

ANNUAL REPORT

2018



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INTRODUCTION

CONTACT INFORMATION

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“Summarized Financial Information”

By the end of 2018, total assets of Cigna Finans Emeklilik ve Hayat A.Ş. increased by 8%, reaching TRY 1,359 million, while its shareholders' equity reached TRY 166 million. On the other hand, its pre-tax profits increased by 80% to TRY 127.3 million and its after-tax profits increased by 77% to TRY 97.4 million.

Shareholders' Equity (million TRY)



Premium Generation (million TRY)



Total Assets (million TRY)



Number of Insurance Policies



Net Profit (million TRY)



Underwriting Profit (million TRY)



Financial Indicators TRY	2018	2017	Change (TRY)	Change (%)
Individual Pension System (IPS) Contribution*	245.845.563	216.530.098	29.315.465	%13,54
IPS Total Fund Size **	811.796.218	799.151.144	12.645.074	%1,58
Premiums Collected	494.175.782	482.469.511	11.706.270	%2,43
Indemnities Paid	90.650.049	94.877.498	(4.227.448)	(%4,46)
Overhead Expenses***	104.302.153	99.968.366	4.333.787	%4,34
Underwriting Profit / Loss	87.236.474	50.374.988	36.861.486	%73,17
Investment Income	69.177.910	36.654.910	32.523.000	%88,73
Investment Costs	(18.445.143)	(10.118.775)	(8.326.368)	%82,29
Net Profit / Loss	97.394.915	55.138.712	42.256.203	%76,64

(*) IPS Contribution also includes the pending amounts that are blocked on credit cards.
(**) State contribution is included.

(***) Overhead expenses consist of total operating expenses, excluding deferred commission expenses and deferred commission income, production commission net expenses and reinsurance commission income, respectively.

Consequently, the Company closed its twelfth fiscal year with a net profit of TRY 97 million.

Historical Development of the Company and Amendments Made to the Articles of Association (if any) in the Fiscal Year and Reasons for Such Amendments

The establishment of Finans Emeklilik ve Hayat A.Ş. was initiated in the early 2007, and necessary preparations and feasibility works were completed, followed by the filing of an application to the Republic of Turkey Prime Ministry Undersecretariat of Treasury on April 20, 2007 for the establishment license. Accordingly, the Company was granted the establishment license on May 9, 2007 upon the assessments made by the Republic of Turkey Prime Ministry Undersecretariat of Treasury in accordance with the Insurance Law No. 5684, and the Individual Pension Savings and Investment System Law No. 4632 and the applicable regulations. Following the establishment efforts of the company, Finans Emeklilik ve Hayat A.Ş. was established on July 4, 2007 to exist and operate in life insurance, accident insurance and individual pension.

Finans Emeklilik ve Hayat A.Ş. filed an application on August 20, 2007 to obtain the operating license regarding life insurance and accident insurance, where the company was granted the operating license in these fields on November 21, 2007 upon the assessments made by the Republic of Turkey Prime Ministry Undersecretariat of Treasury. The Company started to operate in life and accident insurance on November 27, 2007.

Finans Emeklilik ve Hayat A.Ş. filed an application to the Republic of Turkey Prime Ministry Undersecretariat of Treasury on December 17, 2007 to obtain the operating license regarding individual pension after completing the required preparations. After the required inspections and audits for the operating license were carried out by the Capital Markets Board and the Pension

Monitoring Centre, the Company obtained the operating license regarding individual pension on April 11, 2008 and issued its first individual pension contract on November 30, 2008.

The Company obtained a license to carry out insurance activities in “capital redemption, marriage / maternity and investment fund insurances” branches by the decree no. B.02.1.HZN.0.10.04.01 dated October 26, 2019 of the Republic of Turkey Prime Ministry Undersecretariat of Treasury. The relevant decree was published in the Turkish Trade Registry Gazette No. 7438 dated November 13, 2009.

The Company’s articles of association were amended during the fiscal year 2012. The former article numbers of the Articles of Association and the articles 2, 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, and 25 were amended. New article numbers were incorporated into the Company’s Articles of Association as well as articles 8, 9, 10, 15, 24 and 31.

The amendment agreement, approved by the Republic of Turkey Ministry of Customs and Trade by the letter no. 6935 dated 02.11.2012, and the resolutions adopted at the extraordinary general meeting on 09.11.2012 were registered with Istanbul Registry of Commerce on 14.11.2012 and published in the Turkish Trade Registry Gazette No. 8197 dated 20.11.2012 in accordance with the Turkish Commercial Code.

Finansbank A.Ş., one of the Company partners, transferred the shares corresponding to 51% of the Company capital to Cigna Nederland Gamma B.V. The share transfer was approved by the Company’s Board resolution no. 172 dated November 9, 2012 and was recorded in the Company’s stock ledger on behalf of the new proprietor taking over the aforementioned shares.

Taking these changes into account, Articles 2, 12 and 15 of the Company’s Articles of Association were amended during the fiscal year 2013. The amendments, approved by the Republic of Turkey

Ministry of Customs and Trade on 16.04.2013 and 17.05.2013, and the resolutions adopted at the extraordinary general meeting on 31.05.2013 were registered with Istanbul Registry of Commerce on 10.06.2013 and published in Turkish Trade Registry Gazette no. 8341 dated 13.06.2013 in accordance with the Turkish Commercial Code.

Following the registration of the resolution, adopted at this extraordinary general meeting, upon publication in the Turkish Trade Registry Gazette, the trade name of our Company was changed into Cigna Finans Emeklilik and Hayat A.Ş.(Cigna Finance Pension and Life Inc.) under which it continues its activities.

Information on the Extraordinary General Meeting (If Held within the Year), including the Date of and the Resolutions Adopted at the Meeting and the Procedures Fulfilled with Regard to Such Resolutions

No Extraordinary General Meeting was held in 2018.

Information on the Company’s Shareholding Structure, Changes in the Capital and Shareholding Structure of the Company During the Fiscal Year, Titles and Shares of Natural and Legal Persons Holding Qualifying Shares

Shareholding Structure of the Company

Page No	Name / Title of the Shareholder	Group of Shares	Number of Shares	Share Amount (TRY)	Shareholding Ratio (%)
8	Cigna Nederland Gamma BV	A	22.949.999	22.949.999	%50,9999978
8	Cigna Nederland Gamma BV	A1	1	1	%0,0000022
2	QNB Finansbank A.Ş	B	22.049.998	22.049.998,9999	%48,9999978
2	QNB Finansbank A.Ş	B1	1	1	%0,0000022
TOTAL (*)			45.000.000	45.000.000	%100,0000000

(*)A fractional certificate was issued for the shares that could not be supplemented to TRY 1 in the capital increase made by the Company through internal sources at the general meeting of 2009. For this reason, one share was broken down and fractions were issued for shareholders in proportion to their shares.

Information on the Company’s Shareholding Structure, Changes in the Capital and Shareholding Structure of the Company During the Fiscal Year, Titles and Shares of Natural and Legal Persons Holding Qualifying Shares

There was no change in the shareholding structure of the Company during the financial year, and the company’s capital consists of A, A1, B and B1 groups of shares that are detailed in the table under article 1.4.1.

Information on the Company’s Direct or Indirect Subsidiaries and Their Share Rates

The Company does not have any direct or indirect Subsidiaries other than the Pension Monitoring Center, in which the Company is a shareholder in accordance with the legislation.

Information on the Company’s Own Shares Acquired

The company does not have any own shares acquired.

Remarks Regarding the Shares (If Any) Held by the Chairman and Members of the Board and Managing Director and Vice Managing Director

The Chairman and Members of the Board and Managing Director and Vice Managing Directors hold no shares in the Company.

Assessment of the Fiscal Year 2018 and Expectations for the Future

Analysis and Assessment by the Board of Directors Regarding the Financial Standing and Operating Results, and the Level of Actualization of Planned Operations, the company's Position against the Set Strategic Goals

In our country, the insurance industry is growing every year with its dynamic and strong financial structure. Thanks to its young population and low insurance rates against this population, Turkey continues to be an attractive market. With the increasing interest in the industry and the new actors emerging in parallel, the competition in the market is getting sharper every year. While premium generation across the insurance industry in Turkey regarding life insurance was TRY 6.8 billion at the end of 2017, this figure was TRY 6.9 billion (6,920,771,569) at the end of 2018. Cigna Finans Emeklilik and Hayat A.Ş. ranked 9th in the list of premium generation by achieving a 6.14% market share in the life insurance industry.

“ While premium generation across the insurance industry in Turkey regarding life insurance was

TRY 6.8 billion

at the end of 2017, this figure was TRY 6.9 billion at the end of 2018. ”

Summarized Financial Results	2018	2017	Change
Non-Life Underwriting Income	62.727.656	35.169.402	%78
Non-Life Underwriting Expense (-)	(40.237.380)	(20.479.304)	%96
Life Underwriting Income	402.398.738	430.572.706	(%6)
Life Underwriting Expense (-)	(346.104.011)	(398.738.083)	(%13)
Underwriting Income for Retirement	16.983.396	17.479.152	(%3)
Underwriting Expense for Retirement(-)	(9.071.925)	(13.628.885)	(%33)
Investment Income	69.177.910	36.654.910	%89
Investment Costs (-)	(18.445.143)	(10.118.775)	%82
Income and Expenses and Losses from Other Operations and Extraordinary Operations (+ -)	(10.623.185)	(6.321.587)	%68
NET PROFIT/LOSS FOR THE PERIOD (-)	97.394.915	55.138.712	%77
UNDERWRITING PART BALANCE (Non-Life)	22.490.276	14.690.098	%53
UNDERWRITING PART BALANCE (Life)	56.834.727	31.834.623	%79
UNDERWRITING PART BALANCE (Retirement)	7.911.471	3.850.267	%105
GENERAL UNDERWRITING PART BALANCE	87.236.474	50.374.988	%73

When considered in accordance with the provisions of the Turkish Commercial Code No. 6102, the Company does not have any capital loss and insolvency.

Assessment by the Chairman Regarding the The Fiscal Year 2018 and Expectations for the Future



Dear Shareholders,

2018 witnessed significant developments for the Turkish economy, which started with high exchange rate movements and resulted in tightening of financial conditions, rising inflation and increasing interest rates. With the precautions taken, the rise in inflation was reversed at the end of the year, the growth rate slowed down in accelerated equilibrium process, and a significant recovery was achieved in current account balance.

In the world economy, the growth rate is expected to slow down in 2019. At this year's Davos Summit, IMF's President Christine Lagarde said they had to lower global growth expectations due to issues, such as the trade war between the US and China and the UK's withdrawal from the EU. The IMF reduced global growth expectations for 2019 from 3.7 percent to 3.5 percent.

As the IMF stated, the world was introduced the concept of trade wars in 2018. This tension between America and China has affected and will affect all economies in different ways. The slowdown in the Chinese economy, the US Central Bank - Fed's downsizing policy and the European Central Bank's halting of monetary expansion will form the basis of economic developments in 2019.

While the world continues its daily economic debates, the issue of sustainability and environmental protection is becoming more and more important and the world is lagging behind. Digitalization affects our lives in many different ways. The introduction of artificial intelligence leads to major changes in social and economic life.

Life insurance market

When we evaluate 2018 in terms of the pension and insurance businesses, we see that we have left behind an efficient production year despite the instability of financial markets. As people acted more cautiously in consequence of economic fluctuations, the loan volume decreased. This particularly affected loan-related life insurance in the insurance market. Nevertheless, the life insurance industry grew by 1.1% compared to 2017.

Solid shareholding structure

As one of the strongest private banks in the Turkish banking sector, QNB Finansbank continues to contribute to the industry with the strength of its main shareholder, QNB (Qatar National Bank). I also see the impact of these contributions on the partnership with Cigna Finans and believe that it will further strengthen our position in the market by providing advantages to our customers in the future.

A successful year at Cigna Finans

Although it was a challenging year, I am pleased to announce that 2018 was a successful year for Cigna Finans. Cigna Finans, which increased its net profit by 77% compared to the previous year by showing high performance on profitability, Cigna Finans demonstrated the effective results of the decisions taken against the crisis at the end of the year.

We left a successful year of production behind, growing in life and personal accident premium generation by 2.4% reaching TRY 494 million.

Our Company left a successful year of production behind, growing in life and personal accident premium generation by 2.4% reaching TRY 494 million. As to Individual Pension, the total number of participants reached 91 thousand while our fund size reached TRY 649 million, based on the data from EGM (Pension Monitoring Centre). I would like to state that strong and qualified human resources and strong crisis management are the main factors behind this success.

The strong cooperation between QNB Finansbank and Cigna Finans forms the basis of our success. We do not give up on our mission of becoming the favourite company by creating a world where we touch the lives of our customers with the best service and solution suggestions.

I firmly believe that Cigna Finans Emeklilik will enhance its growth in 2019 and will continue to provide significant added value to the Turkish economy.

I would like to extend my gratitude to all our employees, shareholders, and participants and insurers who chose and trusted us for their future.

Sincerely,
Ömer A. Aras
Chairman

General Director's Evaluations for 2018 Operating Cycle and Expectations for the Future



Dear Customers, Shareholders and Colleagues,

Since we started to operate in Turkey as Cigna Finans, our primary objective has been to meet the needs of our customers and stakeholders by positioning them in the focus of our business, using the most appropriate life insurance, personal accident insurance and individual pension products. We continue all our investments and efforts from this perspective. Even though 2018 was a year of the prevailing economic fluctuations and uncertainty as we all experienced deeply, it was a highly successful year where we used our QNB Finansbank distribution channel better, strengthened our products and services with our insights from our customers, and reflected our positive results of actions to financial transactions. Within this framework, we completed the year with a total premium generation of TRY 494 million and became one of the top 10 companies with the highest premium generation in the industry.

Despite the declining loan volume in 2018, the industry grew larger and closed the year with TRY 7.4 billion in premium generation. We closed the year with 2.5% growth, outperforming pension and life insurance companies across the industry. As of the end of December, we reached 187 thousand participants in Individual Pension and Automatic Enrolment branches and exceeded TRY 687 million in funds. As one of the most profitable companies in the industry, we increased our net profit by 78% compared to the previous year and achieved a net profit of TRY 98 million. The specific keys to the success were customer-based product management and distribution channel strategy along with successful loss control, dynamic fund management and effective cost control.

I think that the expectations for global economic growth will have positive effects on our country, and I believe that we will continue our strong growth by touching the lives of our customers and all other stakeholders more deeply, getting inspired by this. In my opinion, the expectations of global economic growth will have positive effects on our country and I believe that we will maintain our strong growth by touching the lives of our customers and all other stakeholders more deeply by getting support from this success.

Strong Cooperation with QNB Finansbank

While the synergy we established with QNB Finansbank continued more powerfully, we achieved 8.5% growth in premium generation through the bank. The successful results of our strategies, which we have set by focusing on increasing our productivity continuously, is an encouraging factor for us to produce new projects.

Our Digitalizing World...

As the need for digitalization accelerated and increased, we continued our projects to digitize all our functions to provide a better service. We completed our efficiency-focused efforts by optimizing operational systems, improving our infrastructure and system integrations.

To offer a better life with improved quality to our customers, we launched the "Customer Welcome Video" project by breaking new ground in the industry. While we were awarded the Golden Stevie Award by the International Business Awards for the delivery of tailor-made videos including policy details, we were awarded the Bronze Stevie award by the International Business Awards for e-commerce website that provides an end-to-end customer experience where insurance purchase is completed easily in 3 steps.

Our New Products and Firm Steps...

In 2019, we will establish a very strong and agile structure in developing new distribution channels, by being a part of solution of the companies that focus on customer and customer loyalty, taking advantage of the opportunities offered by technology, and being able to integrate easily into many channels both in and out of the bank with innovative solutions. This structure will enable us to continue on our path even more strongly through our existing distribution channels, and will allow us to transfer our innovative perspective to the end user effectively with our new projects. We believe that we will contribute to the market and the development of the market with these steps, which we are very excited about.

Value We Give to People

Every year, the biggest factor behind our success level is our young, dynamic and dedicated labour. It only makes sense when we get together as a part of the puzzle, making us stronger. I would like to remark that we take employee satisfaction as the basis of every step we take with this awareness.

I would like to extend my thanks to all our shareholders, customers and colleagues, who support the progress of Cigna Finans in the fiscal year 2018. We hope that our success will continue in the forthcoming period.

Sincerely,
Pınar Kuriş
Managing Director

Situation in the World, Turkey and the Industry, and Assessment of Our Company's Position in the Industry in 2018

The View in the world, Turkey and the Sector in 2018, World Economy

General

With the end of 2018, the global economy left a challenging year behind. The slowdown in growth rates, sudden fluctuations in stock exchanges and the absence of a reduction in global debt burden further strengthened concerns about global growth and geopolitical uncertainties. The most important developments in the world economy were the trade wars that erupted between the US and China and the Brexit chaos.

As a result of the trade wars between the US and China, a new consensus was reached by non-imposition of customs duty for 90 days at the end of 2018, and it was announced that the negotiations would continue.

Although the Brexit chaos seems to have been resolved in November with a draft text mutually approved by EU members and Great Britain, the prevailing idea is that the risk of UK's departure from the EU continues without reaching an agreement.

The slowdown in the growth rate in Europe became more evident. Protective policies in global trade were the main reason for the deceleration in the growth of exporting countries in Europe. The adoption of Italy's budget by the EU Commission after long debates, the austerity policies implemented after the protests in France and the breakdown of Merkel's power in Germany caused the European Central Bank (ECB) to have downward expectations.

The Middle East and Syria-centred geopolitical risks continued throughout 2018. The US's re-imposition of sanctions on Iran had a negative effect on the risk indicator.

The developing countries entered a recession process in parallel with the negative circumstances faced by the developed countries.

At the last meeting held in December, the Fed increased interest rates, closed 2018 by increasing such rates four times and raised the interest rate band to 2.25-2.50 percent.

In January 2019, the World Economic Outlook Report published by the IMF estimated that the global economy would grow by 3.5% in 2019 and by 3.6% in 2020.

Turkish Economy

General

Increasing The exchange rates increasing since the second half of 2018 and the rising unemployment and inflation rates have a negative impact on Turkey's growth rates. Following a growth rate of 7.2% in the first quarter and 5.3% in the second quarter, the economy grew by 1.6% in the third quarter due to economic adverse conditions.

The Consumer Price Index (CPI) increased by 20.3 percent and the Domestic Producer Price Index (D-PPI) increased by 33.64 percent in 2018 compared to the same month of the previous year.

In October 2018, the unemployment rate in Turkey was 11.6 percent increasing by 1.3 point on a year-over-year basis and reached the highest level since March 2017.

The positive effect of the increase in the exchange rate on exports, the use of imported inputs and the decline in imports of consumer goods, the shrinkage in the foreign trade deficit and the recovery in tourism revenues supported the ongoing decline in the current account deficit, and the current account had a surplus of USD 1.8 billion in September.

“Premium generation in 2018 was **TRY 55 billion** increasing by **17.4 percent** compared to the previous year.”

Insurance Industry in 2018

According to Insurance Association of Turkey, the 2018 premium generation was TRY 54 billion 654 million increasing by of 17.4 percent compared to the previous year. The sum of TRY 47 billion 733 million was generated from non-life branches and TRY 6 billion 921 million from life insurance policies. While the annual increase in elementary branches was 20.2%, the increase in life insurance was 1.1%. In 2018, there was an increase in car insurance compared to the previous period. The increase in land vehicles insurance was 13.4%, while the increase in land vehicles liability (Traffic) insurance branch was 21.56%.

Individual Pension System

According to Pension Monitoring Centre's (EGM) data dated 28.12.2018, the total number of participants in the system decreased by 0.71% and reached 6 million 876 thousand by the end of 2018. At the end of this period, the total fund size of the system increased by 13.13% compared to the previous year and reached 76 billion 560 million TRY, and the number of participants eligible for a pension from the system reached 79,141.

Assessment of Operations in 2018 and Our Company's Position in the Industry

Our Company, which started its operations in November 2007, is a dynamic, innovative, competitive and efficient company serving at international standards in individual pension and life and accident insurance branches. The Company made a rapid entrance in the industry in 2007 and became one of the growing companies of the industry under the effect of the synergy it creates with QNB Finansbank A.Ş., the main shareholder and distribution channel in the individual pension and life and accident insurance branches.

The vast experience, qualified human resources, solid financial structure and extensive branch structure of QNB Finansbank, leaving 26 years behind in the banking industry, have been an important factor in providing quality and reliable services to customers of our Company since the first day of its operations.

With regard to the partnership agreement signed between QNB Finansbank and Cigna in 2012, our Company started to operate under the title of Cigna Finans Emeklilik ve Hayat A.Ş. by raising the successful development line to higher levels every day. Since November 2012, our Company has been maintaining its operations as part of the partnership between QNB Finansbank and Cigna, two leading firms in their lines of business.

Having entered the individual pension industry at the end of 2008, our Company reached a total of 186,152 participants, including Automatic Enrolment System (AES), and a total fund size of TRY 686 million based on the EGM data published on 28.12.2018. According to the end-December 2018 data from the Insurance Association of Turkey, our company, which managed to have 6.14% market share in life insurance branch and ranked 9th in life insurance premium generation, achieved a total premium generation of TRY 494.175.782 TRY.

Having executed the first individual pension contract on November 30, 2008, our Company intends to continue to provide the best service to its customers as a customer-oriented, innovative, dynamic and distinctive pension and life insurance company that achieves rapid and sustainable growth in the industry.

Individual Pension System

Based on the EGM data, the number of IPS participants was 6 million 875 thousand 886 and the total fund amount of the participants exceeded TRY 76.5 billion on 28.12.2018. Adding the figures for the Auto Enrolment System, the total number of participants was 11.8 million and the fund size reached TRY 81.1 billion.

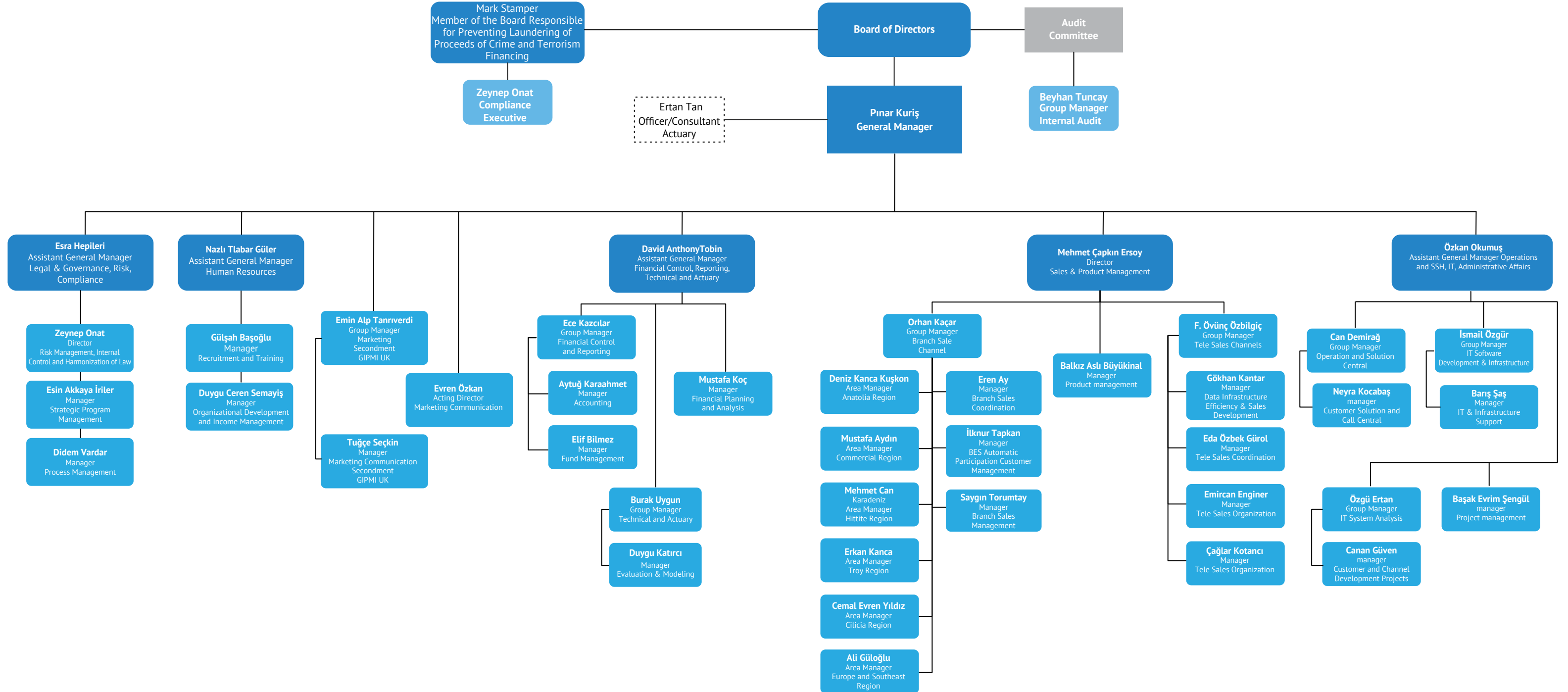
In accordance with the Annuity Regulation that was put into effect for the Individual Pension System in October 2015, those participants who are eligible for pension within the Individual Pension System will be entitled to claim a lifetime pension.

Contact Numbers and Addresses, Regional Agencies and Company's Organizational Chart

Cigna Finans Emeklilik Regional Representatives

Regions	Regional Managers	Region Address
EUROPE AND THE EASTERN REGION	ALİ GÜLOĞLU	15 Temmuz Mahallesi, Bahar Caddesi Nurool Park J Blok İş Ofisi No:43 Kat: 3 Güneşli -Bağcılar / İstanbul
		Mücahitler mah. Gazimuhtarpaşa Bulvarı No:48 Şehitkamil / Gaziantep
TRUVA REGION	ERKAN KANCA	Şehit Nevres Bulvarı No:8 Kat:1 Alsancak - Konak / İzmir
ANATOLIA REGION	DENİZ KANCA KUŞKON	Saray Mah. Ahmet Tevfik İleri Cad B Blok.No:7 Kat:4 Ümraniye/İstanbul
CILICIA REGION	CEMAL EVREN YILDIZ	Tarım Mah. 1654 Sok. Aspendos Bulvarı. No:92 Muratpaşa / Antalya
HITIT REGION	MEHMET CAN KARADENİZ	Atatürk Bulvarı No:140 Kat:3 Kavaklıdere / Ankara
COMMERCIAL REGION	MUSTAFA AYDIN	Şehit Nevres Bulvarı No:8 Kat:1 Alsancak - Konak / İzmir

Cigna Finans Emeklilik Organization Chart as of 31.12.2018



Information on Research and Development Practices Related to New Services and Operations

Alternative Distribution Channels Operations

In 2018, many actions open to innovation were taken for our Alternative Sales Channels operations with focus on enhancing sales efficiency:

Formed at the beginning of 2018, the Telemarketing Sales Development Team carried out Speech Analytics practices in a short time. Taking advantage of Speech Analytics' strengths from a Sales Development perspective, new business production increased by about 10%.

New business production increased by 70% compared to the previous year, and data management and efficiency process was reviewed from end to end to focus on productivity. Thus, the production of new business per sales representative improved by 93% compared to the previous year. With the renewal of the performance system and improvements in sales scripts, the policy continuity ratio increased by 6 points.

The sales representative turnover ratio improved by 10 points compared to the previous year.

Branch and Telemarketing persuasion teams were combined, and all persuasion and non-collection call operations that were earlier performed by two teams were initially conducted by a single team. Thus, the use of resources was not only rendered more efficient, but also an overall increase was achieved in terms of success.

Branch Sales Channel Operations

In 2018, a 20% increase was achieved by the Branch Sales Channel Management in premium generation in Individual Life and Personal Accident branches compared to 2017.

In 2018, more focus was placed on the trading profit centre through integrated structuring.

In 2018, the focus on "productivity growth" continued to be a priority where many new practices were adopted in line with this strategy. The Branch Sales Channel Management continued to pursue all its activities and the main objectives of its monitored business in a way to increase sales efficiency.

In 2018, many projects were implemented in Corporate and Retail segments, and the greater amount of risk against our customers and QNB Finansbank was insured. Therefore, the Company achieved improvements in insurance awareness through its deep business cooperation with our segments.

Our strong integration with the Bank, smooth sales processes and body of rules enabled us to continue to monitor penetration

Product Development Operations

In 2018, the Cigna Finans product portfolio was developed by launching the new products suited to individual and corporate customer needs and by revising existing products in line with customer needs, company requirements and changing regulations. Our integration with QNB Finansbank was improved in a customer-oriented manner, and the process for the customer in the purchase phase was optimized by putting the digital approval platform into practice. As a new sales channel, we cooperated with Hemenal Finansman and designed special products for this channel.

Within the scope of the "Regulation Amending the Regulation on the Individual Pension System" published in the Official Gazette dated December 27, 2018, initial efforts were made on issues that needed to be adapted to the Company's processes.

For Life and Personal Accident Insurance

In the first half of 2018, our "Worth My Family Personal Accident Insurance" product that offers the option to pay indemnities to customers for 10 years was added to our portfolio as the first product allowing for indemnity payment in three different coverage packages. The requirements for improving the "Emergency Aid Personal Accident Insurance" product featuring daily hospital coverage were assessed where an upgraded product package was offered for sale in response to customer needs. Similarly, a new package was added to cover the risks that are not covered in the "Limit Insurance" product offered to corporate customers.

In the last quarter of the year, our "Surgery Aid Personal Accident Insurance" product, which is the first product that includes surgical coverage, was added to the portfolio to be presented through the telemarketing channel. The "Agricultural Card Life Insurance" product was introduced to meet the needs of QNB Finansbank's customers in the agricultural segment. In the same period, the scope of the digital approval project launched during the last year for retail customers was extended where corporate customers were included in the project.

For Individual Pension

While "Easy and Elite Pension Plan" products are offered to our retail customers, we continue to meet the demands of corporate customers through group pension plans and employer group pension plans exclusive to groups.

Marketing operations

Strategic Marketing Operations

As part of the Marketing Group, the Strategic Marketing Unit played an active role in customer-oriented areas by planning, coordination and execution of improvement and development operations in accordance with the principle of “Excellence in Products and Services”, which is an important pillar of Cigna Finans’s strategy. In addition, the Strategic Marketing Unit gave support in monitoring the competition and finding the points that would contribute added-value to Cigna Finans in this competition.

In addition, this unit also contributed directly to the campaign management by providing many different campaign data to both the Telemarketing channel and the Bank Sales channel, while supporting the data requests and process improvement projects of different units.

Market and customer research, another main task of the unit, continued in 2018. Within this framework, a research was conducted for QNB Finansbank’s customers in the agricultural segment who are our key business partners in 4 different provinces, where information was obtained about the needs and expectations of the segment under QNB Finansbank’s “deepening strategy”.

As in the previous years, the unit continued the analysis and reporting efforts carried out to understand both market and customer dynamics. To have an understanding of the trends at the customer end and to obtain financial results from them, the Customer Trend analyses that included many analyses, such as cross-selling rates, customer and policy numbers, demographic data and causes of customer gain and loss were developed and shared regularly with the senior management of the company. Efforts were made to identify the strengths and weaknesses of Cigna Finans compared to competitors in terms of market, product

and strategy. Additionally, analyses were prepared in several subjects, such as cross-selling opportunities, current portfolio opportunities and customer behaviour, to support the decision-making processes of the management.

Marketing Communication Operations

In 2018, Cigna Finans continued its marketing communication operations with the strategy of “becoming a customer-oriented brand by offering more than insurance.”

Cigna Finans, whose main promise is to provide a better life with improved quality to its customers, broke new ground in the industry and put the “Customer Welcome Video” project into action. We redesigned our customer welcome process by sending a personalized video with details, such as coverage and payment details of the policy, after the completion of the purchase process. We were awarded the Golden Stevie Award by the International Business Awards for this video where a summary of all important details about policyholders’ insurance could be found.

As the need for digitalization accelerates and increases, both Cigna Finans and iyihisset.com developed new strategies enhancing the interaction with the user on active social media accounts, and continued to be involved in interactive communication by posting about health supporting good life, and competitions and videos through Facebook, Twitter and Instagram accounts.

To provide the customer with a smooth and comprehensible purchase process through every channel, we finalized our digital sales application where all the steps ranging from selection of products to insurance policy generation were completed online under the corporate website.

We were awarded the Bronze Stevie Award by the International Business Awards for online sales site that provides end-to-end customer experience by enabling smooth insurance purchase in 3 steps.

For the purpose of bringing the customers together through a more plain and simpler presentation with our protection products invented on the basis of the real needs of our customers, we have updated our contact documents for our customers and have continued supporting this contact through mailing and video works encompassing summarized information.

Call Center Activities

Cigna Finans Call Centre provides services to our customers from 9.00 a.m. to 6.00 p.m. on weekdays at 0850 222 08 60. As from November, it started to provide services by outsourcing through CMC - Customer Management Centre.

Cigna Finans Call Centre provides services to our AES customers from 9.00 a.m. to 6.00 p.m. on weekdays at 0850 222 29 84. As from September, it started to provide services by outsourcing through CMC.

Continuous training sessions are held to ensure that the service provided through our Call Centre meets customer satisfaction at the highest level. Every month, service quality measurement is conducted for of all employees by the Quality Unit and monthly assessment meetings are held. The progress is monitored by calibrations performed with CMC quality teams.

Put into use in various topics to see how the service provided is perceived by the customer, this measurement mechanism was also implemented for the AES line in 2018.

The Net Promoter Score providing the feedback for Call Centre operations was measured.

In 2018, the Net Promoter Score achieved by our Call Centre averaged 50.1%.

Efforts were made to determine customer needs by “Welcome Survey” calls, where the results were reported to the relevant units.

In 2018, we continued to provide web chat services to our customers via SOR’UN in addition to the Call Centre.

In 2018, a system was established for our customers who waited on interactive voice response (IVR) for more than 3 minutes to let them make an appointment at any time, and our Call Centre continued to contact and serve our relevant customers in 2018.

The use of the Scoring Chart (scorecard), one of the modern and up-to-date measurement methods, was sustained to systematically monitor and assess the performance of our Call Centre employees in the fiscal year 2018.

In 2018, our customers who contacted us through the Call Centre were routed to Telemarketing teams by making lead presentations in line with their needs.

All customer information and call operations, which were previously performed only by the outbound call team, were initially carried out systematically (on a Blended basis) through a single team to increase efficiency, and inbound and outbound call teams were combined thus.

For our Call Centre's operations in 2018;

480,248 inbound calls and 233,186 calls for AES Retail line were received and responded to.

All endorsement requests of our policyholders and participants regarding the life insurance and individual pension products of Cigna Finans were fulfilled.

Our company played an active role in resolving complaints filed about our products and services and in providing satisfaction.

The sales efforts for the "Two in One Personal Accident Insurance" product were initiated by Inbound teams. Premium generation amounted to TRY 72.765.

