

AKSIGORTA A.Ş.

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED
JANUARY 1 - MARCH 31, 2019**

AKSIGORTA A.Ş.

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - MARCH 31, 2019**

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AKSIGORTA A.Ş.

CONDENSED INTERIM INCOME STATEMENT FOR THE PERIOD JANUARY 1 - MARCH 31, 2019

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

Income Statement	Note	Unaudited March 31, 2019	Unaudited March 31, 2018
Insurance premium revenue	13	870,040,350	677,945,636
Insurance premium ceded to reinsurers	13	(378,849,891)	(280,599,024)
Net insurance premium revenue	13	491,190,459	397,346,612
Investment income		104,134,668	51,017,316
Commission income		46,626,235	67,123,291
Other operating income		2,786,601	2,424,808
Net income		644,737,963	517,912,027
Insurance claims	16	(591,888,152)	(429,865,003)
Insurance claims recovered from reinsurers	16	221,851,911	162,131,018
Net insurance claims	16	(370,036,241)	(267,733,985)
Commission expense		(125,233,083)	(137,878,222)
Expenses for marketing and administration	15	(52,314,588)	(44,377,819)
Other operating expenses		(23,300,010)	(11,675,342)
Insurance claims and expenses		(570,883,922)	(461,665,368)
Results of operating activities		73,854,041	56,246,659
Foreign exchange gain / (loss), net		21,712,850	4,540,496
Profit before tax		95,566,891	60,787,155
Income tax expense	14	(23,348,554)	(14,260,643)
Profit for the period		72,218,337	46,526,512
Earnings per share		0.0024	0.0015

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

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CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD JANUARY 1 – MARCH 31, 2019

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

		Unaudited	Unaudited
Statement of comprehensive income	Note	March 31, 2019	March 31, 2018
Profit for the period		72,218,337	46,526,512
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Change in available-for-sale financial assets fund, net off deferred tax		(9,303,304)	(810,982)
Cash flow hedging, net off deferred tax		-	1,322,755
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(9,303,304)	511,773
Other comprehensive income not being reclassified to profit or loss in subsequent periods:			
Actuarial loss, net off deferred tax		981,381	(102,099)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		981,381	(102,099)
Other comprehensive income, net of tax		(8,321,923)	409,674
Total comprehensive income for the year, net of tax		63,896,414	46,936,186

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

AKSİGORTA A.Ş.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1 - MARCH 31, 2019

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

March 31, 2018									Unaudited
	Note	Share capital	Available-for-sale investment funds	Revaluation fund	Legal reserves	Actuarial loss arising from employee benefit	Cash flow hedging	Retained earnings	Total
Balances at December 31, 2017	10	306,000,000	(14,469)	-	95,403,929	(3,472,406)	17,618,782	156,149,457	427,137,294
Profit for the year		-	-	-	-	-	-	46,526,512	46,526,512
Transfer		-	-	-	16,826,683	-	-	(16,826,683)	-
Other comprehensive income		-	(810,982)	-	-	(102,099)	1,322,755	-	409,674
Total comprehensive income	10	-	(810,982)	-	16,826,683	(102,099)	1,322,755	29,699,829	46,936,186
Dividend payment		-	-	-	-	-	-	(110,160,000)	(110,160,000)
Balances at March 31, 2018	10	306,000,000	(825,451)	-	112,230,612	(3,574,505)	18,941,536	75,689,286	508,461,477

March 31, 2019									Unaudited
	Note	Share capital	Available-for-sale investment funds	Revaluation fund	Legal reserves	Actuarial loss arising from employee benefit	Cash flow hedging	Retained earnings	Total
Balances at December 31, 2018	10	306,000,000	(10,638,677)	-	112,230,612	(3,602,019)	-	242,280,528	646,270,445
Profit for the year		-	-	-	-	-	-	72,218,337	72,218,337
Transfer		-	-	-	25,659,080	-	-	(25,659,080)	-
Other comprehensive income		-	(9,303,304)	-	-	981,381	-	-	(8,321,923)
Total comprehensive income	10	-	(9,303,304)	-	25,659,080	981,381	-	46,559,257	63,896,414
Dividend payment		-	-	-	-	-	-	(201,960,000)	(201,960,000)
Balances at March 31, 2019	10	306,000,000	(19,941,981)	-	137,889,692	(2,620,638)	-	86,879,785	508,206,859

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

AKSIGORTA A.Ş.**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR PERIOD JANUARY 1 - MARCH 31, 2019**

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

Cash Flow Statement	Note	January 1 – March 31, 2019	January 1 – March 31, 2018
Cash inflows from insurance operations		1,419,521,000	703,889,712
Cash outflows from insurance operations		(1,363,212,362)	(477,647,599)
Income tax payment		(14,070,796)	(13,745,830)
Cash inflows/(outflows)from operational expenses		(51,401,186)	(70,599,476)
Net cash flows from operating activities		(9,163,344)	141,896,807
Tangible and intangible asset acquisitions		(32,008,273)	(270,101)
Financial asset acquisitions / disposals		68,631,794	(75,183,442)
Interest received		46,965,410	49,948,001
Other cash inflows/(outflows)		6,877,443	(291,042)
Net cash flows from investing activities		90,466,374	(25,796,584)
Dividends paid		(201,960,000)	(99,925,537)
Net cash flows from financing operations		-	-
Net increase/(decrease) in cash and cash equivalents		(120,656,970)	16,174,686
Cash and cash equivalents at the beginning of the period		1,763,461,138	1,200,503,027
Cash and cash equivalents at the end of the period	9	1,642,804,168	1,216,677,713

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

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2019

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

1. General Information

Aksigorta A.Ş. (“the Company”) is a joint venture of Hacı Ömer Sabancı Holding A.Ş. and Ageas Insurance International N.V. as of March 31, 2019. 38.02% (December 31, 2017: 38.02%) of the Company is issued in Borsa İstanbul (“BİST”) (Note 2.3).

