

**(CONVENIENCE TRANSLATION OF RESTRICTED INDEPENDENT
AUDITOR'S REPORT AND FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH)**

AKSIGORTA A.Ş.

**INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD JANUARY 1 - JUNE 30, 2019
WITH THE RESTRICTED
INDEPENDENT AUDITOR'S REPORT**



**CONVENIENCE TRANSLATION OF
THE REVIEW REPORT FOR THE INTERIM PERIOD
OF AKSIGORTA A.Ş.
(ORIGINALLY ISSUED IN TURKISH)**

To the General Assembly of Aksigorta A.Ş.,

Introduction

1. We have reviewed the accompanying balance sheet of Aksigorta A.Ş. (the “Company”) as of 30 June 2019 and the related statement of income, changes in shareholders’ equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Company’s Management is responsible for the preparation and fair presentation of the interim financial statements in accordance with accounting and financial reporting regulations enforced by the insurance legislation of Turkey and Turkish Accounting Standard 34, “Interim Financial Reporting” for the matters not regulated by such insurance legislation, the so-called “Regulation on Insurance Accounting and Financial Reporting Principles” (“the insurance legislation”). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of the Review

2. We conducted our review in accordance with the Standard on Review Engagements 2410 “Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and the principles on the review of interim financial statements as set out in the insurance legislation. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the regulation regarding audit policies in force due to the insurance legislation and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.



Conclusion

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true view of the financial position of Aksigorta A.Ş. at 30 June 2019, and of the results of its operations and its cash flows for the six-month period then ended in all aspects in accordance with the accounting principles and standards as set out in the insurance legislation.

Additional Paragraph for Convenience Translation into English

4. As discussed in Note 2.27 to the accompanying financial statements, the effects of differences between the accounting principles as set out by the related insurance laws and accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying interim financial statements. Accordingly, the accompanying interim financial statements are not intended to present the financial position and results of operations and changes in financial position and cash flows in accordance with accounting principles generally accepted in such countries and IFRS.

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

A handwritten signature in blue ink, appearing to read 'Adnan Akan', with a long, sweeping horizontal stroke at the end.

Adnan Akan, SMMM
Partner

Istanbul, 31 July 2019

**THE MANAGEMENT'S REPRESENTATION ON THE FINANCIAL STATEMENTS
PREPARED AS OF 30 JUNE 2019**

The accompanying financial statements and the related disclosures and notes as of 30 June 2019 (the 'financial report') are prepared in accordance with the requirements set out by Republic of Turkey of the Treasury and Finance Ministry Undersecretariat Treasury and accordance with the accounting principles and standarts in force in insurance legislation and are in compliance with our Company's accounting records.

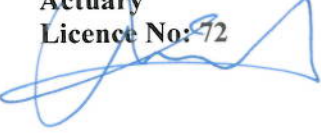
İstanbul, 31 July 2019



Osman AKKOCA
Chief Financial Officer



Uğur GÜLEN
Chief Executive Officer



Halil KOLBAŞI
Actuary
Licence No: 72



Seza TANINMIŞ ÖZGÜR
Accounting Manager

AKSIGORTA A.Ş.

**THE FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 30 JUNE 2019**

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AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF 30 JUNE 2019 AND 31 DECEMBER 2018

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

ASSETS			
I- CURRENT ASSETS	Note	Reviewed	Audited
		Current Period (30/06/2019)	Previous Period (31/12/2018)
A- Cash and Cash Equivalents	14	1.938.125.078	1.969.568.662
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	1.376.873.074	1.485.633.722
4- Cheques Given and Payment Orders (-)		-	-
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	14	561.252.004	483.934.940
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Investments with Risks on Policy Holders	11.1	1.046.806.909	559.873.665
1- Financial Assets Available for Sale	11.1	578.632.581	379.629.308
2- Financial Assets Held to Maturity	11.1	26.481.451	9.752.674
3- Financial Assets Held for Trading	11.1	439.950.589	168.805.442
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders	11.1	1.742.288	1.686.241
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)		-	-
C- Receivables From Main Operations	12.1	761.769.000	600.837.632
1- Receivables From Insurance Operations	12.1	767.885.570	603.065.523
2- Provision for Receivables From Insurance Operations (-)	12.1	(22.876.687)	(11.935.533)
3- Receivables From Reinsurance Operations		-	-
4- Provision for Receivables From Reinsurance Operations (-)	12.1	(1.596.150)	-
5- Cash Deposited For Insurance & Reinsurance Companies	12.1	30.954	30.954
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Pension Operation		-	-
9- Doubtful Receivables From Main Operations	12.1	130.322.340	116.410.789
10- Provisions for Doubtful Receivables From Main Operations (-)	12.1	(111.997.027)	(106.734.101)
D- Due from Related Parties		155.006	126.885
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		155.006	126.885
7- Rediscount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
E- Other Receivables		12.250.007	20.668.330
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		710.404	518.123
4- Other Receivables	47	11.539.603	20.150.207
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
F- Prepaid Expenses and Income Accruals	4.2.2	270.226.555	261.130.832
1- Deferred Commission Expenses	17	250.506.263	222.173.395
2- Accrued Interest and Rent Income		-	-
3- Income Accruals	2.11	16.334.764	33.895.401
4- Other Prepaid Expenses	47	3.385.528	5.062.036
G- Other Current Assets	4.2.2	3.223.768	5.635.630
1- 1- Inventories		22	22
2- 2- Prepaid Taxes and Funds		3.177.955	5.416.876
3- 3- Deferred Tax Assets		-	-
4- 4- Business Advances		-	-
5- 5- Advances Given to Personnel		45.791	218.732
6- 6- Stock Count Differences		-	-
7- 7- Other Current Assets		-	-
8- 8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		4.032.556.323	3.417.841.636