As part of outbound calls, we continued to make Quality Control Calls to the participants who filled in the individual pension proposal forms, and started to make Quality Control Calls to the policyholders who purchased "Cardfinans Statement Guarantee Policy" and "Return of Premium Cancer Protection Policy".

Callback requests were handled by the Call Centre Outgoing Calls team.

In line with the occasional needs of our company's business units, all outbound call operations were carried out in various subjects.

Insurance and Individual Pension Operations

Within the scope of the Operations and Claim Unit's activity area, all amendment (endorsement) requests regarding life insurance policies and individual pension agreements were fulfilled in 2018, and insurance policies, certificates, contracts, collection

receipts and account statements were sent to policyholders and participants within the framework of the applicable legislation. Both employers and employees involved in the system were supported through agreements with employers included in the coverage.

In 2018, the Central Operations Unit issued a total of 96,387 participation certificates and insurance policies in the life insurance and personal accident branches where 112,877 endorsement cancellation procedures were performed as part of life and personal accident operations. Additionally, 147,615 insurance policies and certificates were delivered customers at their address.

Within the scope of individual pension activities, 4.268 proposal forms were checked for general asset and 1,771 individual pension contracts were sent to our participants by courier. In addition, 75,482 amendment actions were taken.

In 2018, 6,938 indemnity notices were evaluated within the scope of the indemnity processes for Life and Personal Accident Insurances and the total amount of indemnity paid to banks, policyholders and other beneficiaries reached TRY 64,976.35.

The Operations and Claim Unit, as well as the sales teams and the main distribution channel, are in close contact with QNB Finansbank's insurance-related business units, ensuring coordination in the proper execution and development of operations and indemnity workflows.

In 2018, with the introduction of Jira Document Management System to operational processes, processes were improved with integration achieved within the operations and claim unit.

Customer Service Operations

Within the scope of the Customer Solution Centre's field of activity, operations are performed by receiving customer complaints, evaluating and referring them to the related units, and conveying the responses containing the information regarding the results of the complaint to the complainant / related organization. The information about these complaints was investigated and obtained completely and reported to the Company Senior Management regularly within the periods specified in the legislation.

Within the framework of the quality standards of our company, it is essential to respond to verbal complaints within 5 business days and written complaints within 10 business days.

The Operations Coordination Unit sends a SMS to our customers whose complaints have not been concluded within the same day to keep them informed that their complaints are under consideration.

In case of ongoing investigation of the complaints, our customers are called and informed about the possible process and the estimated solution time. In 2018, the Customer Solution Centre made calls regarding complaints results. Using the web application SOR'UN, live chat service was provided to our customers between 9.00 a.m. – 6.00 on weekdays.

The Customer Solution Centre unit acts as a bridge between the Call Centre and other operative business units. The Company monitors whether all the requests and complaints submitted via communication channels are fulfilled within the periods specified in both the Company's workflows and the statutory legislation.

For Customer Services operations;

6,102 customer complaints were communicated to our agent QNB Finansbank A.Ş. and to the communication channels of our Company regarding the products and services of our Company throughout the year. 32% of verbal customer complaints and 55% of written customer complaints were responded to within the same day. 91% of 6,102 customer complaints were resolved within 5 business days. 5,738 live chats were performed via SOR'UN live chat.

By monthly inspections on evaluations, the competencies of the team members were increased through regular product and legislative training conducted for the Customer Solution Centre personnel.

In order to increase operational efficiency, various system development studies were carried out and the documents requested by our policyholders and participants regarding the policies and contracts were sent automatically through the Information Technology infrastructure.

Information Technology Operations

Within the scope of Information Technologies operations, 2018 was a very productive year where many successful and large projects backed by the company's mission and core strategies were implemented. Additionally, 2018 was a year where issues, such as information security, business continuity, disaster management, procurement management and IT investments management, did not fall off the agenda, and many processes, practices and control points were developed and steps were taken for process perfection of IT.

Business Intelligence and Data Analytics Operations

In 2018, the Business Intelligence and Data Analytics unit started to continue its activities by joining the Information Technology Department upon the decision taken after the management change. The creation of consolidated data sources, and the development and dissemination of central business intelligence applications throughout Cigna Finance, and the creation of data-oriented business processes continued.

The unit's operations in 2018 can be summarized as follows:

In 2018, the job descriptions of the members of the department were clarified and all improvements within the Company were made based on the data, dashboard, ad-hoc (purpose-specific) reports and analytical studies coming from a single point. To meet report and data demands of units, analytical teams were provided with training at the head office for business intelligence applications.

Continuous instant queries and data demands from Telemarketing and Field Sales Teams at the Cigna Finans Head Office were met by the ticket system where further support was given on designing their own reports. The development of dashboards mainly used by Executives was completed.

During the year, efforts to resolve internal audit findings were completed and the data services expected by the auditors coming from the treasury were provided smoothly.

Project Management Operations

Within the scope of Project Management Office operations, 2018 was a very productive year where many successful projects were put into action in line with the main strategies supporting the company's mission. In 2018, the number of delivered projects increased by 20% compared to the previous year with approximately 10 programs of 250 person-day projects, nearly 20 large-scale 40-100 person-day projects and over 30 small-scale projects under 40 person-day.

In 2018, our focus was to increase the number of projects that support operational efficiency to automate back office operations while implementing projects that serve the company's strategies to support results that contribute to sales targets.

In this context, major projects such as renovating the structures of Instalment Claim, Closed Group and Insurance Flexible Guarantee products that would enhance product variety and flexibility were put into action. Many insurance integration projects continued with QNB Finansbank, our main sales channel. The Hemenal project was completed as a new channel.

In 2018, the necessary steps were taken for the infrastructure of certification by PCI DSS security under the PCI program.

Legislative projects such as Savings Transfer and the ongoing phases of the "Law on Protection of Personal Data" Auto Enrolment Project continued and were completed in 2018.

Another focus was on Operational Efficiency. In this context, projects were carried out for the recovery processes of our Telemarketing teams. In addition, efforts were made to automate manual works that would contribute to productivity where steps were taken to proceed with the same strategy in 2019 as well.

Towards the end of 2018, Cigna Finans undertook a series of actions aimed at new economic conditions, and in line with this strategy, the outsourced call centre and operations solution centre project was rapidly implemented with CMC.

Another main strategy of our company is "Digitalization". Within the scope of Project Management Office activities, new technologies, such as RPA (Robotics Processes) and Chatbot, were investigated in 2018 and successful POC results were achieved, laying the foundations of digital projects focused on in 2019.

2018 was also a year where issues such as, information security, business continuity, disaster management, procurement management and IT investments management, did not fall off the agenda, and many processes, practices and control points were developed and steps were taken for the excellence of IT process.

Technical and Actuarial Operations

As of 31.12.2018, the total number of life insurance policies / certificates in force was 2,666,646 and the life insurance premium production totalled TRY 425,207,482.53.

In the accident branch, the total number of personal accident insurance policies / certificates in force as of 31.12.2018 was 150,966 and the premium production totalled TRY 68,968,300.34. As of 31.12.2018, the average death benefit amount of 2,666,646 life insurance policies / certificates reached TRY 12,727.67.

The distribution of policyholders in life insurance branch by age groups is shown in the following table. As seen in this table, death benefits were offered to the policyholders aged between 38-47 in 2018.

Distribution of Death Benefit Amount of Life Insurances in force by Age Groups as of 31.12.2018 :

Age Range	Personal	Group	Total Death Benefit (TRY)	Ratio (%)
18-27	474.618.059	2.084.557.829	2.559.175.888	8%
28-37	2.383.098.557	8.746.348.470	11.129.447.027	33%
38-47	2.555.400.849	9.141.269.972	11.696.670.821	34%
48-57	988.850.868	5.031.744.828	6.020.595.696	18%
58-67	266.590.815	2.115.194.517	2.381.785.332	7%
68-77	13.010.247	137.735.831	150.746.078	0%
78-87		1.474.000	1.474.000	0%
88+		286.000	286.000	0%
Total	6.681.569.395	27.258.611.447	33.940.180.842	100%

As of 31.12.2018, the total amount of death benefit for life insurance policies in force was TRY 33,940,180,842.27.

Distribution of Total Number of Life Insurance Policies/ Certificates and Total Amount of Death Benefit by the Insurance Period as of 31.12.2018:

Insurance Period	Number of Policies/Certificates	Total Death Benefit (TRY)
1 Year	1.086.034	9.417.986.880
2-5 Years	1,537.615	21.673.013.527
6-10 Years	42.174	2.763.674.161
More than 10 years	824	85.506.274
Total	2.666.646	33.940.180.842

Process Management Operations

Actions were taken to ensure that;

- the functions of the company were operated in accordance with the defined process and job descriptions,
- problems and undesired events related to processes were identified and remediated, and
- recurrence of problems in subsequent phases was prevented.
- a continuous improvement infrastructure was provided and a corporate structure was established; the functionality of the practice was secured by written documentation,
- the information library was kept up-to-date,
- annual review of the process inventory was conducted
- process key indicators were identified and monitored together with all stakeholders,
- analysis of current situation / target structure was carried out,
- the necessary measures were taken and the necessary requests were filed upon process measurement,
- processes were improved in line with the strategy,
- process design of the identified projects was carried out,
- Ensuring the necessary coordination with relevant parties within the Company by monitoring the actions related to the findings,
- Managing the control activities of system authorization.

As of the end of 2018, a functional manager who is responsible for execution of risk management and internal control activities continues to work together with two senior experts and an assistant specialist.

Remarks on Special Audits and Public**Administration in the Fiscal Year**

The information on private and public audits carried out under the supervision of Cigna Finans Emeklilik ve Hayat A.Ş. within the fiscal year 2018 is given below.

Public Audits:

In 2018, an audit was conducted by the Undersecretariat of Treasury regarding state subsidy procedures in the individual pension system.

Private Audits:

The independent external auditing procedures for the financial statements prepared by the Company in accordance with the accounting principles and standards specified through regulations in effect pursuant to the Insurance Law No. 5684 and the Law No. 4632 on Individual Pension, Investment and Savings System and in accordance with descriptions and fundamentals disclosed/ specified by the Republic of Turkey Prime Minister's Office Undersecretariat of Treasury were fulfilled within the fiscal year by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. pursuant to the "Regulation on the Conduct of Independent Audit at Insurance and Reassurance and Pension Companies" published in the Official Gazette no. 26934 dated July 12, 2008.

PwC Yeminli Mali Müşavirlik A.Ş. fulfilled the audit and approval of Annual Revenue and Corporate Tax returns and the attached financial statements and notices and the verification of the compliance of other procedures with the Law No. 3568 and the applicable legislation.

Pursuant to the "Regulation on the Audit of Banking Information Systems and Banking Processes Conducted by Independent Audit Firms" published by the Banking Regulation and Supervision Agency in the Official Gazette No. 27461 dated January 13, 2010, the effectiveness, sufficiency and compliance of the control mechanism designed and adopted with regard to the information systems and financial data production processes and systems of our company were assessed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

INDEPENDENT AUDITOR'S REPORT REGARDING THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

1. Opinion

We audited the annual report of Cigna Finans Emeklilik ve Hayat A.Ş. ("Company") for the fiscal year between January 1-December 31, 2018.

In our opinion, the financial data contained in the annual report of the board of directors and the discussions made by the Board of Directors through the use of the information in the financial statements audited regarding the condition of the Company are consistent with the full set of financial statements audited and with the information we obtained during independent audit in all important aspects, and reflect the truth.

2. Basis for Opinion

The independent audit carried out by our firm was conducted in accordance with Independent Auditing Standards, a part of Turkish Auditing Standards published by the Public Oversight, Accounting and Auditing Standards Authority. Our liabilities within the scope of these standards are detailed in the section Liabilities of the Independent Auditor Regarding the Independent Audit of the Annual Report of our report. We declare that we are independent from the Company in accordance with Ethical Rules for Independent Auditors ("Ethical Rules") published by the Public Oversight, Accounting and Auditing Standards Authority and in accordance with ethical provisions within the relevant regulations regarding independent auditing. Ethical Rules and other liabilities regarding ethics within the scope of legislation were fulfilled by our firm. We are of the opinion that the evidence from the independent auditing we obtained during the independent auditing constitutes sufficient and appropriate basis of our opinion.

3. Our Auditor's Opinion with Regard to the Full Set of Financial Statements

We presented a positive opinion in our auditor's report dated March 8, 2019 regarding the full set of financial statements pertaining to the fiscal year of the Company between January 1- December 31, 2018.

4. Liability of the Board of Directors Regarding the Annual Report

The Company management is liable for the following items with regard to the annual report in accordance with articles 514 and 516 of the Turkish Commercial Code:

- Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general meeting.
- Preparation and fair presentation of the annual report; reflecting the operations of the Company for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial standing is assessed according to financial statements. The development of the Company and the potential risks to be encountered are also noted in the report. The assessment by the board of directors is also included in this report.
- The annual report also includes the matters below:
 - Major in-house events occurring after the end of the fiscal year,
 - Research and development activities of the Company,
 - Financial benefits such as fees, premiums, bonuses, allowances, expenses of travelling, accommodation and presentation; in-kind and in-cash resources, insurances and similar kinds of coverage paid to the members of the board of directors and to senior executives.

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

Liability of the Independent Auditor with Regard to the Independent Audit of the Annual Report

Our objective is to give an opinion whether the financial information in the annual activity report within the framework of the provisions of Turkish Commercial Code and the inspections implemented by the Board of Directors through the use of information in the audited financial tables are consistent with the audited financial statements of the Company and the information we obtained during the independent audit and whether they reflect the truth and to prepare a report containing our opinion .

The independent audit carried out by our firm was conducted in accordance with Independent Auditing Standards. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the financial statements.



Istanbul, March 8 2019



**INFORMATION ON THE MANAGEMENT
AND CORPORATE GOVERNANCE
PRACTICES**

Senior Management



Pınar Kuriş
General Manager



Esra Hepileri
Assistant General Manager



David Anthony Tobin
Assistant General Manager



Özkan Okumuş
Assistant General Manager



Orhan Kaçar
Group Manager



Övünç Özbilgiç
Group Manager



İsmail Özgür
Group Manager



Özgü Ertan
Group Manager



Nazlı Tıbar Güler
Assistant General Manager



Mehmet Çapkın Ersoy
Director



Ece Kazcılar
Group Manager



Burak Uygun
Group Manager



Emin Alp Tanrıverdi
Group Manager



Beyhan Tuncay
Group Manager



Can Demirağ
Group Manager

INFORMATION ON MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

Chairperson and Members of the Board of Directors, Names and Surnames of the Managing Director and Deputy Managing Directors and of Directors within the Scope of Internal Systems, Their Terms of Office, Responsibilities, Educational Background and Professional Experience

Name-Surname	Position / Title	Educational Background	Professional Experience (in Years)	Contact Address, Tel, Fax, E-Mail
Mehmet Omer Arif ARAS	Chairman	PhD	39	Address: No:215 Kristal Towers Building Buyukdere St. Esentepe NBHD Sisli/Istanbul 0(212) 318 50 00 Fax: 0 212 318 50 16 E-Mail: omer.aras@qnbfinansbank.com.tr
Jason Dominic SADLER	Vice Chairman	Bachelor's Degree	28	Address: 17/F, Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong Tel: +(852) 22975128 Fax: +(852) 3412 1929 E-Mail: jasond.sadler@cigna.com
Erkin AYDIN	Member of the Board of Directors	Master's Degree	21	Address: No:215 Kristal Towers Building Buyukdere St. Esentepe NBHD Sisli/Istanbul 0 (212) 318 50 00 Fax: 0 212 318 56 90 E-Mail: erkin.aydin@finansbank.com.tr
Adnan Menderes YAYLA	Member of the Board of Directors	Master's Degree	33	Address: No:215 Kristal Towers Building Buyukdere St. Esentepe NBHD Sisli/Istanbul 0 (212) 318 50 00 Fax: 0 212 318 55 78 E-Mail: adnan.yayla@finansbank.com.tr
David Patrick BOURDON	Member of the Board of Directors	Master's Degree	28	Address: Cigna Corporation 1601 Chestnut ST Philadelphia PA 19192 Tel: +(852) 22975148 Fax: + (852) 3412 1929 E-mail: david.bourdon@cigna.com
Mark Stamper	Member of the Board of Directors	Master's Degree	24	Address: Room 3401, 34/F Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong E-Mail: mark.stamper@cigna.com
Emine Pinar KURIS	Managing Director, Member of the Board of Directors, Senior Management	PhD	19	Address: No:2 Floor: 28 34746 Palladium Tower, Kardelen St. Barbaros NBHD Atasehir,Istanbul/Kadikoy, Istanbul TURKEY Tel: 0 216 468 06 00 Fax: 216 411 28 48 E-Mail: pinar.kuris@cignafinans.com.tr
David Antony TOBIN	Deputy Managing Director Financial Control and Reporting, Technical and Actuary	Bachelor's Degree	25	Address: No:2 Floor: 28 34746 Palladium Tower, Kardelen St. , Barbaros NBHD Atasehir, Kadikoy Istanbul/TURKEY Tel: 0 216 468 04 01 Fax: 216 411 28 48 E-Mail: david.tobin@cignafinans.com.tr
Esra HEPILERI	Deputy Managing Director Law and Legal Compliance	Master's Degree	23	Address: No:2 Floor: 28 34746 Palladium Tower, Kardelen St. Barbaros NBHD Atasehir, Istanbul/Kadikoy, Istanbul TURKEY Tel: 0 216 468 06 70 Fax: 216 411 28 48 E-Mail: esra.hepileri@cignafinans.com.tr
Ozkan OKUMUS	Assistant Managing Director Operation and SSH, Information Technology, Administrative Affairs	Master's Degree	25	Address: No:2 Floor: 28 34746 Palladium Tower, Kardelen St. Barbaros NBHD Atasehir, Istanbul/Kadikoy, Istanbul TURKEY Tel: 0216 468 03 69 Fax: 216 411 28 48 E-Mail: ozkan.okumus@cignafinans.com.tr
Nazli Tlabar Guler	Assistant Managing Director Human Resources	Bachelor's Degree	14	Address:No:2 Floor: 28 34746 Palladium Tower, Kardelen St. Barbaros NBHD Atasehir, Istanbul/Kadikoy, Istanbul TURKEY Tel: 0216 468 04 87 Fax: 216 411 28 48 E-Mail: nazli.tlabarguler@cignafinans.com.tr
Capkin Ersoy	Director Sales and Product Management	Master's Degree	21	Address:No:2 Floor: 28 34746 Palladium Tower, Kardelen St. Barbaros NBHD Atasehir, Istanbul/Kadikoy, Istanbul TURKEY Tel: 0216 468 06 50 Fax: 216 411 28 48 E-Mail: capkin.ersoy@cignafinans.com.tr
Beyhan TUNCAY	Group Manager Internal Audit	Master's Degree	19	Address:No:2 Floor: 28 34746 Palladium Tower, Kardelen St. Barbaros NBHD Atasehir, Istanbul/Kadikoy, Istanbul TURKEY Tel: 0 216 468 03 46 Fax: 216 411 28 48 E-Mail: beyhan.tuncay@cignafinans.com.tr
Zeynep ONAT	Director Risk Management, Internal Control and Legal Compliance	Master's Degree	20	Address:No:2 Floor: 28 34746 Palladium Tower, Kardelen St. Barbaros NBHD Atasehir, Istanbul/Kadikoy, Istanbul TURKEY Tel: 0 216 468 06 73 Fax: 216 411 28 48 E-Mail: zeynep.onat@cignafinans.com.tr

Information on the Total Amount of Allowances Given, Expenses of Accommodation and Representation, In-Kind and In-Cash Resources, Insurances and Similar Coverages

	January 1- December 31, 2018	January 1 December 31, 2017
Amount of fees and similar benefits paid to the executives	10.149.593	10.250.333

These amounts include the benefits, salaries and bonuses provided to our senior executives during the years that ended in December 2018 and 2017 (Managing Directors and Deputy Managing Directors).

Information on the Actions Taken by Managing Body Members for the Company on Behalf of Themselves or Other Parties as Part of Consent Given by the General Meeting and on their Activities within the Scope of Non-competition

At the 2017 General Meeting dated 26.03.2018, the Company gave the members of the Board of Directors the consent specified in articles 395 and 396 of the Turkish Commercial Code No. 6102.

Information on the Attendance of the Members of the Board of Directors to the Relevant Meetings Organized within the Fiscal Year

Our members of the Board of Directors attended the meetings of the Board of Directors organized regularly with the exception of situations where they had an excuse.

Summarized Board Report Presented at the General Meeting

Our company managed to generate a premium of TRY 494,175,782 in total and collected the collection of 175.400.408 TRY of individual retirement contribution margin excluding the state subsidy in 2018, its 12. year of operation and ended the year of operation of 2018 with 97.394.915 TRY of net profit.

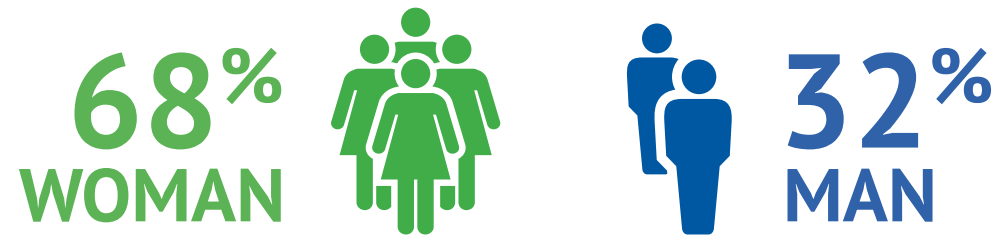
Information on Human Resources Practices

Employee Profile and Training Activities

Employee Profile

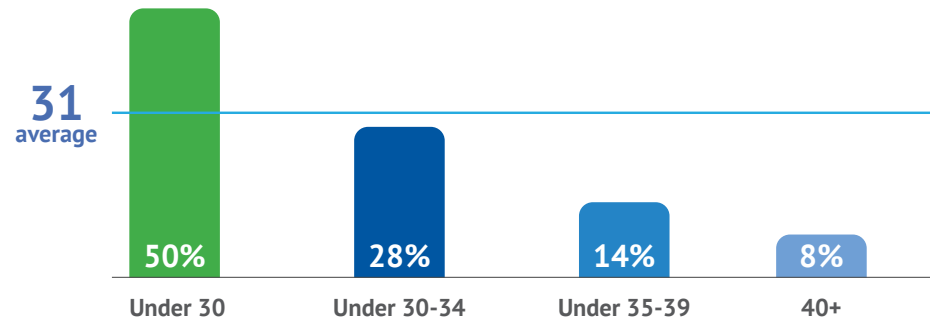
Given the demographical data of employees dated 31.12.2018, the significance we attach to women's employment is clearly visible as the majority of employees in our Company are female.

Gender Distribution



Age Distribution

We have a young and dynamic structure, which is apparent from the fact that our employees are aged 31 on average.



Analysis of Educational Background

We have qualified employees with a high level of educational background, who have the required knowledge aligned both with the field of activity of the Company and their own business expertise.



Number of employees

Between 2016 and 2018, employees were recruited in direct proportion to our company's growth strategy and economic indicators.



Talent Acquisition

Having ended 2017 with 761 employees, Cigna Finans ended 2018 with 624 employees where 89 employees were promoted in total.

We attended the career days of universities in various provinces of Turkey as a procedure having been newly launched in 2018 to provide individuals with the talent, and informed students about resources and career opportunities that Cigna Finans offers them and about our procedures.

The internal resources that we used during the recruitment process increased regarding resource allocation, while our rate of making use of a consulting firm decreased by 34% compared to 2017. In addition, the recruitment of the candidates referred to us by QNB Finansbank, where we are a shareholder, increased by 14% compared to 2017.

Respect for Humans Award by Kariyer.net

In 2018, Cigna Finans was awarded the Respect for Humans Award, which is only presented to firms rendering the fastest and the highest-quality responses to applications made via Kariyer.net. Our objective as the Department of Human Resources has been to make all our staff members and our prospective employees feel the concept of "Respect for Humans".

Talent Retention and Development

Practices by the Assessment and Innovation Centre

The practices by the assessment and innovation centre gained momentum from the last quarter of 2018 to be able to assign the appropriate talent to the appropriate position. The first practice started with our Regional Sales Executives, and then it continued with the Department of Human Resources. These practices, aiming both at the positioning of talents possessed by individuals accurately within the company and at the identification of accurate educational and developmental activities for individuals, will continue with participants in larger numbers in 2019.

Educational Activities

Educational activities at Cigna Finans continued through academic studies, individual requests and overseas educational activities designed also in 2018. When training programs, separate planning actions were taken for the staff of Bank Sales Channel, Telemarketing Channel and Head Office. Training schemes were developed for each role via the combination of educational needs of our staff and the strategic objectives of our company.

The Academy of Sales designed for Bank Sales Channel staff members was planned based on titles, and included both in-class and online training programs. Our Regional Sales Executives attended in-class training sessions planned all year round within the scope of the Academy, and they were assigned with tasks

and assignments after each part of these training programs. For our Regional Directors, individual coaching sessions were held throughout the year.

For our Telemarketing Channel staff members, the criterion of performance was taken into account during production of training designs where training programs were planned accordingly. Continuous learning was provided using various tools, such as in-class and distance learning tools, conversations on books and reading materials. The orientation program designed within the framework of dramatization for our newly recruited staff members in the Telemarketing Channel was launched in January. Our staff who finished the program at the top at the end of each month was given various awards. A training program called "Benim Yolum (My Way)" was designed for our Team Leaders. The program encompassing trainings in topics such as, effective team management, preparation of action plans for the improvement of the team and three-dimensional assessment, ended with presentations made for the senior management.

A monthly training bulletin was initially published in 2018 for all our staff members to become informed of training activities implemented within the company. The objective of this bulletin was both to inform our staff members about training activities carried out and to inform them about our works that became successful in education.

The English Language Courses provided since 2015 to improve English knowledge of our staff members was revised in 2018 and was presented to our staff members in a new structure. Throughout the year, 122 employees attended the courses transformed to a more flexible schedule where the individuals could make their own programs, and took a total of 715 hours of lecture. The practice, which will be continued in 2019, will be revised again and introduced to larger masses of participants.

The "In-House Coaching" project was implemented in May 2018 to reduce dependency on external sources, to develop more flexible programs and to design contents specific to our company in our training activities. Within the scope of the project, 10 of our staff members attended the training program that we held

in collaboration with TSEV where 6 were accredited by TSEV after the presentations made at the end of the program. Training programs were commenced by our 6 staff members in in-house coaching team. The intention is to receive more support from in-house coaches for training sessions in 2019.

Our staff members, as part of a global company, were not only incorporated into programs in Turkey but also into international programs. In this respect, overseas educational programs were organized for our staff members to be able to get prepared for future roles and opportunities, to amass a circle of friends in the global environment, to become aware of activities implemented in other countries with necessary actions in place to ensure the attendance of our staff members at these programs.

Cigna Finans Academy, our online learning platform put into action in March 2014, was made available to our staff members with its new interface in 2018.

The platform, which enables us to use various tools inside the learning construct, featuring a social domain and a blog domain is also used both as a sharing platform and as a communication platform. In this context, overseas educational programs were organized for our staff members to be able to get prepared for future roles and opportunities, to amass a circle of friends in the global environment, to become aware of activities implemented in other countries with necessary actions in place to ensure the attendance of our staff members at these programs.

CIGNA FINANS ACADEMY IN FIGURES	2014	2015	2016	2017	2018
Number of Training Programs in the Catalogue	44	69	455	417	156
Number of Topics in Social Area	26	22	19	20	21
Number of Videos in the Portal	34	48	53	56	56
Total Hours Spent per Person in Training	18.87	17.84	14.19	26.31	11.38
Average Number of Trainees Enrolling in Cigna Finans Academy Every Month	460	612	610	658	680
Rate of Completion	%71	%80	%83	%78	%87

Apart from all these activities, individual requests of our employees were met, where they were trained both in technical and competency aspects.

Training Data	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of Trainees	1.547	1.925	1.966	4.213	9.550	17.127	11.980	14.945	11.251
Training Day per Person	8.60	6.18	7.90	12.30	9.83	8.72	6.15	7.2	4
Duration (Man.Hour)	14.818	12.113	16.239	31.709	33.863	39.588	30.829	38.397	21.720
Training Expenditure per Person	2.191	1.243	1.850	1.678	1.741	2.205	1.698	1.188	1.355

Licensing Efforts

Both online and in-class training supports were provided for the IPS Certificate and SEGEM Certificate, which are critical for our Pension and Insurance Advisor employees. Of our 136 staff members having taken the SEGEM exam in 2018, 65 passed the exam and were qualified for certification. The change we made in certification processes as of November 2018 is intended to ensure that all our staff members both in Bankassurance and Telemarketing channels are certified.

Development Training Programs

3 separate development training programs were set for separate channels in 2018. The first of these trainings was "Leadership Trainings" for our Regional Sales Executives. A 3-day training program was organized with approximately 30 persons with the training provided by 2 different trainers. Training programs for 2018 were set through the output of this training.

The second training was the first part of “Communication without Violence” training composed of 4 modules, organized for our Call Centre staff members. A total of 39 staff members attended the training that lasted for 2 days.

Our last training was “Commercial Business Acumen” for 2 days that we held for our staff members of Regional Representative’s Office, in which 27 of our staff members were included.

Employee Engagement

Rotation

The Rotation program launched in 2016 continued to be implemented in 2018 with some revisions. In 2018, our staff members also attended the program designed to enhance the knowledge of staff members in the other departments and the cooperation between departments.

Employee Engagement Survey

“Employee Engagement Survey” was conducted together with Cigna Global in 2018. The rate of participation in the survey rose by 5% compared to 2017 and was completed with a participation rate of 76%. As part of the survey where the rate of engagement was observed to be 67% in accordance with general results, our staff members were asked 29 questions. After the results of the survey were shared with the senior management, Focus Group works were planned for our staff members to assess the results and to verbalize their various opinions and recommendations. Action plans will be produced through the results of works planned to be carried out by participation of approximately 150 people from 15 separate groups, which are to be completed in January 2019, and these action plans will be monitored by the Senior Management.

Rewarding for Achievement in 2018

Both our Bankassurance and Telemarketing Channel teams were rewarded by “Achievement in Sales” awards due to their achievement throughout 2018. Our 14 staff members in Bankassurance channel and our 9 staff members in Telemarketing channel were presented awards due to the outstanding performance they delivered in sales. In addition to Achievement in Sales awards, “2018 was My Year Because...” rewards also found their owners, which was implemented for the first time in 2018. Through the survey accessible via online learning platform, our staff members were asked to relate a success story they experienced in 2018, which they think to have added value both to the company and to themselves. 7 of 32 stories in total involved in the process were awarded.

Other Practices

I am Learning at Noon:

“I Am Learning at Noon” activities were organized to reinforce development at our Company. By this different method of learning that lasted for one hour, our staff members came together with subject-matter experts and had the opportunity to make use of their experiences.

A total of 296 staff members both in Head Office and Telemarketing channel attended the training that was held in 8 sessions in 2018.

Digitalization

The first one of the activities that we implemented in 2018 for the purpose of digitalization was transferring employment documents to the online platform. The necessary documents signed by each newly recruited staff member were transferred to the online environment, and electronic signatures were obtained from the related people. Thus, the process was transferred to the digital environment and automated.

The other activity was switchover to BILIN Training Module. When the module that is currently in progress goes live, all training requests and training invitations and organizations will be managed through this platform. The project is in the development phase now, and planned to be put into use in the first quarter of 2019.

BILIN Employment Module was put into practice, where the entire employment database is executed on this platform. Efforts will be made in 2019 for this platform to be used more effectively.

Our last effort of digitalization was to cooperate with HR Venue for all sales personnel. With this cooperation, video interviews began to be implemented independently from the location and the time. Our general interviewing processes were renewed.

All our processes as Organizational Development and Revenue Management began to be transferred to Online Bilin platform. The objective here is to have the capability to produce instant solutions, providing fast access Human Resources across the company through the system by lessening manual processes. Human Resources procedures will be executed through the system in a higher-quality manner through the transfer of Leave Management, Overtime Management, e-payslip, Employee Personal Procedures, Performance and many other processes to the Online platform.

Procedures for Personal Data Protection Law

Within the scope of the Personal Data Protection Law, the entire process of ensuring that the personal data of all applicants applying to Cigna Finans is recorded and stored securely in accordance with their express consent was completed.

Legal procedures fulfilled with the holding company or a company controlled by the holding company in favour of the holding company or of a company controlled by the holding company under the guidance of the holding company, and all other measures taken or avoided to the benefit of the holding company or of a company controlled by the holding company in the past operating year, in case of a company controlled by a group of companies

Our Company did not fulfil any procedures or make a decision with/to the benefit of the holding Company, with/to the benefit of a Company controlled by the holding Company, with/to the benefit of a Company of the holding company or a Company controlled by it upon the reference of the holding Company or did not take any actions to the benefit of the holding Company or a Company controlled by the holding Company, and thus, the Company did not incur any losses.

Company Mission

Our Mission

1. Be a company of choice by creating the best service and solution for our clients,
2. Be the leader of the market, and
3. Attain the best financial results for our shareholders.