Agreement about the sale of 50% of 18,965,880,200 units of Aksigorta A.Ş. shares with TL 189,658,802 nominal value that belong to H.Ö. Sabancı Holding (“Holding”) portfolio was signed with Ageas Insurance International N.V. at 18 February 2011. At the date of 29 July 2011, 9,482,940,100 units of Aksigorta A.Ş. shares that correspond to 50% of the Holding’ s portfolio have been transferred to Ageas Insurance International N.V. with the sale price (excluding the corrections) of USD 220,029,000. According to the joint administration agreement that signed with Ageas Insurance International N.V. at 18 February 2011, Holding’s previous administrative controls over Aksigorta A.Ş. are going to remain equally with Ageas Insurance International N.V.

The Company is a corporation, which was established in accordance with the requirements of Turkish Commercial Code and registered in Turkey as at 25 April 1960. The Company is located at Poligon Cad. Buyaka 2 Sitesi No:8 Kule:1 Kat:0-6 Ümraniye 34771, İstanbul.

The Company’s main operations include insurance activities based on non-life insurance branches, including primarily motor third party liability, motor, fire, marine, accident, personal accident, engineering, agriculture and health.

Average numbers of employees during the period by category are as follows:

	March 31, 2019	December 31, 2018
Top and middle management	138	112
Other personel (*)	513	627
Total	651	739

(*) The Company had 90 part-time employees who hold project-based responsibilities in 2018.

Remuneration and fringe benefits provided to top management such as; chairman and members of the board of directors, managing director and assistant managing directors amount to 1,854,658 TL in total for January 1 - March 31, 2019 (January 1 - March 31, 2018: TL 1,499,101).

Financial statements include only one company (Aksigorta A.Ş.) and the Company does not have any subsidiaries or affiliates as of March 31, 2019 (December 31, 2018: None).

The Company’s interim condensed financial statements as of March 31, 2019 are approved and authorized for issuance as of April 25, 2019 by the Board of Directors.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT MARCH 31, 2019**

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements at March 31, 2019 have been prepared in accordance with International Financial Reporting Standard as defined by IAS 1. In accordance with the International Accounting Standard No: 34 “Interim Financial Reporting”, entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Company has preferred to prepare condensed financial statements in the interim periods. Accordingly, the financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at March 31, 2019 and any public announcement made by the company during the period.

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira (“TL”) in accordance with the Insurance Law numbered 5684 and the regulations issued for insurance and reinsurance companies by the Undersecretary at of Treasury which is also the functional currency of the Company. These financial statements are based on the statutory records, with adjustments and reclassifications, for the purpose of fair presentation in accordance with IFRS.

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise its judgements in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to financial statements are disclosed Note 3.

Comparative information and restatement of prior period financial statements

The Company’s statement of financial position as of March 31, 2019 is presented in comparison with its statement of financial position as of December 31, 2018; statement of comprehensive income, statement of changes in equity and statement of cash flows for the period between January 1 - March 31, 2019 are presented in comparison with its statement of comprehensive income, statement of changes in equity and statement cash flows for the period between January 1 - March 31, 2018.

2.2 Adoption of New and Revised Standards

The new standards, amendments and interpretations

The accounting policies applied in the preparation of the financial statements as of January 1 - March 31, 2019 are consistent with those applied in the preparation of the financial statements as of December 31, 2018, except for the new standards and amended IAS/IFRS standards which are valid as of January 1, 2019 and International Financial Reporting Interpretations Committee’s (“IFRIC”) interpretations summarised below.

Standards, amendments and interpretations applicable as at 31 March 2019:

- IFRS 9 - Financial instruments
- IFRS 15 - Revenue from contracts with customers
- Amendment to IFRS 15 - Revenue from contracts with customers

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT MARCH 31, 2019**

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

2. Summary of significant accounting policies (Continued)

- **IFRS 16, ‘Leases’**; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15 ‘Revenue from Contracts with Customers’ is also applied. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right of use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- Amendments to IFRS 4 - Insurance contracts
- Amendment to IAS 40 - Investment property
- Amendments to IFRS 2 - Share based payments
- Annual improvements 2014-2016: IFRS 1 and IAS 28
- IFRIC 22 - Foreign currency transactions and advance consideration
-

These amendments did not have any impact on the financial position or performance of the Company.

Standards, amendments and interpretations that are issued but not effective as at 31 March 2019:

- Amendment to IFRS 9 - Financial instruments
- Amendment to IAS 28 - Investments in associates and joint venture
- IFRIC 23 - Uncertainty over income tax treatments
- IFRS 17 - Insurance contracts
- Annual improvements 2015-2017: IFRS 3, IFRS 11, IAS 12, IAS 23
- Amendments to IAS 19 - Employee benefits

The impacts of the new standards, amendments and improvements on the financial position and performance of the Company is being assessed.

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2019

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

2.3 Share capital

As of March 31, 2019, the Company’s nominal capital is TL 306,000,000 (December 31, 2018: TL 306,000,000). Share capital is represented by 30,600,000,000 of equity shares having a nominal amount of TL 0,01 each.