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

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF
30 JUNE 2019 AND 31 DECEMBER 2018**

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

ASSETS			
II- NON CURRENT ASSET	Note	Reviewed Current Period (30/06/2019)	Audited Previous Period (31/12/2018)
A- Receivables From Main Operations		-	-
1- Receivables From Insurance Operations		-	-
2- Provision for Receivables From Insurance Operations (-)		-	-
3- Receivables From Reinsurance Operations		-	-
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited for Insurance & Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables From Pension Operations		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations		-	-
B- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
C- Other Receivables		-	-
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
D- Financial Assets		-	-
1- Investments In Associates		-	-
2- Affiliates	9, 11.4	-	30.116.653
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries		-	-
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)	11.4	-	(30.116.653)
E- Tangible Fixed Assets	6 and 7	53.656.554	24.329.768
1- Investment Properties	7	-	-
2- Diminution in Value for Investment Properties (-)		-	-
3- Owner Occupied Properties	6	1.598.569	1.598.569
4- Machinery and Equipments		-	-
5- Furnitures and Fixtures	6	25.222.706	23.390.144
6- Vehicles	6	2.720.001	2.720.001
7- Other Tangible Assets (Including Leasehold Improvements)	6	21.099.827	21.052.437
8- Leased Tangible Fixed Assets	6	34.149.357	351.395
9- Accumulated Depreciation (-)	6 and 7	(31.133.906)	(24.782.778)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		-	-
F- Intangible Fixed Assets	8	58.019.678	55.639.894
1- Rights	8	121.203.006	111.808.560
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortizations (-)	8	(66.600.051)	(58.117.829)
7- Advances Regarding Intangible Assets	8	3.416.723	1.949.163
G- Prepaid Expenses and Income Accruals		149.980	149.980
1- Deferred Commission Expenses		-	-
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses	47	149.980	149.980
H- Other Non-current Assets		11.897.881	16.972.963
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	35	11.897.881	16.972.963
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
II- Total Non-current Assets		123.724.093	97.092.605
TOTAL ASSETS (I+II)		4.156.280.416	3.514.934.241

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF
30 JUNE 2019 AND 31 DECEMBER 2018**

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

LIABILITIES			
III- SHORT TERM LIABILITIES	Note	Reviewed Current Period (30/06/2019)	Audited Previous Period (31/12/2018)
A- Borrowings		244.949.495	58.448.710
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables	20	13.749.179	-
3- Deferred Finance Lease Borrowing Costs (-)	20	(7.897.157)	-
4- Current Portion of Long Term Borrowings		-	-
5- Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6- Other Financial Assets Issued		-	-
7- Value Differences on Issued Financial Assets (-)		-	-
8- Other Financial Borrowings (Liabilities)	14	239.097.473	58.448.710
B- Payables From Main Operations		580.255.549	418.719.301
1- Payables Due to Insurance Operations	19.1	580.255.549	418.719.301
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		204.322	254.558
1- Due to Shareholders		1.143	1.143
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		203.179	253.415
6- Due to Other Related Parties		-	-
D- Other Payables	19.1	116.950.743	132.714.389
1- Deposits and Guarantees Received		609.759	-
2- Due to SSI regarding Treatment Expenses	19.1	42.675.507	28.112.544
3- Other Payables	19.1	73.665.477	104.601.845
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves		2.148.736.046	1.910.327.687
1- Unearned Premiums Reserve - Net	20	1.151.680.168	1.040.175.238
2- Unexpired Risk Reserves - Net	20	18.439.220	20.653.057
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net	4.1 and 20	978.598.433	849.402.337
5- Provision for Bonus and Discounts – Net	20	18.225	97.055
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Relevant Provisions		71.837.805	44.131.441
1- Taxes and Dues Payable		27.991.878	31.716.632
2- Social Security Premiums Payable	23.1	206.647	168.325
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		4.977	4.977
5- Corporate Tax Liability Provision on Period Profit	35	59.773.560	66.694.754
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	35	(16.139.257)	(54.453.247)
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks	23.4	65.498.498	40.333.473
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs	19.1 and 23.4	65.498.498	40.333.473
H- Deferred Income and Expense Accruals	19.1	117.306.867	101.719.094
1- Deferred Commission Income	17, 19.1	116.995.065	101.508.921
2- Expense Accruals		-	-
3- Other Deferred Income	19.1	311.802	210.173
I- Other Short Term Liabilities		235	235
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities		235	235
III - Total Short Term Liabilities		3.345.739.560	2.706.648.888