**FINANCIAL INFORMATION,
AND ASSESSMENTS OF RISK
MANAGEMENT**

Agenda of the 2018 Ordinary General Meeting

1. Call to order and roll call,
2. Forming the Presiding Committee, and authorizing the Presiding Committee to sign the Minutes of the General Meeting,
3. Reading and discussion of the 2018 Annual Report,
4. Reading and discussion of the Board of Directors' Report regarding operations in 2018,
5. Reading of the independent audit firm's report,
6. Reading, discussion and approval of the balance sheet and profit and loss statements for 2018,
7. Submission of the appointment to the vacated position of Board Members to the approval of the General Meeting,
8. Discussion of the release of Board Members due to their activities in 2018,
9. Discussion and resolution of the determination of the remuneration of Board Members,
10. Discussion and resolution regarding whether to distribute dividends in accordance with the financial statements of 2018,
11. Election of the independent audit firm for the audit of 2019,
12. Information regarding the donations made in 2018, and discussion of the determination of the total amount of donations planned in 2019,
13. Authorization of Board Members pursuant to articles 395 and 396 of the Turkish Commercial Code,
14. Requests and meeting adjournment

ÇİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş. STATEMENT OF PROFIT APPROPRIATION

	Notes	Current Period 31.12.2018
I. APPROPRIATION OF PROFIT FOR THE PERIOD		
1.1.PROFIT FOR THE PERIOD		127.346.056
1.2. TAXES PAYABLE AND LEGAL LIABILITIES		(29.951.141)
1.2.1. Corporate Tax (Income Tax)		(29.951.141)
1.2.2. Income Tax Deduction		-
1.2.3. Other Taxes and Legal Liabilities		-
A. NET PROFIT FOR THE PERIOD (1.1.-1.2)		97.394.915
1.3. LOSSES FROM PREVIOUS PERIODS(-)		-
1.4. PRIMARY RESERVES		-
1.5. LEGAL FUNDS STIPULATED TO BE RETAINED AND SAVED BY THE COMPANY (-)		-
B. NET DISTRIBUTABLE PROFIT FOR THE PERIOD [(A - (1.3+1.4+1.5)]		97.394.915
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		(2.250.000)
1.6.1. To Shareholders		(2.250.000)
1.6.2. To Preferred Shareholders		-
1.6.3. To Holders of Participating Preference Shares		-
1.6.4. To Holders of Participation Bonds		-
1.6.5. Profit and Loss Sharing Note		-
1.7. DIVIDENDS TO STAFF (-)		-
1.8. DIVIDENDS TO FOUNDERS (-)		-
1.9. DIVIDENDS TO THE BOARD OF DIRECTORS (-)		-
1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)		(96.577.091)
1.10.1. To Shareholders		(96.577.091)
1.10.2. To Preferred Shareholders		-
1.10.3. To Holders of Participating Preference Shares		-
1.10.4. To Holders of Participation Bonds		-
1.10.5. To Holders of Profit and Loss Sharing Notes		-
1.11. SECONDARY RESERVES (-)		-

ÇİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş. STATEMENT OF PROFIT APPROPRIATION

1.12. STATUTORY RESERVES (-)	-
1.13. EXCESS RESERVES	-
1.14. OTHER RESERVES	-
1.15. SPECIAL FUNDS	-
II. APPROPRIATION FROM RESERVES	-
2.1. RESERVES ALLOCATED	-
2.2. SECONDARY STATUTORY RESERVES (-)	-
2.3. SHARES TO PARTNERS (-)	-
2.3.1. To Shareholders	-
2.3.2. To Preferred Shareholders	-
2.3.3. To Holders of Participating Preference Shares	-
2.3.4. To Participation Bond Holders	-
2.3.5. To Holders of Participation Bonds	-
2.4. SHARES TO STAFF (-)	-
2.5. SHARES TO THE BOARD OF DIRECTORS (-)	-
III. PROFIT PER SHARE	-
3.1. TO SHAREHOLDERS	2,164
3.2. TO SHAREHOLDERS (%)	%216,43
3.3. TO PREFERRED SHAREHOLDERS	-
3.4. TO PREFERRED SHAREHOLDERS (%)	-
IV. DIVIDEND PER SHARE	2,196
4.1. TO SHAREHOLDERS	%219,62
4.2. TO SHAREHOLDERS (%)	-
4.3. TO PREFERRED SHAREHOLDERS	-
4.4. TO PREFERRED SHAREHOLDERS (%)	-

Information on the Internal Control System and Internal Audit Activities of the Company and the Opinion of the Managing Body on This Issue**Information on Internal Systems****Internal Audit Activities**

Internal audit works are implemented by the Internal Audit Unit to carry out Corporate activities in accordance with the applicable regulations and with the identified strategies, policies and objectives of the Company and to provide the Board of Directors with assurance regarding the effectiveness and sufficiency of the internal control and risk management systems of the Company.

The Internal Audit Unit carries out its activities under the direct control of the Board of Directors pursuant to the provisions of the "Regulation on Internal Systems of Insurance, Reinsurance and Pension Companies" that entered into effect in the Official Gazette No. 26913 dated 21.06.2008. Internal audit works are carried out within the scope of annual audit plans prepared in a way that they will include all operations of the Company in the light of periodic and risk-based assessments, also encompassing the opinions of the senior management of the Company and approved by the Board of Directors.

In 2018, the Internal Audit Unit fulfilled its responsibilities in an objective and independent manner to ensure that the Company's operations were carried out in accordance with legal regulations, legislative provisions and internal regulations.

The reports produced as the result of audits were put on the agenda of the Board Meeting through the Member of Board of Directors Responsible for Internal Systems and through the Supervisory Committee. The necessary actions taken as the result of the reports were resolved by the approval of the Board of Directors. The actions taken regarding the particulars identified in audit reports were monitored regularly throughout the year via audit finding monitoring module integrated into the system.

However, specific examinations and investigations were conducted where and when necessary.

The intention was to implement the audit activities in accordance with Internal Audit Standards determined by The Institute of Internal Auditors (IIA), which is an international organization.

The internal audit activities for 2018 were implemented by a group manager and three internal auditors.

Risk Management and Internal Audit Activities

Risk management and internal audit activities are carried out by the Risk Management and Internal Audit Unit which directly reports to the Managing Director pursuant to the provisions of the "Regulation on Internal Systems of Insurance, Reinsurance and Pension Companies" that entered into effect in the Official Gazette No. 26913 dated 21.06.2008.

The Risk Management and Internal Audit Unit responsible for the implementation of risk management and internal audit activities as of the end of 2018 carries out its activities with a unit manager, a vice-director, two senior experts and one assistant for experts.

Internal Control Activities

Internal control activities are intended to protect Company Assets, to carry out activities effectively and efficiently in accordance with laws and other relevant legislations, with in-company policies and rules and with conventions of the insurance business, to ensure security and integration of accounting and financial reporting systems and to ensure accessibility of information on time.

Internal control activities are carried out in the form of periodic controls and of on-site controls. Periodic controls are conducted

through monitoring of automatic reports of control points integrated into the system and through creation and monitoring of first tier controls. The results of controls are shared with the managers of the relevant business unit and with the Senior Management of the Company. Thus, necessary improvements are provided.

All control processes were automated by 2018 and initially monitored via a tool that was used to follow up on the performance of first tier and second tier controls. Risk assessments were carried out regarding the renewed Company processes; control points were re-examined.

Moreover, activities by the units were assessed in accordance with the annual plan within the framework of Internal Systems Regulations through on-site controls where the points found to be risky were assessed. Within the scope of each determination, it was ensured that action plans and action owners agreed with business units through recommendations of Risk Management and Internal Audit Unit were incorporated to identify the root causes of problems, control efficiency levels, remediation and avoidance of re-occurrence. The results of on-site controls are reported to the managers of the relevant unit and to the managing director.

Additionally, the parametric rules that needed to be followed in terms of the legislation were monitored through the control points integrated into the system.

Risk Management Activities

Risk management activities are intended to identify, assess, handle, report and control the risks that may restrain the Company from reaching its goals. Risk management activities are carried out through High-Level Risk Assessment work prepared every three months and through operational, risk-related fact-reporting works prepared every month. The High-Level Risk Assessment Report is assessed every three months by a Risk Committee composed of the Director of Risk Management and Internal Audit, Member of the Board of Directors Responsible for Senior Management of

the Company and Internal Systems. The implementation of the required improvements is ensured.

High-Level Risk Assessment works of the Company were implemented comprehensively, they were assessed in Risk Committees and facts that were operational and risk-related were reported regularly.

Works regarding Risk Management Policy of the Company, its Risk Management Regulations and its Risk Appetite were revised and submitted for the approval of the Board of Directors.

In addition to the Risk Committee, meetings of Regulations Committee and Data Confidentiality Committee were organized; monitoring of the relevant regulations was implemented; impacts of these regulations on business processes were determined; actions were taken in this respect and monitoring of these actions was rendered. Furthermore, projects having critical importance to the Company were attended; thus, both compliance attempts of the Company to the regulations were observed and risk assessments were implemented; hence, both development of the control mechanism was ensured and recommendations were delivered.

Opinion of the Board of Directors

Activities within the scope of the internal systems of our Company are conducted in accordance with the provisions of the Insurance Law No. 5684 dated 03.06.2007 and the Individual Pension, Savings and Investment System Law No. 4632 dated 28.03.2001 and the Regulation on Internal Systems of Insurance, Reinsurance and Pension Companies that entered into effect in the Official Gazette No. 26913 dated 21.06.2008.

FINANCIAL STATEMENTS BY CIGNA FINANS EMEKLILIK VE HAYAT A.Ş. AND THE INDEPENDENT AUDITOR'S REPORT FOR THE FISCAL YEAR BETWEEN JANUARY 1 – DECEMBER 31, 2018

To the General Committee of Cigna Finans Emeklilik ve Hayat A.Ş.

A. Independent Audit of Financial Statements

1. Opinion

We have audited the accompanying financial statements of Cigna Finans Emeklilik ve Hayat A.Ş. (the "Company"), which comprise the statement of financial position as at December 31, 2018 and the statement of profit or loss and other comprehensive income, statement of owner's equity and statement of cash flows for the year then ended and the notes to the financial statements and a summary of significant accounting policies and financial statement notes.

In our opinion, the financial statements attached present the financial standing of the Company as at December 31, 2018 and its financial performance for the fiscal year ending on the same date and its cash flows in accordance with regulations regarding accounting and financial reporting in effect pursuant to insurance regulations and in accordance with the "Insurance Accounting and Financial Reporting Legislation" encompassing the provisions of Turkish Financial Reporting Standards in areas not regulated by these, with its all outstanding aspects and appropriately to facts.

2. Basis for the Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SLA") 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 Issues

Key audit issues 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 issues 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 Issue

Estimations and assumptions used in the calculation of “mathematical reserves” arising from insurance contracts

As explained in notes 2 and 17, the total net sum of mathematical reserves of the Company is TRY 172,954,744 as of December 31, 2018. This sum constitutes a significant part of the total liabilities of the Company among its long-term pension plan activities excluding the debts. Measurement of mathematical provisions includes important estimations and assumptions as it encompasses results regarding events in the future that are uncertain.

Mathematical reserves have been regarded by us as a key audit issue as they are significant in terms of financial statements and encompass significant estimations and assumptions.

How to address the issue in the audit

The key controls on the calculation methods regarding the mathematical reserves of the Company calculated as of December 31, 2018 were tested. The mathematical reserves were recalculated by expert actuaries from our audit team with the use of sampling method based on price lists and of other relevant calculation data. The compliance of the explanatory information related to the aforementioned reserves with the regulations in effect regarding accounting and reporting pursuant to insurance regulations was examined.

these financial statements. As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism 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 expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

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 “Insurance Accounting and Financial Reporting Legislation”, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company’s financial reporting 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 because of an independent audit conducted in accordance with 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



CIGNA FINANS EMEKLILIK VE HAYAT A.S.
FINANCIAL STATEMENTS FOR THE FISCAL YEAR BETWEEN
JANUARY 1 - DECEMBER 31, 2018

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CIGNA FINANS EMEKLILIK VE HAYAT A.S.**DETAILED STATEMENTS FOR THE PERIOD BETWEEN DECEMBER, 31 2018 – 2017**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

ASSETS			
I- CURRENT ASSETS	Notes	Independently Audited 31 December 2018	Independently Audited 31 December 2017
A- Cash and Cash Equivalents	4.2, 14	443.621.883	356.833.871
1- Cash		-	-
2- Checks Received		-	-
3- Cash in Banks	2.12, 14	429.484.844	344.948.517
4- Checks and Payment Orders Issued (-)		-	-
5- Bank-Guaranteed Credit Card Receivables Due Less than 3 Months	2.12, 14	14.137.039	11.885.354
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments at Policyholder's Risk		-	-
1- Available for Sale Financial Assets		-	-
2- Financial Assets to be Held until Maturity		-	-
3- Financial Assets Held for Trading		-	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Financial Investments at Risk to Life Policy Holders		-	-
7- Company Share		-	-
8-Provision for Financial Assets Impairment (-)		-	-
C- Receivables from Primary Operations	4.2	49.180.718	48.153.151
1- Receivables from Insurance Operations	12.1	36.378.901	38.842.031
2- Provisions for the Receivables from Insurance Operations (-)		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provisions from the Receivables from Reinsurance Operations (-)		-	-
5- Deposits at Insurance and Reinsurance Companies		-	-
6- Loans to Insurance Policy Holders (Advance Loans)		-	-
7- Provisions for the Loans to Insurance Policy Holders (Advance Loans) (-)		-	-
8- Receivables from Pension Operations	12.1	12.801.817	9.311.120
9- Doubtful Receivables from Primary Operations	12.1	47.933	49.266
10- Provisions for the Doubtful Receivables from Primary Operations (-)	12.1	(47.933)	(49.266)

The following notes are complementary parts to these financial statements.

CIGNA FINANS EMEKLILIK VE HAYAT A.S.**DETAILED STATEMENTS FOR THE PERIOD BETWEEN DECEMBER, 31 2018 – 2017**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

ASSETS			
I- CURRENT ASSETS	Notes	Independently Audited 31 December 2018	Independently Audited 31 December 2017
D- Receivables from Related Parties	4.2	66.799	-
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Group Companies		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties	12.1, 45	66.799	-
7- Rediscount for Receivables from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
E- Other Receivables		-	-
1- Financial Leasing Receivables		-	-
2- Unearned Financial Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables		-	-
5- Rediscount for Other Miscellaneous Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
F- Prepaid Expenses and Accrued Income for Future Months	4.2	30.204.071	25.059.551
1- Deferred Production Expenses		29.543.264	24.645.729
2- Accrued Interest and Leasing Income		-	-
3- Accrued Income		-	-
4- Other Prepaid Expenses for Next Months	47.1	660.807	413.822
G- Other Current Assets		4.762	-
1- Inventories for Future Months		-	-
3-Deferred Tax Assets		-	-
4-Paycheck Advances		4.762	-
5- Advances to Personnel		-	-
6- Inventory Shortages		-	-
7- Other Miscellaneous Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		523.078.233	430.046.573

The following notes are complementary parts to these financial statements.

CIGNA FINANS EMEKLILIK VE HAYAT A.S.**DETAILED STATEMENTS FOR THE PERIOD BETWEEN DECEMBER, 31 2018 – 2017**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

ASSETS			
II- NON-CURRENT ASSETS	Notes	Independently Audited 31 December 2018	Independently Audited 31 December 2017
A- Receivables from Primary Activities	4.2, 12.1, 17.5	812.090.618	799.391.368
1- Receivables from Insurance Operations		-	-
2- Provisions for the Receivables from Insurance Operations (-)		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provisions from the Receivables from Reinsurance Operations (-)		-	-
5- Deposits at Insurance and Reinsurance Companies		-	-
6- Loans to Insurance Policy Holders (Advance Loans)		-	-
7- Provisions for the Loans to Insurance Policy Holders (Advance Loans) (-)		-	-
8- Receivables from Pension Operations	12.1, 17.5	812.090.618	799.391.368
9- Doubtful Receivables from Primary Operations		-	-
10- Provisions for the Doubtful Receivables from Primary Operations (-)		-	-
D- Receivables from related parties		-	-
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Group Companies		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount for Receivables from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
C- Other Receivables	4.2	23.838	14.899
1- Financial Leasing Receivables		-	-
2- Unearned Financial Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given	4.2	23.838	14.899
4- Other Miscellaneous Receivables		-	-
5- Rediscount for Other Miscellaneous Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision For Other Doubtful Receivables (-)		-	-

The following notes are complementary parts to these financial statements.

CIGNA FINANS EMEKLILIK VE HAYAT A.S.**DETAILED STATEMENTS FOR THE PERIOD BETWEEN DECEMBER, 31 2018 – 2017**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

ASSETS			
II- NON-CURRENT ASSETS	Notes	Independently Audited 31 December 2018	Independently Audited 31 December 2017
D-Financial Assets	4.2, 45.2	391.100	391.100
1-Long-term Securities	4.2, 45.2	391.100	391.100
2- Affiliates		-	-
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries		-	-
5- Capital Commitments to Subsidiaries (-)		-	-
6- Group Companies		-	-
7- Capital Commitments to Group Companies (-)		-	-
8- Financial Assets and Financial Investments at Risk to Policyholders		-	-
9- Other Financial Assets		-	-
10- Provision for Financial Assets Impairment (-)		-	-
E- Tangible Assets	4.2, 6	3.276.159	5.756.295
1- Investment Properties		-	-
2- Provision for Impairment of Investment Property (-)		-	-
3- Real Estate for Use		-	-
4- Machinery and Equipment		-	-
5- Fixtures and Installations	6	8.208.595	7.771.684
6- Motor vehicles		-	-
7- Other Tangible Assets (Including Leasehold Improvements Amount)	6	6.189.687	6.094.195
8- Tangible Assets Acquired via Leasing		-	-
9- Accumulated Depreciation (-)	6	(11.122.123)	(8.109.584)
10- Advances Regarding Tangible Assets (Including Construction in Progress)		-	-
F- Intangible Assets	4.2, 8	13.551.551	12.506.646
1- Rights	8	43.747.122	33.827.802
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortisation (Depreciation) (-)	8	(30.195.571)	(21.321.156)
7- Advances Regarding Intangible Assets		-	-

The following notes are complementary parts to these financial statements.

CIGNA FINANS EMEKLILIK VE HAYAT A.S.**DETAILED STATEMENTS FOR THE PERIOD BETWEEN DECEMBER, 31 2018 – 2017**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

ASSETS			
II- NON-CURRENT ASSETS	Notes	Independently Audited 31 December 2018	Independently Audited 31 December 2017
G- Prepaid Expenses and Accrued Income for Future Years			
1- Deferred Production Expenses		-	-
2- Accrued Income		-	-
3- Other Prepaid Expenses for Future Years		-	-
H- Other Non-Current Assets	4.2	6.874.523	5.404.219
1- Effective Foreign Currency Accounts		-	-
2- Forex Accounts		-	-
3- Long-Term Inventories		-	-
4-PREPAID TAXES AND FUNDS			
5-Deferred tax Assets	4.2, 21, 35	6.874.523	5.404.219
6- Other Miscellaneous Non-Current Assets		-	-
7- Other Non-Current Assets Depreciation (-)		-	-
8- Provision for Other Current Assets (-)		-	-
II- Total Non-Current Assets		836.207.789	823.464.527
Total Assets (I + II)		1.359.286.022	1.253.511.100

The following notes are complementary parts to these financial statements.

CIGNA FINANS EMEKLILIK VE HAYAT A.S.**DETAILED STATEMENTS FOR THE PERIOD BETWEEN DECEMBER, 31 2018 – 2017**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

LIABILITIES			
III- CURRENT LIABILITIES	Notes	Independently Audited 31 December 2018	Independently Audited 31 December 2017
A- Financial Liabilities			
1- Due to Credit Institutions		-	-
2- Due to Financial Leasing Institutions		-	-
3- Deferred Leasing Costs (-)		-	-
4- Principal, Instalment and Interest of Non-Current Borrowings		-	-
5- Principal, Instalment and Interest of Long Debt Securities (Bonds) Issued		-	-
6- Other Debt Securities Issued		-	-
7- Value Differences of Other Debt Securities (-)Issued		-	-
8- Other Financial Payables (Liabilities)		-	-
B- Payables from Primary Operations	4.2	30.466.847	27.613.834
1- Payables from Insurance Operations	19	17.023.359	13.777.406
2- Payables from Reinsurance Operations		-	-
3- Deposits from Insurance and Reinsurance Companies		-	-
4- Payables from Pension Operations	19	13.443.488	13.836.428
5- Payables from Other Primary Operations		-	-
6- Payables from Other Real Operating Activities, Rediscount on Non-Current Notes Payables (-)		-	-
C- Payables to Related Parties	4.2	803.868	636.838
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Group Companies		-	-
5- Due to Personnel	19	116.623	95.012
6- Due to Other Related Parties	19	687.245	541.826
D-Other Payables	19, 4.2	4.044.584	3.667.545
1- Deposits and Guarantees Received		-	-
2- Payables to SSI Regarding Medical Expenses		-	-
3- Other Miscellaneous Payables	47.1	4.081.619	3.685.468
4- Rediscount on Other Miscellaneous Payables (-)	47.1	(37.035)	(17.923)

The following notes are complementary parts to these financial statements.

CIGNA FINANS EMEKLILIK VE HAYAT A.S.**DETAILED STATEMENTS FOR THE PERIOD BETWEEN DECEMBER, 31 2018 – 2017**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

LIABILITIES			
III- CURRENT LIABILITIES	Notes	Independently Audited 31 December 2018	Independently Audited December 31, 2017
E- Insurance Technical Provisions	4.2	130.136.516	115.813.674
1- Unearned Premium Reserve - Net	17.15	76.213.145	68.312.694
2- Unexpired Risks Reserve - Net		-	-
3- Mathematical Reserve - Net	17.2, 17.15	13.324.675	9.716.053
4- Outstanding Claims Reserve - Net	17.15	40.292.520	37.457.442
5- Bonus and Rebate Reserve - Net		-	-
6- Other Technical Reserves - Net	17.15, 47.1	306.176	327.485
F- Taxes and Other Similar Liabilities Payable and Provisions	4.2	12.419.890	6.895.564
1-Taxes and Funds Payable		2.812.988	1.728.808
2-Social Security Withholdings Payable		1.185.065	1.236.365
3- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
4- Other Taxes and Similar Liabilities Payable		-	-
5- Provision for Taxation on Current Period Profit and Other Legal Liabilities	35	29.951.141	15.450.824
6- Prepaid Tax and Other Liabilities on the Current Period Profit (-)	35	(21.529.304)	(11.520.433)
7- Provisions for Other Taxes and Similar Liabilities		-	-
G- Provisions Regarding Other Risks		-	-
1- Provisions for Severance Pay		-	-
2- Provisions for Social Support Fund Asset Deficits		-	-
3- Provisions for Expense Accruals		-	-
H- Income and Expense Accruals for Future Months	4.2	2.968.321	3.356.045
1- Deferred Commission Income	10, 19	2.130.529	1.907.493
2- Accrued Expenses	19	837.792	1.448.552
3- Prepaid Expenses for Future Months		-	-
I- Other Current Liabilities	4.2	14.754.177	10.603.432
1- Deferred Tax Liability		-	-
2- Inventory Overages		-	-
3- Other Miscellaneous Current Liabilities	4.2, 23	14.754.177	10.603.432
III - Total Current Liabilities		195.594.203	168.586.932

The following notes are complementary parts to these financial statements.

CIGNA FINANS EMEKLILIK VE HAYAT A.S.**DETAILED STATEMENTS FOR THE PERIOD BETWEEN DECEMBER, 31 2018 – 2017**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

LIABILITIES			
IV- Non-Current Liabilities	Notes	Independently Audited 31 December 2018	Independently Audited 31 December 2017
A- Financial Liabilities		-	-
1- Due to Credit Institutions		-	-
2- Due to Financial Leasing Institutions		-	-
3- Deferred Leasing Costs (-)		-	-
4- Debt Securities Issued		-	-
5- Other Debt Securities Issued		-	-
6- Value Differences of Other Debt Securities (-) Issued		-	-
7- Other Financial Payables (Liabilities)		-	-
B- Payables from Primary Operations	4.2	812.090.618	799.391.368
1- Payables from Insurance Operations		-	-
2- Payables from Reinsurance Operations		-	-
3- Deposits from Insurance and Reinsurance Companies		-	-
4- Payables from Pension Operations	17.5, 19	812.090.618	799.391.368
5- Payables from Other Primary Operations		-	-
6- Payables from Other Real Operating Activities, Rediscount on Non-Current Notes Payables (-)		-	-
C- Payables to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Group Companies		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-

The following notes are complementary parts to these financial statements.

CIGNA FINANS EMEKLILIK VE HAYAT A.S.**DETAILED STATEMENTS FOR THE PERIOD BETWEEN DECEMBER, 31 2018 – 2017**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

LIABILITIES			
IV- Non-Current Liabilities	Notes	Independently Audited 31 December 2018	Independently Audited 31 December 2017
D-Other Payables		-	-
1- Deposits and Guarantees Received		-	-
2- Payables to SSI Regarding Medical Expenses		-	-
3- Other Miscellaneous Payables		-	-
4- Rediscount on Other Miscellaneous Payables (-)		-	-
E- Insurance Technical Provisions	4.2	181.897.070	161.788.816
1- Unearned Premium Reserve - Net		-	-
2- Unexpired Risks Reserve - Net		-	-
3- Mathematical Reserve - Net	17.2, 17.15	159.630.069	144.495.563
4- Outstanding Claims Reserve - Net		-	-
5- Bonus and Rebate Reserve - Net		-	-
6- Other Technical Reserves - Net	17.15, 47.1	22.267.001	17.293.253
F- Other Liabilities and Provisions		-	-
1-Other Liabilities Payable		-	-
2- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
3- Provisions for Other Liabilities and Expenses		-	-
G- Provisions Regarding Other Risks	4.2, 22	3.721.701	3.801.989
1- Provisions for Severance Pay	4.2, 22	3.721.701	3.801.989
2- Provisions for Social Support Fund Asset Deficits		-	-
H- Income and Expense Accruals for Future Years		-	-
1- Deferred Commission Income		-	-
2- Accrued Expenses		-	-
3- Non-Current Deferred Income		-	-
I-Other Non-Current Liabilities		-	-
1-Deferred Tax Liabilities		-	-
2- Other Miscellaneous Non-Current Liabilities		-	-
IV- Total Non-Current liabilities		997.709.389	964.982.173

The following notes are complementary parts to these financial statements.

CIGNA FINANS EMEKLILIK VE HAYAT A.S.**DETAILED STATEMENTS FOR THE PERIOD BETWEEN DECEMBER, 31 2018 – 2017**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

EQUITY			
V- EQUITY	Notes	Independently Audited 31 December 2018	Independently Audited 31 December 2017
A- Paid-in Capital	2.13, 15	45.000.000	45.000.000
1- (Nominal) Capital	2.13, 15	45.000.000	45.000.000
2- Unpaid Capital (-)		-	-
3-Adjustments to Share Capital		-	-
4- Adjustments to Share Capital (-)		-	-
5- Registered Expected Capital		-	-
B-Capital Reserves		-	-
1- Share Premium		-	-
2- Share Premium of Cancelled Shares		-	-
3- Sales Profit to be Added to Capital		-	-
4-Foreign Currency Conversion Adjustments		-	-
5-Other capital reserves		-	-
C- Profit Reserves		22.155.341	14.804.922
1- Legal Reserves	15	22.500.000	15.696.871
2-Statutory Reserves		-	-
3-Extraordinary Reserves		110.519	110.519
4- Special Funds (Reserves)		-	-
5- Valuation of Financial Assets		-	-
6- Other Profit Reserves	15	(455.178)	(1.002.468)
D- Retained Earnings		1.432.174	4.998.361
1- Retained Earnings		1.432.174	4.998.361
E- Accumulated Loss (-)		-	-
1- Accumulated Loss		-	-
F- Net Profit for the Period		97.394.915	55.138.712
1- Net Profit for the Period		97.394.915	55.138.712
2- Net Loss for the Period (-)		-	-
Total Equity	4.2	165.982.430	119.941.995
Total Liabilities (III + IV + V)		1.359.286.022	1.253.511.100

The following footnotes are complementary parts to these financial statements.

CIGNA FINANS EMEKLILIK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS
1 JANUARY - 31 DECEMBER 2017 AND 2016

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

I- TECHNICAL PART	Notes	Independently Audited Past current period 01.01.2018-31.12.2018	Independently Audited Past prior period 01.01.2017-31.12.2017
A- Non-Life Technical Revenue		62.727.656	35.169.402
1- Earned Premiums (Net of Reinsurer's Share)		61.531.913	34.627.491
1.1- Written Premiums (Net of Reinsurer's Share)	24	62.908.399	41.636.969
1.1.1- Gross Written Premiums (+)	24	68.968.300	44.120.394
1.1.2- Ceded Premiums (-)	10, 24	(6.059.901)	(2.483.425)
1.1.3- Premiums Ceded to SSI (-)		-	-
1.2- Change in Unearned Premiums Reserve		-	-
(Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17,15	(1.376.486)	(7.009.478)
1.2.1 - Unearned Premium Reserve (-)	17,15	(2.918.256)	(8.375.269)
1.2.2- Reinsurer Share Unearned Premium Reserve (+)	10, 17,15	1.541.770	1.365.791
1.2.3-SSI Share in Unearned Premium Reserve (+/-)		-	-
1.3- Change in Unexpired Risks Reserve			
(Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		-	-
1.3.1- Unexpired Risks Reserve (-)		-	-
1.3.2- Reinsurer's Share in Unexpired Risks Reserve (+)		-	-
2- Investment Income Transferred from Non-Technical Part		1.195.743	541.911
3- Other Technical Income (Net of Reinsurer's Share)		-	-
3.1- Other Gross Technical Income (+)		-	-
3.2- Reinsurer's Share in Other Gross Technical Income (+/-)		-	-
4- Recovery and Salvage Income Accruals (+)		-	-

The following notes are complementary parts to these financial statements.

CIGNA FINANS EMEKLILIK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS
1 JANUARY - 31 DECEMBER 2017 AND 2016

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

I- TECHNICAL PART	Notes	Independently Audited Past current period 01.01.2018-31.12.2018	Independently Audited Past prior period 01.01.2017-31.12.2017
B- Non-Life Technical Expenses (-)		(40.237.380)	(20.479.304)
1- Incurred Losses (Net of Reinsurer's Share) (+/-)		(7.244.408)	(2.683.077)
1.1- Paid Losses (Net of Reinsurer's Share) (+/-)		(3.323.688)	(1.508.660)
1.1.1- Gross Paid Losses (-)		(4.668.488)	(1.508.660)
1.1.2- Reinsurer's Share in Paid Losses (+)	10	1.344.800	-
1.2- Change in the Outstanding Losses Reserve			
(Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		(3.920.720)	(1.174.417)
1.2.1- Outstanding Losses Reserve (-)		(4.846.801)	(1.360.612)
1.2.2- Reinsurer's Share Outstanding Losses Reserve (+)	10	926.081	186.195
2- Change in Bonus and Rebate Reserve		-	-
(Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		-	-
2.1- Bonus and Rebate Reserve (-)		-	-
2.2- Reinsurer's Share in Bonus and Rebate Reserves (+)		-	-
3- Change in Other Technical Reserves			
(Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17,15	(361.594)	(156.394)
4- Operating Expenses (-)	31	(25.011.529)	(17.081.882)
5- Change in Mathematical Reserve			
(Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17,15	(7.619.849)	(557.951)
5.1- Mathematical Reserves (-)	17,15	(7.619.849)	(557.951)
5.2- Reinsurer's Share in Mathematical Reserves (+)		-	-
6- Other Technical Expenses (-)		-	-
6.1- Other Gross Technical Expenses (-)		-	-
6.2- Reinsurer's Share in Other Gross Technical Expenses (+)		-	-

The following notes are complementary parts to these financial statements.

CIGNA FINANS EMEKLILIK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS
1 JANUARY - 31 DECEMBER 2017 AND 2016

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

I- TECHNICAL PART	Notes	Independently Audited Past current period 01.01.2018-31.12.2018	Independently Audited Past prior period 01.01.2017-31.12.2017
C- Technical Part Balance - Non-Life (A - B)		22.490.276	14.690.098
D- Life Technical Income		402.938.738	430.572.706
1- Earned Premiums (Net of Reinsurer's Share)		402.938.738	430.572.706
1.1- Written Premiums (Net of Reinsurer's Share)	24	409.462.703	425.969.993
1.1.1- Gross Written Premiums (+)	24	425.207.482	438.349.118
1.1.2- Ceded Premiums (-)	10, 24	(15.744.779)	(12.379.125)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17,15	(6.523.965)	4.602.713
1.2.1 -Provisions for Unearned Premiums	17,15	(8.061.529)	5.208.225
1.2.2- Reinsurer's Share in Unearned Premiums Reserve (+)	10,17,15	1.537.564	(605.512)
1.3- Change in Unexpired Risks Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		-	-
1.3.1- Unexpired Risks Reserve (-)		-	-
1.3.2- Reinsurer's Share in Unexpired Risks Reserve (+)		-	-
2- Investment Income of Life Line		-	-
3- Unrealized Investment Profits		-	-
4- Other Technical Income (Net of Reinsurer's Share) (+/-)		-	-
E- Other Gross Technical Income (+/-)		(346.104.011)	(398.738.083)
1- Incurred Losses (Net of Reinsurer's Share) (+/-)		(80.252.125)	(80.866.295)
1.1- Paid Losses (Net of Reinsurer's Share) (+/-)		(81.337.768)	(81.800.300)
1.1.1- Gross Paid Losses (-)		(85.981.561)	(93.368.838)
1.1.2- Reinsurer's Share in Paid Losses (+)	10	4.643.793	11.568.538
1.2- Change in Outstanding Losses Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		1.085.643	934.005
1.2.1- Outstanding Losses Reserve (-)		(997.387)	2.158.939
1.2.2- Reinsurer's Share in Outstanding Losses Reserve (+)	10	2.083.030	(1.224.934)
2- Change in Bonus and Rebate Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17,15	-	317.427
2.1- Bonus and Rebate Reserve (-)	17,15	-	317.427
2.2- Reinsurer's Share in Bonus and Rebate Reserve (-)		-	-
3- Change in Mathematical Reserves (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17,15	(11.123.279)	(60.905.624)
3.1- Mathematical Reserves (-)	17,15	(11.123.279)	(60.905.624)
3.1.1- Actuarial Mathematical Reserves (+/-)	17,15	(11.123.279)	(60.905.624)

The following notes are complementary parts to these financial statements.

CIGNA FINANS EMEKLILIK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS
1 JANUARY - 31 DECEMBER 2017 AND 2016

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

I- TECHNICAL PART	Notes	Independently Audited Past current period 01.01.2018-31.12.2018	Independently Audited Past prior period 01.01.2017-31.12.2017
3.1.2- Bonus Reserve (Reserve Allocated for Policies Held by Investment Risk Policy Holders)		-	-
3.2- Reinsurer's Share in Mathematical Reserves (+)		-	-
3.2.1- Reinsurer's Share in Actuarial Mathematical Reserves (+)		-	-
3.2.2- Reinsurer's Share in Bonus Reserve (Reserve Allocated for Policies Held by Investment Risk Policy Holders) (+)		-	-
4- Change in Other Technical Reserves (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17,15	(4.976.039)	(5.365.645)
5- Operating Expenses (-)	31	(249.752.568)	(251.917.946)
6- Investment Expenses (-)		-	-
7- Unrealized Investment Losses (-)		-	-
8- Investment Income Transferred to Non-Technical Part (-)		-	-
F- Technical Part Balance - Life (D-E)		56.834.727	31.834.623
G- Individual Pension Technical Income	25	16.983.396	17.479.152
1- Fund Management Income	25	9.581.491	9.164.888
2- Management Expense Deduction	25	2.480.037	2.938.214
3- Entrance Fee Income	25	4.786.052	5.376.050
4- Management Expense Deduction in Case of Suspension		-	-
5- Special Service Expense Deduction		-	-
6- Capital Allocation Advance Value Increase Income	25	135.816	-
7- Other Technical Income		-	-
H- Individual Pension Technical Expense		(9.071.925)	(13.628.885)
1- Fund Management Expenses (-)		(586.430)	(1.827.201)
2- Capital Allocation Advance Value Decrease Income (-)		(62.826)	-
3- Operating Expenses (-)	31	(8.132.169)	(11.632.103)
4- Other Technical Expenses (-)		(289.817)	(157.192)
5- Charge Expenses		(683)	(12.389)
I- Technical Part Balance- Individual Pension (G - H)		7.911.471	3.850.267

The following notes are complementary parts to these financial statements.

