and Senior Management reports were prepared accordingly within our Project Management Office department. 10 projects have been completed before the end of the year. Health Insurance NeoParticipation Sales project, PDPL Compliance Project, Call Center Transition Project and Corporate Internet Branch OKS collection project were the most important of them. This year, our project management processes were revised and implemented in accordance with the PMI and Agile methodologies.

On the process management side, a total of 95 processes and procedures were developed.

45 new workflows were developed on our workflow platform. The KEP transmission system integrated with the Registered E-Mail System, the Hybrid Private Pension Sales and Human Resources processes were the most important ones amongst these.

As of the end of 2018, 1.955.063 workflows were carried out for 100 processes in our Kırilangıç workflow system.

C-9 Our Operational Activities in Insurance and Private Pension Segments

In 2018, our operations unit was active in the following areas;

Within the scope of our Private Pension Activities;

- 57.408 amendments were made regarding the Private Pension contracts of our participants.
- A total of 7.670 Employer Group Pension Certificates were produced in coordination with group executives and 218 Group Employer Pension and 21 Private Pension Affiliated to Group agreements were executed.
- 101.315 Private Pension Offers have been controlled for compliance with the Private Pension and MASAK regulations and all of them have been approved. 5.551 BES Offers, which couldn't be produced by our Bank branches, were produced by our Operation Unit.
- 2.444 transfer requests of our participants were communicated to the other Private Pension Companies, the processes were initiated and pursued; and when the transfer amounts received by our company, the agreements were executed accordingly. In addition, Accumulation Transfer transactions, which were communicated to our company from other pension companies, for 25.989 Automatic Participation Certificate were also carried out.
- 29.913 parcels were received by our company and 19.681 were sent by us. At the same time, it was provided for 670.293 mandatory notices such as policy agreement texts, annual account statements etc. to be delivered to our customers via SMS, E-mail and carriers within the legal delivery periods. 6.493 BES and Life Proposal Form, 17.558 Change Request Forms were signed and recorded, and they were archived in 72 folders and 125 boxes. We are still working with ZIP carrier company for delivery activities (printing, enveloping and shipping).
- Production of 6315 OKS (Automatic Participation System) Group Protocols was realized.
- The Company has fulfilled the requests for Private Pension withdrawal and Insurance Cancellation within the legal periods.
- In the private pension segment, 251.484 exit transactions have been made, including Withdrawal, Early Termination, Transfer and Death. The payment amount subject to these transactions is TRY 256.445.018,5 in total.

Within the scope of our Insurance and Health Activities;

- In the field of Complementary Health, the documents of 1.420 insured customers with and 1.124 policies were checked and produced.
- In the field of Travel Health, 4.501 productions were made, the 4.218 of which consist of Religion Health products for our customers going to Umrah.
- In the field of Foreign Health, Production transactions of 6 insured customers were performed with 3 policies.
- A total of TRY 4.666.592,34 premium production was made for 5.927 insured with 5.628 policies in the health segment.
- 364 damage invoice records were evaluated and TRY 27.186,23 was paid to the hospitals for 111 registrations. 29 invoices were rejected.
- As of the end of the year, there are 253 damage invoices and outstanding claims amounting to TRY 48.502,32.
- 97 of all policies in the health segment were canceled and premium return transaction of TRY 60.002,47 was made.

C-10 Our Activities on Information Technologies and Reporting

State Contribution Supervision Control

Following the publication of the Participation Insurance Regulation, the project of making our system compatible with the regulation has been planned and completed in accordance with establishment purposes of our company. Furthermore, in Private Pension field; our company, as an active member of the GEV 3.0 workshop initiated by Pension Supervision Center, participated in the activities and opinions were given for determination of the technical details. In addition, the necessary actions are taken for complete change of the application logic existing in the project.

Operation of the Automatic Participation System Transfer Platform was provided. Our company has successfully passed the 2018 State Contribution Application Audit with the supervision of the SDK (Insurance Supervisory Board) affiliated to the Republic of Turkey, Ministry of Treasury and Finance. The valuation study of the state contribution covering the 2017 data was also performed for the records entered into force in our company for the first time and it was submitted to the Pension Supervision Center.

System Analysis and Reporting

In recent days, where digital conversion is frequently referred, we took one more step and created the first e-trade portal of our corporate and launched Womenly Assurance Critical Disease Insurance product. Instant collection feature has been added to our private Corporate Internet Branch for our Automatic Participation System customers, who have account in our Kuveyt Turk and Albaraka Turk banks, and it was provided for them to complete the process without doing any additional transaction. Robot automation systems, which we may be evaluated under the Digital Technologies, have been used in the operational processes of our corporation. 2018 was a year in which additional investments continued for our individual Internet Branch and Mobile Application, and we will continue to be active in all points within the scope of digital transformation in 2019.

In 2018, our focus of activity was primarily on evaluating current technologies with the importance of cross-usage, aiming to achieve maximum benefit with our internal technologies rather than external software solutions. In this context, when it was necessary to transfer data in a safe environment through SFTP at the database level of our ANKA application, which is under active management of Reporting Service, such transfers were developed with internal experience and put into service for external institutions, which then were supplied externally.

We continued our strong investments in the field of Health Insurance and our integration studies with Yapı Kredi Bank Virtual POS were completed. With regard to the Private Pension; our new product studies for Initial Capital Plan and Retirement Income Plan have been structured in 2018.

Infrastructure and IT Support

Improvements and developments have been made to provide the necessary infrastructure support to the growth, strategy, technological developments and projects of our company; in order to provide adequate support to our strategic projects, infrastructure developments and improvements within the framework of technological developments will continue by taking the scope of Personal Data Protection Law in consideration.

C-11 Our Training Activities

Improvements and developments have been made to provide the necessary infrastructure support to the growth, strategy, technological developments and projects of our company; in order to provide adequate support to our strategic projects, infrastructure developments and improvements within the framework of technological developments will continue by taking the scope of Personal Data Protection Law in consideration.

Trainings in 2018		
Number of Persons Trained	Training Hours	Training Hour Per Person
226	2.063	9

Some of our trainings are as follows ;

"Leadership and Management" training program - which includes the subjects of how to become a good leader, a good director, and what are the responsibilities of the teams in such process etc.- has been provided.

"Individual Awareness" training was provided in order for a large part of our employees to know themselves in their normal and professional lives, to become aware of their characteristics and to show how they can behave against different persons that they encounter in daily life.

In addition to these trainings, “Unauthorized Impact” and “Presentation Skills” training programs have been provided to our employees acting in capacity of Financial Advisor, who have recently recruited to our bancassurance team.

In addition, “Executive Development” training programs have been provided to our employees who were included in Coordinatorship pool amongst the Bank Sales Directors within our Bancassurance team, and this training program continues in the new period as well.

In addition to the trainings mentioned above, in 2018, BES licensing trainings as well as other licensing trainings were provided according to the needs of our banks. In this context, the table regarding the number of BES intermediaries as of the end of 2018 is as follows.

BES Licensed Agents as of 31.12.2018				
Kuveyt Türk	Albaraka Türk	Katılım Emeklilik	Agency	Total
1.160	1.297	70	8	2.535

C-12 Our Technical and Actuarial Activities

2018 was the fifth activity year of the Katılım Emeklilik and Hayat A.Ş.. In addition to the Credit Life Insurance, which is offered for sale within the Life segment at bank distribution channels, Critical Disease product and Education Assurance Insurance, Life Insurance special to SMEs, School Installment Assurance products; Critical Disease Insurance, which contains coverage for cancer special to women and the Assured Saving Account Life Insurance products were offered for sale. In 2017, studies were made to contain unemployment coverage in Credit Life Insurances as an additional coverage, and sale of this product was started in 2018. For the customers who could not be included in the portfolio due to health problems in Credit Life Insurance, a surcharged premium tariff was created and sales of the same continued accordingly. In conjunction with obtaining license in Health segment at the end of 2017; complementary health insurance, travel health insurance and foreign health insurance products were studied in 2018 under the Health field and sales of the same was started. At the end of 2018, Emergency Health Insurance studies were initiated.

In the Personal Accident Insurance segment; as in the life segment, Credit Personal Accident production continues to be equal to the duration of the loan. Coverage and premium increases were made for Optional Personal Accident products. High coverage and premium product is positioned at bank channels.

2018 was a year full of innovations for both the sector and our company. In the last half of 2017, Regulation on Participation Insurance was published and entered into force as of 20 December 2017 after granting a specific transition period. With the commencement of a new era in interest-free insurance, our company, which operates in the field of interest-free private pension and life insurance, has initiated different systemic analysis studies within the scope of full compliance with this legislation. Developments made within this framework have been put into effect. It is planned for balances to be returned to our participants as of 2019.

In accordance with the Circular issued by Republic of Turkey, Ministry of Treasury and Finance in 2016 (2016/30); it became possible for Pension Companies to obtain licenses in Disease/Health segment. In this context, our company has started the studies immediately in order to obtain health license, established the infrastructure and received the Disease/Health segment License in 2017. In Health Insurance field, within the scope of full compliance with Participation insurance, Participation Reinsurance (Retakaful) agreements have been made for the first time in Turkey. In 2018, our Health Insurance Products were defined to our system and full integration was ensured with the network and provision companies that we will work together in this field. Sales of Health Insurance products were started at first stage, and then it was followed by Travel Health Insurance and Foreign Health Insurance products. In the future, we are planning to increase our product range and add new Participation Reinsurance (Retakaful) contracts to our portfolio with the addition of daily hospital, individual KHS, and Private health insurance products in line with the Health/Disease branch.

As of 31.12.2018, the total number of life insurance policies/participation certificates in effect is 88.187 and the total life insurance premium production is amounted to TRY 42.552.017,66.

In the Accident segment, as of 31.12.2018, the total number of personal accident insurance policies/participation certificates in effect is 67.363 and the total premium production has reached up to TRY 7.863.908,93.

As of 31.12.2017, the average death benefit of the existing 88.187 life insurance policies/participation certificates was equal to TRY 85.542. It is observed, in particular, that the numbers of credit-linked life insurances are respectively high due to mortgage loans supplied by our banks.

The breakdown of the insured in the life branch by age groups is shown in the following table. As can be seen from this table, our life insurance products are offered predominantly to the insured in the 28-47 age group.

Distribution of Death Benefit of Active Life Insurance Policies Based on Age Groups as of 31.12.2018:

Age Range	Personal	Group	Total Death Benefit (TRY)	Ratio (%)
18-27	139.429.175	699.896.501	839.325.676	12%
28-37	439.572.180	2.625.013.573	3.064.585.753	44%
38-47	452.446.087	1.834.911.098	2.287.357.185	33%
48-57	169.360.754	493.404.191	662.764.944	10%
58-67	27.141.736	53.895.556	81.037.292	1%
68-79		2.231.367	2.231.367	0%
Total			6.937.302.217	100%

As of 31.12.2018, the total amount of death benefit liability in life insurance is amounted to TRY 6.937.302.216,54.

Distribution of Total Number of Life Insurance Policy/Participation Certificates and Total Death Benefit Amount according to the Insurance Period by 31.12.2018 is as follows:

Duration	Number of Policy/Certificate	Total Death Benefit (TRY)
0-1 Year	17.229	1.055.562.196
2-5 Years	31.483	1.694.883.035
6-10 Years	24.512	2.300.012.754
More than 10 years	14.963	1.886.844.231
Total	88.187	6.937.302.217

As of 31.12.2018, the total number of current life insurance policies in the life insurance segment is 88.187. Total number of personal annual life insurance policies is 5.527.



C-13 Our Research and Development Activities

Since 2018 was the fifth year of operation, as in the first four operating years, particular importance and strict attention was paid on new product development activities for changing and evolving customer needs. In 2018, we focused on new product development and tests in life and personal accident segments on the basis of both credit and optional products. In the same year, our products were enriched in terms of coverage and offered to sales for our customers through bank and agent channels. Upon obtaining license for Health segment at the end of 2017, new product studies were made in Health segment and sales were commenced in 2018.

Katılım Emeklilik was established to operate in interest-free private pension and life insurance segments. Since Albaraka Türk and Kuveyt Türk Participation Banks, as the main distribution channels, are established and leader corporations in the interest-free field of our country; they operate in all products and render services under Islamic Finance and Participation Banking principles. Information matters in the private pension sector are among the important aspects of our industry. Our company pays particular attention on notification of our customers fully and completely at the time of sale for continuity. Therefore, we regularly call our customers to welcome them to our Company and Private Pension System due to their participation and to remind them of their rights in the system. In the first year of its operation, the credit life insurances offered by the participation banks, which are the main distribution channels, for assurance of their financing, came to the forefront in the product portfolio. In 2017, under credit life insurance segment, accidental disability coverage products were continued to be offered to our policyholders in addition to death benefits; and then our product was enriched by adding additional Unemployment/Daily Hospital/Accidental Temporary Incapacity coverage. In 2018, the sale of our Education Assurance Life Insurance product and Critical Diseases product were continued and in addition, the automatic renewal and annual packages of the same, SME packages, Education insurance and Critical Disease Insurance products were prepared for the agent channels and sales were initiated. In 2018; Complementary Health Insurance, Travel Health

Insurance, Foreign Health Insurance, Critical Disease Insurance containing cancer coverage special to women, Assured Saving Account Life Insurance, Personal Accident Insurance products with different coverage components have been added to the current product portfolio. Some of the existing products' coverage and premiums have been revised and their sales continued accordingly.

Since the first establishment date, our company created an Advisory Board to maintain its activities in interest-free content and in conformity with participation banking principles. Our board, which consists of expert members in Participation banking and insurance as well as Islamic law, conducts meetings periodically during the year and provides opinions and approval for our products and services.

In 2018, in accordance with the changing customer demands and sales channels, our company initiated contribution BES plan studies and received the approval from EGM. Development and testing studies of Retirement Income Plan still continue.

Katılım Emeklilik completed initiatives for foundation of Katılım Emeklilik ve Hayat A.Ş. Public Lease Certificates Participation Pension Investment fund under Private Pension segment with more conservative management strategy that contains only lease certificates, and has reached a total of 12 pension funds in this area.



As of 2018, the portfolio companies managing our pension investment funds are as follows;

Our Funds	Portfolio Management Companies
KEA-Katılım Katkı EYF	Qinvest Portföy Yönetimi A.Ş
KEG-Dengeli Katılım Değişken EYF	Qinvest Portföy Yönetimi A.Ş
KEH-Katılım Hisse Senedi EYF	Qinvest Portföy Yönetimi A.Ş
KES-Agresif Katılım Değişken (Döviz) EYF	Qinvest Portföy Yönetimi A.Ş
KET-OKS Atak Katılım Değişken EYF	Qinvest Portföy Yönetimi A.Ş
KTZ-OKS Katılım Standart EYF	Qinvest Portföy Yönetimi A.Ş
KEB-Katılım Standart EYF	KT Portföy Yönetimi A.Ş
KEZ-OKS Agresif Katılım Değişken	KT Portföy Yönetimi A.Ş
KEF-Altın Katılım EYF	Vakıf Portföy Yönetimi A.Ş
KEK-Katılım Değişken Grup EYF	Albaraka Portföy Yönetimi A.Ş
KEY-Başlangıç Katılım EYF	Albaraka Portföy Yönetimi A.Ş
KKS-Kamu Kira Sertifikaları Katılım EYF	Albaraka Portföy Yönetimi A.Ş

Our pension investment funds displayed a satisfactory and competitive performance in terms of revenue until the end of 2018.

Within the scope of Life and Personal Accident Insurance,

Katılım Emeklilik, in 2018, carried out activities for optional life insurance and personal accident insurance products, in particular. In order to protect the monies accumulated in the accounts of our customers in Kuveyt Türk Bank, one of our main distribution channels, the Assured Saving Account Life Insurance product was offered for sale. In addition to the current Critical Diseases product; package product studies were conducted in which critical diseases specific to women are covered and premiums determined according to age ranges. Online channel has been added to the existing sales channels and such product has been opened for sales in the online channel. In order to enable the satisfaction of customers' needs in the current personal accident product, a new package has been launched with an increase in the coverage and premium. In order for the main distribution channels to be able to meet the customers' needs, studies were made for personal accident product with different coverage and premiums, and such products are offered for sale.

Within the scope of Private Pension,

Katılım Emeklilik, continued active sales of Economic, Beautiful and Special Participation Private Pension Plans, which are designed for customers with different risk perception under the same strategy group within the private pension segment, and also Employer Contribution and Group-Based Private Pension plans, suitable for different group profiles, in the private pension segment, under the separate strategy group in 2018. In 2018, the Company also introduced the Precious Pension Plan with initial contribution fee. In 2018, the Company completed the necessary plan permissions for the Pension Income Plan and made it ready for sale in 2019. The sale of the first pension income plan is planned for 2019.

Within the scope of Health Insurance,

In 2018, Katılım Emeklilik began to sell the Complementary Health Insurance product, which covers the inpatient and outpatient treatment in the health segment. In order to be more economical than this product, Complementary Health Insurance, which contains only inpatient treatment, is added to the product portfolio. Also in 2018, sales of Travel Health Insurance started too. At the end of 2018, Foreign Health Insurance product was put on sale and Emergency Health Insurance product studies were started.

C-14 Information on the Internal Control System and Internal Audit Activities and the Opinion of the Board of Directors on this Subject

Internal Control System

Pursuant to the “Regulation on Internal Systems of Insurance, Reinsurance and Pension Companies” published in the Official Gazette dated 26 June 2008 and numbered 26913 by Republic of Turkey, Ministry of Treasury and Finance; an Internal Control and Risk Management Department was established by our Company and an Internal Control and Risk Management Director was appointed.

Our Company has established the Internal Control Systems Regulation and Risk Management Regulation in consideration with the provisions of the Regulation; Internal Control and Risk Management activities are being carried out with an effective internal control system and control activities in accordance with the Company’s strategy and legal liabilities within the risk appetite of the senior management.

Internal control consists of control environment, risk assessment, control activities, information & communication and monitoring, and therefore, reporting activities are performed completely and accurately, operations are carried out effectively and efficiently and activities are carried out in conformity with legislation and internal regulations. While such activities are carried out by ensuring the efficiency of internal control systems, it is planned for the strategic goals and objectives of our Company to be fulfilled.

Necessary studies are being performed in order to ensure that the company’s workflows, procedures and job descriptions are completely and fully complied with. It is aimed for the periodical controls to be made for compliance of the activities with legal and internal regulations, for corrective and preventive actions to be determined within the framework of control results, concentrated and analyzed according to the source (process, system, person), and for necessary actions to be taken and necessary improvements to be made. The Internal Control and Risk Management system provides reasonable assurance to our Company in achieving its goals and objectives.

The Internal Control and Risk Management Department operates under the General Manager of the Company.

Internal Audit Activities

The internal audit system of Katılım Emeklilik and Hayat A.Ş. is structured pursuant to the provisions of the “Regulation on Internal Systems of Insurance, Reinsurance and Pension Companies” published in the Official Gazette dated 26 June 2008 and numbered 26913. The Internal Audit Department reports to the Board of Directors in its organizational structure.

The scope of internal audit activities is to provide reliable, independent and impartial opinions and suggestions for improvement and development in relation to these processes as a result of examining and evaluating the effectiveness and effectiveness of internal control, risk management and administrative processes. In addition, the duty of investigating financial crimes is among the responsibilities of the Internal Audit Department.

The Internal Audit team consists of 1 Audit Manager and 1 Auditor who have the qualifications defined in the Regulation on Internal Systems of Insurance, Reinsurance and Pension Companies. The Internal Audit Department personnel have no responsibility, authority or influence in the Company’s audited operational activities; also its independence is fully ensured.

In 2018, the Internal Audit Department carried out audits for Operations & Risk Assessment, Financial and Administrative Affairs, Actuarial, Agent, Marketing, Call Center, Corporate Communications processes, monitored activities for previous process audits, and submitted the related reports to the senior management and the Board of Directors.

Since the Internal Audit Manager also serves as the fund auditor of the pension investment funds established by the Company, examinations of these funds were made during the reporting period, and the significant improvements were reported to the Fund Board; and the required reports were submitted to the Board of Directors in accordance with the CMB legislation.

Opinion of the Board of Directors on Internal Control System and Internal Audit Activities;

Activities within the scope of our company's internal systems are being carried pursuant to Insurance Law Nr.5684 dated 03.06.2007, the Private Pension Savings and Investment System Law Nr.4632 dated 28.03.2001 and the "Regulation on Internal Systems of Insurance, Reinsurance and Pension Companies" entered into force upon being published in the Official Gazette dated 26 June 2008 and numbered 26913 based on such laws.

C-15 Corporate Risk Management and Internal Control Activities by Risk Types

The risks that our company is exposed to and the policies, procedures and objectives of our Company in order to manage and measure the risks are as follows.

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

1. Insurance Risk

Management of insurance risk aims to manage and mitigate risks arising from insurance contracts and policies.

These risks are the risks that are arising from the insurance contracts concluded; such risks may be exemplified as: the fact that the insured risks are not selected in a healthy manner and that the insurance premiums are not determined at the level to meet the future damages, and the concentrations due to the non-distribution of the risks.

Since risk concept is accidental and unpredictable, this indicates the importance of risk assessment. Therefore, in order to protect the financial and competition power of our company, each risk is fully classified, the policy is produced by determining a proper premium, or it is rejected accordingly.

The market conditions, reinsurance agreements, turnover, profitability and sustainable growth targets are considered as a whole when tariffs are prepared and pricing is made.

Risk assessment processes have been established between our company and our contracted reinsurer companies, the terms and conditions of which are defined with strict lines. In this way, the high numbers of policies are automatically produced by determining the best price.

According to our company's risk assessment criteria; non-standard risks are meticulously evaluated, accepted or rejected. In addition, our company maintains retention on certain ratios and transfers the amounts exceeding the retention limit to the reinsurer company.

In order to establish an effective risk assessment policy regarding the insurance risks of our company, Risk Acceptance Regulation has been prepared and insurance risk assessment activities have been carried out within this framework. This regulation is revised every year in accordance with the new products and portfolio structure.

Within the scope of our medical risk assessment operations, technical risk assessment is carried out by our own team directly and by getting support from a company experienced in the field of medical risk assessment procedures.

Our Company continuously monitors the loss/premium ratios, and supervises its reserve capabilities through regular and periodic reporting.

Our company's production strategy is based on the type of policy, the type of risk undertaken and the optimal distribution to the reinsurance companies according to the size.

The Company carries out reinsurance studies on life insurances only through the risks assured in terms of death benefits and additional coverage. In the risk-based life insurance tariffs, an amount, which will be determined not to exceed the maximum amount of retention determined as a result of actuarial calculations for death benefit and the additional coverage, is kept on the company and any excess amount is transferred to the reinsurance companies that we cooperate under reinsurance agreements (surplus and quota-share reinsurance agreements).

A separate Personal Accident Insurance Surplus Reinsurance Agreement was concluded with the reinsurance company for the Personal Accident Insurance coverage that can be given alone in the accident segment.