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF
30 JUNE 2019 AND 31 DECEMBER 2018**

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

LIABILITIES			
IV- LONG TERM LIABILITIES	Note	Reviewed Current Period (30/06/2019)	Audited Previous Period (31/12/2018)
A- Borrowings		26.275.135	-
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables	20	41.551.252	-
3- Deferred Finance Lease Borrowing Costs (-)	20	(15.276.117)	-
4- Bonds Issued		-	-
5- Other Issued Financial Assets		-	-
6- Value Differences on Issued Financial Assets (-)		-	-
7- Other Financial Borrowings (Liabilities)		-	-
B- Payables From Main Operations		-	-
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Discount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		-	-
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses		-	-
3- Other Payables		-	-
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves		90.942.884	83.822.206
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net	17.2 and 20	1.452.569	1.473.636
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts – Net		-	-
6- Other Technical Reserves – Net	20	89.490.315	82.348.570
F- Other Liabilities and Provisions		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks		7.179.124	6.503.684
1- Provision for Employment Termination Benefits	22	7.179.124	6.503.684
2- Provisions for Employee Pension Fund Deficits		-	-
H- Deferred Income and Expense Accruals		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
I- Other Long Term Liabilities		-	-
1- Deferred Tax Liability		-	-
2- Other Long Term Liabilities		-	-
IV- Total Long Term Liabilities		124.397.143	90.325.890

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

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF
30 JUNE 2019 AND 31 DECEMBER 2018**

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

SHAREHOLDERS' EQUITY			
V- SHAREHOLDERS' EQUITY	Note	Reviewed	Audited
		Current Period (30/06/2019)	Previous Period (31/12/2018)
A- Paid in Capital		306.000.000	306.000.000
1- 1-(Nominal) Capita	15	306.000.000	306.000.000
2- 2-Unpaid Capital (-)		-	-
3- 3-Positive Inflation Adjustment on Capital		-	-
4- 4-Negative Inflation Adjustment on Capital (-)		-	-
5- 5-Unregistered Capital		-	-
B- Capital Reserves		90.989.327	95.377.201
1- 1-Equity Share Premiums		-	-
2- 2-Cancellation Profits of Equity Shares		-	-
3- 3-Profit on Sale to be Transferred to Capital	15	90.989.327	95.377.201
4- 4-Translation Reserves		-	-
5- 5-Other Capital Reserves		-	-
C- Profit Reserves		34.575.973	2.612.715
1- 1-Legal Reserves	15	45.882.288	15.835.334
2- 2-Statutory Reserves		62	62
3- 3-Extraordinary Reserves		1.018.015	1.018.015
4- 4-Special Funds (Reserves)	15 and 22	(4.313.882)	(3.602.019)
5- 5-Revaluation of Financial Assets	16.1	(8.010.510)	(10.638.677)
6- 6-Other Profit Reserves		-	-
D- Previous Years' Profits		86.350.467	86.350.467
1- Previous Years' Profits		86.350.467	86.350.467
E- Previous Years' Losses (-)		-	-
1- Previous Years' Losses		-	-
F- Net Profit of the Period	37	168.227.946	227.619.080
1- 1-Net Profit of the Period	37	168.227.946	227.619.080
2- 2-Net Loss of the Period (-)		-	-
3- 3-Net Income not subject to distribution		-	-
V- Total Shareholders' Equity		686.143.713	717.959.463
Total Liabilities and Shareholders' Equity (III+IV+V)		4.156.280.416	3.514.934.241