CIGNA FINANS EMEKLILIK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS
1 JANUARY - 31 DECEMBER 2017 AND 2016

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

II- NON-TECHNICAL PART	Notes	Independently Audited Past current period 01.01.2018-31.12.2018	Independently Audited Past prior period 01.01.2017-31.12.2017
C- Technical Part Balance - Non-Life (A - B)		22.490.276	14.690.098
F- Technical Part Balance - Life (D-E)		56.834.727	31.834.623
I- Technical Part Balance – Individual Pension (G - H)		7.911.471	3.850.267
J- General Technical Part Balance (C+F+I)		87.236.474	50.374.988
K- Investment Income		69.177.910	36.654.910
1- Income from Financial Investments	26	67.717.292	36.086.939
2- Profits from Cashing in Financial Investments	26	1.588	-
3- Valuation of Financial Investments		-	-
4- Foreign Currency Gains	36	1.459.030	567.971
5- Income from Affiliates		-	-
6- Income from Subsidiaries and Group Companies		-	-
7- Income from Plots, Lands and Buildings		-	-
8- Income from Derivatives		-	-
9- Other Investments		-	-
10- Investment Income Transferred from the Life Technical Part		-	-
L- Investment Expenses (-)		(18.445.143)	(10.118.775)
1- Investment Management Expenses – Interest Included (-)		(587.373)	(295.015)
2- Decreases in Investment Value (-)	26	(1.207)	-
3- Losses from Cashing in Financial Investments (-)	26	(157.670)	-
4- Investment Income Transferred to Non-Life Technical Part (-)		(1.195.743)	(541.911)
5- Losses from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	36	(4.612.535)	(562.240)
7- Depreciation Expenses (-)	6,8,31,32	(11.890.615)	(8.719.609)
8- Other Investment Expenses (-)		-	-

The following notes are complementary parts to these financial statements.

CIGNA FINANS EMEKLILIK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS
1 JANUARY - 31 DECEMBER 2017 AND 2016

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

II- NON-TECHNICAL PART	Notes	Independently Audited Past current period 01.01.2018-31.12.2018	Independently Audited Past prior period 01.01.2017-31.12.2017
M- Income and Profit and Expenses and Losses from Other Operations and Extraordinary Operations (+/-)		(10.623.185)	(6.321.587)
1- Reserves (+/-)	47,5	(12.123.790)	(8.972.133)
2- Rediscounts(+/-)	47,5	(352.440)	178.561
3- Qualifying Insurance Account (+/-)		-	-
4- Inflation Adjustment (+/-)		-	-
5- Deferred Tax Assets (+/-)	21,35	1.624.668	1.776.681
6- Deferred Tax Liability Expenses (-)		-	-
7- Other Income and Profits		228.377	695.304
8- Other Expenses and Losses (-)		-	-
9- Income and Profits from the Previous Year		-	-
10- Expenses and Losses from the Previous Year (-)		-	-
N- Net Profit or Loss for the Period	37	97.394.915	55.138.712
1- Profit and Loss for the Period		127.346.056	70.589.536
2- Provision for Taxation on Profit for the Period and Other Legal Liabilities (-)	35	(29.951.141)	(15.450.824)
3- Net Profit or Loss for the Period	37	97.394.915	55.138.712
4- Inflation Adjustment		-	-

The following notes are complementary parts to these financial statements.

CIGNA FINANS EMEKLILIK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF THE STATEMENTS OF CASH FLOWS
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016
(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

	Notes	Independently Audited Past current period 01.01.2018-31.12.2018	Independently Audited Past prior period 01.01.2017-31.12.2017
A- CASH FLOWS FROM PRIMARY OPERATIONS			
1- Cash inflows from insurance operations		465.747.099	469.257.536
2- Cash inflows from reinsurance operations		-	-
3- Cash inflows from pension operations		16.983.204	18.679.978
4- Cash outflow due to insurance operations (-)		(351.327.776)	(350.628.692)
5- Cash outflow due to reinsurance operations (-)		-	-
6- Cash outflow due to pension operations (-)		(12.954.229)	(16.922.182)
7- Cash from primary operations (A1+A2+A3-A4-A5-A6)		118.448.298	120.386.640
8- Interest payments (-)		-	-
9- Income tax payments (-)		(25.459.716)	(12.806.187)
10- Other cash inflows		1.727.087	27.622.999
11- Other cash outflows (-)		(8.193.888)	(27.164.747)
12- Net cash from primary operations		86.521.781	108.038.705
B- CASH FLOWS FROM INVESTMENT OPERATIONS			
1- Sale of tangible assets		-	-
2- Acquisition of tangible and intangible assets (-)	6, 8	(10.460.104)	(11.965.666)
3- Acquisition of financial assets (-)		-	(29.081)
4- Sales of financial assets		-	-
5- Interests received		72.172.990	31.710.388
6- Dividends received		-	-
7- Other cash inflows		-	-
8- Other cash outflows (-)		(72.740.658)	(48.927.393)
9- Net cash from investment operations		(11.027.772)	(29.211.752)

The following notes are complementary parts to these financial statements.

CIGNA FINANS EMEKLILIK VE HAYAT A.Ş.
CONVENIENCE TRANSLATION OF THE STATEMENTS OF CASH FLOWS
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016
(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

	Notes	Independently Audited Past current period 01.01.2018-31.12.2018	Independently Audited Past prior period 01.01.2017-31.12.2017
C. CASH FLOWS FROM FINANCING OPERATIONS			
1- Share issue		-	-
2- Cash inflows regarding loans		-	-
3- Financial leasing payable payments (-)		-	-
4- Dividends paid (-)	38	(51.901.770)	(19.576.908)
5- Other cash inflows		-	-
6- Other cash outflows (-)		-	-
7- Net cash from financing operations		(51.901.770)	(19.576.908)
D- EFFECT OF EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	36	(3.153.505)	5.731
E- Net increase in cash and cash equivalents (A12+B9+C7+D)		20.438.734	59.255.776
F- Available cash and cash equivalents at the beginning of the year		191.680.401	132.424.625
G- Available cash and cash equivalents at the end of the year (E+F)	2.12	212.119.135	191.680.401

The following notes are complementary parts to these financial statements.

CIGNA FINANS EMEKLILIK VE HAYAT A.Ş.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2018 and 2017

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

Prior Period	Notes	Capital	Establishment's Own Stocks (-)	Asset value increase/(decrease)	Equity Inflation Adjustment Differences	Foreign Currency Conversion differences	Legal reserves	Statutory reserves	Other reserves and undistributed profits	Net profit for the period	Retained earnings	Total
I - Prior end-of-period Balance (01.01.2017)		45.000.000	-	-	-	-	12.718.151	-	(416.591)	24.920.561	2.633.428	84.855.549
II - Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-
III - New Balance (I + II) (01.01.2017)		45.000.000	-	-	-	-	12.718.151	-	(416.591)	24.920.561	2.633.428	84.855.549
A- Capital increase (A1 + A2)		-	-	-	-	-	-	-	-	-	-	-
1- Cash		-	-	-	-	-	-	-	-	-	-	-
2- From internal sources		-	-	-	-	-	-	-	-	-	-	-
B- Stocks purchased by the establishment		-	-	-	-	-	-	-	-	-	-	-
C- Revenues and losses not included in the income statement		-	-	-	-	-	-	-	-	-	-	-
D- Asset value increase		-	-	-	-	-	-	-	-	-	-	-
E- Foreign currency conversion differences		-	-	-	-	-	-	-	-	-	-	-
F- Other revenues and losses	15	-	-	-	-	-	-	-	(475.358)	-	-	(475.358)
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit (or loss) for the period	37	-	-	-	-	-	-	-	-	55.138.712	-	55.138.712
I- Dividend distributed	38	-	-	-	-	-	-	-	-	(19.576.908)	-	(19.576.908)
J- Transfer to reserves	38	-	-	-	-	-	2.978.720	-	-	(5.343.653)	2.364.933	-
IV- End-of-Period Balance (31.12.2017) (III+ A+B+C+D+E+F+G+H+I+J)		45.000.000	-	-	-	-	15.696.871	-	(891.949)	55.138.712	4.998.361	119.941.995
CURRENT PERIOD												
I - Prior end-of-period Balance (01.01.2018)		45.000.000	-	-	-	-	15.696.871	-	(891.949)	55.138.712	4.998.361	119.941.995
II - Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-
III - New balance (I + II) (01.01.2018)		45.000.000	-	-	-	-	15.696.871	-	(891.949)	55.138.712	4.998.361	119.941.995
A- Capital increase (A1 + A2)		-	-	-	-	-	-	-	-	-	-	-
1- Cash		-	-	-	-	-	-	-	-	-	-	-
2- From internal sources		-	-	-	-	-	-	-	-	-	-	-
B- Stocks purchased by the establishment		-	-	-	-	-	-	-	-	-	-	-
C- Revenues and losses not included in the income statement		-	-	-	-	-	-	-	-	-	-	-
D- Asset value increase		-	-	-	-	-	-	-	-	-	-	-
E- Foreign currency conversion differences		-	-	-	-	-	-	-	-	-	-	-
F- Other revenues and losses	15	-	-	-	-	-	-	-	547.290	-	-	547.290
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit (or loss) for the period	37	-	-	-	-	-	-	-	-	97.394.915	-	97.394.915
I- Dividend distributed	38	-	-	-	-	-	-	-	-	(51.901.770)	-	(51.901.770)
J- Transfer to reserves	38	-	-	-	-	-	6.803.129	-	-	(3.236.942)	(3.566.187)	-
IV- End-of-Period Balance (31.12.2018) (III+ A+B+C+D+E+F+G+H+I+J)		45.000.000	-	-	-	-	22.500.000	-	(344.659)	97.394.915	1.432.174	165.982.430

The following notes are complementary parts to these financial statements.

The following notes are complementary parts to these financial statements.

**CIGNA FINANS EMEKLILIK VE HAYAT A.S.
CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR BETWEEN JANUARY 01 - DECEMBER 31, 2018**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

1. General Information

1.1 Name of the Parent Company

The Company was established under the trade name of Finans Emeklilik ve Hayat A.Ş. on July 4, 2007 as a 100% affiliate of QNB Finansbank A.Ş. (“Finansbank”). A Share Sale and Purchase Agreement was signed between QNB Finansbank A.Ş. and Cigna Nederland Gamma B.V. (“Cigna Gamma”) on July 12, 2012. Within the scope of the agreement, 22.950.000 of the company shares in Finansbank, which accounted for 51% of all company shares in Finansbank totalling 44,999,995 accounting for 100% of all company shares, were transferred to Cigna Gamma Company and the share of Finansbank in the company decreased to 49%. An approval was granted by the Ministry of Customs and Trade on November 2, 2012 depending on the change in shareholding structure. The amendment agreement approved was discussed at the Extraordinary General Meeting dated November 9, 2012, where the said share transfer was registered in Turkish Trade Registry Gazette (“Trade Registry”) on November 20, 2012. The trade name of Finans Emeklilik ve Hayat A.Ş. was changed into “Cigna Finans Emeklilik ve Hayat Anonim Şirketi” through a resolution of Extraordinary General Meeting dated May 31, 2013, and it was registered on June 10, 2013. Based upon the notice served by Finansbank to Public Disclosure Platform (PDP) on December 22, 2015, a definitive agreement was signed between National Bank of Greece (“NBG”) and Qatar National Bank S.A.Q. (“QNB”) with regard to the sale of shares owned by NBG in Finansbank at the rate of 99.81% to QNB for EUR 2.750 Million. It was declared that takeover of the direct control of QNB Finansbank A.Ş. by itself alone or takeover of the indirect control of the companies under the control of QNB Finansbank A.Ş. was permitted through the relevant resolution of the Competition Authority based on the notification by Finansbank to Public Disclosure Platform (PDP) on May 4, 2016. The share transfer procedure was fulfilled on June 15, 2016. A change in the logo and the trade name was decided by the Bank within the scope of the change of the principal shareholder and of brand strategies. The Bank started to use the new logo as “QNB Finansbank” on October 20, 2016. The trade name was registered as “QNB Finansbank A.Ş.” on January 19, 2018.

1.2 The legal residence and legal structure of the Company, the country of incorporation and the address of the registered office

Cigna Finans Emeklilik ve Hayat A.Ş. (the “Company”) exists at Kardelen ST. Palladium Tower, No: 2 Kat: 28-29, 34746 Atasehir, Istanbul and is an joint-stock company incorporated in accordance with the provisions of the Turkish Commercial Code (“TCC”). The Company conducts its operations in accordance with the principles set out by the Insurance Law with No. 5684 and by the Individual Pension Savings and Investment System Law No. 4632, as amended by the Law No. 6327, with effect from January 1, 2013. At the Company’s Board of Directors Meeting No. 344 dated September 26, 2015, the decision regarding the change of the head office address of the Company was registered and published in the Trade Registry Gazette No. 8858 dated July 8, 2015. The Company was located at Sahrayıcedit Mah. Halk Sok. No: 48 34734 Kozyatagi, Kadıkoy, Istanbul on and before June 29, 2015.

**CIGNA FINANS EMEKLILIK VE HAYAT A.S.
CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR BETWEEN JANUARY 01 - DECEMBER 31, 2018**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

1. General Information (Continued)

1.3 Principal Business Activity

The Company’s core business is to operate in individual pension, life insurance, marriage / maternity insurance, investment fund insurance, capital redemption insurance and accident insurance branches, to establish pension mutual funds within this scope, to form internal regulations regarding the funds to be established, to conclude pension contracts, annuity contracts, portfolio management contracts, custodianship contracts with custodians for the custody of fund assets, individual or group life insurances, accident insurances and all reinsurance procedures related to these insurances.

As of December 31, 2018, the Company has 20 Pension Mutual Funds established by the Company. 19 Pension Mutual Funds were offered to public and 1 Pension Mutual Fund was not offered to public as of December 31, 2018.

More than 40% of the total pension mutual fund portfolio outside the scope of Annex-2 and Provisional article 2 of the law no. 4632 on pension planning companies in the Sectoral Announcement regarding the Fundamentals of the Individual Pension System and Automatic Enrolment System published by the Turkish Ministry of Treasury and Finance (“Ministry of Treasury and Finance”) on June 20, 2017 cannot be managed by the same portfolio management company from January 1, 2018 on. The provision saying, “In the following periods, portfolio companies are determined based on the fund portfolio values at the end of the year, and the noncompliance with these provisions should be remedied within the first two months of the year by pension companies” stipulated that the Company work with more than one portfolio management company for the management of pension mutual funds established by the Company.

CIGNA FINANS EMEKLİLİK VE HAYAT A.S.
CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR BETWEEN JANUARY 01 - DECEMBER 31, 2018

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

1. General Information (Continued)

1.3 Principal Business Activity (Continued)

Below is the table showing pension mutual funds established by the Company as at January 2, 2018 and the portfolio management companies based on relevant funds as part of the Pension Mutual Fund Portfolio Management agreements with Portfolio Management companies.

Fund Title	Portfolio Management Company
Cigna Finans Emeklilik ve Hayat A.Ş. Birinci Hisse Senedi Emeklilik Yatırım Fonu	QNB Finans Portföy Yönetimi A.Ş.
Cigna Finans Emeklilik ve Hayat A.Ş. Para Piyasası Emeklilik Yatırım Fonu	QNB Finans Portföy Yönetimi A.Ş.
Cigna Finans Emeklilik ve Hayat A.Ş. İkinci Değişken Emeklilik Yatırım Fonu	QNB Finans Portföy Yönetimi A.Ş.
Cigna Finans Emeklilik ve Hayat A.Ş. Birinci Değişken Emeklilik Yatırım Fonu	QNB Finans Portföy Yönetimi A.Ş.
Cigna Finans Emeklilik ve Hayat A.Ş. Katılım Katkı Emeklilik Yatırım Fonu	QNB Finans Portföy Yönetimi A.Ş.
Cigna Finans Emeklilik ve Hayat A.Ş. Katkı Emeklilik Yatırım Fonu	TEB Portföy Yönetimi A.Ş.
Cigna Finans Emeklilik ve Hayat A.Ş. Başlangıç Emeklilik Yatırım Fonu	TEB Portföy Yönetimi A.Ş.
Cigna Finans Emeklilik ve Hayat A.Ş. Başlangıç Katılım Emeklilik Yatırım Fonu	TEB Portföy Yönetimi A.Ş.
Cigna Finans Emeklilik ve Hayat A.Ş. OKS Dengeli Değişken Emeklilik Yatırım Fonu	TEB Portföy Yönetimi A.Ş.
Cigna Finans Emeklilik ve Hayat A.Ş. OKS Muhafazakar Değişken Emeklilik Yatırım Fonu	TEB Portföy Yönetimi A.Ş.
Cigna Finans Emeklilik ve Hayat A.Ş. OKS Agresif Katılım Değişken Emeklilik Yatırım Fonu	TEB Portföy Yönetimi A.Ş.
Cigna Finans Emeklilik ve Hayat A.Ş. OKS Agresif Değişken Emeklilik Yatırım Fonu	TEB Portföy Yönetimi A.Ş.
Cigna Finans Emeklilik ve Hayat A.Ş. OKS Dinamik Katılım Değişken Emeklilik Yatırım Fonu	TEB Portföy Yönetimi A.Ş.
Cigna Finans Emeklilik ve Hayat A.Ş. OKS Atak Değişken Emeklilik Yatırım Fonu	TEB Portföy Yönetimi A.Ş.
Cigna Finans Emeklilik ve Hayat A.Ş. OKS Standart Emeklilik Yatırım Fonu	TEB Portföy Yönetimi A.Ş.
Cigna Finans Emeklilik ve Hayat A.Ş. OKS Katılım Standart Emeklilik Yatırım Fonu	TEB Portföy Yönetimi A.Ş.
Cigna Finans Emeklilik ve Hayat A.Ş. Birinci Değişken Grup Emeklilik Yatırım Fonu	TEB Portföy Yönetimi A.Ş.
Cigna Finans Emeklilik ve Hayat A.Ş. Kamu Borçlanma Araçları Grup Emeklilik Yatırım Fonu	TEB Portföy Yönetimi A.Ş.
Cigna Finans Emeklilik ve Hayat A.Ş. Standart Emeklilik Yatırım Fonu	TEB Portföy Yönetimi A.Ş.
Cigna Finans Emeklilik ve Hayat A.Ş. Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	Garanti Portföy Yönetimi A.Ş.

CIGNA FINANS EMEKLİLİK VE HAYAT A.S.
CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR BETWEEN JANUARY 01 - DECEMBER 31, 2018

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

1. General Information (Continued)

1.3 The Occupational Business Activity of the Business(Continued)

The establishment license date and public offering date of Pension Mutual Funds are given below.

Fund Title	Capital Market Establishment License Date	Capital Market Establishment License Decision	Public Offering Date
Cigna Finans Emeklilik ve Hayat A.Ş. Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	19.06.2008	17/672	07.11.2008
Cigna Finans Emeklilik ve Hayat A.Ş. Para Piyasası Emeklilik Yatırım Fonu	19.06.2008	17/672	07.11.2008
Cigna Finans Emeklilik ve Hayat A.Ş. Birinci Değişken Emeklilik Yatırım Fonu	19.06.2008	17/672	07.11.2008
Cigna Finans Emeklilik ve Hayat A.Ş. İkinci Değişken Emeklilik Yatırım Fonu	19.06.2008	17/672	07.11.2008
Cigna Finans Emeklilik ve Hayat A.Ş. Birinci Hisse Senedi Emeklilik Yatırım Fonu	19.06.2008	17/672	07.11.2008
Cigna Finans Emeklilik ve Hayat A.Ş. Birinci Değişken Grup Emeklilik Yatırım Fonu	10.06.2011	18/555	26.03.2012
Cigna Finans Emeklilik ve Hayat A.Ş. Kamu Borçlanma Araçları Grup Emeklilik Yatırım Fonu	10.06.2011	18/555	26.03.2012
Cigna Finans Emeklilik ve Hayat A.Ş. Standart Emeklilik Yatırım Fonu	04.04.2013	12/373	12.11.2013
Cigna Finans Emeklilik ve Hayat A.Ş. Katkı Emeklilik Yatırım Fonu	26.03.2013	10/333	02.05.2013
Cigna Finans Emeklilik ve Hayat A.Ş. Katılım Katkı Emeklilik Yatırım Fonu	27.12.2016	36/1295	-
Cigna Finans Emeklilik ve Hayat A.Ş. Başlangıç Emeklilik Yatırım Fonu	27.12.2016	36/1294	25.01.2017
Cigna Finans Emeklilik ve Hayat A.Ş. Başlangıç Katılım Emeklilik Yatırım Fonu	27.12.2016	36/1294	03.02.2017
Cigna Finans Emeklilik ve Hayat A.Ş. OKS Agresif Değişken Emeklilik Yatırım Fonu	05.06.2017	23/770	23.02.2018
Cigna Finans Emeklilik ve Hayat A.Ş. OKS Atak Değişken Emeklilik Yatırım Fonu	05.06.2017	23/770	02.03.2018
Cigna Finans Emeklilik ve Hayat A.Ş. OKS Dengeli Değişken Emeklilik Yatırım Fonu	05.06.2017	23/770	31.05.2018
Cigna Finans Emeklilik ve Hayat A.Ş. OKS Muhafazakar Değişken Emeklilik Yatırım Fonu	05.06.2017	23/770	22.05.2018
Cigna Finans Emeklilik ve Hayat A.Ş. OKS Agresif Katılım Değişken Emeklilik Yatırım Fonu	05.06.2017	23/770	16.07.2018
Cigna Finans Emeklilik ve Hayat A.Ş. OKS Dinamik Katılım Değişken Emeklilik Yatırım Fonu	05.06.2017	23/770	17.05.2018
Cigna Finans Emeklilik ve Hayat A.Ş. OKS Standart Emeklilik Yatırım Fonu	17.11.2017	42/1421	22.02.2018
Cigna Finans Emeklilik ve Hayat A.Ş. OKS Katılım Standart Emeklilik Yatırım Fonu	19.12.2016	35/1264	21.02.2018

CIGNA FINANS EMEKLILIK VE HAYAT A.S.
CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR BETWEEN JANUARY 01 - DECEMBER 31, 2018

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

1. General Information (Continued)

1.4 Description of the characteristics of the company’s operations and principal business activities

They are described in notes 1.2 and 1.3.

1.5 Average number of staff members working within the period by categories

	December 31, 2018	December 31, 2017
Senior Executives	5	6
Executives	46	48
Employees	198	200
Marketing and sale staff	447	528
Total	696	782

1.6 Remuneration and similar benefits to the senior management

The total amount of the fees and other benefits provided to the Board Chairman and members and to senior executives, such as the managing director, general coordinator and deputy managing directors, during the current period is TRY 10,149,593 TRY (January 1-December 31, 2017: TRY 10,250,333).

Keys used in financial statements in the allocation of investment income and of operating expenses (expenses of the staff, the administration, research and development, marketing and sale, benefits and services rendered from third parties and other operating expenses)

The Company allocates the investment income and the expenses of the staff, the administration, research and development, marketing and sale, benefits and services rendered from third parties and other operating expenses regarding the technical part by taking into account the provisions of the “Communiqué on the Procedures and Principles of the Keys Used in Financial Statements Prepared as Part of Uniform Chart of Accounts In Insurance” dated January 4, 2008 published by the Ministry of Treasury and Finance and of the Communiqué no. 2010/9 dated August 9, 2010 amending the said communiqué.

Information on whether financial statements include a single company or a group of companies

The financial statements include a single company (“Cigna Finans Emeklilik ve Hayat A.Ş.”).

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1. General Information (Continued)

1.9 Name and other identification details of the company retained for reporting and changes to these details before the date of the previous balance sheet

The name and other identification details of the Company are given in notes 1.1, 1.2 and 1.3.

1.10 Post balance sheet events

On March 8, 2019, it was represented by the Managing Director, Financial Control and Reporting, Technical and Actuary Deputy Managing Director and Financial Control and Reporting Group Manager that the financial statements pertaining to the fiscal year between January 1-December 31, 2018 were prepared in accordance with the accounting principles and standards in effect and were in compliance with the applicable legislation and the company’s records. The post balance sheet events are described in note 46.

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

The Company prepares its financial statements in accordance with the Insurance Law No. 5684 and in accordance with the principles specified by the Ministry of Treasury and Finance for insurance and reinsurance companies.

The financial statements are prepared in accordance with the Insurance Chart of Accounts included in the communiqué issued by the Ministry of Treasury and Finance regarding the Insurance Chart of Accounts and Prospects, published in the Official Gazette (No: 25686) dated December 30, 2004 (Insurance Accounting System Communiqué No.1). The content and the format of the financial statements and explanation and notes of this financial statements are determined in accordance with the Communiqué on Presentation of Financial Statements published in the Official Gazette No. 26851 dated April 18, 2008 and notice regarding to the Presentation of the New Account Codes and Financial Statements.

According to the “Regulation on Financial Reporting of Insurance and Reinsurance Companies and Pension Companies” issued on July 14, 2007 and effective from January 1, 2008, except for the communiqués which may be issued by the Treasury, operations of insurance companies should be accounted in accordance with the Turkish Accounting Standards (“TAS”) and the Turkish Financial Reporting Standards (“TFRS”) as issued by the Turkish Accounting Standards Board (“TASK”) and other regulations, communiqués and explanations issued by the Treasury regarding accounting and financial reporting issues. With reference to the notice of the Treasury No. 9 dated February 18, 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, companies are obliged to comply with the Communiqué on the Preparation of the Consolidated Financial Statement of Insurance and Reinsurance Companies and Pension Companies dated December 31, 2008 and published in official gazette numbered 27097 and effective from March 31, 2009. Since the Company has no subsidiaries that needs to be consolidated, consolidated financial statements is not required to prepare. The transition to the standard “TFRS 15 - Revenue from contracts with customers” is delayed by January 1, 2022 so that it is concurrent with the transition to standards “TFRS 9 – Financial instruments” and “TFRS 17 – Insurance Contracts” for insurance and reinsurance companies.

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2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

The Company presents its financial statements pursuant to the Insurance Law of the Ministry of Treasury and Finance and pursuant to the "Communiqué on the Presentation of Financial Statements" published in the Official Gazette No. 26851 dated April 18, 2008, developed within the scope of the Regulations on the Financial Reporting of Insurance and Reinsurance and Pension Planning Companies (Regulations On Financial Reporting) published in the Official Gazette No. 26582 dated July 14, 2007, having entered into effect from January 1 2008, of the Ministry of Treasury and Finance. With the exception of the abovementioned exceptions, the TFRS put into effect by KGK and the related amendments and interpretations have been taken into consideration in the preparation of financial statements.

As of December 31, 2018, the Company calculated and recognized its insurance technical provisions in its financial statements in accordance with the "Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested" ("Regulation on Technical Reserves"), which was published in the Official Gazette No. 27655 dated July 28, 2010 and the amendments to this regulation were published in the Official Gazette No. 28356 dated July 17, 2012 and other regulations issued for insurance and reinsurance companies by the Ministry of Treasury and Finance (Note 2.24).

In accordance with the Circular on Outstanding Claims Provision No. 2014/16 dated December 5, 2014 issued by the Ministry of Treasury and Finance, the details of claim amounts incurred as of January 1, 2015, but not reported, are calculated by the Company actuary as stated in Note 2.24.

Additionally, the "Outstanding Claim Provision" circulars No. 2015/7, 2015/28 and 2016/11 dated March 17, 2015, July 17, 2015, February 29, 2016, respectively, issued by the Ministry of Treasury and Finance allowed for the gradual accounting of the effects of these amendments in 2015, 2016, 2017, 2018, and 2019.

Where necessary, comparative figures are reclassified to conform to the presentation of the current year financial statements.

Accounting policies and measurement principles that are used in the preparation of financial statements are described in notes from 2.4 to 2.24 below.

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2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

Changes in Turkish Financial Reporting Standards:

The accounting policies used in the preparation of the financial statements for the year ended December 31, 2018 are adopted in a manner consistent with those used in the prior year, with the exception of the new and amended standards and IFRIC interpretations as of January 1, 2018 summarized below.

New and Revised Turkish Accounting Standards

a) Amendments to and interpretations of the existing previous standards upon new standards effective from December 31, 2018

Description about the effects of the new TSFR on financial statements;

- a. Title of TSFR,
- b. conduct of the amendment to the accounting policy in compliance with the related transitional provisions, if any,
- c. description of the amendment to the accounting policy,
- d. description of transitional provisions, if any,
- e. possible effects of transitional provisions, if any, on subsequent periods,
- f. where possible, adjustment amounts related to the current and previous periods presented:
 - i. should be presented for each affected item in the financial statement and
 - i. if the standard "TAS 33 Earnings per Share" applies to the company, the amounts of earnings per common share and diluted share should be recalculated.
- g. If possible, the corrective amounts belonging to the earlier periods than the non-presented periods and h) events leading to this situation if retrospective application is not possible for any period or periods must be disclosed and it must be disclosed from which date and in what manner the alteration in the accounting policy has been implemented.

- **TSFR 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. The Company will make use of the articles of temporary exemption for TSFR 9 included in TSFR 4 until January 1, 2022 when TSFR 17 will become effective.

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2. Summary of Significant Accounting Policies (Continued)

a) Amendments to and interpretations of the existing previous standards upon new standards effective from December 31, 2018 (Continued):

- **TSFR 15, “Revenue from contracts with customers”**; effective from annual periods beginning on or after January 1, 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. The Company postponed the transition to TSFR 15 to January 1, 2022 so that this transition will be simultaneous with TSFR 17 and TSFR 9 standards pursuant to the “Communiqué No. 2018/4 on the Transition to the Date of Transition to TSFR 15 at Insurance and Pension Companies” dated September 25, 2018 published by the Ministry of Treasury and Finance.

- Amendments to **IFRS 15, “Revenue from contracts with customers”**; effective from annual periods beginning on or after January 1, 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences 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”**; effective from annual periods beginning on or after January 1, 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

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

The said amendments had no major impact on the financial standing and performance of the Company.

- Amendments to **IAS 40, “Investment property”**; effective from annual periods beginning on or after January 1, 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.

The said amendments had no major impact on the financial standing and performance of the Company.

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2. Summary of Significant Accounting Policies (Continued)

a) Amendments to and interpretations of the existing previous standards upon new standards effective from December 31, 2018 (Continued):

The said amendments had no major impact on the financial standing and performance of the Company.

- **Amendments to TFRS 2 “Share-based Payments”**; effective from annual periods beginning on or after January 1, 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.

The said amendments had no major impact on the financial standing and performance of the Company.

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

- TFRS 1 “First-time Adoption of International Financial Reporting Standards” removed the short-term exceptions during the first-time adoption of standards TFRS 7, TAS 19 and TFRS 10.
- TAS 28 “Investments in Associates and Joint Ventures” clarified the measurement of an associate or joint venture at fair value.

The Company will assess the impacts of the said amendments after the aforementioned standards are finalized.

- **Interpretation of TSFR 22 “Foreign currency transactions and advance consideration”**; effective from annual periods beginning on or after January 1, 2018. This TSFR 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.

The said amendments had no major impact on the financial standing and performance of the Company.

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2. Summary of Significant Accounting Policies (Continued)

b) Amendments to and interpretations of the existing previous standards upon new standards effective from December 31, 2018

b) Standards and amendments issued as at December 31, 2018, but not yet effective:

• **TSFR 9 “Financial instruments”** effective from annual periods beginning on or after January 1, 2019. This amendment confirms that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39. The Company will make use of the articles of temporary exemption for TSFR 9 included in TSFR 4 until when IFSR 17 will become effective

• **Amendments to TAS 28 “Investments in Associates and Joint Ventures”**; effective from annual periods beginning on or after January 1, 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.

The amendment does not apply to the Company. It has no impact on the financial standing or performance of the Company.

• **TFRS 16 “Leases”**; effective from annual periods beginning on or after January 1, 2019. This standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 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 TFRS 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 impact of this standard on the financial standing and performance of the Company is evaluated.

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2. Summary of Significant Accounting Policies (Continued)

b) Standards and amendments issued as at December 31, 2018, but not yet effective:

• **Interpretation of TFRS 23 “Uncertainty over income tax treatments”**; effective from annual periods beginning on or after January 1, 2019. This interpretation clarifies how the recognition and measurement requirements of TAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that TAS 12, not TAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. TFRS 23 explains how to recognise 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. Interpretation of TFRS 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.

• **TFRS 17 “Insurance contracts”**; effective from annual periods beginning on or after January 1, 2022. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The impacts of the said standard on the financial standing and performance of the Company are evaluated.

• **Annual improvements 2015-2017 cycle**; effective from annual periods beginning on or after January 1, 2019. These improvements include the following amendments:

- TSFR 3 “Business Combinations”; when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.
- TSFR 11 “Joint Arrangements”; when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- TAS 12 “Income Taxes”; the business keeps record of the income tax effects of dividends in the same manner.
- TAS 23 “Borrowing Costs”; if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The impacts of the standards above on the financial standing and performance of the Company are evaluated.

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2. Summary of Significant Accounting Policies (Continued)

b) Standards and amendments issued as at December 31, 2018, but not yet effective: *(Continued):*

Amendments to **TAS 19 “Employee Benefits”** on plan amendment, curtailment or settlement; effective from annual periods beginning on or after January 1, 2019. These improvements 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
- Recognize 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 recognized 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 January 1, 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:

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

The impacts of the said standard on the financial standing and performance of the Company are evaluated.

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 amendments does not apply to the Company. It has no impact on the financial standing or performance of the Company.

2.2 Consolidation

The Company has no affiliate that is within the scope of the “Communiqué on the Issue of Consolidated Financial Statements of Insurance, Reinsurance and Pension Companies” published in the Official Gazette No. 27097 dated December 31, 2008, which became effective on March 31, 2009.

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2. Summary of Significant Accounting Policies (Continued)

2.3 Segment Reporting

The company is not publicly traded and does not conduct segment reporting as part of IFRS 8 “Operating Segments”.

2.4 Foreign Currency Translation

Transactions are recorded in TRY, which is the Company’s functional currency. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date and all exchange differences are offset and are recognized as foreign exchange gains or losses .

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 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:

Furniture and fixtures	1-5 years
Leasehold improvements	1-5 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 this review, if an asset’s carrying amount is greater than its estimated recoverable amount, the asset’s carrying amount is written down immediately to its recoverable amount by accounting for an impairment provision. Gains and losses on disposals of property and equipment are included in other non-operational income and expenses accounts (Note 6).

2.6 Investment Properties

The Company has no investment property as of December 31, 2018. (December 31, 2017: Not Available).

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2. Summary of Significant Accounting Policies (Continued)

2.7 Intangible Fixed Assets

Intangible assets consist of the acquired information systems and software. Intangible assets are carried at acquisition cost and amortized by the straight-line method over their estimated useful lives after their acquisition date. If impairment exists, carrying amount is written down immediately to its recoverable amount. The amortization periods of intangible assets vary between 3 to 5 years.