The following criteria are decisive for provision of obtaining reliable and high standards of service business relations from the reinsurance companies and selection of the same from reinsurance program of the Company, and for ensuring that reinsurers fulfill their obligations.

Financial strength and credit ratings issued by international credit rating agencies

- Long-term approach in business relations,
- Competitive reinsurance premium prices,
- Capacity opportunity provided in optional works and non proportional reinsurance contracts,
- Information on risk assessment tools, new developments in the sector, and opportunities provided to the company for product development, training etc.
- Being able for the company to perform the works within the principles of Islamic finance,

The risk amounts exceeding the retention amounts in proportional reinsurance contracts are transferred to reinsurers through optional reinsurance.

In addition, a non-proportional catastrophic damage surplus (XL) reinsurance agreement that fits the portfolio structure has been executed in order to protect the retention each year as a result of major disasters such as earthquake, flood etc., or traffic accidents or terrorist attacks in public transportation vehicles. This agreement is also renewed every year by revising our existing insurance portfolio.

2. Operational Risks

This is the risk of direct or indirect damages resulting from insufficient and unsuccessful internal processes, personnel and systems or external events. The risks such as supply, human resources, customer satisfaction, sales, business outages, natural disasters etc. that may arise depending on company's daily operations, business processes and functions.

In the management of the Operational Risk, controls are developed to eliminate or minimize the possibility of loss.

3. Financial Risks

The risks arising from the use of financial instruments are;

- Credit risk
- Liquidity Risk
- Market risk
- Exchange rate risk

Credit risk

Credit risk is defined as the risk of non-repayment of loans issued to countries, real persons or legal entities.

In order to avoid this risk or to minimize its impacts, money management is performed based on the ratings of the credit rating agencies where the money is deposited.

Liquidity Risk

It is the risk that the assets cannot meet the cash demand. This risk arises from the fact that assets cannot be sold and cannot be converted to money when cash is needed. If the maturities of assets are longer than maturities of their liabilities, the liquidity risk increases.

These funds are evaluated in short-term capital market instruments to meet such liabilities based on the Company's short-term liabilities. In order to be conservative, it will be essential to evaluate a provision equal to the company's liabilities that should be paid within the next 3 months with capital market instruments or maximum one-month maturity instruments.

Market Risk

The risk of a financial institution being adversely affected by an unexpected change in profit share rates in the market.

In the management of this risk, in case of possible volatility in the markets, attention will be paid to realize the company's financial income at the optimum level by applying an investment strategy with minimum maturity possible in capital and money market instruments.

Exchange Rate Risk

It refers to the possibility of loss in the assets and/or liabilities that may arise as a result of the fluctuations in the exchange rate in the future.

One of the most important risk parameters to be taken into consideration while conducting the asset-liability management of the company will be the exchange rate risk. Foreign currency at the amount that is required to make the foreign currency payments of the Company shall be kept and this amount shall be evaluated in the participation accounts by considering the payment dates.

4. Strategic Risk

The planning, business model, investment, corporate management, etc. risks arising from decision-making processes and decisions for reaching the targets of the company.

Measures are taken to mitigate or minimize the possibility of loss in Strategic Risk management and these measures are specified in the risk control matrix.

5. Information Technology Risks

This is the risk of loss of the automation system, network or other critical IT resources in a way that adversely affects business processes in achieving the company's goals.

In order to manage information technologies risks, the risks related to IT processes were determined in detail, evaluated and necessary actions were taken to reduce risks to an acceptable level.

6. Risks of Pension Mutual Funds

It refers to the risks that will arise as a result of the fact that the investment instruments within the fund assets do not respond to the changing conditions in a timely manner, exceed the limitations, mismanaged and that mistakes are made in the operational processes.

In order to prevent or minimize the risks related to Pension Mutual Funds, all risks are determined in detail and the controls related to these risks are made on a daily basis, necessary actions are taken according to the Capital Markets Board legislation, fund board meetings are held, Capital Markets Board bulletins and regulations are followed and emergency plans are prepared.

7. Human Resources Risk

isks associated with human resources; assignment of trained employee to a wrong position, decrease in motivation levels, misevaluation of the performance, not informing the employee sufficiently about the corporate policies and practices, not being able to provide the additional employee on time and in accordance with the required qualifications, and initiation of corporal projects at the risk of failure.

In order to prevent and manage the risks related to human resources, our Company established Human Resources Regulations, determined Human Resources Strategies, developed Performance Management System and created a Career Management and Backup Procedure; the Company carries out its activities according to the determined strategies and procedures.

8. Risk of Sales Channels

It refers to the risks that sales organizations may face in order to reach the targets of the company.

In order to manage the risks related to the sales channels, the Sales Channels risks were determined in detail, evaluated and necessary actions were taken to reduce risks to an acceptable level.

9. Masak Compliance Risk

It refers to the risks that the company may be exposed as a result of the activities carried out for prevention of laundering of crime revenues and money laundering as specified in "Regulation on Compliance Program regarding Prevention of Laundering Crime Revenues and Financing of Terrorism" issued by Financial Crime Investigation Board (MASAK).

In order to prevent these risks, our Company established MASAK Corporate Policy and risky procedures are being monitored by the MASAK Compliance Officer. In addition, the Legal Compliance Department established within the body of our Company performs studies in order to ensure compliance and adjustment of the Company's activities with the current legislation, regulations and standards.

C-16 Assessments on the Risks of the Company

Technical Risks

Insurance Risk and Insurance Risk Management Process

Insurance risk refers to the possibility that the premiums paid by the policyholder couldn't cover the compensation to be paid when the event subject to the insurance is realized.

Since risk concept is accidental and unpredictable, this indicates the importance of risk assessment. In order to establish an effective risk assessment policy regarding the insurance risks of the company, Risk Acceptance Regulation has been prepared and insurance risk assessment activities of the Company have been carried out within this framework. Conditions of the Risk Acceptance Regulation are reviewed every year according to the needs of the company and the structure of the changing life insurance portfolio. This risk management is one of the most important processes in our company in order to ensure that the insurers are insured in the most appropriate way and to prevent the insurance company from being financially challenged.

In addition, the Risk Assessment Committee continued its activities in order for Company's insurance risk assessment activities to be carried effectively. In accordance with the agreement executed for procurement of an effective and professional service in the risk assessment studies related to the Company's insurance applications and compensation claims, all medical risk assessment procedures are carried out by Compu Group Medical Bilgi Sistemleri A.Ş. Our Company utilizes internationally recognized and accepted insurance risk assessment instruments in risk assessment instruments processes. In the evaluation of medical, personal and financial technical risks, controls are being made by utilizing the web-based insurance risk assessment instrument named GUM (Global Underwriting Manual) of RGA Global Reinsurance Labuan, Malaysia, which is our retakaful company within our reinsurance program,

and the numerical risk rating results obtained from this program are being used accordingly.

Our Risk Acceptance Regulation is reviewed each year in line with the changing coverage, customer and sales channel requirements of our portfolio and is revised in order to implement an effective risk assessment process by discussing with our Risk Assessment Committee. In addition to this assessment, assistance is received from our contracted medical risk assessment organization for medical risk assessment; and Operation Team of our Company performed assessments for personal (professional, hobby, lifestyle, geographical residence and moral risk) and financial risks of the insured candidates. In the management of this risk, in case of possible volatility in the markets, attention will be paid to realize the company's financial income at the optimum level by applying an investment strategy with minimum maturity possible in capital and money market instruments.

Medical Risk Assessment

In the assessment of insurance applications made to our company, it is requested from the insured candidates, who asks coverage above the amounts specified in the Risk Acceptance Regulation in accordance with the life insurance coverage amounts at first stage, to have a specific check-ups at the contracted health institutions and thus, information is received about the health status of the insured candidates. These medical results are examined by our contracted medical risk assessment organization and medical opinion is prepared and submitted to our Company. Life insurance applications of the insured candidates, who are found to have increased the risk of mortality as a result of the insurance risk assessment carried out according to the numerical risk rating method, are rejected.

Personal (in terms of living conditions, occupation, morale and hobbies) Risk Assessment

At the second stage of our insurance risk assessment process, information on gender, lifestyle, geographical residence and occupation obtained from insured candidates is measured and assessed with the insurance risk assessment instruments, and where necessary, additional information and documents are requested and risks are re-assessed accordingly.

Financial Risk Assessment

At the third stage, it is investigated whether the amount of life insurance coverage requested by customers and the annual income and/or loan amount are compatible with each other or not. Since the Company's portfolio consists of mainly life insurance products for bank risk, it is checked at this stage whether the insurance coverage amounts requested are compatible with the bank's financing amounts or not. The fact that the first financial analysis in credit life insurances is made by the bank and the issuance of the loan constitutes an important indicator for our Company in terms of financial risk assessment. At this stage, as stated in the Risk Acceptance Regulation, the financial statement form, a copy of the credit facility contract and the information and documents indicating the income status of the insured are requested from the insured candidate.

Within a month following the issuance of the coverage regarding the risks that the Company holds in excess of 5% of its equity in relation to a contract; the Company should upload the statement, the content and form of which is determined by the Ministry and which contains the amount of the coverage given, the amount transferred to the reinsurer, the net risk remaining on the company, the reinsurers to which the premiums are assigned, international credit ratings of such reinsurers as well as the reason and grounds for taking such risk, to the portal of Ministry of Treasury and Finance.

The Company's actuarial principles are intended to ensure that the activities of all of units of the Company comply with legal regulations, Company strategies, policies and application principles.

The inspection process of underwriting risk consists of notifying the senior management and Board of Directors of the Company for;

- Effectiveness of risk management process,
- Compliance with the processes determined in writing,
- Compliance with agreed limits,
- The level of reflection of the facts of the data and the reports produced; as well as the recommendations for the measures to be taken, and for the necessary implementation changes.

Management Process Regarding Risks of Reinsurance Companies

The Company carries out reinsurance studies on life insurances only through the risks assured in terms of death benefits and additional coverage (death by accident, disability as a result of disease, full or partial permanent disability as a result of accident, critical (dangerous) diseases, critical diseases specific to women, medical expenses due to accident, alternating unemployment (unemployment/temporary incapacity/daily hospitalization). In the risk-based life insurance tariffs, an amount, which will be determined not to exceed the maximum amount of retention determined as a result of actuarial calculations for death benefit and the additional coverage, is kept on the company and any excess amount is transferred to the reinsurance companies that we cooperate under reinsurance agreements (surplus and quota-share reinsurance agreements). In addition, the sales of the product, which exists since 2015 and consists of the main coverage as Death Benefit and additional coverage as Critical Diseases, will be continued in 2019. Retention amounts of the Company on respectively uncertain coverage such as coverage in health segment, unemployment coverage, which was first launched in 2017, and Credit-Linked Unemployment coverage, which was first launched in 2018, are limited, and it is expected for the sales of such products to be increased in 2019.

In addition, a non-proportional catastrophic damage surplus (XL) reinsurance agreement that fits the portfolio structure has been executed by the Company in 2015 in order to protect the retention each year as a result of major disasters such as earthquake, flood etc., or traffic accidents or terrorist attacks in public transportation vehicles, and similar nature agreements have been executed in subsequent years as well. The agreement was converted into retakaful agreement in 2018 and executed accordingly. A mutual understanding was reached for renewal of the same in 2019. In addition, an optional CAT XL agreement was also executed due to cumulating risk for Group Personal Accident Contract of Albaraka Türk Employees and for Group Life Contract for Kuveyt Türk Employees.

The company that has agreement with contracted reinsurers on life and accident segments performs reinsurance transactions with appropriate risk assessment conditions and reinsurance capacity.

As of the end of December 2018, the results of reinsurance activities in the life and non-life segments of the company are as follows:

Life Segment Reinsurance Results	1 Jan-31 Dec 2018	Non-Life Segment Reinsurance Results	1 Jan-31 Dec 2018
Transferred Premium	4.188.730	Transferred Premium	2.749.417
Received Commission (-)	123.826	Received Commission (-)	109.337
Reinsurer Share in Check-Up Expenditures (-)	69.726	Reinsurer Share in Check-Up Expenditures (-)	-
Reinsurer Share in Indemnity (-)	1.839.197	Reinsurer Share in Indemnity (-)	701.380
Total	2.155.981	Total	1.938.700

The following criteria are decisive for provision of obtaining reliable and high standards of service business relations from the reinsurance companies and selection of the same from reinsurance program of the Company, and for ensuring that reinsurers fulfill their obligations.

- Financial strength and credit ratings issued by international credit rating agencies
- Long-term approach in business relations
- Competitive reinsurance premium prices
- Capacity opportunity provided in optional works and non proportional reinsurance contracts
- Information on risk assessment tools, new developments in the sector, and opportunities provided to the company for product development, training etc.
- Being able for the company to perform the works within the principles of Islamic finance (as Retakaful)

Our company's policy of managing reinsurance is based on business relationships with stable and financially reliable reinsurance companies. The reinsurance agreements signed with reinsurance companies are executed according to the developments in the sector and the market conditions by considering the financial status of the company.

As a result of consistent and steady pricing and risk acceptance policies implemented by the Company; the risk assessment terms and procedures agreed with treaty reinsurers allows for insurance coverage that are higher than market averages to be insured automatically.



The ranges of our current life insurances according to the coverage amounts and the reinsurance distribution at these intervals are shown in the following table.

Distribution of Total Number of Policy/Certificates and Reinsurance based on Death Benefit Amount Ranges in Life Segment as of 31.12.2018 is as follows:

TL	PCS	AMOUNT	RETENTION	SURPLUS	OPTIONAL
1-5.000	8.148	24.065.324	22.969.368	873.735	-
5.001-10.000	3.738	30.034.649	28.378.405	380.339	-
10.001-25.000	13.609	238.371.663	227.833.292	7.654.845	-
25.001-50.000	16.995	649.782.971	622.728.036	26.475.711	-
50.001-100.000	24.940	1.812.206.429	1.762.679.507	50.295.086	231.836
100.001-500.000	20.287	3.758.692.875	1.900.234.306	1.853.569.819	4.888.750
500.001-1.000.000	395	265.065.079	35.170.894	229.378.185	516.000
1.000.001-5.000.000	70	114.418.819	6.000.000	101.431.568	6.987.251
5.000.001 üstü	5	43.664.408	500.000	12.000.000	31.164.408
Total	88.187	6.937.302.217	4.606.493.808	2.282.059.287	43.788.245

Labuan, Malaysia based retakaful branch of RGA Global Reinsurance, which is one of the largest reinsurance companies in the world with head office in USA, rendered our reinsurance agreements in 2018, as in previous years. In addition, reinsurance agreement has been signed with Neova Sigorta A.Ş. for personal accident segment, and reinsurance relations are carried out within the framework of such contract. With the approach of our company especially to the health/disease segment; it has reached a certain size and products are diversified, and therefore Swiss Re and Trust Re have been added to our portfolio. Complementary Health Retakaful agreement was signed with Swiss Re Retakaful, which is the Malaysia based Islamic Reinsurance branch of Swiss based Swiss Re, which is one of the largest reinsurance companies in the world. In addition, a Travel Health Reinsurance agreement was signed with Bahrain based Trust Re. This travel health reinsurance agreement was executed through Remed Assistance, which provides assistance services in travel insurance segment.

The ratings of the **RGA Re** from credit rating agencies are as follows:

Company	Rating
Standart & Poors	AA (-) Very Strong
A.M Best	A + (Superior)
Moody's Investor	A1 (Good)

The ratings of the **Swiss Re** from credit rating agencies are as follows:

Company	Rating
Standart & Poors	AA (-) Very Strong
A.M Best	A + (Superior)
Moody's Investor	AA3 (Excellent)

It can be seen that the credit ratings of the existing reinsurance companies conform to the minimum ratings determined by institutions, the rating activities of which are approved by Republic of Turkey, Ministry of Treasury and Finance and are accepted by the Undersecretariat of Treasury pursuant to third clause of Article 8 of "Regulation on Measurement and Assessment of Capital Competencies of Insurance, Reinsurance and Pension Companies".

In the selection of the reinsurer following are considered; the documents certifying that the reinsurer is inspected by legal audit and control authorities, balance sheet, income table, and ratings of the foreign independent rating agencies for determining the financial strength of the companies. Selection of reinsurance companies is made by the senior management of the Company in accordance with the recommendations of the executive unit.

Furthermore, within a month following the issuance of the coverage regarding the risks that the Company holds in excess of 5% of its equity in relation to a contract; the Company should upload the statement, the content and form of which is determined by the Undersecretariat and which contains the amount of the coverage given, the amount transferred to the reinsurer, the net risk remaining on the company, the reinsurers to which the premiums are assigned, international credit ratings of such reinsurers as well as the reason and grounds for taking such risk exceeding 5% of the equity, to the portal of Ministry of Treasury and Finance.

C-17 Explanations on Special Inspection and Public Inspection Carried Out in the Accounting Period

The audits of our company in 2018 are as follows:

- Independent Audit conducted twice a year in accordance with Turkish Commercial Code and Insurance Legislation.
- Inspection of state contribution transactions by Republic of Turkey Ministry of Treasury and Finance.
- Independent audit carried out by the Independent Audit Company within the scope of the Pension Legislation for Pension Mutual Funds established by our Company.
- Inspections carried out by the Certified Public Accounting company at different times within the scope of Full Approval of Corporate Tax.
- Audits conducted by independent auditors of our partners under BRSA.
- Inspections made by the supervisory boards of our partners.

C-18 Information on the Company's direct or indirect subsidiaries and shareholding

The Company has no subsidiary besides the Emeklilik Gözetim Merkezi A.Ş. share certificates, which should be participated pursuant to legislation. Since the mentioned amount is below subsidiary limit, it is considered under other financial assets.

C-19 Information on the Company's Acquired Own Shares

The corporation does not have any acquired shares.

C-20 Financial Rights Provided to Members of Board of Directors and Senior Executives

Total amount of wages and similar benefits given in the current period 01.01.2018-31.12.2018 to the executives such as Chairman and members of the Board of Directors, General Manager, and Assistant General Managers is equal to TRY 3.129.531.

C-21 Information on the lawsuits which are filed against the Corporation and may affect the financial position and activities of Corporation and the possible consequences thereto and Information on the Administrative and Judicial Sanctions Applied to the Company and Members of the Board of Directors

The lawsuits filed against the Company are not at the level to affect the operations and financial situation of the Company. Also, the lawsuits filed against the company are explained in the footnote 42 of the financial statements.

There are no judicial and administrative sanctions imposed on the Company and the members of the Board of Directors on account of practices contrary to the provisions of the Legislation.

C-22 Information and Assessments on Achievement to Targets Determined in Previous Periods and Actions Taken According to General Assembly Resolutions as well as the Grounds of the same

99% of our Company's targeted General Expenses in 2018 have been used for this purpose. In the same period, 103% of the targeted Private Pension technical income was realized and 78% of the targeted Insurance technical income was realized.

Our general assembly meeting pertaining to 2017 was held on 15.03.2018. All the decisions taken by the General Assembly Meeting are requirement of Turkish Commercial Code and Insurance Legislation; all actions are taken and completed pursuant to the legal framework.

C-23 Information on the Donations and Grants Made by the Company During the Year and Expenditures made within the Framework of Social Responsibility Projects

During the accounting period, our Company became a member to Participation Insurance Association and paid a membership fee of TRY 25.000. In addition, TRY 71 donation was made to the Association of Environment and Cultural Organizations.

C-24 Transactions of the Company with the Risk Group

Our company is the first and only company in Turkey, for the capital of which is contributed by two banks at the same rate. All the commercial activities carried out by our company are performed within the framework of these contribution ratios. In this context, such situation is expressed in article 32 "Quorum" of our Articles of Association as follows.

"The Board of Directors shall convene when the majority of the members (minimum three persons) are present. The decisions shall be made by simple

majority of the attendees, provided that minimum one of the members elected by the proposal of both founding shareholders has casted a positive vote. According to this, the decisions shall be made with positive votes of 2 members (each elected by the proposal of one partner), if the meeting quorum is constituted with 3 members; of 3 members (provided that among two of them, one of each is elected by the proposal of founding shareholders), if the meeting quorum is constituted with 4 members; and of 3 members (provided that among two of them, one of each is elected by the proposal of founding shareholders), if the meeting quorum is constituted with 5 members. If none of the members ask for a meeting, the decisions of the board of directors may be taken by signing the written proposal of one of the members of the board on a certain subject by getting the approval of sufficient number of members, provided that the decision quorum in the above paragraph is constituted. The fact that the same proposal was made to all members of the Board of Directors is the validity condition of the decision to be taken in this way.

In this context, our company carried out insurance and pension activities in Life Insurance Group and Private Pension Group with Kuveyt Türk Katılım Bankası A.Ş. and Albaraka Türk Katılım Bankası A.Ş., which signed agency agreement with our company under same terms and conditions and which, on the other hand, contributed to capital of our company at the same rate, with 645 branches in total as of end of 2018.



C-25 If a Group Company; All Other Measures to be Taken or Avoided in Favor of The Company or Any Affiliate With or by Direction of the Holding Company

In the examinations performed by the Board of Directors, it was concluded that all necessary transactions have been made and all measures have been taken with the holding partners and subsidiaries of the holding partners in 2018, and to the knowledge of the company, when it was avoided from the same, a counter action was provided, there has been no measure taken or avoided that may cause loss, and further there has been no transaction or measure that require settlement in this framework.

C-26 Participation Insurance

Katılım Emeklilik carries out all its activities according to interest-free insurance and Participation insurance principles.

Participation Insurance a type of insurance that is based on joint risk share and solidarity where participators make contribution to the risk pool, which is created for covering the requests of the participators for indemnity and/or saving payments, whereby the fund is managed by an insurance company authorized to conduct insurance activities in accordance with the financial principles of participation. The main principles of this type of insurance are as follows;

- Existence of contribution element/purpose,
- The fact that the pool where the premiums are collected belongs to the policyholders,
- Evaluation of the premiums collected from shareholders and insured by interest-free market instruments approved by the Advisory Committee (Participation accounts opened in Participation Banks, Public and Private Sukuks, BIST Participation Index, precious metals, gold, foreign exchange, interest-free investment funds, etc.),
- Acting selective for subjects contained in insurance coverage,
- Receiving service from a delegation of advisory committee specialized in the field of fiqh.

The most important principle of Katılım Emeklilik ve Hayat A.Ş. within all the insurance segments is the due diligence exercised to participation principle in all operations and agreements.

The model implemented by Katılım Emeklilik in the Participation Insurance is the Combination of Deputation/Labor-Capital (Hybrid) Model, where the company collects premiums at a specific amount against the service rendered related to insurance organization carried out and a share from the revenues ensuing from management of investment transactions.

Our Company carries out the Participation Insurance activities within the scope of all insurance licenses issued by Republic of Turkey, Ministry of Treasury and Finance.

“Participant Risk Fund Management Implementation Principles” have been prepared for all processes, including establishment of risk fund, management of the relevant account, and indemnity payments according to the rules approved by the Advisory Board of our Company.

The proxy fee rate varies according to the insurance segments and our products, and the ratio is expressly and transparently stated to the participants in the Insurance Information Forms of the related product.