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

**CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME
FOR THE PERIODS 1 JANUARY - 30 JUNE 2019 AND 2018**

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

	Noted	Reviewed		Not Reviewed	
		Current Period 01/01/2019-30/06/2019	Current Period 01/01/2018-30/06/2018	Previous Period 01/01/2018-30/06/2018	Previous Period 01/04/2018-30/06/2018
I-TECHNICAL PART					
A- Non-Life Technical Income		1.290.142.943	656.741.150	988.563.251	523.941.938
1- Earned Premiums (Net of Reinsurer Share)		1.037.918.371	534.889.389	859.666.601	453.310.190
1.1 - Written Premiums (Net of Reinsurer Share)	24	1.147.209.464	622.825.276	921.383.573	437.096.132
1.1.1 - Gross Written Premiums (+)	24	2.142.765.112	1.084.542.690	1.676.081.903	743.939.228
1.1.2 - Ceded Premiums to Reinsurers (-)	17.16 and 24	(937.178.881)	(427.681.090)	(708.445.085)	(286.266.660)
1.1.3 - Ceded Premiums to SSI (-)	17.16 and 24	(58.376.767)	(34.036.324)	(46.253.245)	(20.576.436)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	20	(111.504.930)	(88.721.696)	(61.982.927)	14.926.231
1.2.1 - Unearned Premiums Reserve (-)	20	(331.525.094)	(143.343.022)	(226.633.499)	27.564.040
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)	17.16 and 20	212.243.884	46.709.497	153.321.169	(13.640.431)
1.2.3 - SSI of Unearned Premiums Reserve (+)	17.16 and 20	7.776.280	7.911.829	11.329.403	1.002.622
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	20	2.213.837	785.809	265.955	1.287.827
1.3.1 - Unexpired Risks Reserve (-)	20	(62.696.119)	(46.526.973)	(9.729.138)	(16.351.671)
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+)	17.16 and 20	64.909.956	47.312.782	9.995.093	17.639.498
2-Investment Income Transferred from Non-Technical Part		241.318.084	113.903.783	117.243.356	61.220.290
3-Other Technical Income (Net of Reinsurer Share)		2.391.520	1.190.639	1.959.553	977.059
3.1 - Gross Other Technical Income (+)		2.391.520	1.190.639	1.959.553	977.059
3.2 - Reinsurance Share of Other Technical Income (-)		-	-	-	-
4- Accrued Subrogation and Salvage Income (+)		8.514.968	6.757.339	9.693.741	7.934.399
B- Non-Life Technical Expense (-)		(1.009.017.227)	(507.436.765)	(831.543.709)	(448.973.569)
1-Total Claims (Net of Reinsurer Share)		(720.092.024)	(357.883.327)	(583.240.444)	(323.691.168)
1.1- Claims Paid (Net of Reinsurer Share)		(590.899.588)	(284.361.864)	(480.022.673)	(249.111.953)
1.1.1- Gross Claims Paid (-)		(850.711.399)	(439.859.216)	(667.172.820)	(335.561.454)
1.1.2- Reinsurance Share of Claims Paid (+)	17.16	259.811.811	155.497.352	187.150.147	86.449.501
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(129.192.436)	(73.521.463)	(103.217.771)	(74.579.215)
1.2.1 - Outstanding Claims Reserve (-)		(335.701.461)	(122.680.707)	(293.521.967)	(204.650.564)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	17.16	206.509.025	49.159.244	190.304.196	130.071.349
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	20	78.830	5.740	(96.453)	(100.251)
2.1 - Bonus and Discount Reserve (-)	20	60.451.149	606.764	(53.155.570)	(53.278.025)
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)	17.16 and 20	(60.372.319)	(601.024)	53.059.117	53.177.774
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	20	(7.141.745)	(3.826.235)	(5.518.986)	(2.686.519)
4- Operating Expenses (-)	32	(242.858.556)	(123.453.685)	(216.281.062)	(108.774.213)
5- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-	-	-
5.1- Mathematical Reserves (-)		-	-	-	-
5.2- Reinsurance Share of Mathematical Reserves (+)		-	-	-	-
6- Other Technical Expenses (-)	47	(39.003.732)	(22.279.258)	(26.406.764)	(13.721.418)
6.1- Gross Other Technical Expenses (-)	47	(39.003.732)	(22.279.258)	(26.406.764)	(13.721.418)
6.2- Reinsurance Share of Other Technical Expenses (+)		-	-	-	-
C- Non Life Technical Net Profit (A-B)		281.125.716	149.304.385	157.019.542	74.968.369
D- Life Technical Income		65.596	32.752	68.636	33.390
1- Earned Premiums (Net of Reinsurer Share)		-	-	500	-
1.1 - Written Premiums (Net of Reinsurer Share)		-	-	500	-
1.1.1 - Gross Written Premiums (+)		-	-	500	-
1.1.2 - Ceded Premiums to Reinsurers (-)		-	-	-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		-	-	-	-
1.2.1 - Unearned Premium Reserves (-)		-	-	-	-
1.2.2 - Unearned Premium Reserves Reinsurer Share (+)		-	-	-	-
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-	-	-
1.3.1 - Unexpired Risks Reserves (-)		-	-	-	-
1.3.2 - Unexpired Risks Reserves Reinsurer Share (+)		-	-	-	-
2- Life Branch Investment Income		65.596	32.752	68.136	33.390
3- Unrealized Income from Investments		-	-	-	-
4-Other Technical Income (Net of Reinsurer Share) (+/-)		-	-	-	-
4.1- Gross Other Technical Income (+/-)		-	-	-	-
4.2- Reinsurance Share of Other Technical Income (+/-)		-	-	-	-
5- Accrued Subrogation and Salvage Income (+)		-	-	-	-
E- Life Technical Expense		(72.327)	(39.690)	(75.898)	(47.070)
1-Total Claims (Net of Reinsurer Share)		(93.394)	(44.789)	(203.583)	(77.290)
1.1- Claims Paid (Net of Reinsurer Share)		(89.734)	(44.789)	(273.316)	(148.025)
1.1.1- Gross Claims Paid (-)		(89.734)	(44.789)	(273.316)	(148.025)
1.1.2- Claims Paid Reinsurer Share (+)		-	-	-	-
1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(3.660)	-	69.733	70.735
1.2.1 - Outstanding Claims Reserve (-)		(3.660)	-	69.733	70.735
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)		-	-	-	-
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-	-	-
2.1 - Bonus and Discount Reserve (-)		-	-	-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)		-	-	-	-
3-Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		21.067	5.099	127.685	30.220
3.1- Mathematical Reserves (-)		21.067	5.099	127.685	30.220
3.1.1- Actuarial Mathematical Reserve (-)		18.960	4.589	114.916	27.198
3.1.2- Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		2.107	510	12.769	3.022
3.2- Reinsurer Share of Mathematical Reserves (+)		-	-	-	-
3.2.1- Reinsurance Share of Actuarial Mathematical Reserve (+)		-	-	-	-
3.2.2- Reinsurance Share of Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-	-	-
4- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-	-	-
5- Operating Expenses (-)		-	-	-	-
6- Investment Expenses (-)		-	-	-	-
7- Unrealized Losses from Investments (-)		-	-	-	-
8- Investment Income Transferred to Non- Technical Part (-)		-	-	-	-
F- Life Technical Profit (D-E)		(6.731)	(6.938)	(7.262)	(13.680)
G- Individual Retirement Technical Income					
1- Fund Management Fee		-	-	-	-
2- Management Fee Deduction		-	-	-	-
3- Initial Contribution Fee		-	-	-	-
4- Management Fee In Case Of Temporary Suspension		-	-	-	-
5- Withholding tax		-	-	-	-
6- Increase in Market Value of Capital Commitment Advances		-	-	-	-
7-Other Technical Income		-	-	-	-
H- Individual Retirement Technical Expense					
1- Fund Management Expenses (-)		-	-	-	-
2- Decrease in Market Value of Capital Commitment Advances (-)		-	-	-	-
3- Operating Expenses (-)		-	-	-	-
4- Other Technical Expense (-)		-	-	-	-
I- Individual Retirement Technical Profit (G-H)					