2.8 Financial Assets

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

Purchases and sales of the financial assets are recognized and derecognized 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.

Effective interest method

Effective interest method is the method that is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest revenue or interest expense in P/L over the relevant period. Effective interest rate (“EIR”) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

Loans and receivables are financial assets which are generated by providing money or service to the debtor. Loans and receivables are initially recognized at acquisition value and subsequently measured at cost. Fees and other charges paid in relation to assets obtained as guarantee for the above mentioned receivables are not deemed as transaction costs and charged as expenses to the income statement.

The Company accounts for a provision for its receivables based on evaluations and estimations of the management. 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 economic conditions.

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2. Summary of Significant Accounting Policies (Continued)

2.8 Financial Assets (Continued)

In addition to the provision for due from insurance operations, in line with the Tax Procedure Law article No: 323, the Company accounts for a “Provision for doubtful receivables under legal follow-up” regarding its doubtful receivables which are not included in provision for due from insurance operations stated above, by considering the amount and nature of these receivables. This provision is classified as “Doubtful receivables from main operations” on the balance sheet under non-current asset group .

Provision for doubtful receivables is deducted from the related year’s income. Recoveries from doubtful receivables previously provided for are treated as a reduction from related provision and accounted for in the “Other income and expense” account. Such receivables are written off after all necessary legal proceedings have been completed (Note 12).

Available-for-sale financial assets consist of loans and receivables, held-to-maturity investments and financial assets other than those held for trading purposes. The quoted equity instruments and certain debt securities held by the Company that are traded in an active market are classified as available-for-sale financial assets and are measured at fair value. The Company has unquoted equity instruments that are not traded in an active market but classified as available-for-sale financial assets, which are measured at cost since their fair values cannot be measured reliably. Gains and losses arising from changes at fair value, other than the impairments recorded in income statements, the interest rate calculated by the effective interest method and the foreign exchange gain / loss related to monetary assets, are recognized in other income, and financial assets are accumulated in the revaluation surplus.

Impairment of financial assets:

Unbiased indicators that represents impairment of a financial asset or financial asset group are below:

- Financial difficulties of issuer or contractor
- Breach of contract
- Privileges that would not provide at different circumstances are provided to debtor by creditor, as a result of financial difficulties of debtor in economical or legal reasons.
- High probability of bankruptcy or financially reorganization of debtor
- Disappearance of active market as a result of financial difficulties.

The Company assesses whether an indicator exists as of the dates of balance sheet and records the impairment, if any.

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2. Summary of Significant Accounting Policies (Continued)

2.9 Impairment of Assets

Other particulars regarding impairment of assets are in notes where accounting policies with regard to the relevant assets are explained.

Mortgages or guarantees on assets are explained in Note 43, provision for overdue and non-overdue doubtful receivables are explained in note 12.1 and provision and rediscount expenses for the period are explained in Note 47.5.

2.10 Derivative Financial Instruments

Not Available (December 31, 2017: Not Available).

2.11 Offsetting Financial Assets

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

Cash and Cash Equivalents

Cash and cash equivalents includes cash in 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 :

	December 31, 2018	December 31, 2017
Banks	429.484.844	344.948.517
Bank guaranteed credit card receivables with maturities less than three months	14.137.039	11.885.354
Negative – Interest Accrual	(5.557.651)	(10.012.964)
Negative – Blocked time deposit (*)	(225.945.097)	(155.140.506)
Total cash and cash equivalents	212.119.135	191.680.401

* Change in blocked time deposits is included in other cash inflows or outflows from main operations in the statements of cash flows (note 43).

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2. Summary of Significant Accounting Policies (Continued)

2.13 Share Capital

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

Name of Shareholder	Share Group	December 31, 2018		December 31, 2017	
		Share (%)	Share Amount	Share (%)	Share Amount
Cigna Nederland Gamma B.V	A	51	22.949.999	51	22.949.999
Cigna Nederland Gamma B.V (*)	A1	<1	1	<1	1
QNB Finansbank A.Ş.	B	49	22.049.999	49	22.049.999
QNB Finansbank A.Ş. (*)	B1	<1	1	<1	1
Total		100	45.000.000	100	45.000.000

* A fractional certificate was issued for the shares that could not be supplemented to TRY 1 in the capital increase made by the Company through internal sources at the general meeting of 2009.

As of December 31, 2018, no privileges are granted to the preference shares representing the share capital. (31 December 2016: Not Available).

The Company is not subject to the registered share capital system.

Other information about Company’s share capital is described in Note 15.

2.14 Insurance, Pension, Investment and Reinsurance 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.

As of balance sheet date, the Company does not have any investment contract (31 December 2017: Not Available).

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

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2. Summary of Significant Accounting Policies (Continued)

2.14 Insurance, Pension, Investment and Reinsurance Contracts-Classification
(Continued)

Risk Contracts

Annual Life Insurance

Annual life insurance provides one-year guarantee for the risks that the policyholder may incur. 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. Annual 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 65, premium amount changes according to the risk assessment based on age, sex and health.

Credit Life Insurance

Credit life insurance provides guarantee throughout the credit term against such as death or disability. 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 70 and premium amount changes 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.

Mixed Insurance

Mixed Insurance is a sort of insurance that pays insured when the insured protects them from the risk of death during the life of the insurance but does not realize the risk of death and survives the life of the insured. These are risk weighted policies and do not have any accumulation. Age range is between 18-60 years, and premiums vary according to age, sex and health-related risk assessment.

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2. Summary of Significant Accounting Policies (Continued)

2.14 Insurance, Pension, Investment and Reinsurance Contracts-Classification
(Continued)

“Regulation on Amending the Regulation on Individual Pension System” which was published in the Official Gazette numbered 29366 dated 25 May 2015 is effective from 1 January 2016. The definition of mandatory expenditures and funds for irregular payments are determined by this regulation and the portfolio management fee can be expressed through the accumulation of the participants with contributions paid to pension accounts, the cuts also additional administrative expenses from the participants during the accumulation period breaks can be taken in case of interruption of payments is specified. The limitations on deductions based on active years of contract in the system was introduced.

The latest version of the deductions in the regulation is as follows:

The total amount of the entrance fee and management fee incurred during the first five years of the contract does not exceed 8.5% of the gross minimum wage applicable for the first 6 months of the year. After completion of the fifth year of the contract management fee including deduction for contribution holiday under the relevant contract and the entrance fee cannot be collected. Regulation does not affect the Company’s receivables that are accrued before the enforcement date; Company preserve its rights on receivables accrued before January 1, 2016. In order to calculate time spent in contract, all days spent starting from the first contract that is entered into the system in accordance with the contract transfer data are take into account. If a contract is established prior to January 1, 2016 by transfer, upper limit of deduction is calculated regardless of the amount deducted in other companies. It is subject to calculation, if it is established with transfer after this date.

Except dispersement situations without mandatory reasons like usage of pension right or death, disability or liquidation of the company, in the situation of leaving the company before the 5-year contract expires, the part that is not collected yet until date of leaving along the contract period can be reducible on personal pension account as deferred entrance fee. In this context, deferred entrance fee is the minimum amount between the amount calculated by deducting all the deductions made from the participant until the leaving date from the total deduction upper limit that can be made in 5 years and stated amount on the contract.

Regulations of entrance fee for contracts that are effective before January 1, 2016 and still in force are valid until the contract expires in accordance with the deferred entrance fee amount stated above. However, the deferred entrance fee that is applied under the relevant contracts cannot exceed the above-mentioned time and amount limit. According to the regulation, entrance fees cannot deducted after the completion of the fifth year of the contract. The same regulations are valid for the contracts where no deferred entrance fee charged and entered into force after January 1, 2016.

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 the custodian company. In the “fund operating deductions receivables from funds”

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2. Summary of Significant Accounting Policies (Continued)

2.14 Insurance, Pension, Investment and Reinsurance Contracts-Classification
(Continued)

account; the Company keeps funds operating expense deductions receivables deriving from funds management that could not be collected on the same day. Receivables based on funds from the custodian company on behalf of participants are kept in "receivables from Custodian Company" account. At the same time, this amount is disclosed in private pension system payables account as "payables to participants for sold funds".

Payables from individual business consist of payables to participants, participants temporary accounts, purchase order accounts and liabilities to intermediaries. Payables to participants account contains contribution amount that is directed to investment on behalf of private pension owners and total income generated from these investments. This account implies the total debt in the related balance sheet period to private pension owners. The temporary account of participants includes the contributions of participants that have not yet been transferred to the investment. This account also includes the entrance fee deducted portion of the participants' fund amounts, resulting from the fund share upon the participant's leaving the system or transferring funds to other individual pension companies. Payables to individual pension agencies comprise the Company's liabilities to individual pension agencies in return of their services. Liabilities to intermediaries of individual pension account represents the Company's liability consist against to services provided to agencies and organizations that intermediates the Company's production of individual pension contract.

The management and representation of the funds and the interruption of the fund management, which is provided for the hardware, personnel and accounting services allocated to the funds, are recorded as income in the Company accounts and are distributed between the Company and the portfolio management company within the scope of the agreement or fixed cost share. These fees are all shown as the fund operation expense interruption in the technical income of the Company and the part of the managerial fee is shown as the amount paid in the technical expenses of the Company in fund provision.

The total deduction made from the pension funds are determined by the type of funds in accordance with the regulation numbered 28462 on the Personal Pension System, and it has been effective since January 1, 2013.

The total amount of management fee, entrance fee and fund total fee deductions to be made by the Company from the end of sixth year of the contract to the expiration date of the contract shall not exceed the amount corresponding to a certain proportion of the amount found in the State Contribution account. By this control, funds available as of January 1, 2016 and the deductions made from returns of these funds are not taken into account. Upper limit control for the deduction associated with state contribution will be implemented starting from January 1, 2021.

"The Law on Amendments to Private Pension Savings and Investment System Law" that is published in Official Gazette No. 28338 dated June 29, 2012 states that the amount corresponding to 25% of the contributions paid by the individuals will be transferred to the state

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2. Summary of Significant Accounting Policies (Continued)

2.14 Insurance, Pension, Investment and Reinsurance Contracts-Classification
(Continued)

contributions account in accordance with Additional Article 1.

The calculation of state contributions is governed by the "Regulation on State Contribution to Private Pension System" that was published in Official Gazette No. 28512 dated December 29, 2012.

The state contribution was adopted upon the Regulation on State Contribution in the Private Pension System, which entered into force as of January 1, 2013 after being published in the Official Gazette No. 28512 dated December 29, 2012. By this system, the state pays a given proportion of contribution to Turkish Citizens, who participated in the private pension system (except citizens participating in their employer's pension plan), to promote the "Private Pension System". This payment is deposited to the private pension accounts of the participants by government. State Contribution is 25% of the monthly paid amount by the participant and annual contribution amount is not going to exceed 25% of the gross annual subsistence wage. Turkish Citizens, who participated in personal or group private pension system can benefit from state contribution without seeking of being a taxpayer. State Contribution is paid within maximum limit. Additional payments, contributions and beginning contributions also benefit from state contributions. Private Pension System Attendee gain right to obtain State Contribution after breakdown of the pension contract due to retirement, death, disability or discharge.

The Law Amending the "Law on Private Pension Savings and Investment System" published in the Official Gazette No. 29812 dated August 25, 2016 entered into force on January 1, 2017. According to this new amendment, employees that are appropriate for the conditions stipulated in the law are automatically started to be included in the personal pension system.

Turkish citizens or individuals younger than 45 years that are within the scope article 28 of "Turkish Citizenship Law" No. 5901 dated May 29, 2009 and according to subarticle (a) and (c) of the first paragraph of article 4 of "Social Security and General Health Law" No. 5510 dated May 31, 2016 will be included in personal pension system by the pension contract that is prepared by employer in accordance with the related law. About the automatic participation in personal pension plan; employer can include its employees in personal pension plan that is prepared by companies that are permitted by undersecretariat for the Treasury.

Company established 10 funds for automatic participation in personal pension plan that are named Cigna Finans Emeklilik ve Hayat A.Ş. Başlangıç Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. Başlangıç Katılım Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. OKS Agresif Değişken Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. OKS Atak Değişken Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. OKS Dengeli Değişken Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. OKS Muhafazakar Değişken Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. OKS Agresif Katılım Değişken Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. OKS Dinamik Katılım Değişken Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. OKS Standart Emeklilik Yatırım Fonu, Cigna Finans Emeklilik ve Hayat A.Ş. OKS Katılım Standart Emeklilik Yatırım Fonu in accordance with the article 22/B in the amendment about "Personal Pension System" and these pension investment funds.

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2. Summary of Significant Accounting Policies (Continued)

**2.14 Insurance, Pension, Investment and Reinsurance Contracts-Classification
(Continued)**

Reinsurance Contracts

Reinsurance contracts are agreements put into effect and whose costs are paid by the Company and reinsurance company(ies) for losses likely to occur with regard to one or more insurance contract(s) signed by the Company, fulfilling the required conditions for them to be classified as insurance contracts.

The reinsurance contracts concluded by the Company in the branches of life insurance and damages from accidents are in the form of excess of loss reinsurance contracts of quota share, surplus and catastrophic. Not Availabletheless, the company can conclude facultative reinsurance contracts on international market of reinsurance for risks exceeding automatic treaty limit.

The Company concludes Catastrophic Excess of Loss reinsurance Agreement in the branches of life insurance and personal accident insurance as of the dates December 31, 2018 and 2017 for the purpose of protecting conservation as the result of big-scale natural disasters such as earthquakes, flood, storm etc. or events causing mass deaths such as traffic accidents with public transport vehicles or terroristic attacks.

While determining this reinsurance protection, the Company takes into account the geographical distribution of the present and potential insurance holders and potential catastrophic scenarios. There are excess insurance agreements, a kind of reinsurance, where the reinsurer is responsible for the part up to a particular amount that exceeds the retention.

A part equal to an amount determined in a way that it will not exceed the maximum retention (conservation) determined for death and additional guarantees as the result of actuarial calculations each year in risk life insurance price lists is held within the company and the part on this transferred to reinsurance companies cooperated with through proportional reinsurance agreements (reinsurance agreements of surplus and quota share). Not Availabletheless, the conservation sums of the Company on guarantees such as dangerous diseases with relatively uncertain results having newly been put into practice are quite limited. The leading reinsurer of the Company in proportional reinsurance agreements is the company Münchener Rückversicherungs-AG (Munich Re) whose headquarters are in Munich.

There are catastrophe and non-catastrophe excess of loss reinsurance agreements between Cigna Global Reinsurance Company within the body of Cigna Corporation, the main partner of Cigna Finans Emeklilik ve Hayat A.Ş., and Cigna Finans Emeklilik ve Hayat A.Ş. Cigna Global Reinsurance Company is within the body of Cigna Global Holdings active and affiliated with Cigna Corporation. The Company has a quota-share reinsurance treaty with Genworth Reinsurance company for bankruptcy insurance among personal accident insurance products.

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2. Summary of Significant Accounting Policies (Continued)

2.15 Discretionary Participation in Insurance and Investment Contracts

The description of information identifying and showing the amounts arising from insurance contracts in financial statements is given in note 17.

2.16 Investment Contracts without Discretionary Participation

Not Available (December 31, 2017: Not Available).

2.17 Loans

Not Available (December 31, 2017: Not Available).

2.18 Taxes

Corporate Tax

Corporate tax is payable at a rate of 22% for 2017 (2017: 20%) in Turkey. Pursuant to the Provisional Article 10 added to the Corporate Tax Law, the corporate earnings of companies for the taxation periods of 2018, 2019 and 2020 will be governed by 22% corporate tax. 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. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution thus does not incur withholding tax and no stoppage is applied.

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2. Summary of Significant Accounting Policies (Continued)

2.18 Taxes (Continued)

Corporations are required to pay advance corporation tax quarterly at the rate of 22% on their corporate income. Advance Tax is declared by 14th day of the second month following and payable by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

The affiliate shares stocked for minimum 2 years and the 75% of the profit obtained from the property sales are considered as tax exemptions in such condition that the amount is added onto capital as pre stated in corporate Tax Law or the amount is kept in equity for 5 years.

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

There is no such application for the reconciliation of payable taxes with the tax authority in Turkey. 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.

For tax reviews, authorized bodies may also review the accounting records for the past five years and if errors are detected, tax amounts may change due to tax assessment. In accordance with Tax Law No. 5024 “Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law” published in the Official Gazette on December 30, 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004 income and corporate taxpayers are required to prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish lira. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (TÜİK TEFE increase rate). Since the conditions in question were not fulfilled in both in 2017 and 2016, no inflation adjustments were performed (Note 35).

Deferred Tax

Deferred 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 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 tax asset is realized or the deferred tax liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized (Note 21).

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2. Summary of Significant Accounting Policies (Continued)

2.19 Employee Benefits

The Company accounts for its liability related to employment termination and vacation benefits according to “Turkish Accounting Standards Regarding Employee Benefits” (“IAS 19”) and classifies in balance sheet under the account “Provision of Employment Termination Benefits”.

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

As a result of the revision in the IAS 19 which is effective for annual periods starting on or after 1 January 2013, actuarial gain and loss that occurs from calculation regarding the liability of employee benefits shall be directly accounted for under equity. In this context, the service and interest costs are recognized in the statement of income whereas the actuarial gains and losses are recognized in “Other Profit Reserves” under shareholders' equity (Note 15 and 22).

2.20 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provision amounts are estimated over expenditures expected to be required to settle the obligation at the balance sheet date by considering the risks and uncertainties related to the obligation. When the provision is measured by using the estimated cash outflows that are required to settle the obligation, the carrying value of the provision is equal to the present value of the related cash outflows.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as an asset if and only it is virtually certain that reimbursement will be received and the reimbursement can be reliably estimated.

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

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2. Summary of Significant Accounting Policies (Continued)

2.21 Accounting for Revenues

Written Premiums

Written premiums represent premiums on policies written during the year, net of cancellations and tax. In life and personal accident branches accrual of the premium income occur after under-writing of the policy. In accordance with the customer demand, cash or instalment payment is accepted by the company. Company does not have permanent life insurance policy for the related period.

Interest Income

Interest income is recognized by using the effective interest rate method on an accrual basis.

Income from Individual Pension Operations

Described in note 2.14.

2.22 Leases

The Company has no financial assets acquired through finance lease as of December 31, 2018 (December 31, 2017: Not Available).

2.23 Dividend Distribution

Dividend payables are reflected to the financial statements as liability in the period in which they are declared as an element of profit distribution. As specified on the articles of association of the Company, the remaining amount after legal reserves, which is mandatory in accordance with TTC article 519, reserved from earnings after taxes which is calculated in accordance with Turkey Accounting Standards and the targeted capital level (except changes in accordance with Article 6) which is decided by the shareholders of Group A1 and Group B1 together on the annual business plan is distributable profit. The agreement between the shareholders of the company was revised and signed again on January 6, 2017. Accordingly, the company's dividend payment for 2016 accounting period was set according to calculation of profit after tax, which is in line with “Turkish Accounting Standards”. However according to TTK's article 519, before distributing the profit, reserves must be reduced through profit after tax amount, then the remaining amount is distributable amount, and it can be distributed proportional to the shares owned by the shareholders in the Company.

Each year, 100% of the distributable profit is distributed. An opposing decision can be taken with the agreement of 100% of the shareholders. 100% of the distributable profit is distributed to Group A1 and Group B1 shareholders in accordance with the decision of Board of Directors meeting. The Clause of article No 509 of the Turkish Commercial Code is reserved.

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2. Summary of Significant Accounting Policies (Continued)

2.24 Technical Provisions

Mathematical Provisions

Companies that operate in life and non-life branches make sufficient provisions according to the actuarial basis for the benefit of beneficiary and policy owner, who have life, health or personal accident policy. In addition to life insurances that are longer than one year, in case of entitling disablement as a result of to the personal accident, health and giving assurance as a result of dangerous illnesses; value of the life insurance also contains additional assurances that calculated according to actuarial basis, mathematical reserves. In case of mathematical reserves that are committed, with actuarial mathematical reserve, for different policies and calculated according to technical elements on the tariff, these reserves consist of income that is generated from the profit share of the insured that contains cash that utilized in investments.

The mathematical reserves consists of actuarial mathematical reserves, which is convenient with the technical principles of the tariff, is calculated separately for each effective tariff. The company has an actuarial mathematical reserve of TRY 163,154,280 (December 31, 2017: 152,031,001) for life branch and has an actuarial mathematical reserve of TRY9.800.464 for long term personal accident insurance policies as of December 31, 2018. This provision was classified as “Mathematical Provisions” in the balance sheet and as “Change in the Mathematical Provisions” in the income statement (Note 17.15).

Unearned Premiums Provisions

The company must make unearned premium provision for any contracts except for mathematical reserves of insurance contracts. Unearned premium provision is also made for the annually renewed and corresponding to annual insurance coverage of long-term insurance contracts including one-year insurance coverage premiums. Death, life, and both covered by both death given in addition to these guarantees and collateral depends on the possibilities of life as well as accident, disability due to illness, medical expenses due to accident, unemployment, daily hospital benefits due to accident or illness, temporary disability, death by accident, accidental death in public transportation and the contacts that is given assurance as dangerous diseases are considered as life insurance contract and their premiums are accepted as life insurance premiums. In case of annual additional assurances are given with life insurance contracts as a package, these assurances are assessed separately from the life insurances which are given together.

Unearned premium reserve is calculated on a daily basis for all policies in force as of balance sheet date for unearned portions of premium written. 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. According to “Regulation on Technical Reserves”, unearned premium reserves and the reinsurers' share of the unearned premium reserves of policies written are calculated and accounted as the unearned portion of the premiums and ceded premiums to reinsurers without deducting commissions or any other expenses, on an accrual and on a gross basis (Note17.15).

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2. Summary of Significant Accounting Policies (Continued)

2.24 Technical Provisions (Continued)

Deferred Commission Expenses and Deferred Commission Incomes

Within the framework of the Communiqué No. 2007/25 and dated December 28, 2007 published by the Ministry of Treasury and Finance, the unearned portion of commissions paid to agencies for the written premiums and commissions received from reinsurers for the ceded premium are recorded as deferred expenses and deferred commission income, respectively, in the balance sheet, and as operating expenses on a net basis in the income statement (Note 17.15).

According to paragraph 6 of Article 5 of the Regulation on the Technical Reserves of Insurance and Reinsurance and Pension Companies and the Assets to be Invested in These Reserves published by the Undersecretariat of Treasury on August 7, 2007 in the Official Gazette No. 26606, "Commissions paid on intermediary basis, subject to accrual, commissions received for the transferred reinsurance premiums to reinsurer, amounts paid for non-proportional reinsurance agreements and the part of a payment that is corresponding future period or periods of variable production expenses made and payments made for support services of preparation and sale of the tariffs and insurance contracts are recognized under related accounts".

Unexpired Risks Reserve

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected loss ratios. Expected loss ratio is calculated by dividing the incurred losses to earned premiums. If the loss ratio calculated for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross amount and net amount is recognized as reinsurers' share. The Company has not recorded any amount for net unexpired risk reserve since Not Available of the branches exceed the loss ratio of 95% as of December 31, 2018 calculations.

Outstanding Claims 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 certain yet, and for the incurred but not reported claims. For the claim amounts incurred but not reported ("IBNR"), the Company should reserve additional outstanding claim provision for incurred but not reported claims as of 5 December 2014 as part of the regulations on the "Communiqué No. 2014/16 on Outstanding Claims Provision" dated December 5, 2014 with effect from January 1, 2015.

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2. Summary of Significant Accounting Policies (Continued)

2.24 Technical Provisions (Continued)

As of December 31, 2018, the difference between accrued and calculated provision for outstanding claims and the amount calculated with the actuarial chain ladder method in accordance with the Technical Provisions Regulation and related regulations of the "Communiqué No. 2014/16 on the Outstanding Claims" dated December 5, 2014 effective from January 1, 2015, are accounted as incurred but not reported claim amount.

In accordance with the "Communiqué No. 2016/22 on discounting net cash flows arising from outstanding claims provision" dated June 10, 2016 and issued by the Undersecretariat of Treasury companies are allowed to discount net cash flows to be generated by the provision for outstanding claims. The Company did not choose to make such accounting policy changes and reflected the net outstanding claims provision for all branches as of December 31, 2018 in its financial statements without any discount.

Pursuant to the communiqué no. 2014/16 and the method applied in accordance with the prior communiqué, additional provision for outstanding claims for life branch is calculated by considering the weighted average that is determined by dividing the disability coverage, which occurred before the accounting period but reported in subsequent periods, to the average assurance amounts for subjected years. The Bornhuetter-Ferguson Calculation Method and standard chain calculation methods, which are approved by company's actuary and in the Communiqué no. 2014/16 by the Ministry of Treasury and Finance is used for death and unemployment deposit. For this calculation, irregular coefficients were corrected according to the statistics. In this context, the company calculated net TRY6,963,585 of incurred but not reported outstanding claims provision for life branch as of December 31, 2018.

According to the principles in "Amendment of the communiqué on the provision for outstanding claims" numbered 2015/7, 2015/28, and 2016/11, the regulation allows for the recognition of effects of the changed practice gradually in, 2015, 2016, 2017, 2018, and 2019. Since the gradual transition change does not have a net effect on the Company's claim amounts realized but not reported as of 31 December 31, 2018 due to the calculation of lower IBNR compared to the previous period, the Company recognized TRY 6,963,585 net outstanding provision in life branch. (December 31, 2017: Life Branch Net IBNR Amount: 8,804,110, Reflected in the financial statements: TRY7,371,935) (Note 17.15).

The company started its operations in the personal accident branch in January 2008. IBNR was calculated by using sector averages until 2016 for the personnel accident branch. As of December 31, 2018, the actuarial chain ladder method was used in order to calculate the IBNR account. However, due to the lack of sufficient damage data, IBNR was calculated by using the published sector averages for the development factors. As of December 31, 2018, the Bornhuetter-Ferguson Calculation Method, approved by company's actuary and in the Communiqué no. 2014/16 by the Ministry of Treasury and Finance, was used in the calculation of IBNR. At the time of this practice, the irregular development coefficients were corrected according to the statistics. The sum of TRY 4,010,329 (December 31, 2017: TRY 975,941) net incurred but not reported outstanding claims provision was recognized for the personal accident branch (Note 17.15).

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2. Summary of Significant Accounting Policies (Continued)

2.24 Technical Provisions (Continued)

Pursuant to “The Communiqué No. 2011/23 on the Calculation of Provision for Incurred But Not Reported Claims (IBNR)” dated December 26, 2011 (the “Communiqué No. 2011/23”), insurance companies are allowed to calculate a winning ratio over the amounts of legal cases filed against the Company which are closed in the past 5 years on a sub-branch basis and to reduce a certain portion of the outstanding claim files under legal follow-up using the calculated winning ratio as of December 31, 2018. For the first time, the company reduced the amount of the provision for outstanding claims by using the 15% ratio according to the Communiqué No. 2011/23 due to the lack of completed case with all stages and/or being won in last five-years as of December 31, 2018. These calculations were based on the gross amount and reinsurance share of discount is calculated in accordance with reinsurance share of outstanding claims in lawsuit as of December 31, 2018.

Net discount from accrued provision for outstanding claims as calculated by the winning ratio in life branch is TRY2,014,467 as of December 31, 2018 (December 31, 2017: TRY1,879,902) (Note 17.15).

The outstanding claims provisions for unemployment insurance in addition to life insurance were calculated in consideration of the period of unemployment of policyholders.

Reinstatement Premium Provision

According to “Regulation on Technical Reserves”, insurance companies that put premium and discount into practice must take in to account the amount of reinstatement premium provisions for policyholders and beneficiaries according to current year technical results. As of December 31, 2018, the reinstatement premium provision is equal to TRY 306,176 (December 31, 2017: TRY 327,485). The Reinstatement Premium Provision is recognized under short term other technical reserves in the financial statement (December 31, 2017: 288,674).

The reinstatement premium amount actualized as of December 31, 2018 is TRY 385,193 (December 31, 2017: TRY 288,674).

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2. Summary of Significant Accounting Policies (Continued)

2.24 Technical Provisions (Continued)

Equalization Provision

In accordance with the Regulation on Technical Reserves, insurance companies are required to record an equalisation reserve for the insurance contracts including earthquake and credit coverage to cover the catastrophic risks and to equalise the fluctuations within the claim ratios that may occur during the following accounting periods. Based on the sectoral announcement no. 2009/9 regarding “Application of Regulation on the Technical Reserves”, the life and pension companies are required to record an equalization reserve for the insurance contracts including earthquake and credit coverage in life and accident branches. The said reserve is calculated over 12% of net earthquake and credit premiums corresponding to each year. In the calculation of the net premium, the amounts paid for the non-proportional reinsurance agreements are regarded as ceded premiums. The Company accounted net equalization reserve for life and personal accident branch amounting to 21,551,885 and 715,116 as of December 31, 2018 (December 31, 2017: TRY 16,939,731 for life branch and TRY 353,522 for personal accident branch) (Note 17).

2.25 Currency in use

The functional currency of the Company is Turkish Lira (TRY). The Company presented its financial tables and the monetary sums in notes in TRY unless specified otherwise.

2.26 Rounding rate for amounts presented in financial statements

All amounts in TRY are rounded to the nearest full TRY in financial statements and the following notes unless specified otherwise.

2.27 Related Parties

a) A person or that person’s immediate family are considered as related party to the Company in the following cases:

Certain party,

- i. If it has control or joint control over the Company,
- ii. If it has significant influence over the Company,
- iii. In the case of a member of the Company or the parent Company’s key management personnel.

b) If any of the following conditions are present, the company is considered as related party:

- (i) In the case of the Company and the entity are members of a same group,
- (ii) In the case of the Entity, (or other entity that is a member of a member of a group) is a subsidiary or joint venture of the other entity,
- (iii) In the event of the Company and the Entity are both joint venture of a third party,

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2. Summary of Important Accounting Policies (Continued)

2.27 Related Parties (Continued)

- (iv) In the event of the Company is a joint venture of a third entity of one and the other entity is a subsidiary of such third the company,
- (v) In the event of the Company, has post-employment benefit plans related to the entity or the associated entity’s employees (in the event of the company itself has such plan, the sponsoring employers are also recognized related to the Company),
- (vi) If the Company is controlled or jointly controlled by a person defined at (a),
- (vii) In the event of a person defined at article (a) subparagraph (i) have a significant influence over the Company or the respective entity (or of a parent of the entity) is member of the entity’s key management.

Transactions with related parties are transfers between related parties, regardless of whether the resources, services or liabilities are subject to a consideration.

2.28 Post balance sheet events

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

3. Critical Accounting Estimates and Judgments

Preparation of financial statements requires the 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 estimates and assumptions are continuously evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Although the estimations and assumptions are based on the best knowledge of the management for existing events and operations, they may differ from the actual results.

The estimation of the ultimate liability for technical expenses that can be incurred for the existing insurance contracts is the one of the most critical accounting estimates for the Company. Estimation of the insurance liabilities, by nature, includes the evaluation of several uncertainties.

Estimations and underlying assumptions of the estimations is consistently overviewed. Updates of the accounting estimation are taken in to records in the current and following period that effected by updating. In particular, information about significant areas at estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

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3. Critical Accounting Estimates and Provisions (Continued)

- Note 4.1 - Insurance risk management
- Note 4.2 - Financial risk management
- Note 10 - Reinsurance assets and liabilities
- Note 11 - Financial assets
- Note 12 - Loans and receivables
- Note 21 - Deferred taxes
- Note 42 – Risks

4. Management of Insurance and Financial Risk

4.1. Management of Insurance Risk

Insurance risk is the probability of occurrence of the risk insured by any insurance contract and the risk of uncertainty of the severity of the resulting damage.

In terms risks of companies that carry out their operations on life insurance, the most important risks which for insurance agreements are mortality, investment and reinsurance risks. The Company is established additional various committees to related administrative segments and proceed internal control methods to minimize operational risks.

Concerning risks management arising from giving insurance guarantee, the Company determined risk assessment procedure, which is proper to agreed risk assessment conditions with contracted reinsurer and guarantee demands of the targeted insured segments. As part of reinsurance program bases that agreed with contracted reinsurer, the Company accepts or rejects insurance risks that substandard in accordance its risk assessment measurements , transferred risks that are above of a certain price as contracted or arbitrary to reinsurer companies.

Risk acceptance regulations are drawn out to create effective risk assessment policy related to the Company’s insurance risks, where risk assessment operations are performed accordingly. The Risk Assessment Committee was established to carry out effective insurance risk assessments.

The Company adopted the principle of paying beneficiaries the claim amounts agreed to be paid upon assessing valid insurance claims as soon as possible after the occurrence of life risks guaranteed by the Company.

The Company does not have any guaranteed dividend liabilities in the period, since there are not any life insurance agreements arising from the cumulative life insurance branch.

There are various reasons for the insurance risk sensitivity. The Company manage these risks with an effective risk assessment policy and proper reinsurance agreements besides claims payment process.

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4. Management of Insurance and Financial Risk (Continued)

4.1 Management of Insurance Risk (Continued)

The main goal of the risk assessment is to create profitable business volume and develop this business volume in accordance with actuarial principles. It is necessary to give careful decisions by risk selection process and avoid giving wrong decisions and practices to achieve this goal. The most important risk to person who apply for the Company to take out a policy could be defined as realization of the incurred reimbursement is higher than expected reimbursement. In addition, protecting life insurance companies against people that in a risky situation for life insurance and malicious injured is important. Risk assessment is a self-protection operation for the Company and against possible reimbursements payments to person, whose life is under risks. Although, probability of realization of this risky situation is low in total portfolio, amount of the reimbursement could be paid is essential for the Company's financial status and occasionally it is not possible to determine these risks.

Purpose of the insurance risk operation can be collected under three main topic:

- (a) For the person exposed to normal risks, bringing the risk premium rate to a reasonable level,
- (b) Pricing an insurance product; benefiting from mortality value that constituted for normal and out of standard risk levels,
- (c) Avoiding price disparity between normal and out of standard risk levels,

The company's insurance risk assessment policy is based on production strategy and distribution of risk in accordance with its type, size and geographical region. Risk assessment limits of the Risk Acceptance Regulation are reviewed in accordance with company needs and changing life insurance portfolio structure and also it has been paid attention to choose the right risk.

Insurance risk assessment tools that are generally accepted in the world and applied in the international area are used in the company's risk assessment process. In the assessment of medical, personal and financial technical risks, controls are made according to the internet based insurance risk assessment tool called Munich Re's MIRA (Munich Re Internet Risk Assessor), the leading reinsurance company in the reinsurance program, and numerical risk rating results that are obtained from this program are used by the company.