The share capital structure of the Company is as follows:

Name of shareholders	March 31, 2019		December 31, 2018	
	Share	Share amount	Share	Share amount
H. Ömer Sabancı Holding A.Ş.	36.00	110,160,000	36.00	110,160,000
Ageas Insurance International NV	36.00	110,160,000	36.00	110,160,000
Publicly quoted shares	28.00	85,680,000	28.00	85,680,000
Total	100.00	306,000,000	100.00	306,000,000

Agreement about the sale of 50% of 18,965,880,200 units of Aksigorta A.Ş. shares with nominal value of TL 189,658,802 that belong to H.Ö. Sabancı Holding (“Holding”) portfolio, was signed with Ageas Insurance International N.V. at 18 February 2011. 9,482,940,100 units of Aksigorta A.Ş. shares that correspond to 50% of the Holding’s portfolio has been transferred to Ageas Insurance International N.V. on 29 July 2011 with a sale price of USD 220,029,000 except for adjustments to sale price.

The Company has accepted the registered capital system set out in accordance with the provisions of Law No: 2499 and applied the system as of June 15, 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As of March 31, 2019, the Company’s registered share capital is TL 500,000,000 (December 31, 2018: TL 500,000,000).

3. Critical accounting estimates and judgements

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 statement of financial position 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 one of the most critical accounting estimates. Estimation of the insurance liabilities, by nature, includes the evaluation of several uncertainties.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT MARCH 31, 2019**

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

4. Segment information

Information related to the operational reporting made by the Company to the chief operating decision-maker in accordance with the “IFRS 8 - Operating Segments” is disclosed in this part.

Numerical limits in “IFRS 8 - Operating Segments” is also considered as the reporting to the chief operating decision-maker in the determination of segments and the premium production and net technical income of the segments are considered while determining a separate operating segment.

The Company has been operating in Turkey. Since the effect of the foreign operations on financial statements is extremely low, geographic segment information is not given.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2019

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

4. Segment information (Continued)

Segment results for period January 1 - March 31, 2019 is as follows:

January 1 - March 31, 2019	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	37,024,679	6,555,920	165,235,322	218,470,287	20,773,749	20,000,608	23,129,893	-	491,190,459
Earned Premiums (Net of Reinsurer Share)	37,024,679	6,555,920	165,235,322	218,470,287	20,773,749	20,000,608	23,129,893	-	491,190,459
Premiums (Net of Reinsurer Share)	41,558,359	7,886,721	158,696,265	225,123,893	30,701,382	25,267,290	24,739,783	-	513,973,692
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(4,533,680)	(1,330,801)	6,539,057	(6,653,606)	(9,927,633)	(5,266,681)	(1,609,890)	-	(22,783,235)
TECHNICAL EXPENSES	(37,662,403)	(455,179)	(193,098,738)	(243,422,615)	(31,208,019)	(15,032,334)	(591,799)	-	(521,471,086)
Total Claims (Net of Reinsurer Share)	(19,547,441)	162,463	(134,707,831)	(189,545,433)	(18,076,820)	(2,999,473)	(5,321,705)	-	(370,036,240)
Claims Paid (Net of Reinsurer Share)	(18,913,158)	(23,610)	(137,756,566)	(135,930,097)	(5,904,353)	(1,781,127)	(4,516,129)	-	(304,825,040)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(634,283)	186,073	3,048,735	(53,615,336)	(12,172,468)	(1,218,346)	(805,576)	-	(65,211,202)
Commissions (Net)	(7,180,267)	(93,768)	(37,152,979)	(29,307,836)	(7,544,022)	(8,166,830)	10,838,854	-	(78,606,848)
Operating Expenses	(9,297,927)	(234,053)	(15,134,172)	(14,911,327)	(4,668,821)	(2,981,854)	(5,086,434)	-	(52,314,588)
Other Operating Income / Expenses	(1,636,768)	(289,821)	(6,103,756)	(9,658,020)	(918,355)	(884,176)	(1,022,514)	-	(20,513,409)
	(637,724)	6,100,741	(27,863,416)	(24,952,328)	(10,434,270)	4,968,274	22,538,095	-	(30,280,627)
Investment income	-	-	-	-	-	-	-	104,134,668	104,134,668
Foreign exchange income	-	-	-	-	-	-	-	21,712,850	21,712,850
Tax expense	-	-	-	-	-	-	-	(23,348,554)	(23,348,554)
Net Profit / (Loss)	(637,724)	6,100,741	(27,863,416)	(24,952,328)	(10,434,270)	4,968,274	22,538,095	102,498,964	72,218,337

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2019

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

4. Segment information (Continued)

Segment results for period January 1 - March 31, 2018 is as follows:

January 1 - December 30, 2018	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	34,491,864	7,700,025	151,815,788	140,785,383	20,088,457	21,335,289	21,129,806	-	397,346,612
Earned Premiums (Net of Reinsurer Share)	34,491,864	7,700,025	151,815,788	140,785,383	20,088,457	21,335,289	21,129,806	-	397,346,612
Premiums (Net of Reinsurer Share)	36,818,240	10,026,982	144,685,185	217,455,328	20,968,483	24,266,344	20,035,207	-	474,255,770
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(2,326,377)	(2,326,958)	7,130,603	(76,669,945)	(880,027)	(2,931,055)	1,094,599	-	(76,909,158)
TECHNICAL EXPENSES	(27,302,645)	(3,404,346)	(167,354,513)	(144,407,409)	(17,798,427)	(16,410,936)	(15,438,994)	-	(392,117,269)
Total Claims (Net of Reinsurer Share)	(12,843,295)	(1,785,101)	(124,392,640)	(115,118,757)	(4,385,837)	(2,055,624)	(7,152,731)	-	(267,733,986)
Claims Paid (Net of Reinsurer Share)	(11,676,125)	(2,007,392)	(138,494,540)	(66,294,415)	(5,025,143)	(1,982,551)	(3,804,644)	-	(229,284,811)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(1,167,170)	222,291	14,101,900	(48,824,342)	639,305	(73,072)	(3,348,087)	-	(38,449,175)
Commissions (Net)	(7,206,570)	(1,037,750)	(26,237,719)	(13,504,413)	(8,854,892)	(10,126,673)	(3,786,914)	-	(70,754,931)
Operating Expenses	(6,485,481)	(444,145)	(14,248,240)	(11,253,417)	(4,121,998)	(3,809,515)	(4,015,024)	-	(44,377,819)
Other Operating Income / Expenses	(767,299)	(137,350)	(2,475,915)	(4,530,822)	(435,700)	(419,124)	(484,325)	-	(9,250,534)
	7,189,219	4,295,679	(15,538,724)	(3,622,026)	2,290,030	4,924,354	5,690,812	-	5,229,343
Investment income	-	-	-	-	-	-	-	51,017,316	51,017,316
Foreign exchange income	-	-	-	-	-	-	-	4,540,496	4,540,496
Tax expense	-	-	-	-	-	-	-	(14,260,643)	(14,260,643)
Net Profit / (Loss)	7,189,219	4,295,679	(15,538,724)	(3,622,026)	2,290,030	4,924,354	5,690,812	41,297,169	46,526,512