The Labor-Capital (Mudarebe) fee rate applied by our company on the investment income of the participant risk fund is also clearly stated in the Insurance Information Forms.

Following are the main principles as well; establishment of “Participant Risk Fund” (KRF) with the remaining amounts after deducting proxy fees from Participation Insurance Premiums, transfer of Indemnity and Retekaful/reinsurance payments from the Participant Risk Fund, payment of insurance and indemnity risk assessment fees from such fund, and obtaining debt (benevolent loan) in favor of Participant Risk Fund, if there is no sufficient balance in the Participant Risk Fund, i.e. providing liquidity.

Attention is paid for benefiting from hedges and services of the retakaful (Participant reinsurance) companies carrying activities in management of insurance risks according to Islamic financial principles; however, if and when they are insufficient, for benefiting from services of other reinsurance companies by adhering to the principles of Islamic insurance.

The company's equity capital and the contribution fees collected from the insured are evaluated with the investment instruments approved by the Company's Advisory Board in accordance with the Islamic finance principles.

In case of a surplus balance as a result of calculations to be made in accordance with the actuarial and participation finance principles as of the end of the period in the Participant Risk Fund; it is our principle to refund the balance partially or fully, to use the balance for donation projects, or to evaluate with any other method in accordance with the principles of the Participation Insurance that are approved by the Advisory Board.

The amount of this fund and the participant risk balance amount are calculated on the basis of prudence in accordance with the actuarial principles in order to fulfill the obligations of the Participant Risk Fund against the participants and to ensure continuity in the financial perspective.

Within the scope of this model; income and expense items of the participant risk fund and the company results by years are as follows. The participant risk fund amount includes the balance amounts of both the ongoing insurance contracts and the terminated insurance contracts.

Risk Fund Balance amount is currently retained within the Participatory Risk Fund with approval of the Advisory Board in order to meet the claims that may be encountered in the future periods as well as the costs and probable risks.

Since a certain growth is achieved, it is planned to make balance payments as of 2019 to the participants and legal entities that paid contribution premiums with the approval of the Advisory Board within the framework of the parameters determined proportionally to their contributions.

The Income and Expenses of the Participant Risk Fund consists of the following items.

Income Items (A)

- Received Contribution Premium
- Reinsurance (Retakaful) Share in the Paid Indemnity
- Collected Participation Reinsurance (Retakaful) Commission
- Investment Revenues (Net of Tax and Company Share)
- Other Technical Income

Expense Items (B)

- Paid Participation Reinsurance (Retakaful) Premium
- Paid Indemnities
- Total Proxy Fees (Including Agency Commission)
- Total Technical Provisions Change (Net)
 - Unearned Premium Provisions Change (Net)
 - Actuarial Mathematical Provisions Change (Net)
 - Outstanding Claims Provisions Change (Net)
 - Balancing Provision Change (Net)
 - Ongoing Risks Provision Change (Net)
- Other Technical Expenses
- Taxes and Legal Liabilities
- Loan (if any) transferred from previous year

Investment Revenue: Investment income for the participant risk fund in a calendar year.

Net investment income from Participant Risk Fund in 2018 was TRY 1,695,757. The Deputation/Labor-Capital (Hybrid) Combination Model applied by the Company takes 50% of the gross investment income of the Participant Risk Fund.

The result of the Balance of the participant risk fund for 2018 is presented below. Participant risk fund balances are calculated separately for all segments.

	Total
Net Balance from Previous Year (+)	2.614.529
Total Revenues During The Year (+)	53.747.951
Total Expenses during the Year (-)	48.639.640
End of Period Net Balance	7.722.840

Within the scope of participation insurance, the risk fund of the participants in 2018 is positive and no liquidity facility is provided. Risk Fund balance values by years are as follows. The participant risk fund balances in the Company are calculated separately for each insurance segment. The following information indicates the total results.

Year	2014	2015	2016	2017	2018
Year-End Net Balance	58.026	180.362	789.625	1.568.361	7.722.840

In line with its transparency principle, the Company allocates these balance values as provisions in its financial statements.

Katılım Emeklilik ve Hayat A.Ş Advisory Board

Companies engaged in participation insurance establish an advisory board consisting of members who are specialized in the field of Islamic law in order to ensure their activities conform to the participation insurance and participation financial principles or they receive such service externally.

Katılım Emeklilik Advisory Board carries out its activities pursuant to Article 8 of Regulation on Procedures and Principles of Participation Insurance Operations. Our advisory board is established within organization structure of the company and is affiliated to the company's board of directors.

The main duties of our Advisory Board are as follows;

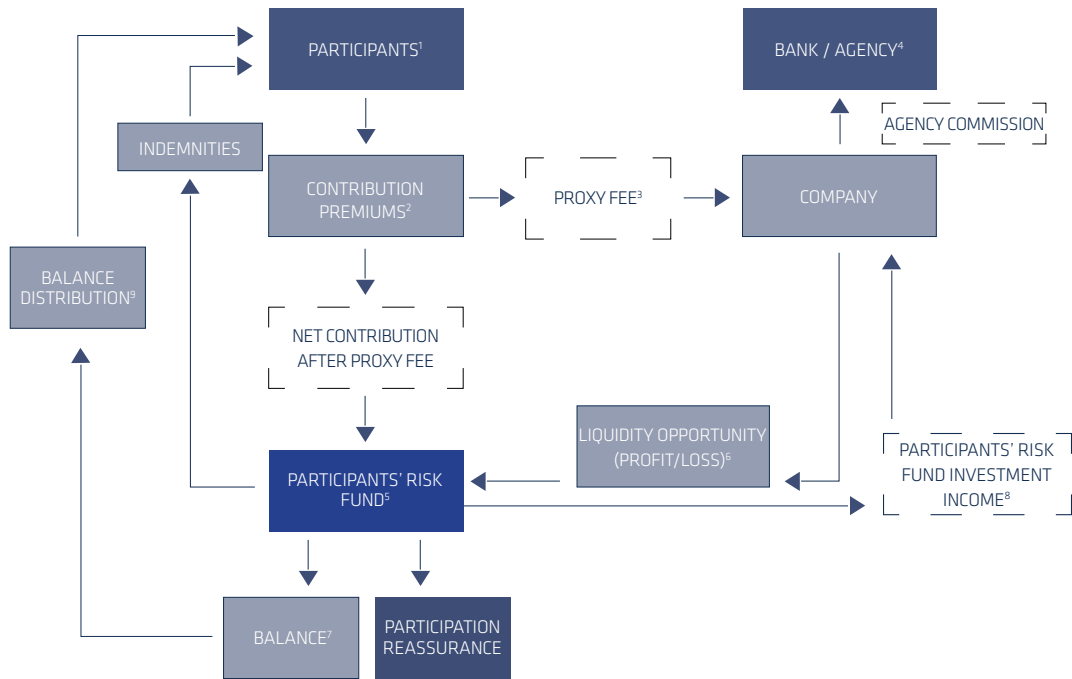
- a)** To evaluate the policies and procedures applicable within the Company within the scope of participation principles,
- b)** To approve participation reinsurance or reinsurance within the scope of participation finance principles,
- c)** To assess and approve the compliance of the Company's investment activities with the financial principles of participation,
- d)** To offer consultancy to the company's board of directors and other related units about participation finance and participation insurance principles and practices,
- e)** To participate in new product development processes within the Company,

- f)** To express an opinion that the Company's activities are carried out in accordance with the financial principles of participation in the annual reports of the Company,
- g)** To give the necessary information or do the necessary works, if requested by the Undersecretariat,
- h)** To fulfill other duties and responsibilities encumbered by the related regulation

In 2018, the Advisory Board was convened on 2 March 2018, 6 September 2018 and 21 December 2018.

	Advisory Board Position	Number of Meetings in 2018 and Attendance
Prof. Dr. Hamdi Döndüren	Chairman	3/3
Mehmet Odabaşı	Member	3/3

Proxy / Partnership-Based Hybrid Model



1. Participation premiums are paid by real persons or legal entities.
2. Participation premiums are paid by the participants.
3. Company takes a proxy fee from the participation premiums. Proxy fees are disclosed to the participants in accordance with the principle of transparency.
4. Company pays agency commission to its agencies.
5. Technical expenses such as indemnities, actuarial provisions, participation reinsurance are compensated from the participants' risk fund.
6. If the expense items of participants' risk fund exceed its income items, the balance value will be recorded as a loss. In that case, the company provides the participants' risk fund with an interest-free liquidity.
7. The end of each period reflects the profit or loss of the participants' risk fund. Balance values are not guaranteed.
8. The company takes a partnership share in relation to its investment management activities. The rates of partnership share are disclosed to the participants in accordance with the principle of transparency.
9. If the balance is positive, it may be distributed among the participants in proportion with their respective shares, or, it may be, in part or as a whole, maintained in the participants' risk fund in consideration of the precautionary principle.

Advisory Board Members

Prof. Dr. Hamdi Döndüren:

Uludağ University Faculty of Law, Retired Lecturer

He was born in 1943 in Balıkesir. After completely memorized the Qur'an, he graduated from Imam Hatip High School and general high school. Then he completed his undergraduate education in Istanbul High Islam Institute and Istanbul University Faculty of Law. He worked as Preached in Balıkesir and as Mufti of Bozcaada Çanakkale. On 20.04.1975, he was appointed as a lecturer of Islamic Law and Fiqh Method at Konya High Islamic Institute. Since 06.11.1973, he has been working at Bursa High Islamic Institute and Uludag University Faculty of Theology. In 1978, he started his doctoral studies on Islamic Law at the Faculty of Theology at Ankara University and completed in 1983. In 25.10.1998, he became an associate professor. With invitation of Saudi Arabia Imam Muhammad b. el-Islamiyye University in 1986, he carried out research at there for a while. The author has various works, articles and researches on Islamic Law and Islamic Economics.

He has many researches about various problems encountered under today's economic conditions such as money, credit, inflation, company, Islamic Banking, community of interest, capital risk and interest, money foundations, employee and employer etc.

Mehmet Odabaşı

He was born in 1975 in Sivas. He finished elementary school and Imam Hatip high school (1993) in Sivas. While studying in high school, he received private Arabic and Islamic sciences lessons. He got into Marmara University, Faculty of Theology in 1993 and graduated in 1998. In 2005, he completed his master's degree by submitting his thesis "Affects of Al-Muwatta Mentality on Imam Malik's Fiqh Doctrine" under supervision of Prof. Dr. Fahrettin Atar of Marmara University, Institute of Social Sciences, Department of Islamic Law. Currently, at the same university, he is preparing his dissertation Dr. in Islamic Law department, "Sukuk Leasing As A Security and Assessment of it in terms of Islamic Law" under supervision of Prof. Dr. Rahmi Yaran. After he got in Marmara University in 1993, he received Arabic and Islamic Studies lessons from Nurettin Can Hodja. He took part in the translator crew of Imam Serahsi's work called Mebsut and İthafü'l-kârî bihtisârî Fethi'l-bari.

Together with Assoc. Prof. İ. Emin Aktepe, he translated "el-Meâyîrû'ş-Şer'iyye" published by Fiqh Authority affiliated to AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) into Turkish with the title "Interest-Free Banking Standards". He has conducted various research and translation studies in his field.

C-27 Information and Investment Amount of Investment Instrument Where Participation Insurance Companies Direct Their Funds, and Related Yields

In the participation insurance activities, Katılım Emeklilik ve Hayat A.Ş. makes all its investments in the Participant Risk Fund to interest-free instruments pursuant to participation insurance business principles and also receives opinion of Advisory Committee about the areas to be invested. Participant risk fund is created to accumulate revenues from balance amounts of participant risk fund contribution premium payments after proxy fees and to cover the expenses and costs incurred, including the indemnity payments and legal liabilities. Our Existing Participant Risk Fund invests in Participation Accounts and Lease Certificates (Sukuk) opened at Participation Banks.

The investment income of our Participant Risk Fund by years is shown in the following table.

	2014	2015	2016	2017	2018	
Investment Revenue	6.715	167.775	544.575	1.101.790	3.391.514	5.212.370

C-28 Company Information, Historical Development, Corporate Values, Our Vision and Mission

01.03.2019

Katılım Emeklilik ve Hayat A.Ş'nin İslami Finans İlkelerine Uygunluğu

Katılım Emeklilik ve Hayat A.Ş'nin 2018 yılında tüm hayat, ferdi kaza ve sağlık katılım sigortası branşlarında üretimlerini Danışma Kurulunun belirlediği İslami usul ve esaslara göre gerçekleştirdiğini ayrıca üretimlerden elde edilen katkı primlerinin faizsiz finans ilkelerine göre değerlendirildiğini yine bu işlemlerin kontrollerinin tarafımızca gerçekleştirildiğini beyan ederiz.

Ayrıca bireysel emeklilik sisteminde 2018 yılında toplanan katkı paylarının İslami finans prensiplerine uygunluğu onaylanmış yatırım araçlarında değerlendirildiğini yine bu işlemlerin kontrollerinin tarafımızca gerçekleştirildiğini beyan ederiz.

Katılım Emeklilik Danışma Kurulu Üyeleri

Danışma Kurulu Üyesi
Mehmet ODABAŞI

Danışma Kurulu Başkanı
Prof. Dr. Hamdi DÖNDÜREN

D-BOARD OF DIRECTORS ACTIVITY REPORT

EXECUTIVE SUMMARY

Dear Partners,

We would like to submit the summary of accounting period between 01/01/2018 and 31/12/2018 pertaining to Katılım Emeklilik ve Hayat Anonim Şirketi for your information and consideration.

As is known, our Company's official establishment proceedings were concluded in December 2013, as a result, it was duly founded as a Joint Stock Company within the scope of Turkish Commercial Code. The first General Assembly Meeting of our Company was held on 09/01/2014.

From the date of establishment, our Company started the proceedings to obtain requisite license to carry out activities in the field of Private Pension and Insurance, which is the fundamental cause of establishment of the Company. On 09/05/2014, it was granted with the mandatory license to carry out business activities in the fields of Private Pension, Life Insurance, Accident Insurance, Capital Redemption, Investment Fund and Marriage/Birth Insurance. Afterwards, the Company started its activities in full-force once the agency contracts were signed by and between our company and our partner banks in early June. The news about the operating license regarding Disease/Health activities were published on Turkish Trade Registry Gazette issue no 9402, on 06/09/2017. Sales activities were started in the year of 2018.

Within the scope of Group Life Insurance activities, Katılım Emeklilik ve Hayat A.Ş. has made gross premium production equal to TRY 42.5 Million in the year 2018. On the other hand, the company has made gross indemnity payment equal to TRY 5,4 Million in the same period. The total amount of technical expenses, including the afore-mentioned gross indemnity payment, is TRY 36,5 Million.

Within the scope of Personal Accident Insurance activities, the company has made gross premium production equal to TRY 9.3 Million. On the other hand, the company has made gross indemnity payment equal to TRY 948 Thousand. The total amount of technical expenses, including the afore-mentioned gross indemnity payment, is TRY 5,6 Million.

As for Private Pension activities, the company's fund has reached to total value of TRY 1.546 Billon. Within this scope, the company has made technical pension income amounting to TRY 41.2 Million while spending TRY 31.3 Million in technical pension expenses.

Within the scope of Health activities, the company has made gross premium production equal to TRY 1.4 Million. On the other hand, the company has made gross indemnity payment equal to TRY 27 Thousand. The total amount of technical expense, including the afore-mentioned gross indemnity payment, is TRY 508 Thousand. While the total amount of investment income within the activity period is TRY 12.2 Million, the total amount of investment expenses is TRY 2.8 Million, and the total amount of other expenses is TRY 1.3 Million.

Within this context, the company has closed the activity period of 2018 with business-related profit after tax amounting to TRY 14.5 Million (the accounting period of 2017 was closed with business-related profit amounting to TRY 8.2 Million).

In accordance with the principles defined by the Ministry of Treasury and Finance, the mandatory minimum amount of equity capital for our company as of 31/12/2018 has been calculated at TRY 21.2 million; on the other hand, our equity capital is TRY 52.2 million including the equalization provision.

We would like to wish all the best for our esteemed shareholders and their representatives who have honored the meeting.

Best Regards,

Saygılarımızla,



Melikşah UTKU

Chairman of the Board of Directors



Ayhan SİNCEK

General Manager

E-OTHER ISSUES

E-1 Independent Auditor's Compliance Opinion for the Activity Report



CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the General Assembly of Katılım Emeklilik ve Hayat A.Ş.

1. Opinion

We have audited the annual report of Katılım Emeklilik ve Hayat A.Ş. (the "Company") for the 1 January - 31 December 2018 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Company's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSAs") issued by the Public Oversight Accounting and Auditing Standards Authority ("POAA"). Our responsibilities under these standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POAA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Our Audit Opinion on the Full Set Financial Statements

We expressed an unqualified opinion in the auditor's report dated 28 February 2019 on the full set financial statements for the 1 January - 31 December 2018 period.

4. Board of Director's Responsibility for the Annual Report

Company management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 is as follows:

- to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- to prepare the annual report to reflect the Company's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Company may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.

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- to include the matters below in the annual report:

- events of particular importance that occurred in the Company after the operating year,
- the Company's research and development activities,
- financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited financial statements of the Company and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited financial statements and with the information obtained in the course of audit.

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



Talar Gül, SMMM
Partner

İstanbul, 28 February 2019

E-2 Information on Financial Standing, Profitability and Indemnity Solvency As Well As Financial Structure of the Company

In 2018, the company has reached TRY 1.672 billion in assets. The accounting period has been closed with TRY 14.5 million in profits.

The company has adopted the principle of finalizing the determined indemnity payments to beneficiaries as soon as the assessments are concluded in valid insurance claims in cases where vital risks secured by the company have materialized.

The company has made indemnity payments amounting to TRY 6.4 million, among the effective insurance policies of life, personal accident and health as of the end of 2018.

The company's paid-up capital is equivalent to TRY 40 million as of the end of 2018.

In accordance with the principles defined by the Ministry of Treasury and Finance, the mandatory minimum amount of equity capital for our company as of 31/12/2018 has been calculated at TRY 21.2 million; on the other hand, our equity capital is TRY 52.2 million including the equalization provision.

E-3 Information on Notification Policy and Ethical Principles

The corporate website, www.katilimemeklilik.com.tr is one of the most effective tools employed for the purpose of public disclosure. In a manner that facilitates transparent conduct on activities and transactions of the company, the corporate website contains corporate information, interim reports along with footnotes containing the financial information subject to and/or not subject to independent auditing, annual activity reports, as well as announcement and news about the company. The corporate website has been designed with an accessible, clear and comprehensible layout. Corporate information, trade registry details, articles of association, Information on the board members, activity reports, independent audit reports, financial statements of the last five years, including the footnotes, and the company's mission and vision statements are available on the corporate website.

Moreover, the financial statements prepared in compliance with the legislation of the Ministry of Treasury and Finance's Directorate General of Insurance, which is published in every three months, and the footnotes and explanations regarding the said financial statements, as well as the independent audit reports, which are conducted in every six months (mid-year and end-year) are published on the corporate website. The afore-mentioned documents are submitted to the Ministry of Treasury and Finance within the legal time periods.

Additionally, the annual activity report, which is prepared in such a way that contains all requisite information and statements in compliance with applicable legislation, is published on the corporate website for the purpose of public disclosure following the General Assembly Meeting.

Turkish Trade Registry Gazette, the official publishing body of the Turkish Trade Registry Office, is the primary medium in our country employed to inform third parties. All activities and updates subject to registration and announcement, such as amendments on the articles of association, general assembly meetings, capital increases, representation etc., as well as the resolutions of the board of directors are announced through Turkish Trade Registry Gazette. The existing national or sector-oriented media organs in our country can be employed by our company for the purpose of public disclosure when deemed necessary.

Our company has adopted the Ethical Insurance Principles published by the Insurance Association of Turkey, whose goal is to define ethical principles to be followed in the relations between insurance and reinsurance companies, customers, employees, agents, public bodies and authorities, and to increase public trust on the sector within the framework of the said principles.

E-4 Dividends Policy and Information on Distribution of Dividends

The dividend practices of the company are being developed in accordance with the provisions of the Turkish Commercial Code and are defined by the articles of association.







Independent Audit Report

KATILIM EMEKLİLİK VE HAYAT A.Ş. INDEPENDENT AUDIT REPORT FOR THE ACCOUNTING PERIOD BETWEEN JANUARY 01 - DECEMBER 31, 2018.



THE INDEPENDENT AUDITOR'S REPORT To the General Assembly of Katılımm Emeklilik ve Hayat A.Ş.;

A. Audit of Financial Statements Opinion

1. Opinion

We have audited the accompanying financial statements of Katılım Emeklilik ve Hayat A.Ş. (the "Company") which comprise the statement of financial position as at 31 December 2018 and the statement of profit or loss, statement of changes in shareholders' equity and statement of cash flows for the year then ended and the notes to the financial statements including a summary of significant accounting policies.

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

2. Basis Opinion

Our audit was conducted in accordance with the regulations on the principles on auditing as set out in the insurance legislation and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matter

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

Key Audit Matter	How Our Audit Addressed the Matter
<p><i>Estimations and assumptions used in the calculation of “Insurance of Technical Reserves” arising from insurance contracts</i></p> <p>As explained in notes 2 and 17, the Company’s total net technical provisions as of 31 December 2018 amounted to TRY 39,475,503 and this amount constitutes an important part of the total liabilities of the Company excluding its long-term liabilities from pension activities. The measurement of liabilities related to insurance contracts include significant estimates and assumptions, as it includes results for future uncertain events, including benefits guaranteed to the insured on the overall final value.</p> <p>Liabilities related to life group insurance consist of actuarial mathematical provisions calculated in accordance with the formulas and principles specified in the approved technical tariffs of the contracts and contracts to which the Company undertakes to pay dividends, including the portion calculated according to the approved dividend distribution system with accumulated profit share provisions.</p> <p>Due to its significance for the financial statements and the significant accounting estimates, Insurance Technical Reserves are considered as the key audit matter.</p>	<p>We evaluated the key controls over the calculation methods for technical provisions as of 31 December 2018. The tariffs and profit share provisions, which are the components of insurance contractual obligations, are recalculated using the sampling method over the calculation data and the compliance of the explanatory information related to the insurance contractual obligations with the accounting and reporting regulations in force as per the insurance regulations are examined. These audits procedures were carried out by the actuaries in the audit team.</p>

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

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

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

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

5. Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

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

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

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

Talar Gül, SMMM

Partner

İstanbul, 28 February 2019



KATILIM EMEKLİLİK VE HAYAT A.Ş.

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

(Amount expressed in Turkish Lira / "TYR" unless otherwise indicated.) The accompanying notes form an integral part of these financial statements.