The distribution of insurance risk (the maximum monetary sum insured) by branches is summarized below:

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4. Management of Insurance and Financial Risk (Continued)

4.1 Management of Insurance Risk (Continued)

	December 31, 2018	December 31, 2017
Life Insurance	63.625.904.009	57.449.824.421
Personal Accident	44.436.699.645	26.142.764.850
Total	108.062.603.654	83.592.589.271

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

The risks to which the Company is exposed depending on pricing policies are as follows:

Market risk

Foreign exchange risk

The Company is exposed to the foreign exchange risk through the impact of rate changes due the translation of receivables and payables in foreign currency to Turkish Lira. These risks are followed by the analysis of foreign exchange position and restricted.

As of December 31, 2018, if US Dollar increased/decreased by 20% against TRY and all other variables remained constant, the profit before tax would be lower/higher by TRY 854,811 (December 31, 2017: TRY 22,137 higher/lower) as a result of foreign exchange gains / losses arising from the translation of receivables and payables denominated in USD and lower/higher by TRY 241,364 (December 31, 2017: TRY 22,137 higher/lower) as a result of foreign exchange gains / losses arising from the translation of receivables and payables denominated in EUR (December 31, 2017: no receivables and payables in EUR).

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4. Management of Insurance and Financial Risk (Continued)

4.2 Financial Risk Management

Receivables and payables denominated in foreign exchange are as follows:

December 31, 2018	US Dollars	Equivalent in TRY	Euro	Equivalent in TRY	Total Equivalent inTRY
Cash and Cash Equivalents	853.061	4.487.870	200.202	1.206.819	5.694.689
Receivables from the Related Party	12.697	66.799	-	-	66.799
Total Assets	865.758	4.554.669	200.202	1.206.819	5.761.488
Payables to the Related Party	53.340	280.616	-	-	280.616
Total Liabilities	53.340	280.616	-	-	280.616
Foreign Currency Position, Net	812.418	4.274.053	200.202	1.206.819	5.480.872

December 31, 2017	US Dollars	Equivalent in TRY	Euro	Equivalent in TRY	Total Equivalent in TRY
Cash and Cash Equivalents	313.152	1.181.178	-	-	1.181.178
Total Assets	313.152	1.181.178	-	-	1.181.178
Payables to the Related Party	53.109	200.322	-	-	200.322
Other Various Debts	230.698	870.170	-	-	870.170
Total Liabilities	283.807	1.070.492	-	-	1.070.492
Foreign Currency Position, Net	29.345	110.686	-	-	110.686

The Company's foreign currency debt includes debt due to related companies and suppliers, including reinsurance, and support services.

Interest rate risk

Since the Company has no financial assets and liabilities at variable interest rate as of December 31, 2018 and 2017, it is not exposed to the interest rate risk caused by changes in interest rates.

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4. Management of Insurance and Financial Risk (Continued)

4.2 Financial Risk Management (Continued)

Fair Market Value of Financial Instruments

The fair market value is defined as the price to be obtained from the sale of an asset during an ordinary transaction on the date of measurement among market participants or the price to be paid in the transfer of a debt. The fair market value of financial instruments is determined by the Company using the existing market information and appropriate assessment methods. The following methods and assumptions were used in the estimation of the fair market value of financial instruments, the fair market value of which is possible to be determined:

i. Financial Assets

The fair market values of the balances based on foreign currency, converted through end-of-year rates, are regarded to get close to their registered values. The fair market values of cash and cash equivalents are regarded to get close to their registered values because they are of short-term duration. The registered value of receivables from main operations is estimated to indicate their fair market values after the relevant bad debt receivables provision is subtracted. Costs and values of available-for-sale financial assets not registered in stock exchange, if any, are regarded as their fair market values.

ii. Financial liabilities

The registered values of debts from main activities and of other monetary debts are regarded as close to their fair market values.

iii. Fair market value hierarchy

The Company assesses its financial assets represented through their fair market values at three separate levels in terms of assessment methods.

Level 1: Quoted prices of identical assets or liabilities which the Company can attain on the date of measurement in active markets (uncorrected prices),

Level 2: Data other than quoted prices within Level 1, directly or indirectly observable regarding the assets or debts,

Level 3: Data regarding the assets or liabilities, not observable.

The company has no financial asset or liability that can be classified at these three levels, excluded from these three levels or transferred between among other levels.

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4. Management of Insurance and Financial Risk (Continued)

4.2 Financial Risk Management (Continued)

Credit Risk

Ownership of financial assets bears the risk for the counterparty of not being able to fulfil the conditions of the contract. The credit risk of the Company arises from cash and cash equivalents, bank deposits, financial assets, reinsurance shares in insurance liabilities, receivables from reinsurance companies and Premium receivables from policyholders and intermediaries. These risks are regarded by the Company management as the total credit risk to the other party.

The Company follows and monitors the credit risk of financial assets classified as loans and receivables and receivables from insurance operations (including reinsurance receivables) by guarantees received and procedures applied for the selection of the counterparties. Other remarks on these receivables are given in note 12.

The Company's financial assets which are subject to credit risk, except for loans and receivables, generally consist of government bonds and time and demand deposits held in banks and other financial institutions in Turkey, and such receivables are not deemed to have a high credit risk.

Liquidity risk

The Company uses its available cash resources to pay claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The management sets limits on the minimum portion of funds available to meet such liabilities.

The company foresees to cover its liabilities indicated below using its financial assets and with its cash and cash equivalents placed under its assets. The term analysis of the assets and liabilities of the Company as of December 31, 2018 and 2017 is as follows.

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4. Management of Insurance and Financial Risk (Continued)

4.2 Financial Risk Management (Continued)

December 31, 2018	On Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1-5 Years	5 Years and Over	Undistributed	Total
Assets								
Cash and Cash Equivalents	3.268.521	109.124.598	241.142.245	90.086.519	-	-	-	443.621.883
Receivables from Main Operations	-	12.929.685	8.869.192	16.460.180	-	-	823.012.279	861.271.336
Receivables from the Related Parties	-	-	66.799	-	-	-	-	66.799
Prepaid Expenses and Income Accruals	-	317.949	1.856.233	28.007.744	22.145	-	-	30.204.071
Other Current Assets	-	4.762	-	-	-	-	-	4.762
Other Receivables	-	-	-	-	23.838	-	-	23.838
Financial Assets	-	-	-	-	-	-	391.100	391.100
Tangible Assets	-	-	-	-	-	-	3.276.159	3.276.159
Intangible Fixed Assets	-	-	-	-	-	-	13.551.551	13.551.551
Other Non-Current Assets	-	-	1.516.229	270.333	511.496	-	4.576.465	6.874.523
Total Assets	3.268.521	122.376.994	253.450.698	134.824.776	557.479	-	844.807.554	1.359.286.022
Liabilities								
Payables from Main Activities	-	20.071.287	4.115.359	3.684.330	-	-	814.686.489	842.557.465
Due to the Related Parties	-	803.868	-	-	-	-	-	803.868
Other Payables	-	4.044.584	-	-	-	-	-	4.044.584
Insurance Technical Provisions	-	16.077.792	11.565.897	109.127.410	101.733.043	10.969.923	62.559.521	312.033.586
Taxes, and Other Liabilities, and Provision	-	3.998.053	8.421.837	-	-	-	-	12.419.890
Deferred Income and Expense Accruals	-	846.446	63.305	977.913	1.045.905	34.752	-	2.968.321
Other Current Liabilities	-	-	6.891.950	1.351.663	2.557.481	-	3.953.083	14.754.177
Provisions for Other Risks	-	-	-	-	-	-	3.721.701	3.721.701
Shareholder's Equity	-	-	-	-	-	-	165.982.430	165.982.430
Total Liabilities and Shareholder's Equity	-	45.842.030	31.058.348	115.141.316	105.336.429	11.004.675	1.050.903.224	1.359.286.022
Net Liquidity Excess/(Shortage)	3.268.521	76.534.964	222.392.350	19.683.460	(104.778.950)	(11.004.675)	(206.095.670)	-

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4. Management of Insurance and Financial Risk (Continued)

4.2 Financial Risk Management (Continued)

December 31, 2017	On Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed	Total
Assets								
Cash and Cash Equivalents	5.917.224	100.631.903	196.183.268	54.101.476	-	-	-	356.833.871
Receivables from Main Operations	-	12.545.164	11.837.585	10.783.537	-	-	812.378.233	847.544.519
Receivables from the Related Parties	-	198.204	1.865.273	22.996.074	-	-	-	25.059.551
Prepaid Expenses and Income Accruals	-	-	-	-	14.899	-	-	14.899
Other Current Assets	-	-	-	-	-	-	391.100	391.100
Other Receivables	-	-	-	-	-	-	5.756.295	5.756.295
Financial Assets	-	-	-	-	-	-	12.506.646	12.506.646
Tangible Assets	-	-	-	1.602.484	607.983	-	3.193.752	5.404.219
Total Assets	5.917.224	113.375.271	209.886.126	89.483.571	622.882	-	834.226.026	1.253.511.100
Liabilities								
Payables from Main Activities	-	19.077.723	2.187.117	3.135.893	-	-	802.604.469	827.005.202
Due to the Related Parties	-	636.838	-	-	-	-	-	636.838
Other Payables	-	3.667.545	-	-	-	-	-	3.667.545
Insurance Technical Provisions	-	424.601	5.058.103	76.651.662	127.059.295	13.658.134	54.750.695	277.602.490
Taxes, and Other Liabilities, and Provision	-	2.965.172	3.930.392	-	-	-	-	6.895.564
Deferred Income and Expense Accruals	-	1.452.225	47.303	1.042.251	748.195	66.071	-	3.356.045
Other Current Liabilities	-	-	7.050.000	257.418	3.039.918	-	256.096	10.603.432
Provisions for Other Risks	-	-	-	-	-	-	3.801.989	3.801.989
Shareholder's Equity	-	-	-	-	-	-	119.941.995	119.941.995
Total Liabilities and Shareholder's Equity	-	28.224.104	18.272.915	81.087.224	130.847.408	13.724.205	981.355.244	1.253.511.100
Net Liquidity Excess/(Shortage)	5.917.224	85.151.167	191.613.211	8.396.347	(130.224.526)	(13.724.205)	(147.129.218)	-

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4. Management of Insurance and Financial Risk (Continued)

4.2 Financial Risk Management (Continued)

Mortality Risk

It is the circumstance where the resulting death damages are higher than the probability of death in the mortality statements used in pricing the mortality risk. The Company uses the appropriate mortality statement for each product. In addition, the tariffs are revised according to the loss ratio of each product.

Capital Management

The Company's objectives when managing the capital are:

To meet the requirements stipulated by the Ministry of Treasury and Finance regarding capital adequacy, and
To maintain the existence of the Company and the continuity of operations in line with the principle of sustainability of businesses.

	December 31, 2018	December 31, 2017
Method I		
Equity Required for Life Branch	41.775.591	38.681.862
Equity Required for Pension Branch	4.058.981	3.995.756
Equity Required for Non-Life Branches	10.237.485	7.635.160
Total Required Equity	56.072.057	50.312.778
Method II		
Equity Required for Active Risk	27.494.726	28.482.657
Equity Required for Underwriting Risk	23.569.958	23.581.363
Equity Required for Outstanding Claims Reserve	1.841.689	1.821.994
Equity Required for Reinsurance Risk	2.669.959	2.033.242
Equity Required for Currency Risk	411.065	8.302
Total Required Equity (**)	55.987.397	55.927.558
Capital Sum (*)	188.249.431	137.235.248
Capital Adequacy Result	132.177.374	81.307.690

(*) Equalization provision amount was added to the equity.

(**) The sum of the equity required for excessive premium increase risk is TRY 2,945,964 (December 31, 2017: TRY 12,810,077) and given for information purposes and not included in calculation of the required equity.

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5. Segment Information

Described in note 2.3.

6. Tangible Fixed Assets

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

	January 1, 2018	Additions	Disposals	December 31, 2018
Cost:				
Property and Equipment	7.771.684	445.292	(8.381)	8.208.595
Leasehold Improvements	6.094.195	95.492	-	6.189.687
Total Cost	13.865.879	540.784	(8.381)	14.398.282
Accumulated Depreciation:				
Property and Equipment	(4.616.296)	(1.274.172)	3.661	(5.886.807)
Leasehold Improvements	(3.493.288)	(1.742.028)	-	(5.235.316)
Total Accumulated Depreciation	(8.109.584)	(3.016.200)	3.661	(11.122.123)
Net book value	5.756.295			3.276.159
	January 1 2017	Addenda	Output	December 31, 2017
Cost:				
Property and Equipment	6.341.006	1.430.678	-	7.771.684
Leasehold Improvements	5.674.974	419.221	-	6.094.195
Total Cost	12.015.980	1.849.899	-	13.865.879
Accumulated Depreciation:				
Property and Equipment	(3.382.474)	(1.233.822)	-	(4.616.296)
Leasehold Improvements	(2.528.791)	(964.497)	-	(3.493.288)
Total Accumulated Depreciation	(5.911.265)	(2.198.319)	-	(8.109.584)
Net book value	6.104.715			5.756.295

The Company has no tangible fixed assets acquired through finance lease as of December 31, 2018 and 2017.
There is no mortgage on tangible fixed assets of the Company as of December 31, 2018 and 2017.

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7. Investment Properties

The Company has no investment property as of December 31, 2018. (December 31, 2017: Not Available).

8. Intangible Fixed Assets

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

	January 1 2018	Additions	Disposals	December 31, 2018
Cost:				
Rights	33.827.802	9.919.320	-	43.747.122
Accumulated Depreciation:				
Rights	(21.321.156)	(8.874.415)	-	(30.195.571)
Net book value	12.506.646			13.551.551
	January 1 2017	Additions	Disposals	December 31, 2017
Cost:				
Rights	23.712.035	10.115.767	-	33.827.802
Accumulated Depreciation:				
Rights	(14.799.866)	(6.521.290)	-	(21.321.156)
Net book value	8.912.169			12.506.646

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9. Investments in Affiliates

The Company does not have any affiliate that is accounted under equity accounting method. (December 31, 2017: Not Available).

10. Reinsurance Assets

Reinsurance Assets/(Liabilities)	December 31, 2018	December 31, 2017
Reinsurer's share in unearned premiums reserve	10.482.552	7.403.218
Reinsurer's share in outstanding claims reserve	6.904.069	3.894.958
Reinsurer's share in equalization reserve	641.864	423.725
Payables to /receivables from reinsurance companies	(1.582.941)	4.316.885
Deferred reinsurance commissions	(2.130.529)	(1.907.493)
Total	14.315.015	14.131.293

There is no impairment recognized for reinsurance assets.

Income and expenses accounted for in the income statement for the Company's reinsurance contracts are presented in the following table:

Reinsurance Income/(Expense)	December 31, 2018	January 1- December 31, 2017
Reinsurer's share in paid claims	5.988.593	11.568.538
Commissions from reinsurers	5.967.361	3.714.142
Reinsurer's share in the change to unearned premiums reserve	3.079.334	760.279
Reinsurer's share in the change to outstanding claims reserve	3.009.111	(1.038.739)
Reinsurer's share in the change to equalization reserve	218.139	145.862
Reinsurer's share in check-up expense	60.914	26.357
Premiums ceded to reinsurers	(21.804.680)	(14.862.550)
Total, net	(3.481.228)	313.889

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11. Financial Assets

11.1 Subcategorization of the items presented in line with the Company's operations:

	December 31, 2018	December 31, 2017
Loans and receivables (note 12)	861.998.942	847.958.341
Total	861.998.942	847.958.341

11.2 Marketable securities issued during the year other than share certificates:

Not Available (December 31, 2017: Not Available).

11.3 Debt securities redeemed during the year:

Not Available (December 31, 2017: Not Available).

11.4 Market value of marketable securities and financial assets carried at cost and carrying value of marketable securities and financial assets carried at market value:

As of December 31, 2017, the sum of TRY 391,100 in the financial fixed assets owned by the Company consist of shares in the Pension Monitoring Centre (December 31, 2017: TRY 391,100). Since the shares in the Pension Monitoring Centre are not traded actively in market, these shares have no fair value.

11.5 Amounts of marketable securities classified under marketable securities and investment securities accounts issued by the Company's shareholders, associates and subsidiaries and the issuers:

Not Available (December 31, 2017: Not Available).

11.6 Value increase in financial assets in the past three years:

The value increase in financial assets is described in notes 11.7 and 26.

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11. Financial Assets (Continued)

11.7 - 11.9 Other remarks on financial assets:

Described in notes 26.

12. Loans and Receivables

12.1 Classification of the receivables as receivables from customers, receivables from related parties, advance payments (short-term and long-term prepayments) and others:

	December 31, 2018	December 31, 2017
Receivables from pension operations	824.892.435	808.702.488
Due from insurance operations	36.378.901	38.841.671
Prepaid expenses	660.807	413.822
Due from the related parties	66.799	-
Bank guaranteed credit card receivables (due in longer than 3 months)	-	360
Doubtful receivables from main operations	47.933	49.266
Provision for doubtful receivables from main operations (-)	(47.933)	(49.266)
Total	861.998.942	847.958.341

12.2 Due from/due to shareholders, associates and subsidiaries:

The transactions and balances with the related parties are detailed in note 45.

12.3 Total mortgages and collaterals obtained for receivables:

The Company does not have any assurance for receivables (December 31, 2017: Not Available).

12.4 Individual amounts and conversion rates (into TRY) of payables and receivables denominated in foreign currencies with no foreign exchange rate guarantee and of the existing foreign exchange in assets:

The Company's receivables and payables denominated in foreign currency are given in note 4.2.

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12. Loans and Receivables (Continued)

12.5 - 12.7 Other remarks on loans and receivables:

The aging of receivables from insurance operations is as follows:

	December 31, 2018	December 31, 2017
Overdue	8.729.207	11.048.664
Up to 3 months	14.615.625	17.009.835
3-6 months	8.504.146	6.755.676
6 months-1 year	4.529.923	4.027.856
Total	36.378.901	38.842.031

The details of overdue but not doubtful receivables are as follows:

	December 31, 2018	December 31, 2017
Up to 3 months	8.451.819	9.723.399
3-6 months	106.395	224.494
6 months-1 year	170.993	1.100.771
Total	8.729.207	11.048.664

The Company has no collaterals for overdue receivables mentioned above.

The entrance fee receivables of TRY 47,933 (December 31, 2017: TRY 49,266) included in the receivables from pension operations as of December 31, 2018 were classified as doubtful receivables from main operations, and provision was made for this balance in financial statements.

The entrance fee receivables included in the receivables from pension activities as of December 31, 2018 are TRY 1,830,239 (December 31, 2017: TRY 1,938,232). The receivables from overdue entrance fees are TRY 1,830,239 (December 31, 2017: TRY 1,938,232).

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13. Derivative Financial Instruments

Not Available (December 31, 2017: Not Available).

14. Cash and Cash Equivalents

Cash and cash equivalents that are included in the statements of cash flows for the periods December 31, 2017 and 2016 are presented in Note 2.12, and the Company's bank deposits are detailed below :

	December 31, 2018	December 31, 2017
Banks	429.484.844	344.948.517
-TRY	423.790.155	343.767.339
--Foreign exchange (Note 4.2)	5.694.689	1.181.178
Bank guaranteed credit card receivables due in less than three months	14.137.039	11.885.354
Total	443.621.883	356.833.871

The blockage period for credit card receivables by the Company due in less than 3 months ranges from 24 to 56 days as of December 31, 2018 (December 2016: 26 to 56 days).

The Company's bank deposits are detailed below:

	December 31, 2018	December 31, 2017
Deposits		
- Time deposits	426.216.323	339.031.293
- Demand deposits	3.268.521	5.917.224
Total	429.484.844	344.948.517

As of December 31, 2018, the time deposit amounting to TRY 227,929,175 is blocked (December 31, 2017: TRY 161,965,328) (note 43).

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14. Cash and Cash Equivalents (Continued)

The weighted average interest rates for time deposits are as follows:

	December 31, 2018 (%)	December 31, 2017 (%)
Interest rates		
-TRY	%23,3	%14,2
- US Dollars	%4,3	%3,7
- Euro	%1,3	-

15. Capital

Movements in shares at the beginning and the end of the period are as follows:

	January 1, 2018		Newly Issued		Redeemed		December 31, 2018	
	Nominal		Nominal		Nominal		Nominal	
	Number	TRY	Number	TRY	Number	TRY	Number	TRY
Paid	45.000.000	45.000.000	-	-	-	-	45.000.000	45.000.000
Total	45.000.000	45.000.000	-	-	-	-	45.000.000	45.000.000

	January 1, 2018		Newly Issued		Redeemed		December 31, 2018	
	Nominal		Nominal		Nominal		Nominal	
	Number	TRY	Number	TRY	Number	TRY	Number	TRY
Paid	45.000.000	45.000.000	-	-	-	-	45.000.000	45.000.000
Total	45.000.000	45.000.000	-	-	-	-	45.000.000	45.000.000

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15. Capital (Continued)

The Company is not subject to the registered capital system. Dividend distribution is detailed in note 38.
The Company holds no share (December 31, 2017: Not Available).

The Company has no share sales to be performed as per futures and contracts.
(December 31, 2017: Not Available).

Legal Reserves:

Retained earnings as per the statutory financial statements other than legal reserve requirements as referred below can be distributed. The legal reserves are divided into two - primary and secondary reserves - in accordance with the Turkish Commercial Code. The Turkish Commercial Code stipulates that the primary 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 secondary 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 unless they exceed 50% of paid-in share capital and are not available for any other usage.

Movements in legal reserves in the current period are as follows:

	2018	2017
Legal Reserves:		
Opening balance - January 1	15.696.871	12.718.151
Increase during the period	6.803.129	2.978.720
Closing balance - December 31	22.500.000	15.696.871

Other profit reserves consist of actuarial losses, and their movements are as follows:

	2018	2017
Other Profit Reserves:		
Opening balance - January 1	(1.002.468)	(527.110)
Change during the period	547.290	(475.358)
Closing balance - December 31	(455.178)	(1.002.468)

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16. Other Reserves and Equity Component of Discretionary Participation

The information on other reserves included in the equity is given in note 15.

17. Insurance Liabilities and Reinsurance Assets

17.1 Amounts of collateral to be provided by the Company for life branch and amounts of collateral provided by the Company by life and non-life branches based on assets:

	December 31, 2018	December 31, 2017 (**)
Amount of the collateral required for life branch (*)	190.255.066	176.816.882
Amount of the collateral provided for life branch (**)	218.570.422	157.446.249
Amount of the collateral required for non-life branch (*)	13.866.878	4.470.081
Amount of the collateral provided for non-life branch (**)	9.358.753	4.519.079

(*) Pursuant to article 4 of the "Regulation on the Financial Structure of Insurance, and Reinsurance and Pension Companies" issued with regard to the Insurance Law and published in the Official Gazette No. 26606 dated August 7, 2007, the insurance and pension fund companies operating in personal accident and life branches should provide collateral that equals to one third of required capital amount in each capital adequacy calculation period.

(**) Pursuant to paragraph 1, article 7 of the "Regulation on the Financial Structure of Insurance, and Reinsurance and Pension Companies" that became effective upon publication in the Official Gazette No. 26616 dated August 17, 2007, the insurance and pension fund companies operating in personal accident and life branches must establish collaterals within two months from the capital adequacy calculation period. On February 28, 2019, the Company remediated the blockage shortage existing as at December 31, 2018 as per the applicable legislation (On February 27, 2018, the Company remediated the blockage shortage existing as at December 31, 2017 as per the applicable legislation).

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.2 Number of life insurance policies, and number of and mathematical reserves for incoming, outgoing and existing life insurance policyholders for the period:

	Number of Policies in 2018	Number of Policies in 2017
Opening balance - January 1	2.267.218	1.439.622
Incoming	2.812.625	1.799.815
Outgoing	(2.413.197)	(972.219)
Closing balance - December 31	2.666.646	2.267.218

	December 31, 2018	December 31, 2017
Mathematical reserves - Life	13.324.675	9.716.053
Total- Short term	13.324.675	9.716.053
Mathematical reserves - Life	149.829.605	142.314.948
Mathematical reserves - Personal accident	9.800.464	2.180.615
Total- Long Term	159.630.069	144.495.563
Total	172.954.744	154.211.616

17.3 Amount of insurance coverage provided to non-life branches:

Described in note 4.

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.4 Pension mutual funds established by the Company and their unit prices:

Pension	Mutual Fund Name	Unit Prices December 31, 2018(*)	Unit Prices December 31, 2017(**)
CHK	Public Debt Raise Instruments YF	0,022499	0,021447
CHT	Private Pension Fund of Contribution	0,013703	0,013250
CHN	First Variable Private Pension Fund	0,025392	0,023374
CHL	Private Pension Fund of Monetary Market	0,023422	0,019821
CHH	First Stocks Private Pension Fund	0,048195	0,053963
CHM	Second Variable Private Pension Fund	0,021591	0,021672
CGG	Public Debt Raise Instruments Group Retirement YF	0,015374	0,014354
CGE	First Variable Group Retirement YF	0,017052	0,015626
CHS	Standard Private Pension Fund	0,014702	0,013579
CFB	Initial Private Pension Fund	0,012983	0,011030
CFY	Initial Participation Private Pension Fund	0,012401	0,010785
CFE	AES Participation Standard Private Pension Fund	0,010951	-
CHG	AES Aggressive Variable Private Pension Fund	0,009874	-
CHO	AES Attack Variable Private Pension Fund	0,009985	-
CHU	AES Standard Private Pension Fund	0,011031	-
CHA	AES Balanced Variable Private Pension Fund	0,010566	-
CHC	AES Conservative Variable Private Pension Fund	0,011254	-
CHD	AES Aggressive Participation Variable Private Pension Fund	0,009074	-
CHI	AES Dynamic Participation Variable Private Pension Fund	0,010463	-

(*) Unit fund prices are the sums valued as of December 28, 2018.

(**) Unit fund prices are the unit fund prices valued as of December 28, 2017.

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.5 Number and amount of share certificates in portfolio and in circulation:

The number and amount of share certificates in portfolio and in circulation are as follows as of December 31, 2018 and 2017:

	December 31, 2018 (*)			
	Share certificates in circulation		Share certificates in portfolio	
	Number	Amount	Number	Amount
CHK Public Debt Raise Instruments YF	12.899.004.878	290.214.711	7.100.995.122	159.765.289
CHT Private Pension Fund of Contribution	9.174.271.099	125.715.037	990.825.728.901	13.577.284.963
CHN First Variable Private Pension Fund	4.405.557.179	111.865.908	5.594.442.821	142.054.092
CHL Private Pension Fund of Monetary Market	5.216.019.631	122.169.612	4.783.980.369	112.050.388
CHH First Stocks Private Pension Fund	1.356.468.762	65.375.012	8.643.531.238	416.574.988
CHM Second Variable Private Pension Fund	1.128.709.040	24.369.957	8.871.290.960	191.540.043
CHS Standard Private Pension Fund	1.121.064.213	16.481.886	8.878.935.787	130.538.114
CGG Public Debt Raise Instruments Group Retirement YF	774.825.605	11.912.169	9.225.174.395	141.827.831
CFY Initial Participation Private Pension Fund	624.658.127	7.746.385	1.999.375.341.873	24.794.253.615
CFB Initial Private Pension Fund	573.136.560	7.441.032	1.999.426.863.440	25.958.558.968
CFE AES Participation Standard Private Pension Fund	656.314.350	7.187.298	1.999.343.685.650	21.894.812.702
CGE First Variable Group Retirement YF	412.518.530	7.034.266	9.587.481.470	163.485.734
CHU AES Standard Private Pension Fund	1.286.082.878	14.186.780	998.713.917.122	11.016.813.220
CHG AES Aggressive Variable Private Pension Fund	4.880.923	48.194	999.995.119.077	9.873.951.806
CHO AES Attack Variable Private Pension Fund	3.065.490	30.609	999.996.934.510	9.984.969.391
CHA AES Balanced Variable Private Pension Fund	801.569	8.469	999.999.198.431	10.565.991.531
CHI AES Dynamic Participation Variable Private Pension Fund	325.698	3.408	999.999.674.302	10.462.996.592
CHD AES Aggressive Participation Variable Private Pension Fund	375.016	3.403	999.999.624.984	9.073.996.597
CHC AES Conservative Variable Private Pension Fund	185.019	2.082	999.999.814.981	11.253.997.918
Total	39.638.264.567	811.796.218	14.050.361.735.433	159.915.463.782

(*) Forward value transactions are revised in the table of number of shares circulating on T+1 day. On the other hand, the amount of circulating funds and the receivables and payables from long-term pension operations in financial statements are different.

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.5 Number and amount of share certificates in portfolio and in circulation: (Continued)

	December 31, 2018 (*)			
	Share certificates in circulation		Share certificates in portfolio	
	Number	Amount	Number	Amount
CHK Public Debt Raise Instruments YF	14.136.495.491	303.185.419	5.863.504.509	125.754.581
CHT Private Pension Fund of Contribution	9.348.447.310	123.866.927	990.651.552.690	13.126.133.073
CHN First Variable Private Pension Fund	4.898.768.270	114.503.810	5.101.231.730	119.236.190
CHL Private Pension Fund of Monetary Market	5.214.818.843	103.362.924	4.785.181.157	94.847.076
CHH First Stocks Private Pension Fund	1.447.969.189	78.136.761	8.552.030.811	461.493.239
CHM Second Variable Private Pension Fund	1.147.036.625	24.858.578	8.852.963.375	191.861.422
CGG Public Debt Raise Instruments Group Retirement YF	884.221.098	12.692.110	9.115.778.902	130.847.890
CGE First Variable Group Retirement YF	482.163.859	7.534.292	9.517.836.141	148.725.708
CHS Standard Private Pension Fund	1.062.937.150	14.433.624	8.937.062.850	121.356.376
CFB Initial Private Pension Fund	927.958.391	10.235.381	1.999.072.041.609	22.049.764.619
CFY Initial Participation Private Pension Fund	587.975.802	6.341.319	1.999.412.024.198	21.563.658.681
Total	40.138.792.028	799.151.145	5.049.861.207.972	58.133.678.855

(*) Forward value transactions are revised in the table of number of shares circulating on T+1 day. On the other hand, the amount of circulating funds and the receivables and payables from long-term pension operations in financial statements are different.

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.6 Portfolio amount for the participants in individual and group pension plans in number (who entered, left, cancelled and maintained plans during the period):

January 1- December 31, 2018

	No. of participants entering within the period	TRY inflowing within the period	No. of participants leaving within the period	TRY outflowing within the period	No. of cancellations within the period(*)	Amount of cancellations within the period in TRY(*)	Present Number	Present TRY
Individual	3.580	15.059.640	16.335	169.674.458	-	-	81.669	651.404.967
Group	153	467.345	4.149	36.842.598	-	-	16.166	123.733.590
Total	3.733	15.526.985	20.484	206.517.056	-	-	97.835	775.138.557

(*) Counts cancelled within the period have not been shown as they have no effective TRY provision.

January 1- December 31, 2017

	No. of participants entering within the period	TRY inflowing within the period	No. of participants leaving within the period	TRY outflowing within the period	No. of cancellations within the period(*)	Amount of cancellations within the period in TRY(*)	Present Number	Present TRY
Individual	1.409	4.865.014	14.957	118.192.506	-	-	94.426	651.566.549
Group	132	205.887	5.416	25.483.094	-	-	20.160	131.007.895
Total	1.541	5.070.901	20.373	143.675.600	-	-	114.586	782.574.444

The information on the Automatic Enrolment System in Corporate Pension Contracts is as follows as of December 31, 2018 and 2017:

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.6 Portfolio amount for the participants in individual and group pension plans in number (who entered, left, cancelled and maintained plans during the period): (Continued)

December 31, 2018

	No. of participants entering within the period	TRY inflowing within the period	No. of participants leaving within the period	TRY outflowing within the period	No. of cancellations within the period(*)	Amount of cancellations within the period in TRY(*)	Present Number	Present TRY
Group (**)	177.522	14.912.866	135.613	27.576.619	-	-	89.335	36.657.661
Total	177.522	14.912.866	135.613	27.576.619	-	-	89.335	36.657.661

(*) The cancellations within the period are not shown as they have no effective provisions in TRY.

(**) Shows the information on the Automatic Enrolment System in Corporate Pension Contracts between January 1 – December 31, 2018

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	No. of participants entering within the period	TRY inflowing within the period	No. of participants leaving within the period	TRY outflowing within the period	No. of cancellations within the period(*)	Amount of cancellations within the period in TRY(*)	Present Number	Present TRY
Group (**)	126.832	16.576.701	79.406	9.578.535	-	-	47.426	16.576.701
Total	126.832	16.576.701	79.406	9.578.535	-	-	47.426	16.576.701

(*) The cancellations within the period are not shown, as they have no effective provisions in TRY.

(**) Shows the information on the Automatic Enrolment System in Corporate Pension Contracts between January 1 – December 31, 2017

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.7 Valuation methods used in the calculation of profit share for the participating life insurance:

None (December 31, 2017: None).

17.8 Distribution of number of individual pension participants and their gross and net contributions within the period on an individual and corporate basis:

	January 1- December 31, 2018			January 1- December 31, 2017		
	Number of Policies	Gross Contribution	Net Contribution	Number of Policies	Gross Contribution	Net Contribution
Individual ^(*)	3.580	17.231.966	17.231.966	1.409	5.588.348	5.588.348
Corporate ^(*)	153	480.518	479.030	132	233.390	232.434
Total	3.733	17.712.484	17.710.996	1.541	5.821.738	5.820.782

(*) The contracts which are recently entered within the period but are not in effect at the end of the period are included (contracts transferred from any other company are included in the number of new entrances).

Data of Automatic Enrollment System in Institutional Retirement Contracts are as follows as of December 31, 2018 and 2017:

	January 1- December 31, 2018			January 1- December 31, 2017		
	Number of Policies	Gross Contribution	Net Contribution	Number of Policies	Gross Contribution	Net Contribution
Institutional ^(*)	177.522	27.238.734	27.238.734	126.832	25.541.949	25.541.949
Total	177.522	27.238.734	27.238.734	126.832	25.541.949	25.541.949

(*) Shows the information on the Automatic Enrolment System in Corporate Pension Contracts between January 1 – December 31, 2018 and 2017:

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.9 Distribution of number of individual pension participants transferred from other companies within the period and their gross and net contributions on an individual and corporate basis:

	January 1- December 31, 2018			January 1- December 31, 2017		
	Number of Policies	Gross Contribution	Net Contribution	Number of Policies	Gross Contribution	Net Contribution
Individual	175	6.465.832	6.465.832	96	2.849.275	2.849.275
Corporate	4	297.760	297.760	8	130.082	130.082
Total	179	6.763.592	6.763.592	104	2.979.357	2.979.357

Data of Automatic Enrollment System in Institutional Retirement Contracts are as follows as of December 31, 2018 and 2017:

	January 1- December 31, 2018			January 1- December 31, 2017		
	Number of Policies	Gross Contribution	Net Contribution	Number of Policies	Gross Contribution	Net Contribution
Corporate ^{(*) (**)}	1.915	341.520	341.520	-	-	-
Toplam	1.915	341.520	341.520	-	-	-

(*) Shows the information on the Automatic Enrolment System in Corporate Pension Contracts between January 1 – December 31, 2018 and 2017:

(**) No comparative data is available for the prior period.