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME FOR THE PERIODS 1 JANUARY - 30 JUNE 2019 AND 2018

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

II-NON TECHNICAL PART	Note	Reviewed	Not Reviewed	Reviewed	Not Reviewed
		Current Period 01/01/2019- 30/06/2019	Current Period 01/04/2019- 30/06/2019	Previous Period 01/01/2018- 30/06/2018	Previous Period 01/04/2018- 30/06/2018
C- Non Life Technical Profit (A-B)		281.125.716	149.304.385	157.019.542	74.968.369
F- Life Technical Profit (D-E)		(6.731)	(6.938)	(7.262)	(13.680)
I- Individual Retirement Technical Profit (G-H)		-	-	-	-
J- Total Technical Profit (C+F+I)		281.118.985	149.297.447	157.012.280	74.954.689
K- Investment Income		326.829.074	165.547.556	202.649.311	126.024.260
1- Income From Financial Investment	26	62.857.758	31.468.040	69.241.773	30.788.250
2- Income from Sales of Financial Investments	26	28.410.417	14.587.433	32.416.835	20.624.573
3- Revaluation of Financial Investments	26	22.142.325	5.242.424	(16.613.735)	(16.497.220)
4- Foreign Exchange Gains	36	152.881.601	101.679.994	76.968.662	51.344.806
5- Income from Affiliates		-	-	-	-
6- Income from Subsidiaries and Joint Ventures		-	-	-	-
7- Income Received from Land and Building		-	-	-	-
8- Income from Derivatives	13	60.536.973	12.569.665	40.635.776	39.763.851
9- Other Investments		-	-	-	-
10- Investment Income transferred from Life Technical Part		-	-	-	-
L- Investment Expenses (-)		(346.648.512)	(176.529.506)	(212.831.476)	(131.233.698)
1- Investment Management Expenses (including interest) (-)		(4.163.244)	(2.563.617)	-	-
2- Valuation Allowance of Investments (-)	26	(1.141.243)	-	-	-
3- Losses On Sales of Investments (-)	26	(5.565.323)	(2.328.106)	(29.330)	(10.705)
4- Investment Income Transferred to Life Technical Part (-)		(241.318.084)	(113.903.783)	(117.243.356)	(61.720.290)
5- Losses from Derivatives (-)		-	-	-	-
6- Foreign Exchange Losses (-)	36	(78.804.360)	(49.315.603)	(85.406.982)	(64.323.622)
7- Depreciation Expenses (-)	6 and 8	(15.656.258)	(8.418.397)	(10.151.808)	(5.179.081)
8- Other Investment Expenses (-)		-	-	-	-
M- Other Income and Expenses (+/-)	47	(33.298.041)	(6.374.738)	(21.985.254)	(12.128.295)
1- Provisions Account (+/-)	47	(2.789.368)	15.951.573	(19.839.649)	(10.169.868)
2- Discount account (+/-)		-	-	-	-
3- Mandatory Earthquake Insurance Account (+/-)	47	1.271.491	279.781	1.039.827	164.555
4- Inflation Adjustment Account (+/-)		-	-	-	-
5- Deferred Tax Asset Accounts(+/-)	35 and 47	2.693.919	9.938.207	314.144	(61.925)
6- Deferred Tax Expense Accounts (-)		-	-	-	-
7- Other Income and Revenues	47	886.951	316.040	635.323	68.282
8- Other Expense and Losses (-)	47	(35.361.034)	(32.860.339)	(4.134.899)	(2.129.339)
9- Prior Period Income		-	-	-	-
10- Prior Period Losses (-)		-	-	-	-
N- Net Profit / (Loss)	37	168.227.946	89.973.857	96.049.122	44.792.159
1- Profit/(Loss) Before Tax		228.001.506	131.940.759	124.844.861	57.616.956
2- Corporate Tax Liability Provision (-)	35	(59.773.560)	(41.966.902)	(28.795.739)	(12.824.797)
3- Net Profit (Loss)		168.227.946	89.973.857	96.049.122	44.792.159
4- Inflation Adjustment Account		-	-	-	-