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2019

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

5. Tangible assets

As of March 31, 2019 and 2018 tangible assets movement and its accumulated depreciation is as follows:

Costs:	January 1, 2019	Additions	Disposals	Transfers	March 31, 2019
Property for operational use	1,598,569	-	-	-	1,598,569
Motor vehicles	2,720,001	-	-	-	2,720,001
Furniture and fixtures and leased tangible assets	23,741,539	950,592	(704,504)	-	23,987,628
Other tangible assets (including leasehold improvements)	21,052,437	690	-	-	21,053,127
Total	49,112,546	951,282	(704,504)	-	49,359,324

Accumulated depreciation: (-)	January 1, 2019	Additions	Disposals	Transfers	March 31, 2019
Property for operational use	(569,248)	(7,883)	-	-	(577,131)
Motor vehicles	(5,962)	(134,137)	-	-	(140,098)
Furniture and fixtures and leased tangible assets	(14,906,985)	(722,400)	676,893	-	(14,952,492)
Other tangible assets	(9,300,583)	(569,179)	-	-	(9,869,762)
Total	(24,782,778)	(1,433,600)	676,893	-	(25,539,484)

Net book value	24,329,768	(482,318)	(27,610)	-	23,819,840
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Costs:	January 1, 2018	Additions	Disposals	Transfers	March 31, 2018
Property for operational use	1,598,569	-	-	-	1,598,569
Furniture and fixtures and leased tangible assets	23,957,267	270,101	-	-	24,227,368
Other tangible assets (including leasehold improvements)	21,412,252	-	-	-	21,412,252
Total	46,968,088	270,101	-	-	47,238,189

Accumulated depreciation: (-)	January 1, 2018	Additions	Disposals	Transfers	March 31, 2018
Property for operational use	(537,189)	(7,907)	-	-	(545,096)
Furniture and fixtures and leased tangible assets	(12,652,946)	(746,085)	-	-	(13,399,031)
Other tangible assets	(7,580,602)	(581,426)	-	-	(8,162,028)
Total	(20,770,737)	(1,335,418)	-	-	(22,106,155)

Net book value	26,197,351	(1,065,317)	-	-	25,132,034
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The Company has not accounted for any impairment provision for tangible fixed assets in the current period.

Total depreciation expense is TL 7,260,961 (January 1 - March 31, 2018: TL 4,972,727).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2019

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

5. Tangible assets (Continued)

Details of the right-of-use assets accounted in the current period financial statements:

Right-of-use assets

	<u>31 March 2019</u>	<u>1 January 2019</u>
Furniture and fixtures and leased tangible assets	21,381,758	22,614,220
Motor vehicles	3,890,655	4,428,739
Total	<u>25,272,413</u>	<u>27,042,959</u>

Depreciation of right-of-use assets

	<u>31 March 2019</u>	<u>1 January 2019</u>
Furniture and fixtures and leased tangible assets	1,232,462	-
Motor vehicles	538,085	-
Total	<u>1,770,546</u>	<u>-</u>

Total lease liability	<u>50,519,553</u>
Total	<u>50,519,553</u>

Net Present Value of Lease Liabilities in relation to right-of-use assets(*)

	<u>31 March 2019</u>	<u>1 January 2019</u>
- Short-term lease liability	-	-
- Long-term lease liability	25,693,314	27,042,959
	<u>25,693,314</u>	<u>27,042,959</u>

(*) discounted at incremental borrowing rate

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2019

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

6. Intangible assets

Costs:	January 1, 2019	Additions	Disposals(*)	Transfers	March 31, 2019
Rights	111,808,560	3,144,197	(17,206)	-	114,935,552
Advances given for intangible assets	1,949,163	571,434	-	-	2,520,597
Total	113,757,723	3,715,630	(17,206)	-	117,456,148

Accumulated depreciation: (-)	January 1, 2019	Additions	Disposals(*)	Transfers	March 31, 2019
Rights	(58,117,829)	(4,056,815)	-	-	(62,174,644)
Total	(58,117,829)	(4,056,815)	-	-	(62,174,644)

Net book value	55,639,894	(341,184)	(17,206)	-	55,281,504
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Costs:	January 1, 2018	Additions	Disposals(*)	Transfers	March 31, 2018
Rights	87,041,349	2,968,786	-	-	90,010,134
Advances given for intangible assets	2,600,646	283,609	-	-	2,884,255
Total	89,641,994	3,252,395	-	-	92,894,389

Accumulated depreciation: (-)	January 1, 2018	Additions	Disposals(*)	Transfers	March 31, 2018
Rights	(43,097,276)	(3,637,312)	-	-	(46,734,588)
Total	(43,097,276)	(3,637,312)	-	-	(46,734,588)