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.10 Joint distribution of number of individual pension participants switching from life portfolio to individual pension within the period and their gross and net contributions on an individual and corporate basis:

Not Available (January 1-December 31, 2017: Not Available).

17.11 Distribution of number of individual pension participants leaving the company's portfolio and switching to another company or leaving the company's portfolio but not switching to another company within the period and their gross and net contributions on an individual and corporate basis:

	January 1- December 31, 2018			January 1- December 31, 2017		
	Number of Policies	Gross Contribution	Net Contribution	Number of Policies	Gross Contribution	Net Contribution
Individual	16.335	144.907.034	143.245.060	14.957	101.083.762	99.714.777
Corporate	4.149	30.784.512	30.527.116	5.416	21.418.731	21.202.751
Total	20.484	175.691.546	173.772.176	20.373	122.502.493	120.917.528

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.11 Distribution of number of individual pension participants leaving the company's portfolio and switching to another company or leaving the company's portfolio but not switching to another company within the period and their gross and net contributions on an individual and corporate basis(Continued):

The information on the Automatic Enrolment System in Corporate Pension Contracts is as follows as of December 31, 2018 and 2017:

	January 1- December 31, 2018			January 1- December 31, 2017		
	Number of Policies	Gross Contribution	Net Contribution	Number of Policies	Gross Contribution	Net Contribution
Corporate	135.613	26.223.900	26.223.900	79.406	9.471.903	9.471.903
Total	135.613	26.223.900	26.223.900	79.406	9.471.903	9.471.903

(*) Shows the information on the Automatic Enrolment System in Corporate Pension Contracts between January 1 – December 31, 2018:

17.12 Distribution of new life insurance policyholders within the period and net and gross amounts of premium payable by them on an individual and corporate basis:

	January 1- December 31, 2018		January 1- December 31, 2017	
	Number of Policies	Net Premium	Number of Policies	Net Premium
Individual	71.743	53.221.398	76.248	79.714.447
Corporate	2.740.882	371.986.084	1.723.567	358.634.671
Total	2.812.625	425.207.482	1.799.815	438.349.118

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.13 Distribution of number of life insurance policyholders leaving the portfolio within the period and amount of mathematical reserves for net and gross amounts of premium payable by them on an individual and corporate basis:

	January 1- December 31, 2018				January 1-December 31, 2017			
	Number of Policies	Gross Premium	Net Premium	Mathematical Reserve (TRY)	Number of Policies	Gross Premium	Net Premium	Mathematical Reserve (TRY)
Individual	79.876	(28.012.976)	(27.186.402)	34.611.478	220.274	(50.997.520)	(49.602.793)	39.546.416
Group	2.333.321	(191.701.246)	(189.887.400)	128.542.804	751.945	(174.089.209)	(168.946.039)	112.484.585
Total	2.413.197	(219.714.222)	(217.073.802)	163.154.282	972.219	(225.086.729)	(218.548.832)	152.031.001

17.14 Rate of dividend distribution to life insurance policyholders within the period:

The Company has no cumulative life insurance subject to dividend distribution (December 31, 2017: Not Available).

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.15 - 17.19 Other necessary information about liabilities from insurance contracts:

	December 31, 2018	December 31, 2017
Gross technical reserves		
Mathematical Reserve	172.954.744	154.211.616
Unearned Premium Reserve	86.695.697	75.715.912
Outstanding Claims Reserves	47.196.589	41.352.400
Equalization Reserve	22.908.865	17.716.978
Reinstatement Premium Reserve	306.176	327.485
Total	330.062.071	289.324.391
Reinsurer's shares		
Unearned Premium Reserve	(10.482.552)	(7.403.218)
Outstanding Claims Reserve	(6.904.069)	(3.894.958)
Equalization Reserve	(641.864)	(423.725)
Total	(18.028.485)	(11.721.901)
Net technical reserves		
Mathematical Reserve	172.954.744	154.211.616
Unearned Premium Reserves	76.213.145	68.312.694
Outstanding Claims Reserve	40.292.520	37.457.442
Equalization Reserve	22.267.001	17.293.253
Reinstatement Premium Reserve	306.176	327.485
Total	312.033.586	277.602.490

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.15-17.19 Other necessary information about liabilities from insurance contracts
(Continued):

Outstanding claims reserve

	December 31, 2018		
	Gross	Reinsurer's Share	Net
Outstanding Claims Reserve for Files	37.014.716	(5.681.643)	31.333.073
Amount of Discount Calculated by Case Winning Ratio	(2.311.318)	296.851	(2.014.467)
Claims Incurred but not Reported	12.493.191	(1.519.277)	10.973.914
Total	47.196.589	(6.904.069)	40.292.520

	December 31, 2017		
	Gross	Reinsurer's Share	Net
Outstanding Claims Reserve for Files	34.170.898	(3.181.430)	30.989.468
Amount of Discount Calculated by Case Winning Ratio	(2.026.848)	146.946	(1.879.902)
Claims Incurred But Not Reported	9.208.350	(860.474)	8.347.876
Total	41.352.400	(3.894.958)	37.457.442

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.15-17.19 Other necessary information about liabilities from insurance contracts
(Continued):

Claims Incurred but not Reported

	December 31, 2018		
	Gross	Reinsurer's Share	Net
Life	8.062.829	(1.099.244)	6.963.585
Personal Accident	4.430.362	(420.033)	4.010.329
Total	12.493.191	(1.519.277)	10.973.914

	31 Aralık 2017		
	Gross	Reinsurer's Share	Net
Life	8.151.733	(779.798)	7.371.935
Personal Accident	1.056.617	(80.676)	975.941
Total	9.208.350	(860.474)	8.347.876

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.15-17.19 Other necessary information about liabilities from insurance contracts
(Continued):

Table of movements in outstanding claims reserve

	2018		
	Gross	Reinsurer's Share	Net
Opening balance - January 1	34.170.898	(3.181.430)	30.989.468
Claims Paid	(90.650.049)	5.988.593	(84.661.456)
Change	93.493.867	(8.488.806)	85.005.061
Closing balance - December 31	37.014.716	(5.681.643)	31.333.073
Amount of Discount Calculated by Case Winning Ratio	(2.311.318)	296.851	(2.014.467)
Claims Incurred But Not Reported	12.493.191	(1.519.277)	10.973.914
Total	47.196.589	(6.904.069)	40.292.520

	2017		
	Gross	Reinsurer's Share	Net
Opening balance - January 1	37.320.812	(4.672.072)	32.648.740
Claims Paid	(94.877.498)	11.568.538	(83.308.960)
Change	91.727.584	(10.077.896)	81.649.688
Closing balance - December 31	34.170.898	(3.181.430)	30.989.468
Amount of Discount Calculated by Case Winning Ratio	(2.026.848)	146.946	(1.879.902)
Claims Incurred But Not Reported	9.208.350	(860.474)	8.347.876
Total	41.352.400	(3.894.958)	37.457.442

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.15-17.19 Other necessary information about liabilities from insurance contracts
(Continued):

Table of movements in unearned claims reserve

	2018					
	Life			Non- life		
	Gross	Reinsurer's Share	Net	Gross	Reinsurer's Share	Net
Opening balance - January 1	52.908.163	(5.775.453)	47.132.710	22.807.749	(1.627.765)	21.179.984
Net Change	8.061.529	(1.537.564)	6.523.965	2.918.256	(1.541.770)	1.376.486
Closing balance - December 31	60.969.692	(7.313.017)	53.656.675	25.726.005	(3.169.535)	22.556.470

	2017					
	Life			Non- life		
	Gross	Reinsurer's Share	Net	Gross	Reinsurer's Share	Net
Opening balance - January 1	58.116.388	(6.380.965)	51.735.423	14.432.480	(261.974)	14.170.506
Net Change	(5.208.225)	605.512	(4.602.713)	8.375.269	(1.365.791)	7.009.478
Closing balance - December 31	52.908.163	(5.775.453)	47.132.710	22.807.749	(1.627.765)	21.179.984

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.15-17.19 Other necessary information about liabilities from insurance contracts
(Continued):

Table of movements in equalization reserve

	2018					
	Life			Non- life		
	Gross	Reinsurer's Share	Net	Gross	Reinsurer's Share	Net
Opening balance - January 1	17.355.387	(415.656)	16.939.731	361.591	(8.069)	353.522
Net Change	4.789.386	(177.232)	4.612.154	402.501	(40.907)	361.594
Closing balance - December 31	22.144.773	(592.888)	21.551.885	764.092	(48.976)	715.116
	2017					
	Life			Non- life		
	Gross	Reinsurer's Share	Net	Gross	Reinsurer's Share	Net
Opening balance - January 1	12.464.225	(273.979)	12.190.246	201.012	(3.884)	197.128
Net Change	4.891.162	(141.677)	4.749.485	160.579	(4.185)	156.394
Closing balance - December 31	17.355.387	(415.656)	16.939.731	361.591	(8.069)	353.522

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.15-17.19 Other necessary information about liabilities from insurance contracts
(Continued):

Table of movements in mathematical reserves

	2018					
	Life			Non- life		
	Gross	Reinsurer's Share	Net	Gross	Reinsurer's Share	Net
Opening balance - January 1	152.031.001	-	152.031.001	2.180.615	-	2.180.615
Net Change	11.123.279	-	11.123.279	7.619.849	-	7.619.849
Closing balance - December 31	163.154.280	-	163.154.280	9.800.464	-	9.800.464
	2017					
	Life			Non- life		
	Gross	Reinsurer's Share	Net	Gross	Reinsurer's Share	Net
Opening balance - January 1	91.125.377	-	91.125.377	1.622.664	-	1.622.664
Net Change	60.905.624	-	60.905.624	557.951	-	557.951
Closing balance - December 31	152.031.001	-	152.031.001	2.180.615	-	2.180.615

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.15-17.19 Other necessary information about liabilities from insurance contracts
(Continued):

Table of movements in reinstatement premium reserve (*)

	2018					
	Life			Non- life		
	Gross	Reinsurer's Share	Net	Gross	Reinsurer's Share	Net
Opening balance - January 1	327.485	-	327.485	-	-	-
Net Change	(21.309)	-	(21.309)	-	-	-
Closing balance - December 31	306.176	-	306.176	-	-	-
	2017					
	Life			Non- life		
	Gross	Reinsurer's Share	Net	Gross	Reinsurer's Share	Net
Opening balance - January 1	-	-	-	-	-	-
Net Change	327.485	-	327.485	-	-	-
Closing balance - December 31	327.485	-	327.485	-	-	-

(*) Recognized under the section 'change in other technical provisions'

The Company has neither mathematical reserves denominated in foreign currency nor net outstanding claim reserves reported.

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18. Investment Contract Liabilities

Not Available (December 31, 2017: Not Available).

19. Trade and Other Payables, Deferred Income

	December 31, 2018	December 31, 2017
Payables from pension operations	825.534.106	813.227.796
Payables to intermediaries and policyholders	17.023.359	13.777.406
Other payables (*) (Note 47.1)	4.044.584	3.667.545
Deferred commission income	2.130.529	1.907.493
Expense accruals (*)	837.792	1.448.552
Due to other related parties	687.245	541.826
Due to personnel	116.623	95.012
Total	850.374.238	834.665.630

(*) As of December 31, 2018, the sum of 538,876 TRY of expense accruals consists of QNB Finansbank A.Ş. campaign expenses, TRY 60,111 of the purchase of rights from Ibttech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.. and TRY 238,805 TRY of other expense accruals (As of December 31, 2017, the sum of 1,179,188 TRY of expenditure accruals consists of QNB Finansbank campaign expenses, TRY 51,757 of the purchase of rights from Ibttech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş. and TRY 217,607 of other expense accruals.)

20. Borrowings

Not Available (December 31, 2017: Not Available).

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21. Deferred Income Tax

The Company calculates deferred income tax for the temporary differences in the balance sheet items arising due to measurement in the financial statements and measurement in accordance with Tax Law.

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 realized or the deferred income tax liability is settled. The rates applied for deferred tax assets and liabilities calculated over temporary differences that will occur in the future periods are classified as 20% and 22% based on expected realization periods of tax assets and liabilities in accordance with the related legislation (2017: 20% and 22%).

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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21. Deferred Income Tax (Continued)

As of 31 December 2017 and 2016, the details of the temporary differences, deferred income tax assets and liabilities calculated using effective tax rates are as follows :

Deferred tax assets	Cumulative temporary differences		DDeferred tax assets/(liabilities)	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Equalization reserve	22.267.001	17.293.253	4.453.400	3.458.651
Provision for bonus	6.891.951	7.050.000	1.516.229	1.551.000
Provision for other statutory damages	4.000.000	-	880.000	-
Provision for termination benefits	3.721.701	3.801.989	744.340	760.398
Provision for lawsuit	2.316.238	1.744.195	463.248	348.839
Provision for leave of absence	1.592.906	1.553.141	318.581	310.628
Provision for reinstatement premium	306.176	327.485	61.235	65.497
Provision for doubtful receivables	47.933	49.266	9.587	9.853
Other	-	1.448.552	-	318.681
Total	41.143.906	33.267.881	8.446.620	6.823.547
Deferred tax liabilities				
Receivable-payable rediscount	(112.432)	(140.438)	(22.486)	(28.088)
Tangible and intangible fixed assets	(7.043.687)	(6.323.818)	(1.549.611)	(1.391.240)
	(7.156.119)	(6.464.256)	(1.572.097)	(1.419.328)
Net deferred tax assets (note 35)			6.874.523	5.404.219

Movements in deferred tax assets within the period are as follows:

	2018	2017
Opening balance - January 1	5.404.219	3.508.699
Deferred tax income (note 35)	1.624.668	1.776.681
Actuarial loss/profit deferred tax effect	(154.364)	118.839
Closing balance - December 31	6.874.523	5.404.219

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22. Retirement Benefit Obligations

	December 31, 2018	December 31, 2017
Provision for employee termination benefits	3.721.701	3.801.989
Total	3.721.701	3.801.989

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee whose employment is terminated and who has completed one year of service and is called up for military service, dies or retires after completing 25 years of service (20 years for women) and becomes eligible for retirement in terms of age (58 for women and 60 for men). After the amendments to the legislation made on May 23, 2002, certain transition process provisions relating to the length of service before retirement were introduced.

The amount payable consists of one month's salary limited to a maximum of TRY 5,434.42 as of December 31, 2018 (December 31, 2017: TRY 4,732.48).

The provision for employee termination benefits liability is not funded, as there is no funding requirement.

The provision is calculated by estimating the present value of the future probable liability of the Company arising from the retirement of the employees.

IAS 19. requires actuarial valuation methods to be developed to estimate the enterprise's obligation. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	December 31, 2018	December 31, 2017
Discount rate (%)	%16,31	%11,57
Inflation (%)	%12,02	%8,90

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22. Retirement Benefit Obligations (Continued)

	December 31, 2018	December 31, 2017
0-2 service years (%)	85,00	85,00
2-5 service years (%)	90,00	90,00
5-10 service years (%)	96,00	96,00
10-15 service years (%)	99,00	99,00
Over 15 service years (%)	100,00	100,00

Movements in the provision for employee termination benefits in the current period are as follows:

	2018	2017
Opening balance - January 1	3.801.989	2.283.844
Current service cost	2.095.361	1.415.366
Interest cost	428.732	276.817
Paid within the period (note 33)	(1.902.727)	(996.761)
Actuarial (gain)/loss	(701.654)	822.723
Closing balance - December 31	3.721.701	3.801.989

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23. Provisions for Other Liabilities and Charges

The guarantees not included in liabilities are given in Note 43. Guarantees and securities received are given in Note 2.3.

The provisions that are classified under provisions for expense accruals in balance sheet are detailed below:

	December 31, 2018	December 31, 2017
Provision for bonus	6.891.951	7.050.000
Provision for other legal claims	4.000.000	-
Provision for lawsuit	2.316.238	1.744.195
Other	1.545.988	1.809.237
Total	14.754.177	10.603.432

24. Net Insurance Premium Income

	January 1 - December 31, 2018			January 1 - December 31, 2017		
	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net
Life Insurance	425.207.482	(15.744.779)	409.462.703	438.349.118	(12.379.125)	425.969.993
Personal Accident	68.968.300	(6.059.901)	62.908.399	44.120.394	(2.483.425)	41.636.969
Total Premium income	494.175.782	(21.804.680)	472.371.102	482.469.512	(14.862.550)	467.606.962

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25. Fee (Contribution) Income

The details of the income of the Company from pension branches in the financial year ending December 31, 2018 and 2017 are as follows:

	January 1 - December 31, 2018	January 1 - December 31, 2017
Fund management fee	9.581.491	9.164.888
Entrance fee	4.786.052	5.376.050
Management fee	2.480.037	2.938.214
Income from the increase in capital investment advance	135.816	-
Total	16.983.396	17.479.152

26. Investment Income/Expense

The investment income is detailed below:

	January 1 - December 31, 2018	January 1 - December 31, 2017
Cash and cash equivalents		
Interest income	67.636.234	36.086.939
Available-for-sale securities		
Interest income		81.058
Valuation expense (-)	(1.207)	-
Sales expense (-)	(156.082)	-
Total	67.560.003	36.086.939

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27. Net Accrued Income from Financial Assets

The net accrued income from financial assets recognized under profit-loss is presented in note 26.

28. Assets at Fair Value Difference Included in Income Statements

Described in notes 2.8,11 and 26.

29. Insurance Claims

Described in note 17.

30. Investment Contract Claims

Not available (December 31, 2017: Not Available).

31. Other Necessary Expenses

Operating expenses classified under the technical part

	January 1 - December 31, 2018	January 1- December 31, 2017
-Life	249.752.568	251.917.946
-Non-Life	25.011.529	17.081.882
-Pension	8.132.169	11.632.103
Total (note 32)	282.896.266	280.631.931

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31. Other Necessary Expenses (Continued)

Operating expenses classified under the non-technical part

	January 1 - December 31, 2018	January 1- December 31, 2017
Depreciation	11.890.615	8.719.609
Total (note 32)	11.890.615	8.719.609

32. Expenses by Nature

	January 1 - December 31, 2018	January 1- December 31, 2017
Production expenses	184.449.422	183.801.537
Personnel expenses (note 33)	71.107.525	67.922.064
Administration expenses	16.948.023	17.692.980
Depreciation expenses	11.890.615	8.719.609
Outsourced services expenses	7.326.057	6.321.097
Marketing and sales expenses	4.478.128	6.100.831
Reinsurance commission income	(5.967.361)	(3.714.142)
Other	4.554.472	2.507.564
Total	294.786.881	289.351.540

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33. Employee Benefit Expenses

	January 1 - December 31, 2018	January 1- December 31, 2017
Employee salaries	38.079.317	34.920.601
Employee benefits	10.385.489	10.340.227
Sales success fee	7.795.472	8.766.245
Employer's share of social security premium	6.638.645	6.330.264
Termination benefits	1.902.727	996.761
Personnel travel and service expenses	1.441.476	1.237.444
Bonuses	1.288.602	1.754.702
Educational expenses	1.251.975	1.826.648
Notice pay	994.128	485.044
Employer's share of unemployment insurance	962.256	907.040
Unused leave payments	367.438	357.088
Total (note 32)	71.107.525	67.922.064

The total amount of the salaries and the benefits provided to senior management, such as the chairman and the members of the board of directors, managing director, general coordinator, deputy managing directors and other executives, in the current period are described in Note 1.6.

34. Financial Costs

34.1 Total financial expenses for the period:

34.1.1 Production cost related expenses: Not Available (January 1- December 31, 2017: Not Available).

34.1.2 Expenses related to fixed assets: Not Available (January 1- December 31, 2017: Not Available).

34.1.3 Direct expenses: Not Available (January 1-December 31, 2017: Not Available).

34.2 Financial expenses related to shareholders, subsidiaries and associates (Any amount exceeding 20% of the total sum will be disclosed separately):

Not Available (January 1-December 31, 2017: Not Available).

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34. Financial Costs (Continued)

34.3 Sales to/purchases from shareholders, subsidiaries and investments (any amount exceeding 20% of the total sum will be disclosed separately):

Described in note 45.

34.4 Interest, rent or other charges from or to shareholders, subsidiaries and associates (Any amount exceeding 20% of the total sum will be disclosed separately):

Described in note 45.

35. Income Taxes

Tax incomes and expenses recognized in the statements of income for the years ended December 31, 2018 and 2017 are summarized below:

	December 31, 2018	December 31, 2017
Tax reserves (-)	(29.951.141)	(15.450.824)
Prepaid taxes	21.529.304	11.520.433
Total tax liability (-), net	(8.421.837)	(3.930.391)
Deferred tax asset (note 21)	8.446.620	6.823.547
Deferred tax liability (note 21)	(1.572.097)	(1.419.328)
Deferred tax asset, net (note 21)	6.874.523	5.404.219
	December 31, 2018	December 31, 2017
Current tax expense (-)	(29.951.141)	(15.450.824)
Deferred tax income	1.624.668	1.776.681
Tax reserves (-)		

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35. Income Taxes (Continued)

The actual tax expense reconciliation is as follows:

	January 1 - December 31, 2018	January 1- December 31, 2017
Deferred taxes and profit before corporate tax	125.721.388	68.812.855
Tax rate	22%	20%
Calculated tax expense	(27.658.705)	(13.762.571)
Effect of non-deductible expenses	(237.368)	(203.735)
Other	(430.400)	292.163
Total tax expense	(28.326.473)	(13.674.143)

36. Net Foreign Exchange Gains

	January 1 - December 31, 2018	January 1- December 31, 2017
(Loss)/profit on exchange, net		
Current accounts, net	(3.153.505)	5.731
Total	(3.153.505)	5.731

37. Earnings per Share

The loss per share is calculated by dividing the Company's net loss in the reporting period to the Company's number of shares in the reporting period.

	January 1 - December 31, 2018	January 1- December 31, 2017
Net profit for the year (+)	97.394.915	55.138.712
Weighted average number of shares, each with a nominal value of TRY 1	45.000.000	45.000.000
Earnings per share (TRY)	2,16	1,23

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38. Dividends per Share

Pursuant to the resolution adopted at the Company General Meeting held on March 26, 2018, TRY 1,432,174 of the net profit after tax of TRY 55,138,712 for 2017 accrued based on the financial balance sheet of the fiscal year 2017 was retained by the Company due to legal regulations; the sum of TRY 51,901,770, composed of TRY 46,903,407 remaining after TRY 6,803,129 allocated as legal reserves and of the outstanding TRY 4,998,361 in retained earnings, was paid to shareholders on April 18, 2018 in gross cash of TRY 1.153 against each share having a nominal value of TRY 1 (2017: Pursuant to the resolution adopted at the Company General Meeting held on March 29, 2017, TRY 2,364,93 of the net profit after tax of TRY 24,920,561 for 2016 accrued based on the financial balance sheet of the fiscal year 2016 was retained by the Company due to legal regulations; the sum of TRY 19,576,908 remaining after TRY 2,978,720 allocated as legal reserves was paid to shareholders on April 17, 2017 in gross cash of TRY 0.435 against each share having a nominal value of TRY 1).

39. Cash from Operations

Shown in the cash flow statement.

40. Convertible Bonds

Shown in the cash flow statement

Not Available (December 31, 2017: Not Available).

41. Privileged Shares Able to be Converted into Cash

Not Available (December 31, 2017: Not Available).

42. Contingencies

	January 1 - December 31, 2018	January 1- December 31, 2017
Action for damages against the Company - gross	16.169.072	13.715.026
Action for labour against the Company (note 23)	2.316.238	1.744.195
Total	18.485.310	15.459.221

The provision for the aforementioned legal actions against the Company is considered in the calculation of outstanding claim reserves in financial statements.

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43. Guarantees

All guarantees and securities granted are as follows:

December 31, 2018			
	TRY equivalent of US Dollars	TRY	Total
Domestic guarantee letters	1.271.391	2.645.044	3.916.435
Total	1.271.391	2.645.044	3.916.435

December 31, 2017			
	TRY equivalent of US Dollars	TRY	Total
Domestic guarantee letters	911.548	1.677.874	2.589.422
Total	911.548	1.677.874	2.589.422

As of December 31, 2018, the Company has no contractual guarantees to acquire tangible and intangible assets (December 31, 2017: Not Available).

Total amount of mortgages and pledges on available assets:

	January 1 - December 31, 2018	January 1- December 31, 2017
Bank deposits (notes 14 and 17.1) (*)	227.929.175	161.965.328
Total	227.929.175	161.965.328

(*) The bank deposits indicated as guarantee as of December 31, 2018 include the interest accrual of TRY 1,984,078 (December 31, 2017: TRY 6,824,822).

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44. Business Mergers

Not Available (December 31, 2017: Not Available).

45. Transactions with Related Parties

Cigna Nederland Gamma B.V companies, Finansbank A.Ş. companies and senior management of the Company are defined as related parties in terms of financial statements.

The total amount of fees and similar benefits provided to the senior executives, such as the Chairman and members of the Board of Directors, managing director and deputy managing directors in the current period is given in note 1.6.

a) Bank accounts	December 31, 2018	December 31, 2017
QNB Finans Portföy Yönetimi A.Ş.	65.685.955	129.459.724
QNB Finansbank A.Ş.	6.670.767	7.284.820
Total	72.356.722	136.744.544

b) Receivables from Insurance Operations	December 31, 2018	December 31, 2017
QNB Finansbank A.Ş.	8.026	-
QNB Finans Portföy A.Ş.	1.186	2.839
Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.	768	29.604
QNB Finans Yatırım Menkul Değerler A.Ş.	505	-
Hemenal Finansman A.Ş.	94	-
QNB Finans Faktoring A.Ş.	128	90
Total	10.707	32.533

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45. Transactions with Related Parties (Continued)

c) Payables from insurance operations	December 31, 2018	December 31, 2017
QNB Finansbank A.Ş.	15.350.215	13.663.806
Cigna Global Reinsurance	667.568	517.407
QNB Finans Finansal Kiralama A.Ş.	8.001	-
QNB Finans Portföy Yönetimi A.Ş.	-	1.067
QNB Finans Yatırım Menkul Değerler A.Ş.	-	39
Total	16.025.784	14.182.319

d) Payables from other operations	December 31, 2018	December 31, 2017
Cigna Global Holdings Incorporation	268.558	117.511
Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.	213.652	125.232
QNB Finans Portföy Yönetimi A.Ş.	160.195	188.902
QNB Finans Yatırım Menkul Değerler A.Ş.	44.840	38.940
Cigna New Zealand	-	70.791
Cigna HLA Technology Services Company Limited	-	450
Total	687.245	541.826

e) Receivables from other operations	December 31, 2018	December 31, 2017
Cigna International Incorporation	66.799	-
Total	66.799	-

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45. Transactions with Related Parties (Continued)

f) Reinstatement premium provision	December 31, 2018	December 31, 2017
QNB Finansbank A.Ş.	264.109	296.247
Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.	21.274	20.427
QNB Finans Yatırım Menkul Değerler A.Ş.	6.985	-
QNB Finans Faktoring A.Ş.	6.539	5.137
QNB Finans Finansal Kiralama A.Ş.	4.656	4.513
Hemenal Finansman A.Ş.	1.471	-
QNB Finans Portföy Yönetimi A.Ş.	1.142	1.161
Total	306.176	327.485

g) Actualized reinstatement premiums	January 1 - December 31, 2018	January 1 - December 31, 2017
QNB Finansbank A.Ş.	347.690	244.813
Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.	24.425	23.218
QNB Finans Faktoring A.Ş.	6.315	5.028
QNB Finans Finansal Kiralama A.Ş.	5.393	5.001
QNB Finans Portföy Yönetimi A.Ş.	1.370	1.555
QNB Finans Yatırım Menkul Değerler A.Ş.	-	9.059
Total	385.193	288.674

h) Rent Income	January 1 - December 31, 2018	January 1 - December 31, 2017
Cigna Turkey Danışmanlık Hizmetleri Ltd.	22.162	16.169
Total	22.162	16.169

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45. Transactions with Related Parties (Continued)

i) Interest income	January 1 - December 31, 2018	January 1- December 31, 2017
QNB Finans Portföy Yönetimi A.Ş.	16.440.666	12.218.219
QNB Finansbank A.Ş.	-	334.829
Total	16.440.666	12.553.048

j) Rent expenses	January 1 - December 31, 2018	January 1- December 31, 2017
QNB Finansbank A.Ş.	1.018.167	514.887
Total	1.018.167	514.887

k) Commission expenses	January 1 - December 31, 2018	January 1- December 31, 2017
QNB Finansbank A.Ş.	(182.574.176)	(183.798.985)
QNB Finans Finansal Kiralama A.Ş.	(1.875.246)	(2.552)
Total	(184.449.422)	(183.801.537)

l) Direct premium income	January 1 - December 31, 2018	January 1- December 31, 2017
QNB Finansbank A.Ş.	374.972.061	448.645.708
QNB Finans Finansal Kiralama A.Ş.	4.501.058	5.935
Total	379.473.119	448.651.643

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45. Transactions with Related Parties (Continued)

m) Reinsurance expenditures	January 1 - December 31, 2018	January 1- December 31, 2017
Cigna Global Reinsurance	(1.410.249)	(650.383)
Total	(1.410.249)	(650.383)

n) Operating Expenses	January 1 - December 31, 2018	January 1- December 31, 2017
QNB Finansbank A.Ş.	(4.409.318)	(2.261.924)
Cigna New Zeland	(1.953.861)	(961.565)
Cigna Global Holdings Incorporation	(1.833.589)	(642.607)
Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.	(869.049)	(133.334)
Cigna International Corporation A.Ş.	(862.376)	(422.783)
QNB Finans Portföy Yönetimi A.Ş.	(737.991)	(2.095.918)
QNB Finans Yatırım Menkul Değerler A.Ş.	(452.888)	(474.626)
eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	(15.399)	(15.045)
Cigna HLA Technology Services	(1.630)	(10.106)
Cigna Life Canada	-	(1.084.859)
Total	(11.136.101)	(8.102.767)

o) Premiums received	January 1 - December 31, 2018	January 1- December 31, 2017
QNB Finansbank A.Ş.	1.513.354	1.345.264
Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.	108.200	52.822
QNB Finans Yatırım Menkul Değerler A.Ş.	39.158	19.614
QNB Finans Faktoring A.Ş.	32.496	14.357
QNB Finans Finansal Kiralama A.Ş.	24.434	12.037
QNB Finans Portföy Yönetimi A.Ş.	7.404	3.760
Hemenal Finansman A.Ş.	4.113	-
Total	1.729.159	1.447.854

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45. Transactions with related Parties (Continued)

45.1 Amount of doubtful receivables allocated due to the receivables from shareholders, associates and subsidiaries and their debts:

Not Available (December 31, 2017: Not Available).

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:

December 31, 2018							
	%	Book Value	Financial Statement Period	Total Assets	Total Liabilities	Net Sales	Net gain/loss
EGM (*)	5,56%	391.100	December 31, 2018	14.952.987	6.408.517	17.491.831	662.222

December 31, 2017							
	%	Book Value	Financial Statement Period	Total Assets	Total Liabilities	Net Sales	Net gain/loss
EGM (*)	5,56%	391.100	December 31, 2018	11.247.865	3.375.435	12.950.738	576.949

(*) Since the relevant financial asset does not have any identified price in big-board market and there are not any valuation work for the relevant Company, financial asset is carried at cost price.

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45. Transactions with related Parties (Continued)

45.3 Bonus shares obtained through internally funded capital increases of equity investments and subsidiaries:

Not Available (December 31, 2017: Not Available).

45.4 Real rights on immovables and their values:

Not Available (December 31, 2017: Not Available).

45.5 45.5 Total amount of guarantees, commitments and securities given in favour of shareholders, subsidiaries and investments:

Not Available (December 31, 2017: Not Available).

46. Post Balance Sheet Events

Not Available.

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) Other prepaid expenses	December 31, 2017	December 31, 2018
Catastrophic excess of loss	480.549	262.132
Insurance expenses	83.818	23.277
Subscription expenses	51.010	52.221
Maintenance expenses	45.430	74.755
Educational expenses	-	1.437
Total	660.807	413.822

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47. Other (Continued)

47.1 Details of "Other" items in the balance sheet which exceed 20% of its respective account group or 5% of total assets: (Continued)

b) Other miscellaneous payables	December 31, 2017	December 31, 2018
Payables to vendors	4.081.619	3.685.468
Rediscount on other miscellaneous payables	(37.035)	(17.923)
Total	4.044.584	3.667.545

c) Other miscellaneous payables	December 31, 2017	December 31, 2018
Current- Equalization reserve	22.267.001	17.293.253
Non-current - Reinstatement premium provision	306.176	327.485
Total	22.573.177	17.620.738

47.2 Separate sums of receivables from and payables to personnel classified in "Other Receivables" and "Current or Non-Current Payables" that exceed 1% of total assets:

Not Available (December 31, 2017: Not Available).

47.3 Claim recovery receivables followed under off-balance sheet items:

Not Available (December 31, 2017: Not Available).

47.4 Explanatory note related to revenues or profits and expenses or losses of previous period with their sources and amounts:

Not Available (December 31, 2017: Not Available).