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS 1 JANUARY - 30 JUNE 2019 AND 2018**

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

Statement of Changes in Shareholders' Equity - 1 January - 30 June 2019 (*)

CURRENT PERIOD	Capital	Equity Shares Owned by the Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
I - Closing Balance of Prior Period (31/12/2018)	306.000.000	-	(10.638.677)	-	-	15.835.334	62	92.793.197	227.619.080	86.350.467	717.959.463
II - Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-
III - New Balance (I + II) (01/01/2019)	306.000.000	-	(10.638.677)	-	-	15.835.334	62	92.793.197	227.619.080	86.350.467	717.959.463
A- Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
Cash	-	-	-	-	-	-	-	-	-	-	-
Internal sources	-	-	-	-	-	-	-	-	-	-	-
B- Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity	-	-	-	-	-	-	-	-	-	-	-
D- Revaluation of financial assets (Note 16.1)	-	-	2.628.167	-	-	-	-	-	-	-	2.628.167
E- Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)	-	-	-	-	-	-	-	(711.863)	-	-	(711.863)
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Period net profit (Note 37)	-	-	-	-	-	-	-	-	168.227.946	-	168.227.946
I- Dividend distributed	-	-	-	-	-	-	-	-	(197.572.126)	(4.387.874)	(201.960.000)
J- Transfer	-	-	-	-	-	30.046.954	-	(4.387.874)	(30.046.954)	4.387.874	-
II- Closing Balance (31/12/2018) (I+ A+B+C+D+E+F+G+H+I+J)	306.000.000	-	(8.010.510)	-	-	45.882.288	62	87.693.460	168.227.946	86.350.467	686.143.713

(*) Details of equity accounts are explained in Note 15.

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS 1 JANUARY - 30 JUNE 2019 AND 2018**

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

Statement of Changes in Shareholders' Equity - 1 January - 30 June 2018 (*)

PREVIOUS PERIOD	Capital	Equity Shares Owned by the Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves (**)	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
I - Closing Balance of Prior Period (31/12/2017)	306.000.000	-	(14.470)	-	-	-	62	109.779.823	126.986.683	86.350.467	629.102.565
II - Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-
III - New Balance (I + II) (01/01/2018)	306.000.000	-	(14.470)	-	-	-	62	109.779.823	126.986.683	86.350.467	629.102.565
A- Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
Cash	-	-	-	-	-	-	-	-	-	-	-
Internal sources	-	-	-	-	-	-	-	-	-	-	-
B- Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity	-	-	-	-	-	-	-	-	-	-	-
D- Revaluation of financial assets (Note 16.1)	-	-	(6.337.524)	-	-	-	-	-	-	-	(6.337.524)
E- Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)	-	-	-	-	-	-	-	7.327.820	-	-	7.327.820
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Period net profit (Note 37)	-	-	-	-	-	-	-	-	96.049.122	-	96.049.122
I- Dividend distributed	-	-	-	-	-	-	-	-	(110.160.000)	-	(110.160.000)
J- Transfer	-	-	-	-	-	15.835.334	-	991.349	(16.826.683)	-	-
II- Closing Balance (31/12/2017) (I+ A+B+C+D+E+F+G+H+I+J)	306.000.000	-	(6.351.994)	-	-	15.835.334	62	118.098.992	96.049.122	86.350.467	615.981.983

(*) Details of equity accounts are explained in Note 15.