Net book value	46,544,718	(384,917)	-	-	46,159,801
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT MARCH 31, 2019**

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

7. Management of insurance and financial risk

Foreign currency risk

The Company is exposed to foreign exchange risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated assets and liabilities. These risks are monitored by the analysis of exchange rate position. The details of the Company’s foreign currency denominated assets and liabilities as of March 31, 2019 and December 31, 2018 are disclosed below:

March 31, 2019			
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	7,100,274	5.6284	39,963,183
EUR	1,531,151	6.3188	9,675,037
GBP	41,616	7.3354	305,270
CHF	257,998	5.6393	1,454,928
Total			51,403,199
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	39,639,854	5.6284	223,108,954
EUR	23,880,989	6.3188	150,899,193
GBP	154,065	7.3354	1,130,128
CHF	237,985	5.6393	1,342,069
Total			376,480,345
Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	21,557,236	5.6284	121,332,749
Total			121,332,749
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(7,994,745)	5.6284	(44,997,624)
EUR	(1,777,431)	6.3188	(11,231,230)
Other			(4,801)
Total			(56,233,655)
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(40,715,112)	5.6284	(229,160,936)
EUR	(16,553,754)	6.3188	(104,599,859)
Other			(4,000,404)
Total			(337,761,199)
Trade Payables	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(713,852)	5.6284	(4,017,847)
Total			(4,017,847)
Net Foreign Currency Position			151,203,593

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AS AT MARCH 31, 2019**

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

7. Management of insurance and financial risk (Continued)

December 31, 2018			
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	5,165,611	5.2609	27,175,763
EUR	2,029,314	6.0280	12,232,705
GBP	55,032	6.6528	366,117
CHF	157,666	5.3352	841,180
Total			40,615,764
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	28,691,649	5.2609	150,943,896
EUR	17,295,218	6.0280	104,255,574
GBP	107,134	6.6528	712,741
CHF	8,052	5.3352	42,959
Total			255,955,170
Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	23,320,119	5.2609	122,684,814
Total			122,684,814
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(6,818,960)	5.2609	(35,873,867)
EUR	(1,109,743)	6.0280	(6,689,531)
Other			(4,501)
Total			(42,567,898)
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(35,271,589)	5.2609	(185,560,303)
EUR	(7,373,885)	6.0280	(44,449,779)
Other			(2,193,297)
Total			(232,203,378)
Net Foreign Currency Position			144,484,471

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2019

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

7. Management of insurance and financial risk (Continued)

Liquidity risk

Liquidity risk is the possibility of non-performance of the Company’s due liabilities. Events that give rise to funding shortages, such as; market deteriorations and decrease in credit ratings, are the main reasons of liquidity risk. The Company manages its liquidity risk through having adequate cash and cash equivalents in order to fulfill its current and possible liabilities by allocating its funds.

Table of liquidity risk as of March 31, 2019 is as follows:

March 31, 2019	Up to 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	328,234,871	857,258,805	653,406,397	-	-	26,890,188	1,865,790,262
Financial assets available for sale	20,829,140	154,265,007	94,419,120	216,742,018	18,893,054	161,763,027	666,911,368
Financial assets held to maturity	-	-	-	25,699,060	-	-	25,699,060
Investments on policyholders’ risk	-	-	-	1,686,241	-	-	1,686,241
Receivables from main operations	207,779,579	228,738,713	185,997,382	32,022,541	-	-	654,538,215
Due from reinsurance companies	-	-	41,426,530	-	-	-	41,426,530
Reinsurers’ share of insurance liabilities	929,671,854	663,367,150	732,442,115	63,955,486	10,045,120	-	2,399,481,724
Equity securities	-	-	-	-	-	430,032	430,032
Other assets	-	154,604,452	-	-	-	-	154,604,452
Total Assets	1,486,515,444	2,058,234,127	1,707,691,545	340,105,347	28,938,175	189,083,248	5,810,567,884
Insurance liabilities	1,526,684,474	1,209,866,699	1,714,781,258	103,092,203	16,192,100	-	4,570,616,734
Due to reinsurers	-	-	617,679,432	-	-	-	617,679,432
Trade and other payables	-	-	259,638,027	-	-	-	259,638,027
Total liabilities and shareholders' equity	1,526,684,474	1,209,866,699	2,592,098,717	103,092,203	16,192,100	-	5,447,934,193
Liquidity surplus/(deficit)	(40,169,030)	848,367,427	(884,407,172)	237,013,144	12,746,075	189,083,248	362,633,691

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2019

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

7. Management of insurance and financial risk (Continued)

Table of liquidity risk as of December 31, 2018 is as follows:

December 31, 2018	Up to 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	486,866,689	579,752,804	886,833,419	-	-	16,115,750	1,969,568,662
Financial assets available for sale	2,098,623	45,006,797	110,705,440	145,757,862	52,382,624	192,053,371	548,004,717
Financial assets held to maturity	-	-	-	9,752,674	-	-	9,752,674
Investments on policyholders’ risk	-	-	-	1,686,241	-	-	1,686,241
Receivables from main operations	173,197,383	185,593,559	153,796,825	37,435,171	-	-	550,022,938
Due from reinsurance companies	-	-	28,966,554	-	-	-	28,966,554
Reinsurers’ share of insurance liabilities	720,110,812	577,060,478	665,232,797	85,291,524	7,657,541	-	2,055,353,150
Equity securities	-	-	-	-	-	23,677,764	23,677,764
Other assets	-	173,968,221	-	-	-	-	173,968,221
Total Assets	1,382,273,507	1,561,381,859	1,845,535,035	279,923,473	60,040,165	231,846,885	5,361,000,923
Insurance liabilities	1,250,723,542	1,072,135,412	1,662,070,037	140,913,416	12,651,318	-	4,138,493,725
Due to reinsurers	-	-	446,831,845	-	-	-	446,831,845
Trade and other payables	-	-	227,206,590	-	-	-	227,206,590
Total liabilities and shareholders' equity	1,250,723,542	1,072,135,412	2,336,108,472	140,913,416	12,651,318	-	4,812,532,160
Liquidity surplus/(deficit)	131,549,965	489,246,446	(490,573,436)	139,010,057	47,388,847	231,846,885	548,468,763