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47. Other (Continued)

47.5 Information stipulated by the Ministry of Treasury and Finance to be presented:

Rediscount and provision expenses/(income) for the period:

	January 1 - December 31, 2018	January 1- December 31, 2017
Provision for bonus	6.891.951	7.050.000
Provision for other statutory damages	4.000.000	-
Provision for termination benefits	621.364	923.947
Provision for lawsuit	572.043	631.278
Provision for leave of absence	39.765	368.536
Provision for doubtful receivables	(1.333)	(1.628)
Rediscount expense/(income)	352.440	(178.561)
Total	12.476.230	8.793.572

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APPENDIX-1 STATEMENT OF PROFIT APPROPRIATION FOR THE FISCAL YEAR BETWEEN JANUARY 1-DECEMBER 31, 2018 AND 2017

Notes	Current Period	Previous Period
I. PROFIT APPROPRIATION FOR THE PERIOD		
1.1. PROFIT FOR THE PERIOD	127.346.056	70.589.536
1.2. TAXES PAYABLE AND LEGAL LIABILITIES	(29.951.141)	(15.450.824)
1.2.1. Corporate Tax (Income Tax)	(29.951.141)	(15.450.824)
1.2.2. Income Tax Deduction	-	-
1.2.3. Other Taxes and Legal Liabilities	-	-
A NET PROFIT FOR THE PERIOD PROFIT (1.1 - 1.2)	97.394.915	55.138.712
1.3. LOSSES FROM PRIOR PERIODS (-)	-	-
1.4. PRIMARY RESERVES	-	(2.321.600)
1.5. LEGAL FUNDS STIPULATED TO BE RETAINED AND SAVED BY THE COMPANY (-)	-	-
B NET DISTRIBUTABLE PROFIT FOR THE PERIOD [(A - (1.3 + 1.4 + 1.5))]	97.394.915	52.817.112
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)	-	(2.250.000)
1.6.1. To Shareholders	-	(2.250.000)
1.6.2. To Preferred Shareholders	-	-
1.6.3. To Holders of Participating Preference Shares	-	-
1.6.4. To Holders of Participation Bonds	-	-
1.6.5. To Holders of Profit and Loss Sharing Notes	-	-
1.7. DIVIDENDS TO STAFF (-)	-	-
1.8. DIVIDENDS TO FOUNDERS (-)	-	-
1.9. DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-	-
1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)	-	(44.653.407)
1.10.1. To Shareholders	-	(44.653.407)
1.10.2. To Preferred Shareholders	-	-
1.10.3. To Holders of Participating Preference Shares	-	-
1.10.4. To Holders of Participation Bonds	-	-
1.10.5. To Holders of Profit and Loss Sharing Notes	-	-
1.11. SECONDARY RESERVES (-)	-	(4.481.529)
1.12. STATUTORY RESERVES (-)	-	-
1.13. EXCESS RESERVES	-	-
1.14. OTHER RESERVES	-	-
1.15. SPECIAL FUNDS	-	-
II. APPROPRIATION FROM RESERVES	-	(4.998.361)
2.1. RESERVES ALLOCATED	-	(4.998.361)
2.2. SECONDARY LEGAL RESERVES (-)	-	-
2.3. SHARES TO SHAREHOLDERS (-)	-	-
2.3.1. To Shareholders	-	-
2.3.2. To Preferred Shareholders	-	-
2.3.3. To Holders of Participating Preference Shares	-	-
2.3.4. To Holders of Participation Bonds	-	-
2.3.5. To Holders of Profit and Loss Sharing Notes	-	-
2.4. DIVIDENDS TO STAFF (-)	-	-
2.5. DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-	-
III. PROFIT PER SHARE	-	-
3.1. TO SHAREHOLDERS	-	1,225
3.2. TO SHAREHOLDERS (%)	-	122,53%
3.3. TO PREFERRED SHAREHOLDERS	-	-
3.4. TO PREFERRED SHAREHOLDERS (%)	-	-
IV. DIVIDEND PER SHARE	-	-
4.1. TO SHAREHOLDERS	-	1,153
4.2. TO SHAREHOLDERS (%)	-	%115,34
4.3. TO PREFERRED SHAREHOLDERS	-	-
4.4. TO PREFERRED SHAREHOLDERS (%)	-	-

The authorized body of the Company regarding the appropriation of the profit for the period is the General Meeting. The General Meeting for the fiscal year between January 1- December 31, 2018 was not held as at the date of this report.

Assessment of the Financial Standing, Profitability and Capability for Indemnity Payment

Assessment of the Financial Standing and Profitability

The size of the assets owned by our company reached TRY 1 billion 359 million increasing by 8% in 2018.

Considering the size of the items that form the company assets, it is seen that the item of Receivables from Main Operations reached to TRY 861.3 Million increasing by 1.6% in parallel to the rapid growth of the Company. The share of Receivables from Main Operations in total assets was 63.4%. The sum of Current Assets reached TRY 523.1 Million increasing by 21.6%.

23.0% of the liabilities in our company's balance sheet is comprised of Insurance Technical Reserves and 62.0% from Payables from Main Operations. The sum of our company's equity was TRY 166 Million.

As per the principles set by the Turkish Prime Ministry Undersecretariat of Treasury, the minimum amount of equity required for our Company as at 31/12/2018 was calculated as TL 55.9 Million and our Equity amounted to TRY 188.2 Million including equalization reserves.

The specific ratios related to the financial standing of our Company as at 31/12/2018 are given below.

	Current Period	Prior Period
1. Written Premiums (Gross) / Equity	%297,73	%402,25
2. Receivables from Premiums / Equity	%21,92	%32,38
3. Technical Reserves (Net) / Equity Capital	%187,99	%231,45
4. Profit before Tax / Written Premiums (Gross)	%25,77	%14,63
5. Profit before Tax / Equity	%76,72	%58,85
6. Technical Profit-Life / Written Premiums (Gross) - Life	%13,37	%7,26

Assessment of the Capability for Indemnity Payment

The Net Loss ratios for 2018 calculated in consideration of the company's life insurances are shown in the following table;

Loss Ratio_NET

	2018Ç1	2018Ç2	2018Ç3	2018Ç4
Life Insurance	21%	20%	18%	21%

Information on Risk Management Policies Adopted Based on Types of Risk

Financial Risks

The goal of the company in capital management is to ensure sustainability as a revenue-generating business, to protect interests of shareholders and corporate partners, and to ensure sustainability of the most effective capital structure to reduce capital costs.

The company is exposed to market risks (foreign exchange risk, interest rate risk, price risk), liquidity risks and credit risks due to financial assets and liabilities. The risk management program adopted by the company generally focuses on minimizing the potential adverse impacts of the uncertainty in financial markets on the financial performance of the Company. The company is usually exposed to interest rate and price risks due to financial investments; credit risks due to insurance receivables; and foreign exchange risks due to assets and liabilities indexed to foreign exchange.

The risks which the company may be exposed in connection with its fields of activity and the measures and actions taken for the management of these risks are given below.

Market Risk

It is the risk of financial losses for the Company due to fluctuations in market interest rates, real estate prices or foreign exchange rates. The Company does not have any securities as of the date of balance sheet.

Credit Risk

It is the risk associated with the inability of a debtor of the Company to fulfil its liabilities in due time.

The Company monitors and limits the credit risks associated with its financial assets (categorized as credits and receivables) and its receivables arising from insurance activities (including receivables from reinsurance) by implementing procedures in the selection of sureties to be received and counterparties. The financial assets of the Company which are other than those in credit and receivables category and are subjected to credit risk generally represent deposit accounts and current accounts held in banks and other financial institutions based in Turkey, and these receivables are not considered as posing a high credit risk. The Company does not have any securities as of the date of balance sheet.

Liquidity Risk

It is the risk that the Company lacks funds necessary to fulfil its financial liabilities on time without any loss.

Furthermore, a significant decline is observed in transaction volumes in public domestic borrowing instruments market at times of very high fluctuation in interest rates due to economic and political uncertainties. This shows that the Company may be exposed to the liquidity risk.

Cash flow and portfolio analyses are conducted on a monthly basis for the purpose of ensuring the Company fulfils its commitments, particularly those for indemnity payments, determining the liquidity level, managing the liquidity risk, conducting the mentioned risk analyses and determining the investment preferences, where budget estimations investigate whether any forward risks exist. Furthermore, the Company obtains market status information from the Finance Portfolio, the manager of pension mutual funds of the Company.

2018 risk assessments indicate no risks which exceed the risk appetite specified in financial risks by the Company.

Legal Risks

The Legal and Compliance Department carries out regular activities to eliminate the risk of negative impacts of new or amended regulations and court order on the Company's operations and reputation.

One of the most critical duties of the Legal and Compliance Department in 2018 was monitoring the regulations that govern the field of activity of the Company, reviewing amendments to such regulations and timely informing the Company management and employees of the enforcement of liabilities arising from such amendments. The Legal and Compliance Department of our Company played an active role in minimizing the regulatory risks by holding Regulatory Committee meetings for regulatory reviews and briefings, and by providing employees with training whenever necessary for the purpose of supporting the Company in adapting itself to regulatory amendments.

The Legal and Compliance Department also works jointly with the Compliance Officer in taking necessary measures and serving necessary notifications as part of national and international regulations regarding the prevention of laundering of criminal revenues and financing of terrorism.

Strategic Risks

It is the risk of failure to implement business plans and strategies required for the Company to adopt to changes in business conditions in its field of activity. Some of the important risk factors that may be defined as strategic risks for the Company are given below.

Changes in customer trends apart from company's goals,
Capability to create new customers and/or provide the right products,
Competition threats in the industry,
Economic and political changes,
Impacts of new technologies,
New distribution methods,
Amendments to regulations
Identification of right resources

Any developments in these circumstances and the lack of ensuring compliance with these changes may lead to deviation from the set and planned goals of the Company. To prevent the Company from being negatively impacted from these risks, the Management Committee and all other concerning committees of the Company closely follow up the developments and take necessary actions accordingly.

Profit Distribution Policy

The principles of Finans Emeklilik ve Hayat A.S.'s profit distribution policy are set forth in Article 26 of the new articles of association of the company, which have been registered under the registration number of 631745.

The capital of the company is TRY 45,000,000 (Forty-Five Million Turkish Liras) that has been paid fully. The capital is divided into 45,000,000 (forty-five million shares) shares each with a nominal value of TRY 1 (One Turkish Lira) .

The capital of the company is composed of (i) 22,949,999 Group (A) shares that amount to TRY 22,949,999, (ii) 22,049,999 Group (B) shares that amount to TRY 22.049.999, (iii) 1 Group (A1) share that amounts to TRY 1; and (iv) 1 Group (B1) share that amounts to TRY 1.

The Company will preserve its Shareholders' Equity at the minimum capital level stipulated by the relevant legislation. The Company may increase the equity level above the minimum capital level, or a capital level it determined at a previous date, or decrease the equity level to the minimum capital level with the affirmative votes of at least one (1) of the Board members representing the Group A1 shareholders and at least one (1) of the Board members representing the Group B1 shareholders. If the Board of Directors decides to increase or decrease the shareholders' equity level, the said increase is provided by the shareholders on pro-rata basis and from a source other than adding the profit into the capital.

In case of decrease, on the other hand, the difference in question is paid to the shareholders as a special dividend on pro-rata basis. The company's net profit is the sum remaining after the deduction of all operating expenses, as well as other amounts that must be paid and set aside, such as depreciation, provisions, remunerations and taxes, from the company's annual operating revenue, which is calculated at the end of the operating year.

The amount remaining after the reserve funds required to be reserved under article 519 of TCC from the Company's earnings after taxes calculated according to the Turkish Accounting Standards have been reserved, and the target capital level decided jointly by the Group A1 and Group B1 shareholders in the annual business plan, as revised from time to time, has been achieved is the distributable profit ("Distributable Profit").

Each year, 100% of the Distributable Profit is distributed. A decision to the otherwise can only be taken with the consent of 100% of the shareholders. Hundred percent of the Distributable Profit for the years 2012-2027 may be distributed to the Group A1 and Group B1 shareholders only, in accordance with a resolution adopted at the general meeting, and in the amounts determined in the specified resolution. In the abovementioned profit distribution resolution, the General Meeting may resolve to distribute profit to the Group A1 and Group B1 shareholders in different ratios.

The profit distribution proposals presented by the Board of Directors to the General Assembly are prepared with an approach that preserves the balance between the expectations of shareholders and the company's investment needs, growth targets and financial structure, while also taking its profitability into account.

Technical Risks

Insurance Risk and Insurance Risk Management Process

Insurance risk is the possibility that premiums paid by policyholders fail to cover the claims payable in case of the occurrence of the event related to underwriting.

The incidental and unpredictable nature of the risk concept reveals the significance of underwriting. The Company prepared an underwriting guideline and conducted its insurance risk assessment activities within this framework with the aim of constituting an efficient risk management policy. Underwriting regulation and procedures are revised every year according to the company needs and changing life insurance portfolio of the company.

During 2018, all medical risk assessment procedures with regard to insurance applications and claims were conducted by on an in-house basis in accordance with the contract to offer an effective and professional service. The organizational process was conducted by the Branch Sales Management Platform Assistant and the medical opinions were provided by our consultant physician in the Technical and Actuarial Group. The service regarding the contracted hospital network was outsourced to Compu Group Medical Bilgi Sistemleri A.Ş. for 2018.

Our company uses the internationally recognized and generally accepted underwriting tools in its underwriting operations. In risk assessment procedures of life insurance proposals (such as medical, financial, residential, occupations, past-times), MIRA (Munich Re Internet Risk Assessor), an internet based underwriting tool, is used by our company that was developed by our leader treaty reinsurer Munich Re.

Every year, Underwriting Guidelines are set and revised by the underwriting committee according to varying life insurance portfolio and customer and distribution channel needs in order to maintain a profitable and effective underwriting process in the company. The medical risk assessment operations of the company are made by the afore-mentioned contractual medical risk assessment company in order to give an effective and professional Service. Other technical risk assessment procedures (such as financial, residential, occupations, pastimes) are conducted by our company's Technical & Actuarial Group.

Medical Risk Assessment

In the assessment of insurance applications received by the company, prospective policyholders seeking claims above the amounts set out in the Underwriting Guideline according to the life insurance coverage amounts are requested to undergo specific medical check-up sets at contracted medical institutions, whereby medical situation and history of the prospective policyholders are obtained. Our consulting doctor at Technical and Actuary Group of the Company is responsible for reviewing these medical results and submitting a medical opinion to the Company. Life insurance applications are declined for those applicants who are established to pose medical risks and whose mortality risk increased by over a certain rate as per the underwriting risk assessment which is conducted based on numerical risk rating.

Personal Risk Assessment (Living Conditions, Occupation, Moral and Pastimes)

In the second step of the underwriting risk assessment process, underwriting risk assessment tools are used to measure and evaluate the information collected from life proposers including gender, lifestyle, geographical residence, and occupation, and risks are re-evaluated as and when necessary, upon requesting additional information and documents from prospective insured customers.

Financial Risk Assessment

The third step explores the alignment of the applicant's requested life insurance coverage and his/her annual income and/or amount of the provided loan. Due to our company's life insurance portfolio composition that weighs more heavily on life insurance products providing cover for bank exposure, the alignment of the amount of requested insurance coverage and the amount of personal loan extended by the relevant bank is controlled at this step. The fact that the initial financial analysis is conducted by the bank in credit life insurance, upon which the loan is extended, serves as a key indicator for our company's financial risk assessment. At this stage, the applicant is required to provide financial questionnaire a copy of the credit agreement and income statement and other documents and information showing his/her income as specified in the Underwriting Guideline.

In addition, within one month following the provision of guarantee by the Company for the risks (the amount of which exceeds 5% of the Company's shareholders' equity) which are retained (or assumed) by the Company within the scope of an agreement, the Company shall submit a chart to the Undersecretariat of Treasury (Prime Ministry of the Republic of Turkey), the content of which will be determined by the Undersecretariat, and which will incorporate the amount of the cover provided, the amount ceded, net risk amount retained, reinsurers to which the premiums are ceded, and the international ratings of these

reinsurers. If the risks exceed 10% of the shareholders' equity, the company will provide the reasons for assuming such a risk to the Undersecretariat of Treasury in addition to the information mentioned above.

The insurance risk audit is intended to ensure the compliance of all corporate operations with legal regulations, determined strategies and policies within the company's actuarial principles.

The auditing process of insuring risks includes informing the senior management and the Board of Directors about the following issues and making proposals for necessary precautions and rearrangement of actions:

- Efficiency of risk management process,
- Compliance written determined process,
- Compliance with determined limits,
- The reflection degree of data and reports for real situation.

Management of Risks Related to Reinsurance Companies

In life insurance, the company takes reinsurance only with respect to death risk and risks that are provided with assurance in terms of additional benefit (accidental death, disability due to sickness, disability due to accident, critical illness, involuntary unemployment benefit etc.) The company retains a portion that is equal to an amount that does not exceed the maximum retention ratio determined for death and additional benefits based on actuarial computations made yearly in life insurance tariffs; treaties amount above this portion is ceded to reinsurance companies with which we cooperate on the basis of proportional reinsurance contracts (surplus and quota share reinsurance treaties). In addition, some of the expected risks for financier personal accident products are transferred to the reinsurer with a non-proportional excess of loss contract implemented in 2015.

Every year, the company executes a non-proportional catastrophe excess of loss (CAT XL) reinsurance contract that best fits its portfolio composition to maintain its retention, as a result of major natural disasters such as earthquake and flood or incidents such as traffic accidents involving mass transport vehicles or terrorist attacks..

In life and accident branches, the company, in agreement with the contracted reinsurers, carries out reinsurance transactions with appropriate risk assessment conditions and reinsurance capacity.

The results of the company's reinsurance operations in life and accident branches as at end-December 2018 are given below;

Reinsurance Results for Life Branch	January 1 - December 31, 2018
Premium Ceded	15.744.779
Commission Received	4.473.644
Reinsurer's Share in Check-up Expenses	60.914
Reinsurer's Share in Claims	4.643.793
Total	6.566.428

Reinsurance Results for Life Branch	January 1 - December 31, 2017
Premium Ceded	6.059.901
Commission Received	1.716.754
Reinsurer's Share in Claims	1.344.800
Total	2.998.347

To obtain reliable and high-standard Service and to guarantee that reinsurers fulfil their obligations, the selection criteria listed below are employed in the company's business dealings with the reinsurers and in the selection of the reinsurers included in the reinsurance program.

Companies with which reinsurance contracts will be made should be resident in politically and economically safe geographies, in a location away from war, civil commotion, uprising, rebellion and similar events

Financial strength and credit ratings assigned by international rating institutions
A long-term approach to business relationships,

Competitive reinsurance premium rates,

Capacity provided in facultative business and in non-proportional (excess of loss) reinsurance agreements,

Facilities provided to the company in various aspects including risk assessment, information on new developments in the industry, product development, training etc.

Our reinsurance management policy is based on constructing business relationship with stable and financially trustworthy reinsurance companies. Reinsurance contracts with reinsurers are concluded, taking into consideration the company's financial standing, depending on sectoral developments and market conditions.

As a result of consistent and steady pricing and risk acceptance policies implemented by the Company, risk assessment terms and procedures agreed on with treaty reinsurers enable insurance coverages with high amounts that are much higher than average cost in the market to be insured automatically.

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

Distribution of Total Coverages

Range of Coverages (TRY)	Number of Coverages as at 31.12.2018	Amount of Coverages as at 31.12.2018	Retention	Surplus	Quota Share	Facultative
1-5.000	1.487.584	3.018.698.047	2.951.390.418	67.307.628	0	0
5.001 - 10.000	445.043	3.377.834.459	3.293.031.339	84.803.121	0	0
10.001 - 25.000	513.042	8.166.257.081	7.751.235.295	415.021.786	0	0
25.000 - 50.000	162.966	5.793.093.613	5.336.286.381	456.807.231	0	0
50.001 - 100.000	61.100	4.709.006.220	3.796.268.549	912.737.672	0	0
100.001 - 500.000	42.775	7.953.419.765	4.399.117.086	3.554.302.678	0	0
500.001 - 1.000.000	1.213	833.851.851	153.301.790	680.550.061	0	0
1.000.001 - 5.000.000	43	80.369.807	4.479.529	71.246.630	0	4.643.647
5.000.000 +	1	7.650.000	0	2.985.000	0	4.665.000
Total	2.713.767	33.940.180.842	27.685.110.387	6.245.761.808	0	9.308.647

Our leading reinsurer in our reinsurance contracts on life insurances, Munich Reinsurance Company headquartered in Munich is one of the world's largest reinsurance companies. Our second contracted reinsurance company according to the share in all our reinsurance contracts is Milli Reinsurance T.A.S. headquartered in Istanbul. We also have reinsurance contract with Axa Partners CLP in Bankruptcy Insurance, but the product is unavailable for new sales.

The ratings of these reinsurers assigned by S&P and A.M. Best credit rating institutions are as follows;

	S&P			A.M. Best		
	Rating	Prospects	Date	Rating	Identification	Date
Münich Re	AA- (Very Strong)	Stable	22.12.2006	A + (Strong)	Stable	7.12.2017
RGA Reinsurance Co.	AA- (Strong)	Stable	27.10.2016	A + (Strong)	Stable	30.11.2015
Cigna Re	-	-		A + (Strong)	Stable	31.12.2015

The existing reinsurers and their credit ratings are in conformity with the agencies deemed fit for engaging in rating activities by the Undersecretariat of Treasury and the minimum ratings granted by such agencies and accepted by the Undersecretariat, respectively, under Article 8/3 of the "Regulation on the Measurement and Assessment of Capital Adequacy of Insurance, Reinsurance and Pension Companies".

In the selection of reinsurers, our company takes into consideration the financial strength, reports of rating agencies and financial statements that show the reinsurer is audited by legal authorities and independent firms. Besides, the Company's senior management reserves the right of selection of reinsurers in line with the suggestions of the related executive unit.

Information on Research and Development Practices Related to New Services and Activities

In 2017, the Company also carried out projects that added value to both its policyholders and shareholders through many new services and products. Some of the major products and services are as follows;

1. Profit centre for monitoring profit and loss based on product, production channel and region was implemented.
2. The limit insurance with a flexible assurance for corporate customers using blank credit with a specified limit from the bank is now available.

SUMMARIZED FINANCIAL INFORMATION REGARDING THE FIVE-YEAR PERIOD INCLUDING THE REPORTING PERIOD

BALANCE SHEET

ACCOUNT NAME	31/12/2018	31/12/2017	DIFFERENCE (TL)	DIFFERENCE (%)
A- CASH AND CASH EQUIVALENTS	443.621.883	356.833.871	86.788.012	24,32%
B- FINANCIAL ASSETS AND FINANCIAL INVESTMENTS AT POLICYHOLDER'S RISK	-	-	-	-
C- RECEIVABLES FROM MAIN OPERATIONS	49.180.718	48.153.151	1.027.567	2,13%
D- DUE FROM RELATED PARTIES	66.799	-	66.799	-
E- OTHER RECEIVABLES	-	-	-	-
F- PREPAID EXPENSES AND INCOME ACCRUALS	30.204.071	25.059.551	5.144.520	20,53%
G- OTHER CURRENT ASSETS	4.762	-	4.762	-
I- TOTAL CURRENT ASSETS	523.078.233	430.046.573	93.031.660	21,63%
A- RECEIVABLES FROM MAIN OPERATIONS	812.090.618	799.391.368	12.699.250	1,59%
B- DUE FROM RELATED PARTIES	-	-	-	-
C- OTHER RECEIVABLES	23.838	14.899	8.939	60,00%
D- FINANCIAL ASSETS	391.100	391.100	-	-
E- TANGIBLE ASSETS	3.276.159	5.756.295	(2.480.136)	(43,09%)
F- INTANGIBLE ASSETS	13.551.551	12.506.646	1.044.905	8,35%
G- PREPAID EXPENSES AND INCOME ACCRUALS	-	-	-	-
H- OTHER NON-CURRENT ASSETS	6.874.523	5.404.219	1.470.304	27,21%
II- TOTAL NON-CURRENT ASSETS	836.207.789	823.464.527	12.743.262	1,55%
TOTAL ASSETS (I + II)	1.359.286.022	1.253.511.100	105.774.922	8,44%
ACCOUNT NAME				
A- FINANCIAL LIABILITIES	-	-	-	-
B- PAYABLES FROM MAIN OPERATIONS	30.466.847	27.613.834	2.853.013	10,33%
C- DUE TO RELATED PARTIES	803.868	636.838	167.030	26,23%
D- OTHER PAYABLES	4.044.584	3.667.545	377.039	10,28%
E- INSURANCE TECHNICAL RESERVES	130.136.517	115.813.674	14.322.843	12,37%
F- TAXES PAYABLE AND OTHER LIABILITIES AND PROVISIONS	12.419.889	6.895.564	5.524.325	80,11%
G- PROVISIONS FOR OTHER RISKS	-	-	-	-
H- DEFERRED INCOME AND EXPENSE ACCRUALS	2.968.321	3.356.045	(387.724)	(11,55%)
I- OTHER CURRENT LIABILITIES	14.754.177	10.603.432	4.150.745	39,15%
III- TOTAL CURRENT LIABILITIES	195.594.203	168.586.932	27.007.271	16,02%
A- FINANCIAL LIABILITIES	-	-	-	-
B- PAYABLES FROM MAIN OPERATIONS	812.090.618	799.391.368	12.699.250	1,59%
C- DUE TO RELATED PARTIES	-	-	-	-
D- OTHER PAYABLES	-	-	-	-
E- INSURANCE TECHNICAL RESERVES	181.897.070	161.788.816	20.108.254	12,43%
F- OTHER LIABILITIES AND PROVISIONS	-	-	-	-
G- PROVISIONS FOR OTHER RISKS	3.721.701	3.801.989	(80.288)	(2,11%)
H- DEFERRED INCOME AND EXPENSE ACCRUALS	-	-	-	-
I- OTHER NON-CURRENT LIABILITIES	-	-	-	-
IV- TOTAL NON-CURRENT LIABILITIES	997.709.389	964.982.173	32.727.216	3,39%
A- PAID-IN CAPITAL (Nominal) Capital	45.000.000	45.000.000	-	-
Unpaid Capital (-)	45.000.000	45.000.000	-	-
B- CAPITAL RESERVES	-	-	-	-
C- PROFIT RESERVES	22.155.341	14.804.922	7.350.419	49,65%
D- RETAINED EARNINGS	1.432.174	4.998.361	(3.566.187)	(71,35%)
E- ACCUMULATED LOSS	-	-	-	-
F- NET PROFIT FOR THE PERIOD	97.394.915	55.138.712	42.256.203	76,64%
V. TOTAL EQUITY	165.982.430	119.941.995	46.040.435	38,39%
TOTAL LIABILITIES (III + IV + V)	1.359.286.022	1.253.511.100	105.774.922	8,44%

BALANCE SHEET (5 YEARS)

ACCOUNT NAME	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
A- CASH AND CASH EQUIVALENTS	443.621.883	356.833.871	245.111.081	198.578.466	147.648.170
B- FINANCIAL ASSETS AND FINANCIAL INVESTMENTS AT POLICYHOLDER'S RISK	-	-	-	-	43.179.312
C- RECEIVABLES FROM MAIN OPERATIONS	49.180.718	48.153.151	54.507.955	46.554.416	38.123.170
D- DUE FROM RELATED PARTIES	66.799	-	77.394	3.000	234.973
E- OTHER RECEIVABLES	-	-	-	535.935	536.203
F- PREPAID EXPENSES AND INCOME ACCRUALS	30.204.071	25.059.551	23.423.959	24.244.249	19.258.347
G- OTHER CURRENT ASSETS	4.762	-	-	-	-
I- TOTAL CURRENT ASSETS	523.078.233	430.046.573	323.120.389	269.916.066	248.980.175
A- RECEIVABLES FROM MAIN OPERATIONS	812.090.618	799.391.368	667.067.636	570.704.866	474.187.791
B- DUE FROM RELATED PARTIES	-	-	-	-	-
C- OTHER RECEIVABLES	23.838	14.899	15.347	18.626	38.214
D- FINANCIAL ASSETS	391.100	391.100	362.019	362.019	362.019
E- TANGIBLE ASSETS	3.276.159	5.756.295	6.104.715	7.663.430	1.943.947
F- INTANGIBLE ASSETS	13.551.551	12.506.646	8.912.169	7.116.319	3.444.213
G- PREPAID EXPENSES AND INCOME ACCRUALS	-	-	-	2.693	-
H- OTHER NON-CURRENT ASSETS	6.874.523	5.404.219	3.508.699	2.715.783	2.565.538
II- TOTAL NON-CURRENT (ASSETS)	836.207.789	823.464.527	685.970.585	588.583.736	482.541.722
TOTAL ASSETS (I + II)	1.359.286.022	1.253.511.100	1.009.090.974	858.499.802	731.521.897
ACCOUNT NAME					
A- FINANCIAL LIABILITIES	-	-	-	-	-
B- PAYABLES FROM MAIN OPERATIONS	30.466.847	27.613.834	31.797.514	28.282.439	23.630.744
C- DUE TO RELATED PARTIES	803.868	636.838	968.459	421.315	666.955
D- OTHER PAYABLES	4.044.584	3.667.545	2.024.469	2.250.010	1.242.211
E- INSURANCE TECHNICAL RESERVES	130.136.517	115.813.674	110.058.169	95.348.105	75.975.528
F- TAXES PAYABLE AND OTHER LIABILITIES AND PROVISIONS	12.419.889	6.895.564	3.420.694	2.848.519	3.090.205
G- PROVISIONS FOR OTHER RISKS	-	-	-	-	-
H- DEFERRED INCOME AND EXPENSE ACCRUALS	2.968.321	3.356.045	1.788.541	1.081.464	451.142
I- OTHER CURRENT LIABILITIES	14.754.177	10.603.432	6.308.468	3.767.593	3.209.160
III- CURRENT LIABILITIES	195.594.203	168.586.932	156.366.314	133.999.445	108.265.946
A- FINANCIAL LIABILITIES	-	-	-	-	-
B- PAYABLES FROM MAIN OPERATIONS	812.090.618	799.391.368	667.067.636	570.704.866	474.187.791
C- DUE TO RELATED PARTIES	-	-	-	-	-
D- OTHER PAYABLES	-	-	-	-	-
E- INSURANCE TECHNICAL RESERVES	181.897.070	161.788.816	98.517.631	81.906.309	68.284.087
F- OTHER LIABILITIES AND PROVISIONS	-	-	-	-	-
G- PROVISIONS FOR OTHER RISKS	3.721.701	3.801.989	2.283.844	1.951.992	1.472.102
H- DEFERRED INCOME AND EXPENSE ACCRUALS	-	-	-	-	-
I- OTHER NON-CURRENT LIABILITIES	-	-	-	-	-
IV- TOTAL NON-CURRENT LIABILITIES	997.709.389	964.982.173	767.869.111	654.563.167	543.943.980
A- PAID-IN CAPITAL (Nominal) Capital	45.000.000	45.000.000	45.000.000	45.000.000	45.000.000
Unpaid Capital (-)	45.000.000	45.000.000	45.000.000	45.000.000	45.000.000
B- CAPITAL RESERVES	-	-	-	-	-
C- PROFIT RESERVES	22.155.341	14.804.922	12.301.560	10.566.223	7.115.962
D- RETAINED EARNINGS	1.432.174	4.998.361	2.633.428	-	-
E- ACCUMULATED LOSS	-	-	-	-	-
F- NET PROFIT FOR THE PERIOD	97.394.915	55.138.712	24.920.561	14.370.967	27.196.010
V. TOTAL EQUITY	165.982.430	119.941.995	84.855.549	69.937.190	79.311.973
TOTAL LIABILITIES (III + IV + V)	1.359.286.022	1.253.511.100	1.009.090.974	858.499.802	731.521.900

INCOME STATEMENT 2018

ACCOUNT NAME	31/12/2018	31/12/2017	DIFFERENCE (%)
Non-Life Technical Income	62.727.656	35.169.402	78,36%
Non-Life Technical Expense (-)	(40.237.380)	(20.479.304)	96,48%
TECHNICAL PART BALANCE (Non-Life)	22.490.276	14.690.098	53,10%
Life Technical Income	402.938.738	430.572.706	(6,42%)
Life Technical Expense (-)	(346.104.011)	(398.738.083)	(13,20%)
TECHNICAL PART BALANCE (Life)	56.834.727	31.834.623	78,53%
Individual Pension Technical Income	16.983.396	17.479.152	(2,84%)
Individual Pension Technical Expense (-)	(9.071.925)	(13.628.885)	(33,44%)
TECHNICAL PART BALANCE (Individual Pension)	7.911.471	3.850.267	105,48%
GENERAL TECHNICAL PART BALANCE	87.236.474	50.374.988	73,17%
Investment Income	69.177.910	36.654.910	88,73%
Investment Expenses (-)	(18.445.143)	(10.118.775)	82,29%
Income and Profit and Expenses and Losses from Other Operations and Extraordinary Operations (+ -)	(10.623.185)	(6.321.587)	68,05%
Net Profit or Loss for the Period	97.394.915	55.138.712	76,64%
Profit or Loss for the Period	127.346.056	70.589.536	80,40%
Provision for Taxation on Profit for the Period and Other Legal Liabilities (-)	(29.951.141)	(15.450.824)	93,85%
NET PROFIT/LOSS FOR THE PERIOD (-)	97.394.915	55.138.712	76,64%

INCOME STATEMENT (5-YEAR) 2018

ACCOUNT NAME	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Non-Life Technical Income	62.727.656	35.169.402	32.745.610	31.493.314	9.189.764
Non-Life Technical Expense (-)	(40.237.380)	(20.479.304)	(15.636.780)	(18.701.168)	(5.834.254)
TECHNICAL PART BALANCE (Non-Life)	22.490.276	14.690.098	17.108.830	12.792.146	3.355.510
Life Technical Income	402.938.738	430.572.706	256.115.336	202.329.571	189.320.374
Life Technical Expense (-)	(346.104.011)	(398.738.083)	(254.408.821)	(197.393.865)	(167.360.286)
TECHNICAL PART BALANCE (Life)	56.834.727	31.834.623	1.706.515	4.935.706	21.960.088
Individual Pension Technical Income	16.983.396	17.479.152	16.444.299	14.603.920	12.819.124
Individual Pension Technical Expense (-)	(9.071.925)	(13.628.885)	(15.979.845)	(21.753.537)	(20.211.620)
TECHNICAL PART BALANCE (Individual Pension)	7.911.471	3.850.267	464.454	(7.149.617)	(7.392.496)
GENERAL TECHNICAL PART BALANCE	87.236.474	50.374.988	19.279.799	10.578.235	17.923.102
Investment Income	69.177.910	36.654.910	24.725.417	23.543.840	31.424.680
Investment Expenses (-)	(18.445.143)	(10.118.775)	(7.718.771)	(13.383.150)	(14.592.194)
Income and Profit and Expenses and Losses from Other Operations and Extraordinary Operations (+ -)	(10.623.185)	(6.321.587)	(4.258.184)	(2.558.864)	259.038
Net Profit or Loss for the Period	97.394.915	55.138.712	24.920.561	14.370.967	27.196.010
Profit or Loss for the Period	127.346.056	70.589.536	32.028.261	18.180.061	35.014.626
Provision for Taxation on Profit for the Period and Other Legal Liabilities (-)	(29.951.141)	(15.450.824)	(7.107.700)	(3.809.094)	(7.818.616)
NET PROFIT/LOSS FOR THE PERIOD (-)	97.394.915	55.138.712	24.920.561	14.370.967	27.196.010

CIGNA FINANS EMEKLILIK VE HAYAT A.S.**YEAR-END NON-CONSOLIDATED FINANCIAL REPORT
PREPARED AS AT DECEMBER 31, 2018**

The Annual Report of our Company for the fiscal year ended December 31, 2018 is developed and presented in accordance with the procedures and principles set forth by the Regulation on Financial Structures of Insurance, Reinsurance and Pension Companies and Article 516 of the Turkish Commercial Code.

Yours sincerely,


Mehmet Ömer Arif ARAS
Chairman of the Board of Directors


Emine Pınar KURİŞ
Member of the Board of Directors/
Managing Director


Adnan Menderes YAYLA
Member of the Board of Directors


Erkin AYDIN
Member of the Board of Directors


David Anthony TOBIN
Financial Control and Reporting, Technical
and Actuarial, Deputy Managing Director


Ece KAZCILAR
Financial Control and Reporting,
Group Manager



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