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENT OF CASH FLOWS
FOR THE PERIODS 1 JANUARY - 30 JUNE 2019 AND 2018**

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

CASH FLOW STATEMENT	Note	Reviewed	Reviewed
		Current Period 30/06/2019	Previous Period 30/06/2018
A. CASH FLOWS FROM THE OPERATING ACTIVITIES			
1. Cash inflows from the insurance operations		2.676.381.968	2.149.078.539
2. Cash inflows from the reinsurance operations		-	-
3. Cash inflows from the pension operations		-	-
4. Cash outflows due to the insurance operations (-)		(2.513.810.980)	(1.802.115.361)
5. Cash outflows due to the reinsurance operations (-)		-	-
6. Cash outflows due to the pension operations (-)		-	-
7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)		162.570.988	346.963.178
8. Interest payments (-)		-	-
9. Income tax payments (-)		(31.558.719)	(26.860.137)
10. Other cash inflows		-	-
11. Other cash outflows (-)		(89.723.761)	(81.368.134)
12. Net cash generated from the operating activities		41.288.508	238.734.907
B. CASH FLOWS FROM THE INVESTING ACTIVITIES			
1. Sale of tangible assets		-	465.643
2. Purchase of tangible assets (-)	6 ve 8	(13.722.362)	(8.243.868)
3. Acquisition of financial assets (-)		(510.179.952)	(86.787.523)
4. Sale of financial assets		485.090.172	130.744.068
5. Interest received		140.955.368	69.241.773
6. Dividends received		-	-
7. Other cash inflows		836.715	18.426.907
8. Other cash outflows (-)		-	-
9. Net cash generated from the investing activities		102.979.941	123.847.000
C. CASH FLOWS FROM THE FINANCING ACTIVITIES			
1. Issue of equity shares		-	-
2. Cash inflows from the loans to policyholders		-	-
3. Payments of financial leases (-)		(3.041.048)	-
4. Dividend paid (-)	38	(201.960.000)	(110.160.000)
5. Other cash inflows		-	-
6. Other cash outflows (-)		(4.163.244)	-
7. Cash generated from the financing activities		(209.164.292)	(110.160.000)
D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS		26.721.600	(14.963.567)
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)		(38.174.243)	237.458.340
F. Cash and cash equivalents at the beginning of the period	14	1.763.461.138	1.200.503.027
G. Cash and cash equivalents at the end of the period (E+F)	14	1.725.286.895	1.437.961.367

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2019

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

1. General Information

1.1 Name of the Parent Company and the ultimate owner

Aksigorta Anonim Şirketi (“the Company”) is a subsidiary of Hacı Ömer Sabancı Holding A.Ş. and Ageas Insurance International N.V. as of June 30, 2019 %38,02 (December 31 2018: %38,02) of the Company is issued in Borsa İstanbul (“BİST”) (Note 2.13).

Agreement about the sale of 50% of 189,658,802 units of Aksigorta A.Ş. shares with TL 189,658,802 nominal value that belongs to H.Ö. Sabancı Holding (“Holding”) portfolio was signed with Ageas Insurance International N.V. at February 18, 2011. At the date of July 29, 2011, 18,965,880,200 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.

1.2 The Company’s address and legal structure and address of its registered country and registered office (or, if the Company’s address is different from its registered office, the original location where the Company’s actual operations are performed)

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

1.3 Main operations of the Company

The Company’s main operations include insurance activities based on non-life insurance branches, including primarily motor vehicle, motor third party liability, fire, marine, accident, personal accident, engineering, agriculture and health. The headquarters of the Company is in İstanbul. The Company has 10 district offices of which three of them are in İstanbul (İstanbul Anatolian Region, İstanbul European Region and İstanbul Thracian Region), and one in each White Sea and South Aegean Region, Ankara Region, Çukurova and Central Anatolia Region, Eastern Anatolia and Eastern Black Sea Region, Southeast Region, İzmir and North Aegean Region, Marmara and West Black sea Region. As of June 30, 2019 , the Company has 2.852 authorized agencies (December 31 2018: 2.403)

1.4 Details of the Company’s operations and nature of field of activities

Explained in Note 1.2 and Note 1.3.

1.5 Average number of the Company’s personnel based on their categories

	January 1- June 30 2019	January 1- December 31 2018
Top executive	9	8
Manager assistant manager	128	104
Specialist/Executives	517	627
Total	654	739

1.6 Remuneration and fringe benefits provided to top management

For the year ended June 30, 2019, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers amounted to TRY: January 1- June 30, 2019: 3.709.315 TRY, 1 Nisan - June 30, 2019: 1.854.658 TRY (January 1 - June 30, 2018: 2.923.970 TRY, April 1 - June 30, 2018: 1.424.869 TRY)

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 30 JUNE 2019**

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

1. General Information (Continued)

1.7 Distribution keys used in the distribution of investment income and operating expenses in the financial statements (personnel expenses, administration expenses, research and development expenses, marketing and selling expenses and other operating expenses)

Within the framework of the Republic of Turkey of the Treasury and Finance Ministry ("Treasury and Finance Ministry") "Circular relating to Procedures and Principles for Keys used in Financial Statements prepared in the scope of Uniform Chart of Accounts for Insurance No. 2008/1 is dated January 4, 2008" is changed to "Circular relating to Procedures and Principles for Keys used in Financial Statements prepared in the scope of Uniform Chart of Accounts for Insurance in relation amending No. 2010/9 is dated August 9, 2010

Other investment revenues were classified under the non-technical division. While distributing to sub-branches the operating expenses transferred to technical division, the last three-year weighted average of number of policies generated in the current period, the premium amount written as gross and number of claims were taken into account.