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2019

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

8. Financial assets

Available for sale debt securities:

March 31, 2019			
	Cost Value	Fair Value	Book Value
Private bonds	231,148,635	247,805,994	247,805,994
Investment Funds	101,971,533	120,756,333	120,756,333
Eurobonds	135,115,610	121,857,542	121,857,542
Equities	34,730,321	33,202,579	33,202,579
Government bonds	143,204,088	143,288,920	143,288,920
Total	646,170,187	666,911,368	666,911,368
Impairment (-)			-
Total	646,170,187	666,911,368	666,911,368

December 31, 2018			
	Cost Value	Fair Value	Book Value
Private bonds	218,835,732	233,265,994	233,265,994
Investment Funds	142,717,574	168,805,442	168,805,442
Eurobonds	134,782,226	122,684,814	122,684,814
Equities	24,215,782	23,247,732	23,247,732
Government bonds	736	736	736
Total	520,552,050	548,004,718	548,004,718

Financial assets at insurees’ risk:

March 31, 2019			
	Cost Value	Fair Value	Book Value
Government bonds	1,647,665	1,686,241	1,686,241
Total	1,647,665	1,686,241	1,686,241

December 31, 2018			
	Cost Value	Fair Value	Book Value
Government bonds	1,647,665	1,686,241	1,686,241
Total	1,647,665	1,686,241	1,686,241

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT MARCH 31, 2019**

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

8. Financial assets (Continued)**Held to maturity**

March 31, 2019			
	Cost Value	Fair Value	Book Value
Held to maturity	25,087,447	25,699,060	25,699,060
Total	25,087,447	25,699,060	25,699,060

December 31, 2018			
	Cost Value	Fair Value	Book Value
Held to maturity	9,194,956	9,752,674	9,752,674
Total	9,194,956	9,752,674	9,752,674

Equity shares under available-for-sale investments:

As of March 31, 2019 the Company has an investment in Merter BV with a 25% participation rate (December 31, 2018: 25%). Merter BV is a real estate company which has an investment in a shopping mall and office building with 50% participation rate. The Company has a final participation rate of 12,5% in the real estates. Since the Company does not have any influence in the financial and operating policy decisions of the investee, this investment is classified as available for sale financial asset and carried at its fair value. The Company has booked impairment provision for Merter BV amounting to TL 30,116,653 in its financial statements as of March 31, 2019 in accordance with the appraisal report obtained from an independent appraisal firm (December 31, 2018: TL 30,116,653).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2019

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

8. Financial assets (Continued)

List of the investments and fair values is as below:

March 31, 2019			
	Cost Value	Fair Value	Book Value
<i>Equity investments</i>			
Merter BV	30,116,653	-	-
Unlisted	430,032	-	430,032
Total	30,546,685	-	430,032

December 31, 2018			
	Cost Value	Fair Value	Book Value
<i>Equity investments</i>			
Merter BV	30,116,653	-	-
Unlisted	430,032	-	430,032
Total	30,546,685	-	430,032

Fair Value Hierarchy

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

	March 31, 2019	Level 1	Level 2
Available for sale at company’s risk	666,911,368	666,911,368	-
Available for sale at insurees’ risk	1,686,241	1,686,241	-
Held to maturity at company’s risk	25,699,060	25,699,060	-
Equity securities, net (*)	430,032	-	-
Total	694,726,701	694,296,669	-

	December 31, 2018	Level 1	Level 2
Available for sale at company’s risk	548,004,718	548,004,718	-
Equity securities, net (*)	430,032	-	-
Total	550,120,990	549,690,959	-

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2019

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

9. Cash and cash equivalents

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

	March 31, 2019	December 31, 2018
Cash at banks	1,364,272,241	1,485,633,722
-time deposits	1,337,382,052	1,469,517,972
-demand deposits	26,890,188	16,115,750
Bank guaranteed credit card receivables with maturity less than 3 months	501,518,021	483,934,940
Total cash and cash equivalents	1,865,790,262	1,969,568,662

The maturities of the Company’s time deposits as of March 31, 2019 are less than three months (December 31, 2018: Less than three months).

Cash and cash equivalents that are included in the statements of cash flows for the periods January 1 - March 31, 2019 and 2018 are as follows:

	March 31, 2019	December 31, 2018
Total cash and cash equivalents	1,865,790,262	1,969,568,662
Interest accrual on cash at banks (-)	(21,587,225)	(11,676,242)
Blocked time deposits	(201,398,869)	(194,431,281)
Cash and cash equivalents per statement of cash flow	1,642,804,168	1,763,461,139

Weighted average interest rates of time deposits:

	March 31, 2019	December 31, 2018
TL	19,5 – 20,50	18,00 – 30,00
USD	2,50 – 3,5	1,15 – 3,75
EUR	1 – 2,85	1,4 – 2,85

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2019

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

10. Equity

As of March 31, 2019, the Company’s total amount of nominal shares is 30,600,000,000 (December 31, 2018: 30,600,000,000) which has all been paid. The face value of the Company’s common stocks is TL 0,01 each and the total nominal amount is TL 306,000,000 (December 31, 2018: TL 306,000,000).