Assests	Note	Audited 31 December 2018	Audited 31 December 2017
I- Current Assets			
A- Cash and Cash Equalivants	14	58,100,896	27,204,921
1- Cash		-	-
2- Cheques Receieved		-	-
3- Banks	2.12 and 14	44,557,489	16,675,267
4- Cheques Givenand Payment Orders (-)		-	-
5- Bank Guaranteed Credit Card Receivables with Maturities less than Three Months	2.12 and 14	13,543,407	10,529,654
6- Other Cash and Cash Equalivants		-	-
B- Financial Assets and Financial Inandstments at Insurees' Risk	11	46,427,260	45,475,114
1- Available for Sale Investments		-	-
2- Held to Maturity Financial Assets	2.8 and 11	36,192,518	41,234,187
3- Trading Investments	2.8 and 11	10,234,742	4,240,927
4- Loans		-	-
5- Provisions for Loans (-)		-	-
6- Financial Assets at Insurees's Risk		-	-
7- Company's Shares		-	-
8- Provisions for Diminution in Value of Financial Assets (-)		-	-
C- Receivables from Main Operations		3,552,442	3,022,104
1- Due from Insurance Operations	12	2,878,805	2,590,638
2- Provisions for Due from Insurance Operations (-)	12	(1,029,005)	(879,870)
3- Due from Reinsurance Operations		-	-
4- Provisions for Due from Insurance Operations (-)		-	-
5- Cash Deposited to Insurance& Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Due from Private Pension Operations	12 and 47.1	1,702,642	1,311,336
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations		-	-

KATILIM EMEKLİLİK VE HAYAT A.Ş.

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

(Amount expressed in Turkish Lira / "TYR" unless otherwise indicated.) The accompanying notes form an integral part of these financial statements.

Assests	Note	Audited 31 December 2018	Audited 31 December 2017
I- Current Assets			
D- Due from Related Parties		508,610	1,495,451
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint-Ventures		-	-
5- Due from Personnel		508,610	1,495,451
6- Due from Other Related Parties		-	-
7- Rediscount on Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
E- Other Receivables		190,164	25,521
1- Leasing Receivables		-	-
2- Unearned Leasing Contribution Margin Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		190,164	25,521
5- Rediscount on other Receivables(-)		-	-
6- Other Doubtful Receivables		-	-
7- Provison for Other Doubtful Receivables (-)		-	-
F- Prepaid Expenses and Income Accruals		3,182,594	2,520,095
1- Prepaid Expenses	17	2,249,362	1,993,250
2- Accrued Contribution Marginand Rent Income		-	-
3- Income Accruals		-	-
4- Prepaid Expenses and Income Accruals	47.1	933,232	526,845
G- Other Current Assets		113,414	59,282
1- Prepaid Office Supplies		-	-
2- Prepaid Taxes and Funds		-	-
3- Deferred Tax Assets		-	-

KATILIM EMEKLİLİK VE HAYAT A.Ş.

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

(Amount expressed in Turkish Lira /“TYR” unless otherwise indicated.) The accompanying notes form an integral part of these financial statements.

Assests	Note	Audited 31 December 2018	Audited 31 December 2017
I- Current Assets			
4- Job Advances		113,414	59,282
5- Advances to Personnel		-	-
6- Count Shortages		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		112,075,380	79,802,488

KATILIM EMEKLİLİK VE HAYAT A.Ş.

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.) The accompanying notes form an integral part of these financial statements.

Assests	Note	Audited 31 December 2018	Audited 31 December 2017
II- Non-Current Assets			
A- Receivables from Main Operations	2.14, 12 and 17	1,545,973,781	1,049,223,595
1- Due from Insurance Operations		-	-
2- Provisions for Due from Insurance Operations (-)		-	-
3- Due from Reinsurance Operations		-	-
4- Provisions for Due from Insurance Operations (-)		-	-
5- Cash Deposited to Insurance & Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Due from Private Pension Operations	2.14, 12 and 17	1,545,973,781	1,049,223,595
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 Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
C- Other Receivables		-	4,359
1- Leasing Receivables		-	-
2- Unearned Leasing Contribution MarginIncome (-)		-	-
3- Deposits and Guarantees Given		-	4,359
4- Other Receivables		-	-
5- Rediscount on Other Receivables (-)		-	-

KATILIM EMEKLİLİK VE HAYAT A.Ş.

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.) The accompanying notes form an integral part of these financial statements.

Assests	Note	Audited 31 December 2018	Audited 31 December 2017
II- Non-Current Assets			
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
D- Financial Assets	11 and 45.2	473,790	473,790
1- Investment Securities		-	-
2- Subsidiaries		-	-
3- Subsidiaries Capital Commitments(-)		-	-
4- Equity Investments		-	-
5- Equity Investments Capital Commitments (-)		-	-
6- Joint Ventures		-	-
7- Joint Ventures Capital Commitments (-)		-	-
8- Financial Assets and Financial Investments at Insurees' Risk		-	-
9- Other Financial Assets	11 and 45.2	473,790	473,790
10- Provision for diminution in value (-)		-	-
E- Tangible Assets	6	7,632,872	1,691,616
1- Investment Property		-	-
2- Provision for Diminution in Value of Investment Property (-)		-	-
3- Property for Operational Use		-	-
4- Machinery and Equipment		-	-
5- Furniture and Fixtures	6	4,644,230	3,352,671
6- Motor Vehicles		4,279,691	-
7- Other Tangible Assets (including leasehold improvements)	6	2,837,545	1,332,745
8- Leased Assets		-	-
9- Accumulated Depreciation(-)	6	(4,128,594)	(2,993,800)
10- Advances Given for Tangible Assets(Including Construction in Progress)		-	-
F- Intangible Assets	8	3,599,914	2,559,015
1- Rights		-	-
2- Goodwill		-	-

KATILIM EMEKLİLİK VE HAYAT A.Ş.

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.) The accompanying notes form an integral part of these financial statements.

Assests	Note	Audited 31 December 2018	Audited 31 December 2017
II- Non-Current Assets			
3- Start-up Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets	8	9,086,566	6,468,255
6- Accumulated Amortisation (-)	8	(5,486,652)	(3,909,240)
7- Advances Given for Intangible Assets		-	-
G- Prepaid Expenses and Income Accruals	47.1	94,743	30,196
1- Prepaid expenses		-	-
2- Accrued Income		-	-
3- Other Prepaid Expenses and Income Accruals	47.1	94,743	30,196
H- Other Non-Current Assets	21	2,668,620	1,513,764
1- Effective Foreign Currency Accruals		-	-
2- Foreign Currency Accounts		-	-
3- Prepaid Office Supplies		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	2,668,620	1,513,764
6- Other Non-Current Assets		-	-
7- Other Non-Current Assets Depreciation (-)		-	-
8- Provision for Diminution in Value of Other Non-Current Assets		-	-
II- Total Non-Current Assets		1,560,443,720	1,055,496,335
Total Assets (I+II)		1,672,519,100	1,135,298,823

KATILIM EMEKLİLİK VE HAYAT A.Ş.

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.) The accompanying notes form an integral part of these financial statements.

Liabilities	Note	Audited 31 December 2018	Audited 31 December 2017
III- Current Liabilities			
A- Financial Liabilities		-	-
1- Due to Credit Institutions		-	-
2- Leasing Payables		-	-
3- Deferred Leasing Costs (-)		-	-
4- Short Term Installments of Long Term Borrowings		-	-
5- Issued Debt Securities		-	-
6- Other Issued Debt Securities		-	-
7- Value Difference of Other Issued Debt Securities (-)		-	-
8- Other Financial Payables		-	-
B- Liabilities from Main Operations		25,219,436	17,856,211
1- Payables from Insurance Operations	4 and 19	2,302,758	1,810,233
2- Payables from Reinsurance Operations		-	-
3- Cash Deposited to Insurance & Reinsurance Companies		-	-
4- Payables from Private Pension Operations	4, 19 and 471	22,714,716	16,045,978
5- Payables from Other Operations	4, 19 and 471	201,962	-
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties		14,235	7,835
1- Due to Shareholders		-	-
2- Due to Subsidiaries		-	-
3- Due to Equity Investments		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		14,235	7,835
6- Due to Other Related Parties		-	-
D- Other Payables	19 and 471	2,859,123	1,631,910
1- Deposits and Guarantees Received		-	-
2- Payables to SSI regarding Medical Expenses		-	-
3- Other Payables	4, 19 and 471	2,881,484	1,635,003

KATILIM EMEKLİLİK VE HAYAT A.Ş.

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.) The accompanying notes form an integral part of these financial statements.

Liabilities	Note	Audited 31 December 2018	Audited 31 December 2017
III- Current Liabilities			
4- Rediscount on Other Payables (-)	19 and 47.1	(22,361)	(3,093)
E- Insurance Technical Provisions	2.24	16,699,256	10,219,552
1- Unearned Premium Reserve -Net	4 and 17	5,848,807	5,330,632
2- Unexpired Risk Reserve -Net		-	-
3- Mathematical Reserve -Net		-	-
4- Outstanding Claim Provision -Net	4 and 17	3,078,246	2,274,331
5- Bonus Provision -Net	2.24, 4 and 17	7,722,840	2,614,589
6- Other Technical Reserves -Net	47.1	49,363	-
F- Taxes and Other Fiscal Liabilities	4	2,625,030	1,171,021
1- Taxes and Funds Payable		1,105,428	487,352
2- Social Security Withholdings Payable		324,733	238,746
3- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
4- Other Taxes and Fiscal Liabilities		-	-
5- Corporate Tax Provision and Other Fiscal Liabilities	35	5,301,858	542,180
6- Prepaid Corporate Tax and Other Fiscal Liabilities (-)	35	(4,106,989)	(97,257)
7- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks	23	5,185,318	3,296,053
1- Provision for Employment Termination Benefits		-	-
2- Provision for Social Aid Fund Asset Shortage		-	-
3- Provision for Expense Accruals	23	5,185,318	3,296,053
H- Deferred Income and Expense Accruals	17 and 19	35,936	5,834
1- Deferred Commission Income	10, 17 and 19	8,630	5,834
2- Expense Accruals	19	27,306	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Current Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Count Overages		-	-

KATILIM EMEKLİLİK VE HAYAT A.Ş.

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.) The accompanying notes form an integral part of these financial statements.

Liabilities	Note	Audited 31 December 2018	Audited 31 December 2017
III- Current Liabilities			
3- Other Current Liabilities		-	-
III- Total Current Liabilities		52,638,334	34,188,416

KATILIM EMEKLİLİK VE HAYAT A.Ş.

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.) The accompanying notes form an integral part of these financial statements.

Liabilities	Note	Audited 31 December 2018	Audited 31 December 2017
IV- Non-Current Liabilities			
A- Financial Liabilities		-	-
1- Due to Credit Institutions		-	-
2- Leasing Payables		-	-
3- Deferred Leasing Costs (-)		-	-
4- Issued Debt Securities		-	-
5- Other Issued Debt Securities		-	-
6- Value Difference of Other Issued Debt Securities (-)		-	-
7- Other Financial Payables		-	-
B- Liabilities from Main Operations	2.14, 17 and 19	1,545,973,781	1,049,223,595
1- Payables from Insurance Operations		-	-
2- Payables from Reinsurance Operations		-	-
3- Deposits received from Insurance and Reinsurance Companies		-	-
4- Payables from Private Pension Operations	2.14, 17 and 19	1,545,973,781	1,049,223,595
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Subsidiaries		-	-
3- Due to Equity Investments		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		-	-
1- Deposits and Guarantees Received		-	-
2- Payables to SSI regarding Medical Expenses		-	-
3- Other Payables		-	-
4- Rediscount on Other Payables		-	-

KATILIM EMEKLİLİK VE HAYAT A.Ş.

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.) The accompanying notes form an integral part of these financial statements.

Liabilities	Note	Audited 31 December 2018	Audited 31 December 2017
IV- Non-Current Liabilities			
E- Insurance Technical Provisions	2.24	22,776,247	15,332,674
1- Unearned Premium Reserve -Net		-	-
2- Unexpired Risk Reserve -Net		-	-
3- Mathematical Reserve -Net	2.24, 4 and 17	21,309,121	14,347,840
4- Outstanding Claim Provision -Net		-	-
5- Bonus Provision -Net		-	-
6- Other Technical Reserves -Net	2.24, 4, 17 and 47.1	1,467,126	984,834
F- Other Liabilities and Provisions		-	-
1- Other Payables		-	-
2- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
3- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks	22	304,714	203,876
1- Provision for Employment Termination Benefits	22	304,714	203,876
2- Provision for Social Aid Fund Asset Shortage		-	-
H- Deferred Income and Expense Accruals		-	-
1- Deffered Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Non-Current Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Other Non-Current Liabilities		-	-
IV- Total Non-Current Liabilities		1,569,054,742	1,064,760,145

KATILIM EMEKLİLİK VE HAYAT A.Ş.

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

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.) The accompanying notes form an integral part of these financial statements.

SHAREHOLDERS' EQUITY	Note	Audited Current Period 1 January - 31 December 2018	Audited Current Period 1 January - 31 December 2017
V- SHAREHOLDERS' EQUITY			
A- Share Capital	2.13 and 15	40,000,000	40,000,000
1- Nominal Capital	2.13 and 15	40,000,000	40,000,000
2- Unpaid Capital (-)		-	-
3- Adjustments to Share Capital		-	-
4- Adjustments to Share Capital (-)		-	-
B- Capital Reserves		-	-
1- Share Premium		-	-
2- Profit from Stock Abrogation		-	-
3- Sales Profit Addition to the Capital		-	-
4- Foreign Currency Translation Differences		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		3,222,109	196,366
1- Legal Reserves	15	653,693	243,312
2- Statutory Reserves		-	-
3- Extraordinary Reserves		-	-
4- Special Reserves	15	2,637,020	-
5- Valuation of Financial Assets		-	-
6- Other Profit Reserves	15	(68,604)	(46,946)
D- Retained Earnings		9,783,154	4,622,928
1- Retained Earnings		9,783,154	4,622,928
E- Previous Years' Losses (-)		(16,676,659)	(16,676,659)
1- Previous Years' Losses		(16,676,659)	(16,676,659)
F- Net Profit for the Period	37	14,497,420	8,207,627
1- Net Profit for the Period	37	14,497,420	8,207,627
2- Net Loss for the Period (-)		-	-
3- Net Profit for the Year Not Subject to Distribution		-	-
V- Total Shareholders' Equity		50,826,024	36,350,262
Total Liabilities and Shareholders' Equity (III + IV + V)		1,672,519,100	1,135,298,823

KATILIM EMEKLİLİK VE HAYAT A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE YEAR ENDED 1 JANUARY - 31 DECEMBER 2018

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.) The accompanying notes form an integral part of these financial statements.

I- Technical Part	Note	Audited Current Period 1 January - 31 December 2018	Audited Current Period 1 January - 31 December 2017
A- Non-Life Technical Income		4,561,033	4,340,533
1- Earned Premiums -(Net of Reinsurer's Share)		4,553,961	4,312,740
1.1- Written Premiums -(Net of Reinsurer's Share)	2.21 and 24	6,521,083	4,565,202
1.1.1- Gross Written Premiums (+)	24	9,270,500	5,920,090
1.1.2- Reinsurer's Share of Gross Written Premium (-)	24	(2,749,417)	(1,354,888)
1.1.3- Premiums transferred to SSI(-)		-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurer's Share and Reserves Carried Forward (+/-))	17	(1,967,122)	(252,462)
1.2.1- Unearned Premiums Reserve (+)	17	(2,971,321)	(361,576)
1.2.2- Reinsurer's Share of Unearned Premiums Reserve (-)	17	1,004,199	109,114
1.2.3- SSI Share of Reserve for Unearned Premium (+/-)		-	-
1.3- Change in Unexpired Risks Reserve (Net of Reinsurer's Share and Reserves Carried Forward)(+/-)		-	-
1.3.1- Unexpired Risks Reserve (-)		-	-
1.3.2- Reinsurer's Share of Unexpired		-	-
2- Investment Income Transferred from Non-Technical Part		7,072	27,793
3- Other Technical Income -(Net of Reinsurer's Share) (+/-)		-	-
4- Accrued salvage and subrogation income(+)		-	-
B- Non-Life Technical Expense (-)		(6,116,368)	(3,572,094)
1- Incurred Claims -(Net of Reinsurer's Share) (+/-)		(410,277)	(414,742)
1.1- Paid Claims (Net of Reinsurer's Share)	17	(273,876)	(242,660)
1.1.1- Gross Paid Claims (-)		(975,256)	(1,098,540)
1.1.2- Reinsurer's Share of Gross Paid Claims (+)		701,380	855,880
1.2- Change in Outstanding Claims (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		(136,401)	(172,082)
1.2.1- Outstanding Claims (-)		(136,264)	(764,122)
1.2.2 Reinsurer's Share of Outstanding Claims Provision (+)		(137)	592,040
2- Change in Bonus Provision (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17	(736,011)	(254,731)
3- Change in Other Technical Reserves Change in Other Technical Reserves		(34,002)	(27,404)
4- Operating Expenses (-)	31	(5,042,768)	(2,717,798)

KATILIM EMEKLİLİK VE HAYAT A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE YEAR ENDED 1 JANUARY - 31 DECEMBER 2018

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.) The accompanying notes form an integral part of these financial statements.

I- Technical Part	Note	Audited Current Period 1 January - 31 December 2018	Audited Current Period 1 January - 31 December 2017
5- Change in Mathematical Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17	106,690	(157,419)
5.1- Mathematical Reserve (-)	17	109,445	(158,845)
5.2- Net of Reinsurer's Share and Reserves Carried Forward	17	(2,755)	1,426
6- Other Technical Expenses (-)		-	-
C- Net Technical Income-Non-Life (A -B)		(1,555,335)	768,439
D- Life Technical Income		39,812,599	33,284,402
1- Earned Premiums -(Netof Reinsurer's Share)		39,812,599	33,284,402
1.1- Written Premiums -(Net of Reinsurer's Share)	2.21 and 24	38,363,652	34,877,790
1.1.1.- Gross Written Premiums (+)	24	42,552,022	38,813,037
1.1.2.- Reinsurer's Share of Gross Written Premium (-)	24	(4,188,370)	(3,935,247)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17	1,448,947	(1,593,388)
1.2.1.- Unearned Premiums Reserve (+)	17	2,128,364	(2,565,336)
1.2.2.- Reinsurer's Share of Unearned Premiums Reserve (-)	17	(679,417)	971,948
1.3- Change in Unexpired Risks Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		-	-
2- Investment Income Transferred from Technical Part		-	-
3- Unrealised Gain Generated from Investments		-	-
4- Other Technical Income -(Net of Reinsurer's Share) (+/-)		-	-
5- Claim Recovery Income Accruals (+)		-	-
E- Life Technical Expense (-)		(36,555,967)	(24,006,867)
1- Incurred Claims -(Net of Reinsurer's Share) (+/-)		(4,263,486)	(3,866,011)
1.1- Paid Claims (Net of Reinsurer's Share)	17	(3,595,972)	(3,469,789)
1.1.1- Gross Paid Claims (-)		(5,435,169)	(6,404,276)
1.1.2- Reinsurer's Share of Gross Paid Claims (+)		1,839,197	2,934,487
1.2- Change in Outstanding Claims (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		(667,514)	(396,222)
1.2.1- Outstanding Claims (-)		(271,365)	898,605
1.2.2- Reinsurer's Share of Outstanding Claims Provision (+)		(396,149)	(1,294,827)
2- Change in Bonus Provision(Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17	(4,372,240)	(2,112,520)

KATILIM EMEKLİLİK VE HAYAT A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE YEAR ENDED 1 JANUARY - 31 DECEMBER 2018

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.) The accompanying notes form an integral part of these financial statements.

I- Technical Part	Note	Audited Current Period 1 January - 31 December 2018	Audited Current Period 1 January - 31 December 2017
3- Change in Mathematical Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17	(7,067,971)	(5,417,067)
3.1- Life Mathematical Reserve (-)	17	(7,266,224)	(5,539,629)
3.1.1- Actuarial Mathematical Reserve (+/-)	17	(7,266,224)	(5,539,629)
3.1.2- Profit Share Reserve (For Permanent Life Insurance Policies)		-	-
3.2- Reinsurer's Share of Mathematical Reserves (+)	17	198,253	122,562
3.2.1- Reinsurer's Share of Actuarial	17	198,253	122,562
3.2.2- Reinsurer's Share of Profit Share Reserve (for Permanent Life Insurance Policies) (+)		-	-
4- Change in Other Technical Reserves (Net of Reinsurer's Share and Returned Reserve) (+/-)		(497,653)	(398,716)
5- Operating Expenses (-)	31	(20,354,617)	(12,212,553)
6- Investment Expenses (-)		-	-
7- Unrealised Investment Expense (-)		-	-
8- Investment Income Transferred to Non-Life Technical Part (-)		-	-
F- Net Technical Income-Life (D -E)		3,256,632	9,277,535
G- Pension Funds Technical Income		41,161,690	26,371,793
1- Fund Management Income		19,475,115	12,665,222
2- Management Expense Charge		14,342,948	9,497,432
3- Entrance Fee Income	25	5,204,475	2,809,015
4- Management Expense Charge in case of Suspension		2,137,758	1,400,124
5- Special Service Expense Charge		-	-
6- Capital Allowance Value Increase Income		1,394	-
7- Other Technical Income		-	-
H- Pension Funds Technical Expense (-)		(31,257,638)	(26,921,003)
1- Fund Management Expense (-)		(1,821,014)	(1,186,782)
2- Capital Allowance Value Decrease Expense (-)		(25)	-
3- Operating Expenses (-)	31	(29,297,249)	(25,620,168)
4- Other Technical Expenses (-)	31	(110,623)	(114,053)
5- Penalty Payment (-)	31	(28,727)	-
I- Net Technical Income -Pension Funds (G -H)		9,904,052	(549,210)

KATILIM EMEKLİLİK VE HAYAT A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE YEAR ENDED 1 JANUARY - 31 DECEMBER 2018

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.) The accompanying notes form an integral part of these financial statements.

II- Non-Technical Part	Note	Audited Current Period 1 January - 31 December 2018	Audited Current Period 1 January - 31 December 2017
C- Net Technical Income-Non-Life (A-B)		(1,555,335)	768,439
F- Net Technical Income-Life (D-E)		3,256,632	9,277,535
I- Net Technical Income-Pension Funds (G-H)		9,904,052	(549,210)
J- Total Net Technical Income (C+F+I)		11,605,349	9,496,764
K- Investment Income	26	12,232,218	5,339,756
1- Income from Financial Investments		9,572,983	3,585,378
2- Income from Disposal of Financial Assets		2,085	-
3- Valuation of Financial Investments		2,657,150	1,754,378
4- Foreign Exchange Gains		-	-
5- Income from Subsidiaries		-	-
6- Income from Equity Investments and Joint-Ventures		-	-
7- Income from Property, Plant and Equipment		-	-
8- Income from Derivatives		-	-
9- Other Investments		-	-
10- Investment Income Transferred from Life Technical Part		-	-
L- Investment Expense (-)		(2,774,076)	(2,215,108)
1- Investment Management Expenses -Contribution Marginincluded (-)		-	-
2- Diminution in Value of Investments (-)		(3,623)	-
3- Loss from Realization of Financial Investments(-)		-	-
4- Investment Income Transferred to Non-Life Technical Part(-)		-	-
5- Loss from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)		-	-
7- Depreciation Expenses (-)	6	(2,770,453)	(2,215,108)
8- Ther Investment Expenses (-)		-	-
M- Income and Expenses from Other Operations and Extraordinary Operations (+/-)		(1,264,213)	(3,871,605)
1- Provisions (+/-)	47.5	(2,078,360)	(2,086,998)
2- Rediscounts (+/-)		22,040	17,720
3- Special Insurance Account (+/-)		-	-

KATILIM EMEKLİLİK VE HAYAT A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE YEAR ENDED 1 JANUARY - 31 DECEMBER 2018

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.) The accompanying notes form an integral part of these financial statements.