Movement of common stocks at opening balance and closing balance is as follows:

	January 1, 2019		Issued Capital		Amortised		March 31, 2019	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000
Total	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000

	January 1, 2018		Issued Capital		Amortised		March 31, 2018	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000
Total	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000

Movement of legal reserves is as follows:

Legal Reserves	2019	2018
Opening balance, January 1	112,230,612	95,403,929
Addition related to profit for the period	25,659,080	16,826,683
Closing balance, March 31	137,889,692	112,230,612

Actuarial gain / (loss)

In accordance with changes regarding “IAS 19 – Employee Benefits” effective as of January 1, 2013, actuarial loss amounting to TL 3,275,798 (net off deferred tax: TL 2,620,638) resulting from retirement pay liability calculation has been accounted to extraordinary reserves under equity.

Movement of actuarial loss arising from employee benefit is as follows:

Actuarial Loss	2019	2018
Opening balance, January 1	4,502,524	4,053,534
Change for the period	(1,226,726)	448,990
Closing balance, March 31	3,275,798	4,502,524

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2019

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

10. Equity (Continued)

Available for sale investments fund:

The unrealized gains and losses that result from the changes in the fair values of available for sale financial assets are directly recognized in the shareholders’ equity as “Available for sale investments fund”. Movement of available for sale investments fund is below:

Available for sale investments fund	2019	2018
Opening balance, January 1	(10,638,677)	(14,469)
Increase/decrease in value recognized under the shareholders’ equity in the current period	(9,303,304)	(10,624,208)
Closing balance, March 31	(19,941,981)	(10,638,677)

11. Insurance liabilities

Gross	March 31, 2019	December 31, 2018
Outstanding claims provision	2,611,229,716	2,367,199,721
Reserve for unearned premiums	1,957,905,384	1,769,723,313
Life actuarial mathematical reserves	1,311,901	1,326,272
Life profit share provision	145,767	147,364
Bonus and rebates provision	23,966	97,055
Total	4,570,616,734	4,138,493,725

Reinsurance Share	March 31, 2019	December 31, 2018
Reinsurers’ share of outstanding claims	1,504,534,811	1,325,805,075
Reinsurers’ share of unearned premiums	894,946,913	729,548,075
Total	2,399,481,724	2,055,353,150

Net	March 31, 2019	December 31, 2018
Net outstanding claims	1,106,694,905	1,041,394,646
Net unearned premiums	1,062,958,471	1,040,175,238
Life actuarial mathematical reserves	1,311,901	1,326,272
Life profit share provision	145,767	147,364
Bonus and rebates provision	23,966	97,055
Total	2,171,135,010	2,083,140,575

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2019

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

12. Payables to reinsurers, trade and other payables

	March 31, 2019	December 31, 2018
Payables to reinsurers	582,402,117	418,719,301
Payables to SSI regarding medical expenses	35,277,315	28,112,544
Payables due to main operations	617,679,432	446,831,845
Taxes payable	25,929,614	31,884,957
Payables to Turkish Catastrophe Insurance Pool	26,991,063	18,902,758
Payables to contracted institutions	43,040,253	54,098,804
Payables to suppliers	12,071,967	26,701,130
Other	22,979,521	5,331,823
Total other short term payables	131,012,418	136,919,472
Total financial liabilities trade and other payables, deferred income	748,691,850	583,751,317

13. Net insurance premium income

The distribution of premium income is as follows:

	January 1 – March 31, 2019			January 1 – March 31, 2018		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Written premium	1,058,222,422	(544,248,729)	513,973,693	932,143,175	(457,887,406)	474,255,770
Change in unearned premium reserve	(188,182,072)	165,398,838	(22,783,234)	(254,197,539)	177,288,382	(76,909,157)
Total premium revenue	870,040,350	(378,849,891)	491,190,459	677,945,636	(280,599,024)	397,346,612
Fire	230,304,566	(188,746,207)	41,558,359	162,696,824	(125,879,081)	36,817,743
Marine	26,657,602	(18,770,881)	7,886,721	23,298,668	(13,271,686)	10,026,982
Motor Own Damage	167,781,126	(9,084,861)	158,696,265	154,313,121	(9,627,936)	144,685,185
Motor Third Party Liability	290,474,055	(65,350,162)	225,123,893	292,176,363	(74,721,035)	217,455,328
Other	108,207,341	(83,467,557)	24,739,783	84,460,616	(64,425,412)	20,035,204
General Losses	107,744,461	(77,043,079)	30,701,382	108,738,153	(87,769,670)	20,968,483
Health	127,053,272	(101,785,982)	25,267,290	106,458,930	(82,192,585)	24,266,344
Life	-	-	-	500	-	500
Total	1,058,222,422	(544,248,729)	513,973,693	932,143,175	(457,887,406)	474,255,770

14. Taxes

As at March 31, 2019 and December 31, 2018 prepaid income taxes are netted off with the current income tax payable as stated below:

	March 31, 2019	December 31, 2018
Income taxes payable	17,806,658	66,694,754
Prepaid income taxes	-	(54,453,247)
Tax payable/(asset)	17,806,658	12,241,507

Deferred tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for International Accounting Standards (IAS) purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IAS.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2019

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

14. Taxes (Continued)

Tax rate is applied as 22% for the calculation of deferred tax asset and liabilities. The details of deferred tax are presented in the following statements:

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Impairment on financial assets	30,116,655	30,116,655	6,625,664	6,625,664
Claim handling	15,533,870	14,999,177	3,106,774	2,999,835
General expense provision	12,476,423	3,552,177	2,744,813	781,479
Employment termination benefit	5,260,905	6,503,684	1,052,181	1,300,737
Doubtful receivable provisions	8,220,809	3,874,391	1,808,578	852,366
Unused vacation provision	2,435,191	1,834,000	535,742	403,480
Unexpired risks reserve	19,225,027	20,653,059	4,229,506	4,543,673
Bonus provision	3,884,764	7,131,518	854,648	1,568,934
Claim reserves	(19,225,027)	(20,653,057)	(4,229,506)	(4,543,673)
Other	10,679,968	14,962,768	(11,002,826)	3,291,809
Total deferred income tax assets / liabilities	88,608,584	82,974,371	5,725,574	17,824,304
Discounting in outstanding claims	187,496,236	131,991,307	38,972,886	36,962,187
Useful life of tangible and intangible assets	(18,289,955)	(20,164,460)	(4,023,790)	(4,032,892)
Equalization reserve	(77,960,831)	(82,394,863)	(17,151,383)	(16,478,973)
Total deferred tax assets / liabilities	179,854,035	112,406,356	23,523,288	34,274,627

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, “Law on the Amendment of Some Tax Acts and Some Other Laws”, corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

	March 31, 2019	March 31, 2018
Profit/(Loss) before taxes	95,566,891	60,787,155
Tax rate	22%	22%
Taxes on income/expense per statutory tax rate	(21,024,716)	(13,373,174)
The effect of non-deductible expenses	(2,323,838)	(887,469)
Closing balance	(23,348,554)	(14,260,643)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT MARCH 31, 2019**

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

15. Expenses by nature

	January 1 - March 31, 2019	January 1 - March 31, 2018
Personnel expenses	(26,309,478)	(21,924,565)
Depreciation expenses	(7,260,961)	(4,972,727)
Information technology expenses	(3,584,406)	(3,606,803)
Rent expenses	(594,889)	(2,411,979)
Assistance expenses	(4,255,605)	(2,653,174)
Meeting and training expenses	(1,944,019)	(1,568,425)
Transportation expenses	(1,000,288)	(1,357,559)
Advertisement expenses	(1,141,770)	(1,790,991)
Social relief expenses	(1,310,370)	(1,037,544)
Repair and maintenance	(1,078,224)	(760,521)
Communication expenses	(473,282)	(439,041)
Outsourcing service expenses	(605,479)	(695,250)
Other	(2,755,817)	(1,159,240)
Total	(52,314,588)	(44,377,819)

16. Insurance claims and claims recovered from reinsurers

March 31, 2019

	Gross	Reinsurers' Share	Net
Paid Claims	407,718,510	(102,893,470)	304,825,040
Change in outstanding claims	244,029,996	(178,729,736)	65,300,260
Change in mathematical reserves	(15,968)	-	(15,968)
Bonus and rebates provision	(59,844,386)	59,771,295	(73,091)
Total	591,888,152	(221,851,911)	370,036,241

March 31, 2018

	Gross	Reinsurers' Share	Net
Paid Claims	328,071,654	(98,786,844)	229,284,810
Change in outstanding claims	102,013,270	(63,462,833)	38,550,437
Change in mathematical reserves	(97,463)	-	(97,463)
Bonus and rebates provision	(122,458)	118,659	(3,799)
Total	429,865,003	(162,131,018)	267,733,985

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2019

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

17. Related parties

The details of transactions between the Company and other related parties are disclosed below:

Due from /to related parties

	March 31, 2019	December 31, 2018
Shareholder’s subsidiaries	108,487,396	62,857,652
Shareholders	936,977	61,264
Total	109,424,374	62,918,916

Banks

	March 31, 2019	December 31, 2018
Shareholder’s subsidiaries	182,298,715	322,410,622
Total	182,298,715	322,410,622

Marketable securities

	March 31, 2019	December 31, 2018
Shareholder’s subsidiaries	64,848,496	48,709,250
Total	64,848,496	48,709,250

Investment funds

	March 31, 2019	December 31, 2018
Shareholder’s subsidiaries	128,560,508	168,805,699
Total	128,560,508	168,805,699

Written Premium

	March 31, 2019	March 31, 2018
Shareholder’s subsidiaries	41,003,040	43,827,857
Shareholders	562,337	843,514
Total	41,565,377	44,671,370

Claims Paid

	March 31, 2019	March 31, 2018
Shareholder’s subsidiaries	1,064,735	16,543,572
Total	1,064,735	16,543,572

Investment Income

	March 31, 2019	March 31, 2018
Shareholder’s subsidiaries	4,899,074	13,135,295
Total	4,899,074	13,135,295

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT MARCH 31, 2019**

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

18. Contingencies

As of June 24, 2014, Tax Inspection Board of T.C. Ministry of Finance has launched a limited tax investigation related to the Banking and Insurance Transaction Tax for the years 2009, 2010, 2011 and 2012 and as a consequence of the tax inspection, tax of TL 1,8 million and tax penalty of TL 2,8 million for the year 2009, tax of TL 2 million and tax penalty of TL 3 million for the year 2010, tax of TL 3 million and tax penalty of TL 4,6 million for the year 2011 and tax of TL 4,3 million and tax penalty of TL 6,4 million for the year 2012 and in total tax and tax penalty of TL 27,9 million related to Banking Insurance Transaction Tax were imposed to the Company. There is no accrued interest on this amount as of report date. The Company has not booked any provision in the financial statements since it believes that its practice is in compliance with the regulations. On January 16, 2015, the Company filed a reconciliation request for the year 2009 and on February 20, 2015 filed a reconciliation request for the years 2010, 2011 and 2012 to the Large Taxpayers Office Commission of Reconciliation. The reconciliation meeting took place on February 15, 2018, however parties could not reach a consensus. As a consequence, the Company sued Large Taxpayers Office on February 27, 2018. Tax courts decided in favor of the Company for the years 2009, 2010, 2011 and 2012.

19. Subsequent events

There are no significant events that occurred after the reporting period except for the matters stated in the footnotes.

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