II- Non-Technical Part	Note	Audited Current Period 1 January - 31 December 2018	Audited Current Period 1 January - 31 December 2017
4- Inflation Adjustment (+/-)		-	-
5- Deferred Tax Assets (+/-)	35	1,149,442	(1,710,112)
6- Deferred Tax Liabilities Expenses (-)		-	-
7- Other Income		267,760	133,646
8- Other Expenses and Losses (-)	47.1	(625,095)	(225,861)
9- Prior Year's Income		-	-
10- Prior Year's Expenses (-)		-	-
N- Net Profit or Loss for the Period	37	14,497,420	8,207,627
1- Profit or Loss for the Period		19,799,278	8,749,807
2- Corporate Tax Provision and Other Fiscal Liabilities (-)	35	(5,301,858)	(542,180)
3- Net Profit or Loss for the Period	37	14,497,420	8,207,627
4- Inflation Adjustment		-	-

KATILIM EMEKLİLİK VE HAYAT A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF CASH FLOW FOR THE YEAR ENDED 1 JANUARY - 31 DECEMBER 2018

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.) The accompanying notes form an integral part of these financial statements.

	Note	Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
A- CASH GENERATED FROM MAIN OPERATIONS			
1- Cash flow from insurance operations		54,567,457	49,016,766
2- Cash flow from reinsurance operations		-	-
3- Cash flows from private pension operations		544,782,576	452,708,110
4- Cash outflows from insurance operations (-)		(32,237,528)	(29,277,095)
5- Cash outflows from reinsurance operations (-)		-	-
6- Cash outflows from private pension operations (-)		(528,399,130)	(445,955,447)
7- Net cash from main operations (A1+A2+A3-A4-A5-A6)		38,713,375	26,492,334
8- Contribution Marginpayment (-)		-	-
9- Income tax payment(-)		(4,551,912)	(97,257)
10- Other cash inflows		3,188,831	2,699,824
11- Other cash outflows (-)		(19,517,323)	(1,938,079)
12- Net cash from main operations		17,832,971	27,156,822
B- CASH FLOWS FROM INVESTING OPERATION			
1- Sales of tangible assets		32,900	7,586
2- Tangible assets acquisition (-)	6	(7,187,175)	(1,076,806)
3- Financial assets acquisition (-)		(62,837,669)	(74,697,114)
4- Sales of financial assets		64,542,673	54,608,083
5- Profit's from rent certificates and time deposits		9,578,517	3,607,297
6- Dividends received		-	-
7- Other cash inflows		-	-
8- Other cash outflows (-)	8	(2,618,311)	(2,205,082)
9- Net cash from investing activities		1,510,935	(19,756,036)
C- CASH FLOWS FROM FINANCING OPERATIOIS			
1- Issue of shares		-	-
2- Cash inflows due to borrowings		-	-
3- Leasing payments (-)		-	-
4- Dividend paid (-)		-	-

KATILIM EMEKLİLİK VE HAYAT A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF CASH FLOW FOR THE YEAR ENDED 1 JANUARY - 31 DECEMBER 2018

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.) The accompanying notes form an integral part of these financial statements.

	Note	Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
5- Other cash inflows		-	-
6- Other cash outflows (-)		-	-
7- Net cash from financing activities		-	-
D- Effect of Exchange Differences on Cash and Cash Equivalents			-
E- Net increase in cash and cash equivalents (A12+B9+C7+D)		19,343,906	7,400,786
F- Cash and cash equivalents at the beginning of the period	2.12	27,071,177	19,670,391
G- Cash and cash equivalents at the end of the period (E+F)	2.12	46,415,083	27,071,177

KATILIM EMEKLİLİK VE HAYAT A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 1 JANUARY - 31 DECEMBER 2018

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.) The accompanying notes form an integral part of these financial statements.

Statements of changes in Equity - Audited											
	Capital	Own Shares of the Company(-)	Valuation Increase in Assets	Inflation Adjust-ment to the share Capital	Foreign Currency Trans-lation Differ-ences	Legal Reserves	Statutory Reserves	Other Re-serves and Retained Profit	Net Profit/ (Loss) for the Period	Retained Earnings	Total
I-Balances at the previous period end (31/12/2016)	40,000,000	-	-	-	-	-	-	24,182	4,866,240	(16,676,659)	28,213,763
A- Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From internal resources	-	-	-	-	-	-	-	-	-	-	-
B- Own shares of the company	-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not included in the income statement (Note 15)	-	-	-	-	-	-	-	(71,128)	-	-	(71,128)
D- Value increase in the assets	-	-	-	-	-	-	-	-	-	-	-
E- Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-
F- Other income and losses	-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period (Note 37)	-	-	-	-	-	-	-	-	8,207,627	-	8,207,627
I- Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	-	-	-	243,312	-	-	(4,866,240)	4,622,928	-
II- Balances at the period end (31/12/2017) (I+ A+B+C+D+E+F+G+H+I+J)	40,000,000	-	-	-	-	243,312	-	(46,946)	8,207,627	(12,053,731)	36,350,262

KATILIM EMEKLİLİK VE HAYAT A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 1 JANUARY - 31 DECEMBER 2018

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.) The accompanying notes form an integral part of these financial statements.

Statements of changes in Equity - Audited											
	Capital	Own Shares of the Company(-)	Valuation Increase in Assets	Inflation Adjust-ment to the share Capital	Foreign Currency Trans-lation Differ-ences	Legal Reserves	Statutory Reserves	Other Re-serves and Retained Profit	Net Profit/ (Loss) for the Period	Retained Earnings	Total
I- Balances at the previous period end (31/12/2017)	40,000,000	-	-	-	-	243,312	-	(46,946)	8,207,627	(12,053,731)	36,350,262
A- Capital increase (A1+A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From internal resources	-	-	-	-	-	-	-	-	-	-	-
B- Own shares of the company	-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not included in the income statement (Note 15)	-	-	-	-	-	-	-	(21,658)	-	-	(21,658)
D- Value increase in the assets	-	-	-	-	-	-	-	-	-	-	-
E- Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-
F- Other income and losses	-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period (Note 37)	-	-	-	-	-	-	-	-	14,497,420	-	14,497,420
I- Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	-	-	-	410,381	-	2,637,020	(8,207,627)	5,160,226	-
II- Balances at the period end (31/12/2018) (I+ A+B+C+D+E+F+G+H+I+J)	40,000,000	-	-	-	-	653,693	-	2,568,416	14,497,420	(6,893,505)	50,826,024

(*) Detailed explanations for the Equity items are disclosed in Note 15.

1. General Information

1.1. Name of the Parent Company

As of 31 December 2018 and 2017, Albaraka Türk Katılım Bankası A.Ş. and Kuveyt Türk Katılım Bankası A.Ş. are direct parent companies of Katılım Emeklilik ve Hayat A.Ş..

1.2. Residence and Legal Structure of the Company, Country of Incorporation and Address of Registered Office

The company is registered to the Istanbul Commercial Registry Office on December 17, 2013. The registered address of the company was established following the announcement of the articles of association in the Trade Registry Gazette dated December 23, 2013, and the address of the company is Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi No:2 Akkom Office Park-Kelif Plaza Kat:2 Ümraniye / Istanbul.

The Ministry of Treasury and Finance approved the license for the company on 9 May 2014 to operate in Personal Accident, life and private pension branches. Following the announcement of the approved license in the Trade Registry Gazette dated May 20, 2014 for life branch and dated May 26, 2014 for the retirement branch, the license procedures were completed and the first policy of the company was issued on June 2, 2014 for the Life branch.

On August 17, 2017, The Company started its activities in disease / health branches based on the license obtained from the Ministry of Treasury and Finance. Related licensing procedures were announced in the Trade Registry Gazette dated September 6, 2017. In addition, the company performs its participation insurance activities in accordance with the hybrid model within the scope of "regulation on working procedures and principles of participation insurance" published in the Official Gazette No. 30186 dated 20 September 2017.

1.3. Nature of Operations

The Company operates in accordance with the 5684 numbered "Insurance Law", 30186 numbered "Participation Insurance Law" dated 20 September 2017 and 4632 numbered "Private Pension and Investment System Legislation Law" announced in the Official Gazette.

1.4. Explanation of the Activities and Characteristics of Main Operations of the Corporation

Disclosed in Notes 1.2 and 1.3.

1.5. Average Number of Employees During the Period by Category

	1 January - 31 December 2018	1 January - 31 December 2017
Top and middle management	12	11
Other personnel	110	100
Total	122	111

1.6 Total Salaries and Benefits Paid to the Members of the Board of Directors, General Manager, General Coordinator, Assistant General Managers and Other Executive Management for Current Period

TRY 3,129,531 (2017: TRY 2,217,191).

1.7 Criteria Set for the Allocation of Investment Incomes and Operating Expenses (Personnel, Management, Research and Development, Marketing and Sales, Outsourcing Utilities and Services and Other Operating Expenses) at Financial Statements

The company distributes investment incomes and expenditures related to technical parts as personnel, administration, research and development, marketing and sales, outsource benefits and service expenses and other operating expenses, in accordance with the Circular No. 2010/9 dated 9 August 2010 which is amended by the “circular on principles and procedures of the keys used in the financial statements prepared in accordance with the uniform chart of.

1.8 Issue Whether Only a Firm or Group of Firms are Included at Financial Statements

Financial statements include only one company (Katılım Emeklilik ve Hayat A.Ş.).

1.9 Name and Other Identification Information of the Reporting Firm and Changes at This Information From the Previous Balance Sheet Date

Name and other identification information of the Company are disclosed in Notes 1.1, 1.2 and 1.3.

1.10 Events After Date of Balance Sheet

The authority to modify and approve the 1 January - 31 December 2018 financial statements is on the board of directors and is approved on February 28, 2019 that the financial statements prepared in accordance with the applicable accounting principles and standards appropriate to the company's records with the relevant legislation by the General Manager Ayhan Sincek, Assistant General Manager responsible for Finance, Operation, BT and Actuary Ismail Aydemir, Finance Manager Omer Can Hergenç and Actuary Ahmet Korhan Akcöl. Events occurring after balance sheet are explained in Footnote 46.

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

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

Financial statements are arranged by Ministry of Treasury and Finance in accordance with Insurance Chart of Accounts in Statement About Insurance Chart of Accounts and Prospectus (Insurance Accounting System Statement No:1) published in Official Gazette No. 25686 dated December 30, 2014. The form and content of arranged financial statements and the explanation and footnotes of these are determined in accordance to Declaration of Presentation of Financial Statements which published on Official Gazette No: 26851 dated April 18, 2008.

As of 31 December 2018, the company calculated its technical reserves related to insurance in accordance with the Insurance Law No. 5684 and published in the Official Gazette No. 27655 dated 28 July 2010 and in the official gazette No. 28356 dated 17 July 2012 and put into effect after changes in the “regulation on insurance and reinsurance and pension companies technical reserves”. (Note 2.24)

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

The accounting policies and valuation principles used in the preparation of the financial statements are explained in footnotes 2.4 to 2.24 below. Comparative information is reclassified as required in order to ensure compliance with the presentation of current financial statements.

Changes in Turkey Financial Reporting Standards:

The company has implemented the following new standards and interpretations related to its own business.

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

- **IFRS 9 ‘Financial instruments’**; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. Until IFRS 17 is effective, the company will benefit from the temporary exemption for IFRS 9 included in IFRS 4.

- **IFRS 15 ‘Revenue from contracts with customers’**; effective from annual periods beginning on or after 1 January 2018. IFRS 15, ‘Revenue from contracts with customers’ is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. According to 25 September 2018 and 2018/4 numbered “The Circular on the

Transition Date of Insurance and Pension Companies to IFRS 15 which is published by Treasury and Finance Ministry, the transition to IFRS 15 has been postponed to 1 January 2022, concurrently with IFRS 17 and IFRS 9 standards.

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

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

- All companies issuing insurance contracts will have the option to account for the volatility that may arise when IFRS 9 is applied, in the other comprehensive income statement, rather than accounting for profit or loss, before the new insurance contract standard is issued and
- Give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2022. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard IAS 39

- **Amendment to IAS 40, Investment property**; relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

- **Amendments to IFRS 2, 'Share based payments'**; on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

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

- IFRS 1, 'First time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10,
- IAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.

- **IFRIC 22, 'Foreign currency transactions and advance consideration'**; effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

b. Standards, amendments and interpretations applicable as at 31 December 2018

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

- **IAS 28, "Changes in investments in associates and joint ventures"**; Effective for annual reporting periods beginning on or after January 1, 2019. We have clarified that companies will account for long term participations or jointly controlled investments that are not applied by the equity method using IFRS 9.

- **IFRS 16, 'Leases'**; effective from annual periods beginning on or after 1 January 2019, this standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on

balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As of the reporting date, the amount of the company's operating lease commitments is TRY 8,923,943. According to TFRS16, the company plans to recognise approximately TRY 5,368,771 assets and leases as of 1 January 2019.

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

• **IFRS 17 "Insurance Contracts";** is effective for annual reporting periods beginning on or after 1 January 2022. This standard replaces TFRS 4, which allows for a wide range of applications. IFRS 17 will change the basis of insurance contracts and the accounts of all entities that issue investment contracts with voluntary participation features.

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

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

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

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

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

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

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

The standard is not expected to have a significant impact on the financial position or performance of the company.

2.2 Consolidation

The Company has no subsidiaries and affiliates as of balance sheet date.

2.3 Segment Reporting

The Company does not perform segment reporting in the scope of “IFRS 8 - Segment Reporting”, since it is not a listed company.

2.4 Foreign Currency Translation

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

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

2.5 Property, Plant and Equipment

All property and equipment are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the tangible assets. The depreciation periods estimated considering useful lives of tangible assets are as follows:

Fixture and furniture	3-10 years
Leasehold improvements	5 years
Vehicles	5 years

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

2.6 Investment Property

The Company does not have any investment property as of 31 December 2018 (31 December 2017: None).

2.7 Intangible Assets

Intangible assets consist of acquired software and exclusive bank assurance agreements. Intangible assets are recognised at acquisition cost and amortised by the straight-line method over their estimated useful lives after their acquisition date. If impairment exists, carrying amounts of the intangible assets are written down immediately to their recoverable amounts. The amortisation periods of intangible assets are 3 years (Note 8).

2.8 Financial Assets

The Company classifies and accounts for its financial assets as “Financial assets at fair value through profit or loss (Held-to-maturity Investments)”, “Available-for-sale financial assets” and “Loans and receivables (Receivables from main operations)” in the financial statements. Receivables from main operations are the receivables arising from insurance agreements and private pension operations and they are classified as financial assets in financial statements.

Purchases and sales of the financial assets are recognised and derecognised based on “Settlement date”. The classification of the financial assets is determined by the Company management at inception by considering the purpose for which the financial assets are acquired.

Held to Maturity Investments:

Financial assets held to maturity are held to maturity with the intention of keeping them until maturity and provided the conditions for holding them to maturity, including the ability to fund, fixed or determinable payments and loans and receivables with fixed maturity and non-performing loans, financial assets at fair value through profit or loss are not classified as financial assets at initial recognition and are not available for sale. These assets are initially recognized at acquisition cost and recognized as fair value. The fair value of the held-to-maturity assets is determined on the basis of the underlying transaction price or market prices of similar financial instruments. Held-to-maturity financial assets are valued at “amortized cost”. Contributions related to held-to-maturity assets are recognized in the income statement.

The company does not book an impairment on short-term market fluctuations, on the basis of that there is no collection risk in the securities representing the debt classified under financial assets held to maturity. If the collection risk arises, the amount of impairment is the difference between the book value of the financial asset and the book value of the cash flows expected to be collected from the financial asset, if any, discounted on the basis of the original effective return.

As of 31 December 2018, the company's financial assets held to maturity amounted to TRY 36,192,518 consist of fixed income leasing certificates and inflation-based papers and are recognized at amortized cost as of the balance sheet date. (31 December 2017: TRY 41,234,187).

Held-for-Trading Financial Assets:

Financial assets measured at fair value by the company and associated with the Income Statement are classified under “Financial assets at fair value through profit or loss” in the financial statements. Financial assets measured at fair value and associated with the Income Statement are composed of financial instruments that are obtained from short-term fluctuations in prices and similar factors in the market or that, regardless of the reason of their acquisition, the part of a portfolio aimed at short-term profit is evaluated at fair value and the company's performance is classified.

The difference in the fair value of financial assets recognized in the income statement in the event of first registration and their reasonable values are used in periods subsequent to initial recognition, are valued at their fair values. It is accepted that in case of the fair value is not determined reliably if the price formations that constitute fair value are not realized under active market conditions, the “discounted value” calculated according to the effective yield method is considered as fair value. Gains and losses arising from the valuation are included in the income statement.

As of 31 December 2018, The Company’s trading securities amounted to TRY 10,234,742 consist of fixed income leasing certificates and investment funds. (31 December 2017: TRY 4,240,927).

Loans and Receivables (Receivables From Main Operations):

Loans and receivables are financial assets which are generated by providing money or service to the debtor. Loans and receivables are recognised initially at fair value. Fees and other charges paid related to assets obtained as guarantee for the above mentioned receivables are not deemed as transaction costs and they are recognized as expense in the income statement.

The Company accounts for a provision for its receivables based on evaluations and estimations of the management. The mentioned provision is classified under “Provision for due from insurance operations” on the balance sheet. The Company sets its estimations in accordance with the risk policies and the principle of prudence by considering the structure of current receivable portfolio, financial structure of policyholders and intermediaries, non-financial data and economical conditions.

2.9 Impairment of Assets

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

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

2.10 Derivative Financial Instruments

None (31 December 2017: None).

2.11 Offsetting Financial Instruments

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

2.12 Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, demand deposits held at banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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

	31 December 2018	31 December 2017
Banks (Note 14)	44,557,489	16,675,267
Bank Guaranteed Credit Card Receivables with Maturities less than Three Months (Note 14)	13,543,407	10,529,654
Blocked time deposit(*) (Note 43)	(11,321,830)	-
Valuation of participation accounts	(363,983)	(133,744)
Total cash and cash equivalents	46,415,083	27,071,177

(*) The change in blocked deposits is included in other cash inputs/outputs in the cash flow statement.

2.13 Share Capital

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

	31 December 2018		31 December 2017	
Shareholder	Share (%)	Amount	Share (%)	Amount
Al Baraka Türk Katılım Bankası A.Ş.	50	20,000,000	50	20,000,000
Kuveyt Türk Katılım Bankası A.Ş.	50	20,000,000	50	20,000,000
Toplam	100	40,000,000	100	40,000,000

As of 31 December 2018, there are no privileges granted to share certificates representing Capital (31 December 2017: None).

The company has obtained permission from the Ministry of Customs and Trade on March 7, 2016 based on its application to be incorporated into the registered capital system. The decision was approved at the General Assembly meeting held on 27 April 2016 and the company's transition to registered capital system was published in the Trade Registry Gazette on 10 May 2016.

Other information related to the company's capital is disclosed in note 15.

2.14 Insurance and Investment Contracts - Classification

The insurance contracts are those contracts that transfer insurance risk. The insurance contracts protect the insured against the adverse economic consequences of loss event under the terms and conditions stipulated in the insurance policy.

The main contracts produced by the Company as explained below are personal accident insurance, life insurance, reinsurance agreements and private pension agreements:

i) Risk Policies:

One-year Term Life Insurances

One-year term insurance provides one year guarantee for the risks that the policyholder can be faced with. This insurance covers all risks that the policyholder can be exposed to by providing natural death coverage along with the additional coverage such as accidental death, permanent or temporary disability and critical disease during the policy term. One-year term life insurance policies cover risks, it does not include savings and does not include right of surrender and policy loans. It can be sold as a group or individual. The age limit is between 18 and 75, premium amount varies according to the risk assessment based on age, sex, and health.

Long-term Life

Long-term life insurance provides long-term guarantee for all risks that the policyholder can be exposed to by providing natural death coverage along with the additional coverage such as accidental death and permanent disability during the policy term. The insurance term can be set between 1 and 30 years. Long-term life insurance provides protection and covers risks, it does not include savings. It is sold individually. The age limit is between 18 and 75 and premium amount varies according to the risk assessment based on age, sex and health.

Credit Life

Credit life insurance provides guarantee throughout the credit term against such as death or disability. Depending on the credit used long-term, annual or less than 1 year is regulated. If any claim occurs within the credit term, the credit debt is covered by credit life insurance. Coverage generally includes only death risk. These products are risk based policies that do not include saving. The age limit is between 18 and 75 and premium amount varies according to the risk assessment based on age, sex and health.

Personal Accident Insurance

Personal accident insurance provides guarantee against risks arising as a result of accidents. It provides accidental death coverage along with the additional coverage such as accidental disability, unemployment or temporary disability and medical expenses. It can provide personal accident based on credit and also provides arbitrary coverage without the credit.

Health Insurance

In health insurance, complementary health insurance and health care guarantees are offered to the insured by lying and standing as a result of an unexpected health problem or an accident that may happen to them. Travel health insurance and health problems that the insured will face in their travels abroad, Emergency Health Insurance and sudden emerging situations as a result of emergency bed treatment coverage are covered. In accordance with the minimum requirements set out in the circular with foreign health insurance, the guarantees of staying inpatient and outpatient treatment will be provided to the foreign nationals who request residence permit in accordance with the conditions set out in the circular. Premiums vary depending on age, residence area, duration of travel for travel health insurance and the region to be travelled.

ii) Private Pension Operations:

As of 31 December 2018, there are 12 Pension Funds founded by the Company(31 December 2017:8). Private pension system receivables mainly consist of capital advances made to pension funds, fund management fee receivables from pension funds, and receivables from participants and Takasbank. In the “fund operating deductions receivables from funds” account; the Company keeps funds operating expense deductions receivables deriving from funds management that could not be collected on the same day. Advances allocated to pension investment funds established by the Company are kept in “capital advances made to pension investment funds” account. Receivables based on funds from Takasbank on behalf of participants are kept in “receivables from Takasbank” account. At the same time, this amount is disclosed in private pension system payables account as “payables to participants”.

In addition to debts to participants accountexplained in the prior paragraph, private pension system payables also include accruals calculated for management expenses of pension funds, temporary account of participants and payables to private pension intermediaries. Accruals calculated for management expenses of pension funds consists of accruals of payables to portfolio management company due to the pension investment funds established by the company. Temporary account of participants includes the contributions of participants that have not yet been transferred to investment and the amount that will be transferred to other companies or paid to participants after making certain deductions following the sales of the funds of the participants in the cases of transfers to other companies or departs fromthe system.

Fund management charge, which is taken in return for the management and representation of funds and hardware, personnel and accounting services devoted to funds, is recorded as income in the Company’s accounts and is shared between the Company and the portfolio management company according to the ratios in the agreement or as a fixed expense. The total charge is recorded to the Company’s technical income as fund management charge and the charge which belongs to the fund manager is recorded in the Company’s technical expense as balance paid in return for fund management.

In the event that the participant has first joined the individual pension system or concluded a pension contract for the first time in a different company, an entry fee can be obtained from the participant or sponsor, taking into account the current monthly gross minimum wage amount at the time the offer was signed.

The entry fee can be collected in advance or deferred from the transfer or system to the date of departure. The sum of the entry fees received in advance and deferred is the current monthly gross minimum wage on the date the offer is signed or approved.;

- a)** Seventy five percent for those who leave the company within three years of the effective date of the contract,
- b)** Fifty percent for those who leave the company before six years of the contracts which have been completed three years after the effective date of the contract,
- c)** Should not exceed twenty-five percent for those who leave the company ten years before the date of theeffective date of the convention. After the date of validity of the pension contract, no deferred entry fee can be collected from those who have completed the tenth year of the pension contract, who have died or died due to disability or who have left thepension right.

The “Regulation on Amending The Regulation on The Individual Pension System” published in the Official Gazette No. 29366 dated 25 May 2015 came into force on 1 January 2016. With this regulation, the definition of irregular payments and compulsory expenses related to the fund was made and it was stated that the administrative expense deduction can be taken over the contributions paid to the individual pension account and the accumulations of the participant and additional administrative expenses deduction can be taken from the accumulations of the participant during the period of the Restrictions on cuts have been introduced regarding the years in which the contract is in the system.

The final version of the deductions, together with the summary provisions of the said regulation regarding the deductions, is as follows:

In the first five years of the contract, the total deduction amount to be made within the scope of the entrance fee and administrative expenses deduction should not exceed the amount equal to 8.5% of the current monthly minimum wage for each year in the first six months. After the completion of the fifth year of a contract, no administrative expense interruption, including interruption, can be made under the relevant contract and no entry fee can be

collected. Since the company's receivables accrued before the effective date of the regulation do not affect the company's receivables, the company's rights to receivables accrued before 1 January 2016 but not collected are reserved. In the calculation of the time spent in the contract, all the time spent in the contract from the date of the first contract's entry into the contract shall be taken into account according to the transfer data of the contract. If it is established by transfer prior to 1 January 2016, the upper limits of the deduction are calculated regardless of the deduction amounts in the previous companies. If it is established by transfer after this date, it will be subject to calculation taking into account the deduction amounts in the previous companies.

Expenses are monitored under management expense deduction account provided that they do not exceed a maximum rate of two percent on the contributions made to the individual retirement account based on the contractual conditions.

iii) Reinsurance Agreements:

Reinsurance agreements are the agreements signed by the Company and reinsurance companies for the loss which may occur in one or more insurance contracts signed by the Company those whose costs are paid and those who conditions to be classified as insurance contract.

The Company has proportional quota-share and surplus agreements in life and personal accident branches as of 31 December 2018. The company's life insurance risks such as risk that are guaranteed in the form of death risk and additional collateral (death as a result of accident, disability as a result of illness, disability as a result of accident, dangerous diseases, unemployment/sickness as a result of temporary incapacity/accident as a result of daily hospital etc.) works under reinsurance.

In addition, reinsurance agreements are made in order to protect the portfolio against catastrophic risks.

2.15 Insurance Contracts and Investment Contracts with Discretionary Participation Feature

None. (31 December 2017: None).

2.16 Investment Contracts without Discretionary Participation Feature

None. (31 December 2017: None).

2.17 Borrowings

None. (31 December 2017: None).

2.18 Taxes on Income

Corporation Tax

Statutory income is subject to corporate tax at 22%. (31 December 2017: 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.

Within the scope of the "Law on the Amendment of Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated December 5, 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. In accordance with the aforementioned law, deferred tax asset and liabilities in the financial statements dated 31 December 2018 and 2017 are subject to a tax rate of 22% for the temporary differences between 2018, 2019 and 2020 and for the temporary differences to be applied for the tax effect of 2021 and following periods. 20%.

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

The three-year financial profits of the corporations compute the provisional tax of 22% on the maturity date and declare until the 14th day of the second month following the period and pay until the evening of the 17th.

The temporary tax paid within the year is deducted from the corporate tax to be calculated over the corporate tax return to be given the following year. If there is a temporary tax amount paid despite the offsetting, this amount may be returned in cash or deducted from the other financial liabilities against the state.

According to Turkish tax legislation, tax losses on the returns can be offset against period income for not up to 5 years. However, tax losses cannot be offset against retained earnings.

In Turkey, there is no such application for the reconciliation of payable taxes with the tax authority. Corporate tax returns are submitted to the related tax office by the 25th day of the 4th month following the month when the accounting period ends. In tax reviews authorized bodies can review the accounting records for the past five years and if misstatements are detected, tax amounts may change due to tax assessment.

Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are determined using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets consisting of deductible temporary differences are recognized on the condition that it is probable that taxable profit will be available for future use (Note 21).

2.19 Employee Benefits

The company recognises its obligations related to retirement pay, permit rights and other rights provided to employees in accordance with the provisions of IAS 19 and classifies them in the balance sheet as "Provision for employment Termination Benefits" and "Provision For Costs".

Actuarial losses and gains arising from calculations related to the benefits provided to employees must be recognized directly in equity. In this context, the company has accounted for the service and profit share expenses in the income statement and the actuarial losses in the shareholders' equity in the "other profit reserves" account (Notes 15 and 22).

2.20 Provisions

If there is an existing obligation arising from past events, the obligation is probable to be met, and the amount of such obligation can be estimated reliably, the provision is recognized in the financial statements.

The amount of provision is calculated by estimating the expenditure to be made for the fulfillment of the obligation as of the balance sheet date, taking into account the risks and uncertainties related to the liability. If the provision is measured using the estimated cash flows required to meet the obligation, the carrying amount of the provision is equivalent to the present value of the related cash flows.

Liabilities arising from past events and whose existence cannot be confirmed by the occurrence of one or more uncertain future events which are not under the control of the company are considered as contingent liabilities and are not included in the financial statements (Note 23).

2.21 Accounting for Revenues

Written Premiums

Written premiums represent premiums on policies written during the year, net of cancellations. As disclosed in Note 2.24, premium income is recognised in the financial statements on accrual basis by allocating the unearned premium provision over written risk premiums. The premium written for life insurance policies with maturities over one year consists of income accrued for payments with maturities within the current year. The premium written for policies with maturities less than one year covers the total premium of the relevant period.

Reinsurance Commissions

Commissions received related to ceded premiums to reinsurance companies are accrued in the current year and presented under operating expenses in technical income statement. Deferred commission income is separated from commissions received and reinsurance commission income are presented according to the accrual basis in the financial statements (Note 2.24).

Profit / Loss From Participation Accounts

Profit share income participation banks in Turkey consist of periodically recording of income obtained from physical and rediscount within the scope of operating principles.

Dividend Income

Dividend income is recognised as an income in the financial statement when the right to receive payment is established.

Fee Income

Disclosed in Notes 2.14 and 25.

2.22 Leases

None. (31 December 2017: None).

2.23 Dividend Distribution

Dividend liabilities are recognised as a liability in the Company's financial statements in the period in which the dividends are declared as a component of dividend distribution.

2.24 Technical Provisions

Life Mathematical Reserves

The companies operating in the life and non-life branch allocate sufficient mathematical provisions to act on the a “life and personal accident insurance contracts for more than a year and actuarial principles to meet their obligations to the beneficiaries. In addition to life insurance for more than one year, in cases where personal accident, health, disability and dangerous diseases are guaranteed for more than a year; The amount of mathematical provisions for life insurance is calculated to include the mathematical provisions calculated according to actuarial principles. Mathematical provisions consist of actuarial mathematical provisions calculated separately for each contract in accordance with the technical principles in the tariff and explained below.

Actuarial mathematical provisions are the difference between the cash values of the premiums received for the risk undertaken by the companies and the liabilities to the insureds and beneficiaries. Actuarial mathematical provisions are allocated based on the formulas and principles given in the technical principles of the tariffs for the life insurances with a term longer than one year. Actuarial mathematical provisions are calculated by determining the difference between present value of liabilities that the Company meets in future and current value of premiums paid by policyholder in future (prospective method). However, if the actuarial mathematical provisions are calculated according to the actuarial methods accepted by the ministry or calculated as the difference between the result value of premiums paid by the insurer and the result value of risks assumed by the insurer (retrospective method), the actuarial mathematical provisions shall not be less than this sum. In cases where the actuarial mathematical provision is calculated as negative, this value is considered to be zero.

As of 31 December 2018, the Company has recorded net mathematical reserves amounting to TRY 21,309,121 for life and personal accident branches (31 December 2017: TRY 14,347,840).

Unearned Premium Reserve

Unearned premium reserve is calculated for all policies in force as of the balance sheet date as the unearned portion of the premiums, on a daily basis. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12.00 noon and finish at 12.00 noon again. Within the framework of the Regulation on Technical Reserves, unearned premium reserve and the reinsurers' share of the unearned premium reserve of the policies issued after 1 January 2008, are calculated as the unearned portion of the premiums and ceded premiums to reinsurers without deducting commissions or any other deductions, on an accrual and gross basis (Note 17).

As of 31 December 2018, the Company has accounted for unearned premium provision amounting to TRY 5,848,807 (31 December 2017: TRY 5,330,632).

Deferred Commission Expense and Income

According to the Circular dated 28 December 2007 and numbered 2007/25 by Undersecretariat of Ministry of Treasury and Finance, the deferral of commissions paid to brokers for premiums written and commissions received related to the ceded commissions to reinsurers are accounted under “Deferred Commission Expenses” and “Deferred Commission Income” in balance sheet and netted off under “Operating Expenses” in the income statement (Note 17).

Outstanding Claim Provision

The Company accounts for outstanding claim provision for ultimate cost of the claims incurred, but not paid in the current or previous periods or, for the estimated ultimate cost if the cost is not yet certain, and for the incurred but not reported claims. Claim provisions are accounted for based on reports of experts or initial assessments of policyholders and experts, and in the calculations related to the claim provisions, claim recoveries, salvage and similar gains are not deducted. (17Note).

In accordance with the circular issued by the Ministry of Finance and Treasury dated 5 December 2014 and numbered 2014/16 on “outstanding indemnity provision”, it has been stipulated that the company should be calculated in line with the best estimates determined in the framework of the opinions of the Actuaries. According to the circular, the selection of the data used in the calculation of compensation amounts realized but not reported, correction transactions, selection of the most appropriate method and development factors and actuarial methods used to intervene in development factors are performed by the company actuaries. In this context, taking into consideration the regulation on technical reserves, since the company does not have enough statistical data for the calculation, the company used the sector average for calculating IBNR and calculated a net total of TRY 1,633,675 IBNR which comprises of TRY 1,229,462 life branch, net TRY 3,749 health branch and net TRY 400,464 the personal accident branch. (31 December 2017: total of TRY 1,359,290 which comprises of TRY 1,359,290 life branch and net TRY 338,788 non-life branch) (Note 17).

The company uses the financial and technical charts published by the Turkish Insurance Association and calculates the IBNR by comparing published IBNR for Life, Personal Accident and disease health branches in 2018 to one year gross written premium and accepts this ratio as the sector average for the current period and multiplies this ratio by the gross premium and reinsurance premium amounts of 2018 and accounts for the gross IBNR and reinsurance share of the IBNR.

Since the company started its operations in 2014, in calculation of outstanding claims provision as of 31.12.2018 and earlier dates, the provisions for all branches and the principles stipulated in the circular no: 2010/16 of 18 October 2010 and no: 2010/16 of 18 October 2010 have been taken into consideration in the calculation of outstanding claims provision as of 2018 and In addition, in order to measure the adequacy of the provision for outstanding claims for new branches, at the end of each term, the qualification table for outstanding claims is prepared by branches. In the calculation of the adequacy table and in the calculation of outstanding claims provision; The outstanding claims incurred and incurred but not reported and all expenses are taken into account. In this context, it shows the outstanding claims reserve adequacy ratio, which is the ratio of outstanding outstanding claims provision to the total of the compensation incurred in relation to the files subject to these provisions, including all expense shares. If the outstanding claims provision adequacy ratio for these branches is over 100%, the difference between this ratio and 100% is multiplied by the current period outstanding claims provision and the adequacy ratio difference amount is found. The amount of the adequacy ratio is added separately for each branch and the final outstanding claims reserve to be set in the current year is calculated. The Company does not have a net outstanding claims provision adequacy difference (Note 17).

Equalization Reserve

Published by the Ministry of Treasury and Finance, the companies that do not have the data set for the calculation of the balances of the Technical Reserves of the Insurance, Reinsurance and Pension Companies dated 28 July 2010 and numbered 27655 and the companies that do not have the data set for the calculation of the Balancing Provision shall accept an earthquake premium of 11% the regulation has been amended by stating that they will reserve 12% of these amounts.

In the calculation of the net premium, the amounts paid for the non-proportional reinsurance agreements are considered as the transferred premium. As of December 31, 2018, the Company has accounted for an equalization provision amounting to TRY 1,467,126 (31 December 2017: TRY 984,834) (Note 17).

Bonus Provision

In accordance with the Technical Reserves and the Regulation on the Working Principles and Procedures of Participation Insurance, insurance companies are obliged to reflect the bonuses and rebates allocated for the insured and beneficiaries to the financial statements based on the technical results of the current year. In addition, at the end of each period, the Company calculates the balance according to the generally accepted actuarial and participation financial principles for the risk fund. As of 31 December 2018, the Company has calculated provision for bonuses and discounts amounting to TRY 7,722,840 in accordance with the principles of participation insurance in life and non-life branches (31 December 2017: TRY 2,614,589) (Note 17).

Reserve for Unexpired Risks

In accordance to the Technical Provisions Regulation, insurance companies are obliged to reserve provision for continuing risks by taking into consideration the expected loss premium ratio in case the compensation that may arise due to the insurance contracts in force is more than the reserve for unearned premiums reserved for the related contracts. The expected loss premium ratio is calculated by dividing net realized losses by net earned premiums. If the expected loss premium rate calculated on the basis of the main branch is above 95%, the amount calculated as a result of multiplying the ratio exceeding 95% by the net unearned premiums provision is calculated as a result of multiplying the amount calculated as a result of multiplying the net unexpired risks provision with the gross unearned premiums exceeding 95%. The difference between the gross amount and the net amount is considered as the reinsurer's share. As a result of the related test, there is no provision for continuing risks allocated by the Company at the end of the reporting period (31 December 2017: None).

3. Critical Accounting Estimates and Judgments

Preparation of financial statements requires the Company make use of estimations and assumptions which may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the balance sheet date and reported amounts of income and expenses during the financial period. Accounting assessments, estimates and assumptions are evaluated by considering past experience and other factors and reasonable expectations about future events with the conditions of that day. Although these evaluations and estimates are based on management's best knowledge of current events and transactions, actual results may differ from their assumptions.

One of the most important accounting estimates for the company is the estimation of the ultimate net liability for technical expenses arising from the policies in force. Estimating insurance-related liabilities involves the evaluation of a number of uncertainties by nature.

The company recognizes deferred tax assets and liabilities for temporary differences arising from the differences between the financial statements of the company and the financial statements prepared in accordance with the Turkish Accounting Standards Board ("TASB"). The Company has deferred tax assets consisting of unused tax losses and deductible temporary differences that can be deducted from future profits. When the company accounted for deferred tax assets, the company took into account future profit projections and the date on which the losses occurred in the current period could be used (Note 21). If the final tax consequences of this matter are different from the initially recorded amounts, these differences may affect the income tax and deferred tax assets and liabilities in the period in which they are determined.

4. Management of Insurance and Financial Risk

Insurance Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of the insurance contracts, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. The Company determines its insurance underwriting strategy based on the type of insurance risk accepted and the claims incurred. The Company's pricing mainly depends on statistical analysis and outputs from historical data and/or on some mortality/disability/morbidity tables assumed to be best fit for the related product. The Company manages these potential risks through underwriting strategy and adequate reinsurance agreements.

In risk acceptance policies of life and personal accident branches, the following components are considered:

- In individual insurance, health declarations and reports under consideration of policyholder's age and insurance coverage, - In group insurance, health declarations and reports based on the number of person in group and considering whether the policy is voluntary or not,
- In pricing, the information about charging sur-premium based on the health condition of the policyholder, additional clauses to be added to the contract or the deduction or the rejection of the coverage,
- In the cases of coverage with higher amounts, in addition to the health documents, the documents about the financial position of the policyholder.

The concentration of insurance risk (maximum insured amount) in relation to the branches is summarized below:

	31 December 2018	31 December 2017
Life		
Natural death	6,937,302,217	6,917,074,061
Accidental disability	5,347,464,978	4,771,133,306
Critical Sickness	608,899,340	1,005,170,000
Accidental treatment expenses	18,105,210	36,009,000
Sickness disability	308,497,650	5,616,000
Accidental death	4,705,000	4,350,000
Unemployment, temporary disability, daily hospital	1,126,756	220,565
Accidental daily compensation	402,200	-
Personal Accident		
Accidental disability	5,487,700,700	3,452,299,809
Accidental death	5,487,700,700	3,452,269,809
Accidental treatment expenses	180,380,850	120,940,377
Accidental daily compensation	848,875	632,226
Total	24,383,134,476	19,765,715,153

The risks that the Company is subject to related to the pricing policies are as follows:

Mortality Risk

The Company is subject to mortality risk if the actual death claims are higher than expected death rates in the mortality tables used in pricing the policies. The Company uses the appropriate mortality table for each product. In addition, the tariffs are updated according to the loss ratio of each product. The Company uses the CSO 2001 Unisex and TRSH 2010 mortality tables while pricing the life insurance agreements.

Sensitivity Analysis

Financial Risk

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

(a) Market Risk

i. Foreign currency risk

The Company is exposed to foreign exchange risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated assets and liabilities. These risks are monitored and limited by the analysis of the foreign currency position.

As of 31 December 2018, if the US Dollar had been increased/decreased by 10% against TRY and all other variables remained constant, the net profit before taxation would be TRY 609,174 higher/lower (2017: pre-tax profit is TRY 206,245 higher/lower).

As of 31 December 2018, if the euro had been increased/decreased by 10% against TRY and all other variables had remained constant, the net profit before taxation would have been TRY 87,425 higher/lower (2017: profit before taxation is TRY 44,350 higher/lower).

ii. Price Risk

The Company's held to maturity assets are fixed income and are not subject to any price risk.

iii. Risk of profit share

The company evaluates its investments in participation banks and the fluctuations in dividend rates constitute a risk factor for the company.

As of 31 December 2018, if there were 5% increase / decrease in profit share ratios in the portfolio participation accounts and all other variables remained constant, the profit before tax as a result of profit / loss ratio change was TRY 86,474 would be higher / lower (2017: profit TRY 63,831 high / low).

(b) Liquidity Risk

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

Cash Generated From Contracts

31 December 2018	Up to 3 Mouth	3 Mouth - 1 Year	1 Year - 5 Years	Over 5 Years	Total
Payables from private pension operations	22,714,716	-	-	-	22,714,716
Payables to insurance companies	2,302,758	-	-	-	2,302,758
Provision tax and other similar liabilities	2,625,030	-	-	-	2,625,030
Other payables	3,083,446	-	-	-	3,083,446
Total	30,725,950	-	-	-	30,725,950

Cash Generated From Contracts

31 December 2017	Up to 3 Mouth	3 Mouth - 1 Year	1 Year - 5 Years	Over 5 Years	Total
Payables from private pension operations	16,045,978	-	-	-	16,045,978
Payables to insurance companies	1,810,233	-	-	-	1,810,233
Provision tax and other similar liabilities	1,171,021	-	-	-	1,171,021
Other payables	1,635,003	-	-	-	1,635,003
Total	20,662,235	-	-	-	20,662,235

Expected Cash Flows

31 December 2018	Up to 3 Mouth	3 Mouth - 1 Year	1 Year - 5 Years	Over 5 Years	Total
Mathematical Reserve - net	3,147	166,632	7,286,236	13,853,106	21,309,121
Unearned Premium Reserve - net	476,567	5,372,240	-	-	5,848,807
Outstanding Claim Provision	3,078,246	-	-	-	3,078,246
Bonus Provision	-	7,722,840	-	-	7,722,840
Equalization Reserve - net	-	-	-	1,467,126	1,467,126
Total	3,557,960	13,261,712	7,286,236	15,320,232	39,426,140

Expected Cash Flows

31 December 2017	Up to 3 Mounth	3 Mouth - 1 Year	1 Year - 5 Years	Over 5 Years	Total
Mathematical Reserve – Net	1,401	93,883	5,111,106	9,141,450	14,347,840
Unearned Premium Reserve – Net	253,875	5,076,757	-	-	5,330,632
Outstanding Claim Provision	2,274,331	-	-	-	2,274,331
Bonus Provision - Net	-	2,614,589	-	-	2,614,589
Equalization Reserve - Net	-	-	-	984,834	984,834
Total	2,529,607	7,785,229	5,111,106	10,126,284	25,552,226

The Company foresees to fulfill the above-mentioned liabilities by its financial assets and cash or cashequivalents included in the assets.

Management of Insurance and Financial Risk

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. The following methods and assumptions are used to estimate the fair value of the financial instruments for which the fair value can be determined

Financial Assets

It is accepted that the fair value of the balances that have been translated at year-end exchange rates are approaching their fair values. The fair values of cash and cash equivalents must be short-term. Definite interruption of what is the value of the receivables from the main activities. Where there are financial assets available for sale that are not registered on the stock exchange, it is considered to be reasonable fair value if any impairment exists, if any.

Financial Liabilities

The fair values of liabilities on main operations and other financial liabilities are considered to approximate to their respective carrying values.

Capital Management

The Company's objectives when managing the capital are:

- to comply with the capital requirements required by Treasury,
- to safeguard the Company's ability to continue as a going concern so that it can continue operations.

As at the preparation date of the financial statements, the minimum required shareholders' equity of the Company as of 31 December 2018 is TRY 21,257,437 (31 December 2017: TRY 17,046,907). The Company's shareholder equity is at least TRY 31,035,712 over the required capital (31 December 2017: TRY 20,288,189 surplus).

5. Segment Information

Disclosed in Note 2.3.

Tangible Assets

6.1 Depreciation and Amortisation Expenses for the Period

TRY 2,770,453 (1 January - 31 December 2017: TRY 2,215,108)

6.1.1 Depreciation Expenses

TRY 1,193,041 (1 January - 31 December 2017: TRY 956,666)

6.1.2 Amortisation Expenses

TRY 1,577,412 (1 January - 31 December 2017: TRY 1,258,442)

6.2 Changes in Depreciation Calculation Methods and Effect of Such Changes on Depreciation Expenses for the Year

None.

6.3 Property and Equipment Movements in the Current Period

6.3.1 Cost of Property and Equipment Purchased

TRY 7,187,175 (1 January - 31 December 2017: TRY 1,076,806)

6.3.2 Cost of Property and Equipment Sold or Used as Scrap

TRY 111,125 (1 January - 31 December 2017: TRY 42,272)

6.3.3 Revaluation Increases in the Current Period

6.3.3.1 Cost of fixed assets(+): None (1 January - 31 December 2017: None)

6.3.3.2 Accumulated depreciation (-): None (1 January - 31 December 2017: None)

Movement table of tangible assets is as follows:

	1 January 2018	Additions	Disposal	31 December 2018
Cost				
Furniture and Fixtures	3,352,671	1,342,842	(51,283)	4,644,230
Motor Vehicles	-	4,279,691	-	4,279,691
Leasehold Improvements	1,332,745	1,564,642	(59,842)	2,837,545
Total	4,685,416	7,187,175	(111,125)	11,761,466
Accumulated amortisation				
Furniture and Fixtures	(2,178,854)	(568,719)	19,617	(2,727,956)
Motor Vehicles	-	(125,112)	-	(125,112)
Leasehold Improvements	(814,946)	(499,210)	38,630	(1,275,526)
Total	(2,993,800)	(1,193,041)	58,247	(4,128,594)
Net Book Value	1,691,616			7,632,872

	1 January 2017	Additions	Disposal	31 December 2017
Cost				
Furniture and Fixtures	2,538,369	856,574	(42,272)	3,352,671
Leasehold Improvements	1,112,513	220,232	-	1,332,745
Total	3,650,882	1,076,806	(42,272)	4,685,416
Accumulated Amortisation				
Demirbaş ve Tesisatlar	(1,501,002)	(709,357)	31,505	(2,178,854)
Leasehold Improvements	(567,637)	(247,309)	-	(814,946)
Total	(2,068,639)	(956,666)	31,505	(2,993,800)
Net Book Value	1,582,243			1,691,616

7. Investment Properties

As of 31 December 2018, the Company does not have any investment properties (31 December 2017: None).

8. Intangible Assets

	1 January 2018	Additions	31 December 2018
Cost			
Rights and Software	6,468,255	2,618,311	9,086,566
Total	6,468,255	2,618,311	9,086,566
Accumulated Amortisation			
Rights and Software	(3,909,240)	(1,577,412)	(5,486,652)
Total	(3,909,240)	(1,577,412)	(5,486,652)
Net Book Value	2,559,015		3,599,914

	1 January 2017	Additions	31 December 2017
Cost			
Rights and Software	4,263,173	2,205,082	6,468,255
Total	4,263,173	2,205,082	6,468,255
Accumulated Amortisation			
Rights and Software	(2,650,798)	(1,258,442)	(3,909,240)
Total	(2,650,798)	(1,258,442)	(3,909,240)
Net Book Value	1,612,375		2,559,015

9. Investments in Associates

The Company does not have any investments in associates accounted for using the equity accounting method. (31 December 2017: None).

10. Reinsurance Assets(Liabilities)

Reinsurance Income/(Expense)	31 December 2018	31 December 2017
Reinsurers' share of unearned premiums reserve (Note 17)	2,351,222	2,026,440
Reinsurers' share of outstanding claims provision (Note 17)	1,222,303	1,618,589
Reinsurers' share of mathematical reserve(Note 17)	392,868	197,371
Deferred commission Income (Note 17)	(8,630)	(5,834)

Reinsurance Income/(Expense)	1 January - 31 December 2018	1 January - 31 December 2017
Reinsurers' Share in Paid Claims(Note 17)	2,540,577	3,790,367
Reinsurers' Share of Change in Unearned Premium Reserve (Note 17)	324,782	1,081,062
Reinsurers' Share of change in Mathematical Reserve	195,497	123,988
Commission taken (gross)	233,163	53,900
Reinsurers' Share in Other Operating Expenses	37,250	38,264
Deferral of Commissions Received From Reinsurer	(2,796)	(576)
Reinsurers' Share of Change in Outstanding Claims Provision	(396,286)	(702,787)
Reinsurers' Share in Written Premium (Note 24)	(6,937,787)	(5,290,135)

11. Financial Assets

11.1 The Company's Financial Assets by Measurement Category

	31 December 2018	31 December 2017
Held to maturity financial assets		
Rent certificates	36,192,518	41,234,187
Financial assets held for trading		
Rent certificates	7,622,831	4,240,927
Investment funds	2,611,911	-
Total	46,427,260	45,475,114

The average maturity of the lease certificates in the portfolio of held-to-maturity financial assets in TRY and USD is 9 months for TRY papers, 84 months for USD papers, and the weighted average contribution rate is 19% for TRY papers and 11% for USD papers (31 December 2017: TRY papers have an average maturity of 18 months and an average contribution rate of 12.2%. details on blocked financial assets are provided in Note 43.

11.2 Marketable Securities Issued During the Year Other Than Share Certificates

None. (31 December 2017: None)

11.3 Debt Securities Issued During the Year

None. (31 December 2017: None)

11.4 Market Value of Marketable Securities and Financial Assets Carried at Cost and Carrying Value of Marketable Securities and Financial Assets Shown at Market Value

The Company is a pension company of the Emeklilik Gözetim Merkezi A.Ş. shares are carried at cost amounting to TRY 473,790 (31 December 2017: TRY 473,790) (Note 45.2)

Marketable Securities - 31 December 2018			
	Cost	Fair Value	Book Value
Rent Certificates			
Held to Maturity Financial Assets	34,217,525	35,958,260	36,192,518
Rent Certificates	7,200,588	7,622,831	7,622,831
Investment Funds	2,599,285	2,611,911	2,611,911
Total	44,017,398	46,193,002	46,427,260

Marketable Securities - 31 December 2017			
	Cost	Fair Value	Book Value
Rent Certificates			
Held to Maturity Financial Assets	39,857,990	40,014,182	41,234,187
Financial Assets Held for Trading	4,100,588	4,240,927	4,240,927
Total	43,958,578	44,255,109	45,475,114

11.5 Marketable Securities Under “Marketable Securities and Investment Securities” Account Group and Issued by the Company’s Shareholders, Investments or Subsidiaries and the Issuers

None. (31 December 2017: None)

11.6 Value Increase on Financial Assets in the Last Three Years

None. (31 December 2017: None)

11.7 - 11.9 Other Information About Financial Assets

	31 December 2018				
	0 - 6 Month	6 Mount - 1 Year	1 - 5 Year	More than 5 Year	Total
Rent Certificates					
Held to Maturity Financial Assets	19,652,262	3,726,320	10,704,771	2,109,165	36,192,518
Financial Assets Held Fortrading-Lease Certificates	6,911,927	-	710,904	-	7,622,831
Financial Assets Held Fortrading - Investment Funds	2,611,911	-	-	-	2,611,911
Total	29,176,100	3,726,320	11,415,675	2,109,165	46,427,260

	31 December 2017			
	1 - 6 Month	6 Mount - 1 Year	1 - 5 Year	Total
Rent Certificates				
Held to Maturity Financial Assets	20,202,418	1,530,749	19,501,020	41,234,187
Financial Assets Held Fortrading	-	-	4,240,927	4,240,927
Total	20,202,418	1,530,749	23,741,947	45,475,114

12. Loans and Receivables

12.1 Classification of the Receivables as Receivables From Main Customers, Receivables From Interested Parties, Receivables For the Advance Payment (Short-term and Long-term Prepayment) and the Others

	31 December 2018	31 December 2017
Receivables From Policyholders	2,878,805	2,590,638
Due From Private Pension operations (Note 47)(short term)	1,788,777	1,358,748
Due From Private Pension Operations (Long term)	1,545,973,781	1,049,223,595
Provision for Receivables From Insurance Operations	(1,029,005)	(879,870)
Provision for Receivables From Pension Operations	(86,135)	(47,412)
Receivables From Main Operations – Net	1,549,526,223	1,052,245,699

12.2 Due From / Due to Shareholders, Investments and Subsidiaries

Balances and transactions with the related parties are disclosed in Note 45.

12.3 Total Mortgages and Collateral Obtained for Receivables

None. (31 December 2017: None)

12.5 - 12.7 Other Information About Loans and Receivables

The aging of due from insurance operations is as follows:

	31 December 2018	31 December 2017
Overdue Receivables	2,407,245	2,219,499
Up to 3 Months	267,105	240,853
3-6 Months	145,324	108,395
6 Months - 1 Year	59,131	21,891
Total	2,878,805	2,590,638

Receivables from insured persons and agents whose maturity is past but not suspicious:

	31 December 2018	31 December 2017
Up to 3 Months	1,378,240	1,339,629
Total	1,378,240	1,339,629

Provision for doubtful receivables from main operating activities is as follows:

	2018	2017
Openning Balance - 1 January	879,870	916,956
Net change in current Period (Note 47.5)	149,135	(37,086)
Closing Balance - 31 December	1,029,005	879,870

13. Derivative Financial Instruments

None. (31 December 2017: None)

14. Cash and Cash Equivalents

Cash and cash equivalents details of the Company are as follows:

	31 December 2018	31 December 2017
Banks	44,557,489	16,675,267
Banka Guaranteed and Less Than Three months Credit Cards Receivables	13,543,407	10,529,654
Total	58,100,896	27,204,921

The details of bank deposits of the Company are as follows:

	31 December 2018	31 December 2017
Foreign Currency Deposits		
Time Deposits	4,856,396	1,726,854
Demand Deposits	422	-
Bank Deposits in TRY		
Time Deposits	37,293,756	12,383,020
Demand Deposits	2,406,915	2,565,393
Total	44,557,489	16,675,267

As of 31 December 2018, the Company has TRY 11,321,830 blocked time deposits in banks in favour of the Treasury and Finance Ministry (31 December 2017: None).

Foreign currency denominated bank deposits:

31 December 2018				
	Foreign Currency		TRY	
	Demand	Time	Demand	Time
USD	-	757,013	-	3,982,571
EURO	70	144,961	422	873,825
			422	4,856,396

31 December 2017				
	Foreign Currency		TRY	
	Demand	Time	Demand	Time
USD	-	340,241	-	1,283,355
EURO	-	98,217	-	443,499
			-	1,726,854

15. Share Capital

The movements of capital at the beginning and end of the period are as follows:

	1 January 2018		Addition		Disposal's		31 December 2018	
	Amount	Nominal TRY	Amount	Nominal TRY	Amount	Nominal TRY	Amount	Nominal TL
Paid in Capital	40,000,000	40,000,000	-	-	-	-	40,000,000	40,000,000
Total	40,000,000	40,000,000	-	-	-	-	40,000,000	40,000,000

	1 January 2017		Addition		Disposal's		31 December 2017	
	Amount	Nominal TRY	Amount	Nominal TRY	Amount	Nominal TRY	Amount	Nominal TL
Paid in Capital	40,000,000	40,000,000	-	-	-	-	40,000,000	40,000,000
Total	40,000,000	40,000,000	-	-	-	-	40,000,000	40,000,000

Legal Reserves

Retained earnings as per the statutory financial statements, other than legal reserve requirements, are available for distribution subject to the legal reserve requirement referred to below. The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code. The Turkish Commercial Code stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the Turkish Commercial Code, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. The company transferred the amount of TRY 410,381 from the previous year's profit to legal reserves by the decision of the General Assembly on 15 March 2018. The Company has legal reserves amounting to TRY 653.963 as of 31 December 2018 (31 December 2017: 243,312).

Special Funds (Reserves)

As explained in note 2.24, the company reserves additional reserve fund for future unforeseen risks as part of its participation insurance under Hybrid model. The fund is recognized under the "special funds (reserves)" account in the financial statements. In accordance with the Regulation on the Principles and Procedures of Fund Participation Insurance, this amount shall not be distributed as dividend to the shareholders/members of the company and shall not be taken into account in the distributable profit account. As of 31 December 2018, the company has an additional reserve fund amounting to TRY 2,637,020 (31 December 2017: none).

Other Profit Reserves

The details of actuarial loss / gain changes that are accounted for under the equity are as follows:

Actuarial Losses/(Gain)

	2018	2017
Opening Balance - 1 January	(46,946)	24,182
Change in Actuarial Losses	(21,658)	(71,128)
Closing balance - 31 December	(68,604)	(46,946)

16. Other Reserves and Equity Component of Discretionary Participation Feature

Information about other reserves classified under the equity is explained in Note 15.

17. Insurance Liabilities and Reinsurance Assets

17.1 Guarantees to be provided and guarantees provided for life and non-life branches

	31 December 2018	31 December 2017
Required Guarantee Amount for Life Branches (*)	24,554,899	16,861,132
Guarantee Amount Provided for Life Branches (Note 43)	22,817,626	13,591,765
Required Guarantee Amount For non-Life Branches (*)	1,833,537	1,852,041
Guarantee Amount Provided For non-Life Branches (Note 43)	1,687,620	1,818,064

(*) Under the article 4 of the “The Communiqué on the Financial Structure of Insurance, Reinsurance and Pension Companies”, published in accordance with the Insurance Law, in the Official Gazette dated 7 August 2007 and numbered 26606, the insurance companies and private pension companies operating in life and personal accident branches are required to provide guarantees that equal to one third of required capital amount as determined by capital adequacy calculation, as Minimum Guarantee Fund, in each capital adequacy calculation period. The Company completed life and non-life shortage of blockage on February 28, 2019.

17.2 Number of Life Policies, the Number and Mathematical Reserve Amount of the Life Policies That Enter and Exit During the Year and Current Status

	2018		2017	
	Number of Policies	Mathematical Reserve	Number of Policies	Mathematical Reserve
Opening Balance -1 January	68,364	14,347,840	50,698	8,773,354
Written Premiums at the Period	22,403	9,253,578	29,080	6,869,871
Portfolio Exchange (Decrease)	-	(697,048)	-	-
Disposals	(15,625)	(1,202,381)	(11,414)	(1,098,014)
Mathematical Provisions, Ceded		(392,868)		(197,371)
Closing balance - 31 December	75,142	21,309,121	68,364	14,347,840

17.3 Insurance Guarantees Given for non-life Branches

	31 December 2018	31 December 2017
Life	13,226,503,351	12,739,572,932
Personel Accident	11,156,631,125	7,026,142,221
	24,383,134,476	19,765,715,153

17.4 Unit Prices of Pension Funds and Savings Founded by the Company

	Unit Prices	Unit Prices
Pension Investment Funds	31 December 2018	31 December 2017
(KEB) Alternatif Standart Eyf	0.014939	0.013085
(KEA) Alternatif Katkı Eyf	0.014807	0.013210
(KEA) Alternatif Katkı Eyf	0.015302	0.013469
(KEF) Alternatif Altın Ayf	0.024078	0.017513
(KEK) Grup Alternatif Altın Esnek Eyf	0.016592	0.014304
(KEH) Büyüme Amaçlı Alternatif Hisse Eyf	0.013476	0.015459
(KEY) Başlangıç Fonu	0.012981	0.011029
(KES) Alternatif İkinci Esnek Eyf	0.018170	0.013221
(KET) Oks Atak Fon EYF	0.011408	-
(KEZ) Oks Agresif Fon EYF	0.010647	-
(KTZ) Oks Standart Fon EYF	0.011485	-
(KKS) Kamu Kira Sertifikaları EYF	0.010387	-

17.5 Units and Amounts of Share Certificates in Portfolio and in Circulation

	31 December 2018	
	Circulating Numberof Share	Amount in TRY
(KEB) Alternatif Standart Eyf	37,222,105,705	556,061,037
(KEA) Alternatif Katkı Eyf	16,666,831,885	246,785,780
(KEF) Alternatif Altın Ayf	8,673,737,209	208,846,245
(KEG) Alternatif Esnek Eyf	10,097,111,514	154,506,000
(KEK) Grup Alternatif Altın Esnek Eyf	6,260,332,583	103,871,438
(KEH) Büyüme Amaçlı Alternatif Hisse Eyf	6,394,448,157	86,171,583
(KTZ) Oks Standart Fon EYF	7,197,960,337	82,668,574
(KES) Alternatif İkinci Esnek Eyf	3,754,806,951	68,224,842
(KEY) Başlangıç Fonu	2,667,034,305	34,620,772
(KKS) Kamu Kira Sertifikaları EYF	273,122,108	2,836,919
(KET) Oks Atak Fon EYF	65,341,136	745,412
(KEZ) Oks Agresif Fon EYF	59,657,887	635,179
Total	99,332,489,777	1,545,973,781

	31 December 2017	
	Circulating Numberof Share	Amount in TRY
(KEB) Alternatif Standart Eyf	33,131,615,895	433,527,194
(KEA) Alternatif Katkı Eyf	12,767,865,086	168,663,498
(KEG) Alternatif Esnek Eyf	8,301,802,526	111,816,978
(KEF) Alternatif Altın Ayf	5,598,094,836	98,039,435
(KEK) Grup Alternatif Altın Esnek Eyf	5,448,371,839	77,933,511
(KEH) Büyüme Amaçlı Alternatif Hisse Eyf	4,708,472,249	72,788,272
(KEY) Başlangıç Fonu	5,040,971,435	55,596,874
(KES) Alternatif İkinci Esnek Eyf	2,334,001,440	30,857,833
Total	77,331,195,306	1,049,223,595

17.6 Numbers and Portfolio Amounts of the Individual and Group Pension Funds' Participants Entered, Left, Cancelled During the Period and the Current Participants

1 Ocak - 31 December 2018						
	Addition in the Period		Reserved in the Period		Amount	
	Number of	TRY	Number of	TRY	Number of	TRY
Individual	93,185	481,626,754	33,016	140,438,724	222,879	1,062,979,771
Group	298,440	268,004,644	217,823	112,442,488	314,417	482,994,010
Total	391,625	749,631,398	250,839	252,881,212	537,296	1,545,973,781

1 Ocak - 31 December 2017						
	Addition in the Period		Reserved in the Period		Amount	
	Number of	TRY	Number of	TRY	Number of	TRY
Individual	73,396	82,820,626	20,361	63,681,375	162,738	721,791,741
Group	342,863	89,146,431	197,692	50,718,532	233,772	327,431,854
Total	416,259	171,967,057	218,053	114,399,907	396,510	1,049,223,595

17.7 Valuation Methods of Profit Share Calculation For Life Insurance

None. (31 December 2017: None)

17.8 Number of Units and Individual/Group Allocation of Gross/Net Contribution Amounts of the Private Pension Fund Participants Attendant at the Company During the Period

	1 January 2018 - 31 December 2018			1 January 2017 - 31 December 2017		
	Number of Policies	Gross Contribution Amount	Net Contribution Amount	Number of Policies	Gross Contribution Amount	Net Contribution Amount
Individual	93,185	90,082,977	90,082,977	73,396	87,599,756	87,599,757
Group	298,440	64,181,245	64,179,368	342,863	86,792,490	86,789,77
Total	391,625	154,264,222	154,262,345	416,259	174,392,246	174,389,532

17.9 Number of Units and Individual/Group Allocation of Gross/net Contribution Amounts of the Private Pension Fund Participants Transferred From Another Company During the Period

	1 January 2018 - 31 December 2018			1 January 2017 - 31 December 2017		
	Number of Policies	Gross Contribution Amount	Net Contribution Amount	Number of Policies	Gross Contribution Amount	Net Contribution Amount
Individual	2,225	30,434,373	30,434,373	3,015	31,833,980	31,833,980
Group	16,156	4,692,474	4,692,474	3,762	1,701,809	1,071,809
Total	18,381	35,126,847	35,126,847	6,777	33,535,789	32,905,789

17.10 Number of Units and Individual/Group Allocation of Gross/Net Contribution Amounts of the Private Pension fund Participants Transferred From the Life Insurance Portfolio to the Private Pension Fund Portfolio During the Period

None. (1 January - 31 December 2017)

17.11 Number of Units and Individual/Group Allocation of Gross/Net Contribution Amounts of the Private Pension Fund Participants That Left the Company and Transferred to Another Company or That Left the Company But Did Not Transfer to Another Company

	1 January 2018 - 31 December 2018			1 January 2017 - 31 December 2017		
	Number of Policies	Gross Contribution Amount	Net Contribution Amount	Number of Policies	Gross Contribution Amount	Net Contribution Amount
Individual	33,016	118,255,491	111,015,479	20,361	53,444,866	50,204,095
Group	217,823	99,946,650	97,544,388	197,692	49,722,378	48,605,131
Total	250,839	218,202,141	208,559,867	218,053	103,167,244	98,809,226

17.12 Number of units, Gross/Net Premiums and Individual/Group Allocation for Life Policy Holders That Joined the Portfolio During the Period

	1 January 2018 - 31 December 2018			1 January 2017 - 31 December 2017		
	Number of Policies	Gross Contribution Amount	Net Contribution Amount	Number of Policies	Gross Contribution Amount	Net Contribution Amount
Individual	13,176	14,525,340	14,525,340	42,422	15,980,862	15,980,862
Group	30,718	30,048,775	30,048,775	59,302	30,764,150	30,764,150
Total	43,894	44,574,115	44,574,115	101,724	46,745,012	46,745,012

17.13 Individual and Group Distribution of the Gross and Net Premium Amounts of Life Insurers Leaving the Portfolio During the Period

	1 January 2018 - 31 December 2018			1 January 2017 - 31 December 2017		
	Number of Policies	Gross Contribution Amount	Net Contribution Amount	Number of Policies	Gross Contribution Amount	Net Contribution Amount
Individual	3,480	1,566,045	1,566,045	8,078	1,570,245	1,570,245
Group	12,729	456,052	456,052	14,572	441,639	441,639
Total	16,209	2,022,097	2,022,097	22,650	2,011,884	2,011,884

17.14 Profit Share Allocation Rate to the Life Policyholders

None. (1 January - 31 December 2017)

17.15 - 17.19 Other Required Information About Liabilities From Insurance Agreements

Outstanding Claims Provision

2018			
	Gross	Reinsurers' Share	Net
Opening Balance - 1 January	3,892,920	(1,618,589)	2,274,331
Paid Claims	(6,410,425)	2,540,577	(3,869,848)
Current Period Outstanding Claims	4,900,108	(1,860,020)	3,040,088
Closing Balance - 31 December	2,382,603	(938,032)	1,444,571
Claims Incurred But Not Reported	1,917,946	(284,271)	1,633,675
Total	4,300,549	(1,222,303)	3,078,246

2017			
	Gross	Reinsurers' Share	Net
Opening Balance - 1 January	2,712,050	(2,169,592)	542,458
Paid Claims	(7,502,816)	3,790,367	(3,712,449)
Current Period Outstanding Claims	7,113,847	(3,028,815)	4,085,032
Closing Balance - 31 December	2,323,081	(1,408,040)	915,041
Claims Incurred But Not Reported	1,569,839	(210,549)	1,359,290
Total	3,892,920	(1,618,589)	2,274,331

Unearned Premium Reserve

2018			
	Gross	Reinsurers' Share	Net
Opening Balance - 1 January	7,357,072	(2,026,440)	5,330,632
Net Change	842,957	(324,782)	518,175
Closing Balance - 31 December	8,200,029	(2,351,222)	5,848,807

2017			
	Gross	Reinsurers' Share	Net
Opening Balance - 1 January	4,430,160	(945,378)	3,484,782
Net Change	2,926,912	(1,081,062)	1,845,850
Closing Balance - 31 December	7,357,072	(2,026,440)	5,330,632

As of 31 December 2017, deferred commission expense and deferred commission income are TRY 2,249,362 (31 December 2017: 1,993,250) and TRY 8,630 (31 December 2017: TRY 5,834) and recorded under “Deferred Commission Income” and “Deferred Acquisition Cost” accounts on the balance sheet, respectively.

Equalisation Reserve

2018						
	Life			Non Life		
	Gross	Reinsurers' Share	Net	Gross	Reinsurers' Share	Net
Opening Balance - 1 January	925,690	-	925,690	59,144	-	59,144
Net Change	448,290		448,290	34,002	-	34,002
Closing Balance - 31 December	1,373,980	-	1,373,980	93,146	-	93,146

2017						
	Life			Non Life		
	Gross	Reinsurers' Share	Net	Gross	Reinsurers' Share	Net
Opening Balance - 1 January	526,974	-	526,974	31,740	-	31,740
Net Change	398,716	-	398,716	27,404	-	27,404
Closing Balance - 31 December	925,690	-	925,690	59,144	-	59,144

Bonus Provision

2018			
	Gross	Reinsurers' Share	Net
Opening Balance - 1 January	2,614,589	-	2,614,589
Net Change	5,108,251	-	5,108,251
Closing Balance - 31 December	7,722,840	-	7,722,840

2017			
	Gross	Reinsurers' Share	Net
Opening Balance - 1 January	247,338	-	247,338
Net Change	2,367,251	-	2,367,251
Closing Balance - 31 December	2,614,589	-	2,614,589

Life Mathematical Reserves

	Mathematical Reserves - 2018	Mathematical Reserves - 2017
Opening Balance - 1 January	14,347,840	8,773,354
New Written Policies and Capital Increased Insurance	9,253,578	6,796,487
Total Increase in Portfolio	23,601,418	15,569,841
Surrender Value (-)	(953,067)	(859,930)
Rescissions and Cancellations	(241,726)	(155,028)
Expiration of Risk	(7,588)	(9,672)
Change in Portfolio	(697,048)	-
Total Decrease in Portfolio	(1,899,429)	(1,024,630)
Gross Mathematical Reserves	21,701,989	14,545,211
Mathematical Provisions, ceded	(392,868)	(197,371)
Closing Balance - 31 December	21,309,121	14,347,840

18. Investment Contract Liabilities

None. (31 December 2017: None)

19. Trade and Other Payables, Deferred Income

	31 December 2018	31 December 2017
Payables From Private Pension Operations (Note 47.1)	22,714,716	16,045,978
Miscellaneous Payables of Main Operations	201,962	-
Payables to Policyholders and Agencies	2,302,758	1,810,233
Debt of Commissions	27,306	-
Deferred Commission income (Note 17)	8,630	5,834
Total Short Term Payables	25,255,372	17,862,045
Other Payables (Note 47.1)	2,881,484	1,635,003
Discount on Other Miscellaneous Payables (-) (47.1)	(22,361)	(3,093)
Total Other Payables	2,859,123	1,631,910
Payables From Private Pension Operations	1,545,973,781	1,049,223,595
Total Long Term Payables	1,545,973,781	1,049,223,595
Total Trade and Other Payables, Deferred Income	1,574,088,276	1,068,717,550

20. Borrowings

None. (31 December 2017: None)

21. Deferred Income Tax

The Company calculates the deferred income tax assets and liabilities based on the temporary differences arising between these financial statements and the Tax Procedural Code. Deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in coming years under the liability method. As of 1 January 2018, the tax rate changed from 22% to 3 years, and as of 31 December 2017, it was 22% for the temporary differences expected to be realized / closed within the first 3 years (2018, 2019 and 2020); As of 2020, since the corporate tax rate will be 20%, 20% tax rate is used for the current differences expected to be realized / closed after 2020.

	Cumulative Temporary Differences		Deferred Tax Assets/(Liabilities)	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Deferred Tax Assets				
Bonus Provision	7,722,840	2,614,589	1,699,025	522,918
Provisions For personnel Bonus	1,800,000	1,094,190	396,000	240,722
Provision for Sales Campaign	2,000,000	1,400,000	440,000	308,000
Equalization Provision	1,467,126	984,834	293,425	196,967
Provisions for Doubtful Receivables	1,144,572	927,282	251,806	204,002
Provisions for Annual Leave	631,913	481,337	139,021	105,894
Provision for Employee Sale Bonus	591,607	235,586	130,153	51,829
Provision for Employee Termination Benefits	304,714	203,876	60,943	40,775
Other Provisions	233,322	275,811	51,331	58,900
	15,896,094	8,217,505	3,461,704	1,730,007
Deferred Tax Liabilities				
Tangible and Intangible Assets	(1,691,727)	(1,081,215)	(372,180)	(216,243)
Tax Capitalization for Tangible Assets	(1,913,199)	-	(420,904)	-
	(3,604,926)	(1,081,215)	(793,084)	(216,243)
Deferred Tax Provision (*)			2,668,620	1,513,764

When calculating the deferred tax liabilities for the use of taxable temporary differences, deferred tax assets, current taxable profit taxes, taxes subject to taxation are calculated to be highly probable that they may benefit from these differences. As explained in Note 2.18, the Company obtains taxable profit and recognized deferred tax since it is probable that it will be at maturity.

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

	2018	2017
Opening Balance - 1 January	1,513,764	3,206,094
Deferred Income Tax (Note 35)	1,149,442	(1,710,112)
Tax Effects of Actuarial Gains/Losses Accounted Under Equity (Note 15)	5,414	17,782
Closing balance - 31 December	2,668,620	1,513,764

22. Retirement Benefit Obligations

	31 December 2018	31 December 2017
Provision for employment termination benefits	304,714	203,876
Total	304,714	203,876

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years(20 for women) of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary for each year of service and this amount is limited to amount of TRY 5,434.42 according to the determination of the Government as of 31 December 2018 (31 December 2017: TRY 4,732.48).

The liability is not funded, as there is no any legally funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the employees in case of retirement.

IAS 19 Turkish Accounting Standards on the employee Benefits are required to use actuarial valuation in calculation of provision for employee termination benefit.

	31 December 2018	31 December 2017
Discount Rate (%)	4.69	4.23
Turnover Rate to Estimate the Probability of Retirement (%)	89.37	88.74

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TRY 6,017.60 effective from 1 January 2019 (1 January 2018: TRY 5,001.76) has been taken into consideration in calculating the provision for employment termination benefits of the Company.

Movement in the provision for employment termination benefits in the current period is as follows:

	2018	2017
Opening Balance -1 January	203,876	100,424
Service Cost	141,746	45,061
Cost of Dividend	23,359	13,216
Paid During the Period	(91,340)	(43,735)
Actuarial Loss / (Gain)	27,073	88,910
Closing balance - 31 December	304,714	203,876

23. Provisions for Other Liabilities and Charges

The details of the provisions classified in the balance sheet for cost expenses are as follows:

	31 December 2018	31 December 2017
Provision for Sales Campaign	2,000,000	1,400,000
Provision for Sales Personnel Premium	1,800,000	1,094,190
Provision for Unused Vacation	631,913	481,337
Provision for Personnel Gestion Premium	591,607	235,586
Provisions for Consultancy Expense	32,031	30,940
Other	129,767	54,000
Total	5,185,318	3,296,053

24. Net Insurance Premium Revenue

	1 January - 31 December 2018			1 January - 31 December 2017		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Life	42,552,022	(4,188,370)	38,363,652	38,813,037	(3,935,247)	34,877,790
Personal Accident	7,863,910	(2,200,519)	5,663,391	5,920,090	(1,354,888)	4,565,202
Health	1,406,590	(548,898)	857,692	-	-	-
Total	51,822,522	(6,937,787)	44,884,735	44,733,127	(5,290,135)	39,442,992

25. Fee Income

For the period 1 January - 31 December 2018, the Company generated entrance fee income amounting to TRY 5,204,475 (1 January - 31 December 2017: TRY 2,809,015).

26. Investment Income

The details of the investment income are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Lease certificates realized incomes	6,225,909	3,075,311
Income from profit on participants account	3,176,296	506,665
Lease certificates revaluation incomes	1,444,614	1,415,501
Income from revaluation of participants account	1,199,911	338,877
Investment funds realized incomes	170,779	-
Investment funds revaluation incomes	12,626	-
Investment funds sales income	2,083	3,402
Total	12,232,218	5,339,756

27. Net Realised Gains on Financial Assets

None. (31 December 2017: None)

28. Net Fair Value Gains on Assets at Fair Value Through Income

None. (31 December 2017: None)

29. Insurance Benefits and Claims

Disclosed in Note 17.

30. Investment Contract Benefits

None. (31 December 2017: None)

31. Other Expenses by Destination

	1 January - 31 December 2018	1 January - 31 December 2017
Operating expenses classified under technical part		
Pension	29,436,599	25,734,221
Life	20,354,617	12,212,553
Non Life	5,042,768	2,717,798
Total (Note 32)	54,833,984	40,664,572

32. Expenses by Nature

	1 January - 31 December 2018	1 January - 31 December 2017
Commission Expenses	18,026,552	14,728,946
Personnel Expenses (Note 33)	16,927,084	12,408,597
Outsourced Service Expenses	4,870,371	3,302,050
Promotion and Marketing Expenses	4,682,677	2,206,035
Rent Expenses	2,716,871	1,725,919
IT Expenses	2,105,725	395,413
Communication Expenses	1,559,373	1,437,458
Tax Expenses	1,316,515	1,013,943
Consultancy Expenses	595,693	356,055
Education Expenses	380,445	307,990
Fee Expenses	149,898	126,348
Other	1,502,780	2,655,818
Total (Note 31)	54,833,984	40,664,572

33. Employee Benefit Expenses

	1 January - 31 December 2018	1 January - 31 December 2017
Salary Payments	12,288,558	9,250,997
Employer Share of Social Security Premium	1,727,121	1,269,245
Sales Personnel Premium	1,115,817	622,834
Life and Health Insurance	635,546	358,967
Food Expenses	589,113	478,008
Other	570,929	428,546
Total (Note 32)	16,927,084	12,408,597

Total amount of the salaries and the benefits provided to top management such as the chairman and the members of the board of directors, general manager, general coordinator, assistant general managers and other executive management in the current period are disclosed in Note 1.6.

34. Finance Costs

None. (31 December 2017: None)

35. Income Taxes

The Company's activities are subject to the tax legislation and practices in force in Turkey.

In Turkey, the corporation tax rate is 20%. However, with the Article 91 of the Law No. 7061 on the Official Gazette No. 30261 dated December 5, 2017, the Corporate Tax rate was set at 22% for the corporate income of the taxation periods of 2018, 2019 and 2020, and the Corporate Tax Law no. Article added. Corporate tax returns are required to be filed until the twenty-fifth day of the fourth month following the balance sheet date and paid in one installment until the end of the related month. The tax legislation provides for a temporary tax of 22% (31 December 2017: 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus paid are deducted from the tax calculated on the annual income.

The deferred tax expense shown in the financial statements is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Deffered Tax		
Arising from Origination (+) / Reversal (-) of Taxable Temporary Differences	1,149,442	(1,710,112)
Total Tax Income / (Expense) in the Income Statement	1,149,442	(1,710,112)

	31 December 2018	31 December 2017
Provision Taxes (-)	(5,301,858)	(542,180)
Prepaid Taxes	4,106,989	97,257
Net Tax Payables (-)	(1,194,869)	(444,923)

The reconciliation of the income tax for the period between 1 January -31 December 2018 and 2017 for the income tax calculated on the tax pre-tax income tax calculated by using the statutory tax rate and the effective tax rate is detailed in the following table:

	1 January - 31 December 2018	1 January - 31 December 2017
Pre-tax Profit	18,649,836	10,459,919
Tax Calculated	(4,102,964)	(2,091,984)
Effect of Disallowable Expenses	(37,981)	(264,068)
Change Effect of Corporate Tax Rate (Note 2.18)	-	86,506
Other	(11,471)	17,254
Current Period Tax Income / (Loss)	(4,152,416)	(2,252,292)

36. Net Foreign Exchange Gains

None. (31 December 2017: None)

37. Earnings Per Share

The amount of loss per share is calculated by dividing the net period loss by the number of shares of the Company within the period.

	1 January - 31 December 2018	1 January - 31 December 2017
Net Profit	14,497,420	8,207,627
Avarage of 1 TRY Nominal Value Shares	40,000,000	40,000,000
Earning Per Share (Kr)	36.24	20.52

38. Dividends per Share

None. (31 December 2017: None)

39. Cash Generated from Operations

Disclosed in the statement of cash flows

40. Convertible Bond

None. (31 December 2017: None)

41. Redeemable Preference Shares

None. (31 December 2017: None)

42. Contingencies

As of December 31, 2018, the amount of the liability that would arise if the Company had three defendants (including the profit share and other expenses) resulted in the loss of TRY 1,002,352 (31 December 2017: TRY 204,136). These lawsuits are accounted for in the outstanding claims provision account.

43. Commitments

The details of the blockage on the assets are as follows

	31 December 2018	31 December 2017
Lease Certificates	13,183,416	15,409,829
Bank Deposits (Notes 2.12 ve 14)	11,321,830	-
Total	24,505,246	15,409,829
Letters of Guarantee	55,000	55,000
Total	55,000	55,000

As of 31 December 2018, the company's minimum rent payment amount as part of operational leasing is TRY 8,923,943.

44. Business Combinations

None. (31 December 2017: None)

45. Related-Party Transactions

Total amount of remunerations and similar benefits provided to top executives such as the chairman and members of the board of directors, general manager and assistant general managers in the current period is explained in Note 1.6.

a) Payables Arising from Insurance Operations

	31 December 2018	31 December 2017
Kuveyt Türk Katılım Bankası A.Ş.	1,232,598	888,073
Albaraka Türk Katılım Bankası A.Ş.	764,240	536,142
Total	1,996,838	1,424,215

b) Premiums written

	1 January - 31 December 2018	1 January - 31 December 2017
Albaraka Türk Katılım Bankası A.Ş.	383,657	301,280
Kuveyt Türk Katılım Bankası A.Ş.	105,329	111,633
Total	488,986	412,913

c) Paid Commissions, gross

	1 January - 31 December 2018	1 January - 31 December 2017
Kuveyt Türk Katılım Bankası A.Ş.	12,858,877	10,140,896
Albaraka Türk Katılım Bankası A.Ş.	5,617,528	5,387,785
Total	18,476,405	15,528,681

45.1 Doubtful receivables from shareholders, associates and subsidiaries

(31 December 2017 : None)

45.2 Breakdown of associates and subsidiaries having an indirect shareholding and management relationship with the Company; names, participation rates and amounts of associates and subsidiaries; profit/loss and net profit/loss in the latest financial statements, the period of these financial statements, whether these financial statements are prepared in accordance with the accounting principles and standards as set out in the insurance legislation, whether they are independently audited and the opinion type of the independent audit report:

31 December 2018									
	%	Carrying Value	Cost	Independent Audit Opinion	Current Period	Total Asset	Total Liability	Total Sales	Net profit (Loss)
Emeklilik Gözetim Merkezi A.Ş.	5.56	473,790	473,790	-	31 Aralık 2018	14,952,987	6,408,517	17,491,831	662,222

31 December 2017									
	%	Carrying Value	Cost	Independent Audit Opinion	Current Period	Total Asset	Total Liability	Total Sales	Net profit (Loss)
Emeklilik Gözetim Merkezi A.Ş.	5.56	473,790	473,790	-	31 Aralık 2017	11,248,720	3,375,435	12,950,738	576,949

45.3 Bonus Shares Obtained Through Internally Funded Capital Increases of Equity Investments and Subsidiaries

None. (31 December 2017: None)

45.4 Rights on Immovable and Their Value

None. (31 December 2017: None)

45.5 Guarantees, Commitments and Securities Given for Shareholders, Investments and Subsidiaries

None. (31 December 2017: None)

46. Events After the Balance Sheet Date

None.

47. Other

47.1 Details of “Other” Items in the Balance Sheet Which Exceed 20% of its Respective Account Group or 5% of Total Assets

a) Receivables From Pension Operations

	31 December 2018	31 December 2017
Fund Management Receivables	1,618,452	1,238,415
Receivables From Participants	170,325	120,333
Provision for Entry Fee	(86,135)	(47,412)
Total	1,702,642	1,311,336

b) Other Current Prepaid Expenses and Income Accruals

	31 December 2018	31 December 2017
Computer Maintenance Expense Accruals	731,637	497,351
Insurance Expenses	66,542	19,292
Other	135,053	10,202
Total	933,232	526,845

c) Other Non Current Prepaid Expenses and Income Accruals

	31 December 2018	31 December 2017
Computer Maintenance Expense Accruals	94,014	30,196
Subscription Expenses	729	-
Total	94,743	30,196

d) Payables From Pension Operations

	31 December 2018	31 December 2017
Payables to Participants – Temporary Account	21,057,825	15,241,170
Payments to Participants	593,559	-
Payables to Pension Funds Intermediaries	987,198	575,277
Participants Cancellation Accounts	40,352	58,258
Other	35,782	171,273
Total	22,714,716	16,045,978

e) Payables from Other Operations

	31 December 2018	31 December 2017
Payables to Policyholders	201,962	-
Total	201,962	-

f) Other Miscellaneous Payables

	31 December 2018	31 December 2017
Payables to Suppliers	2,881,484	1,635,003
Discount on Other Miscellaneous Payables (-)	(22,361)	(3,093)
Total	2,859,123	1,631,910

g) Other Technical Provisions – Short and Long Term

	31 December 2018	31 December 2017
Provision for Share of Surrender Expenses – Short Term	49,363	-
Equalization Provision – Long Term	1,467,126	984,834
Total	1,516,489	984,834

a) Other Expenses and Losses

	1 January - 31 December 2018	1 January - 31 December 2017
Expenses Taxes	505,450	204,994
Non-Deductible Expenses	70,740	10,381
Other Expenses	48,905	10,486
Total	625,095	225,861

47.2 “Due From and Due to Personnel Classified in “Other Receivables” and “Other Short-Term or Long-Term Payables” That Exceed 1% of Total Assets

None. (31 December 2017: None).

47.3 Income and Expenses Related to Prior Periods and the Amounts

None. (31 December 2017: None).

47.4 Claim Recovery Receivables Followed Under Off-Balance Sheet Items

None. (31 December 2017: None).

47.5 Other Information Required by Ministry of Treasury and Finance to be Presented

Provision (Income)/Expenses for the Period

	1 January - 31 December 2018	1 January - 31 December 2017
Provisions for Personnel Premium (Note 23)	705,810	875,761
Provisions for sales Campaign (Note 23)	600,000	294,491
Provisions for Sales Premiums (Note 23)	356,021	41,534
Provision for Annual Leave (Note 23)	150,576	196,399
Provision for Premium Receivables (Note 12)	149,135	(37,086)
Provision for Employment Termination Benefit	73,765	58,277
Provision for Receivables From Pension Operations (Note 47.1)	38,723	(9,784)
Other	4,330	667,406
Total	2,078,360	2,086,998

	Note	Current Period	Prior Period
I. DISTRIBUTION OF PROFIT FOR THE PERIOD		-	-
1.1. PROFIT FOR THE PERIOD		-	-
1.2. TAXES PAYABLE AND LEGAL LIABILITIES		-	-
1.2.1. Corporate Tax (Income Tax)		-	-
1.2.2. Income Tax Deduction		-	-
1.2.3. Other Taxes And Legal Liabilities		-	-
A NET PROFIT FOR THE PERIOD (1.1 -1.2)		-	-
1.3. PREVIOUS YEARS' LOSSES (-)		-	-
1.4. FIRST LEGAL RESERVE		-	-
1.5. COMPULSORY LEGAL FUNDS TO BE RETAINED IN THE COMPANY (-)		-	-
B. NET PROFIT FOR THE PERIOD AVAILABLE FOR DISTRIBUTION [(A -(1.3+1.4+1.5))		-	-
1.6. FIRST DIVIDENDS TO SHAREHOLDERS (-)		-	-
1.6.1. To Holders of Ordinary Shares		-	-
1.6.2. To Holders of Preferred Shares		-	-
1.6.3. To Holders Of Participating Redeemed Shares		-	-
1.6.4. To Holders of Bonds Participating to Profit		-	-
1.6.5. To Holders of Profit and Loss Sharing Certificates		-	-
1.7. DIVIDENDS TO PERSONNEL (-)		-	-
1.8. DIVIDENDS TO FOUNDERS (-)		-	-
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.10. SECOND DIVIDENDS TO SHAREHOLDERS (-)		-	-
1.10.1. To Holders of Ordinary Shares		-	-
1.10.2. To Holders of Preferred Shares		-	-
1.10.3. To Holders Of Participating Redeemed Shares		-	-
1.10.4. To Holders of Bonds Participating to Profit		-	-
1.10.5. To Holders of Profit and Loss Sharing Certificates		-	-
1.11. SECOND LEGAL RESERVE (-)-		-	-

	Note	Current Period	Prior Period
1.12. STATUTORY RESERVES (-)		-	-
1.13. EXTRAORDINARY RESERVES		-	-
1.14. OTHER RESERVES		-	-
1.15. SPECIAL FUNDS		-	-
II. DISTRIBUTION FROM RESERVES		-	-
2.1. DISTRIBUTED RESERVES		-	-
2.2. SECOND LEGAL RESERVE (-)		-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1. To Holders of Ordinary Shares		-	-
2.3.2. To Holders of Preferred Shares		-	-
2.3.3. To Holders Of Participating Redeemed Shares		-	-
2.3.4. To Holders of Bonds Participating to Profit		-	-
2.3.5. To Holders of Profit and Loss Sharing Certificates		-	-
2.4. DIVIDENDS TO EMPLOYEES (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III. PROFIT PER SHARE		-	-
3.1. TO OWNERS OF ORDINARY SHARES		-	-
3.2. TO OWNERS OF ORDINARY SHARES (%)		-	-
3.3. TO OWNERS OF PREFERRED SHARES		-	-
3.4. TO OWNERS OF PREFERRED SHARES (%)		-	-
IV. DIVIDENDS PER SHARE		-	-
4.1. OWNERS OF ORDINARY SHARES		-	-
4.2. TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3. TO OWNERS OF PREFERRED SHARES		-	-
4.4. TO OWNERS OF PREFERRED SHARES (%)		-	-

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

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