1.8 Stand-alone or consolidated financial statements

The accompanying financial statements comprise the stand-alone financial statements for Aksigorta A.Ş. as of June 30, 2019.

1.9 Name and other information of the reporting company and subsequent changes to the prior balance sheet date

There has been no change in The Company's name and other company information presented in Note 1.1, Note 1.2 and Note 1.3 as of the prior balance sheet date.

1.10 Subsequent Events

The financial statements as of 30 June 2019 have been approved by the Company's Board of Directors on 31 July 2019. The financial statements, according to Decree on "Financial Reporting of Insurance and Reinsurance Companies and Pensions Funds", were signed by the Chief Executive Officer Uğur Gülen, Chief Financial Officer Osman Akkoca, Accounting Manager Seza Tanınmış Özgür and Actuary Halil Kolbaşı on behalf of the Board of Directors. Detailed information about this subsequent events is disclosed in Note 46.

2. Summary of the Accounting Policies

2.1 Basis of Preparation

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

Accounting Standards

In accordance with Article 50(a) of Section VII of the Capital Markets Law, insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting. Therefore, the Company's financial statements are prepared in accordance with the prevailing accounting principles and standards for Insurance and Reinsurance Companies and Pension Funds set out by the by Treasury and Finance Ministry and applicable regulations required by the Insurance Law No: 5684 published in the Official Gazette No: 26522 on June 14, 2007.

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

2. Summary of the Accounting Policies (Continued)

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

The financial statements are prepared in accordance with the Insurance Chart of Accounts included in the communiqué issued by the Treasury 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) and announcement of new account codes in the Insurance Account Plan dated December 27, 2011 and numbered 2011/14. Content and the format of the financial statements prepared and explanations and notes thereof are determined in accordance with the Communiqué on Presentation of Financial Statements published in the Official Gazette numbered 26851 dated June 18, 2008 and the Communiqué on the New Accounting Codes and Presentation of Financial Statements published in the Official Gazette dated May 31, 2012 and numbered 2012/7.

Financial statements has been prepared in TRY, based on cost basis, subject to inflation adjustment until 31 December 2004 except for financial assets designated at fair value.

As of January 1, 2008, the Company accounts for its operations in accordance with the “Regulation on Financial Reporting of Insurance and Reinsurance Companies and Pension Companies” issued on July 14, 2007 and effective from January 1, 2008 within the framework of this regulation a, Turkish Accounting Standards (“TAS”) and Turkish Financial Reporting Standards and TAS 34 Interim Financial Reporting Standarts (“TFRS”) and issued by Turkish Accounting Standards Board (“TASB”) other regulations, communiqués and explanations issued by Treasury on accounting and financial reporting.

With reference to the notice of Treasury No. 9 dated February 18, 2008, “TAS 1- Financial Statements and Presentation”, “TAS 27- Consolidated and Non-consolidated Financial Statements”, “TFRS 1 - Transition to TFRS” and “TFRS 4- Insurance Contracts” were not included in the scope of this application for the year 2008. In addition, as of March 31, 2009, the companies are obliged to apply the Communiqué on the Preparation of the Consolidated Financial Statement of Insurance and Reinsurance Companies and Pension Companies" (“Consolidation Communiqué”) dated December 31, 2009 and published in the Official Gazette numbered 27097. The Company does not have any subsidiaries to be consoled in this direction.

The Company accounts and recognizes its insurance technical provisions in its not consolidated financial statements as of June 30, 2019 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”) dated July 28, 2010 and published in official gazette numbered 27655 and published in Official Gazzette dated July 17, 2012 numbered 28356 effective and the regulations issued for insurance and reinsurance companies by the Treasury and Finance Ministry.

The Public Oversight, Accounting and Auditing Standards Agency (POA), established in accordance with the Statutory Decree published in the Official Gazette dated November 2, 2011, among its other powers and duties, for the purpose of ensuring that the financial statements of those obliged to keep accounts in accordance with the laws they are subject to meet the needs, are transparent, reliable, comprehensible, comparable and consistent; is authorized to create and publish Turkish Accounting Standards (TASs) which are compliant with international standards; to make secondary regulations regarding the implementation of the Turkish Accounting Standards, to make necessary decisions and to grant approval on the regulations made by the institutions and organizations authorized to make regulations within their domain.

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2. Summary of the Accounting Policies (Continued)

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

Pursuant to the Decree of the Assembly Regarding the Determination of the Scope of Implementation of Turkish Accounting Standards” dated January 13, 2011 and numbered 6102; institutions concerning public interest stated in the Public Service Commission numbered 660 shall be subject to independent audit within the framework of Article 397 of the Code 6102, based on the decree of Board of Directors and entities mentioned in Paragraph 2 of Article 1534 of the same Code shall apply TAS in the preparation of their separate and consolidated financial statements.

Entities established in order to execute at least one of the fields of activity projected in the Banking Law dated October 19, 2005 and numbered 5411, set an example to the financial statements to be prepared by companies obliged to apply TAS; except for development and investment banks and financial holding companies as well as financial institutions established to engage in insurance, individual retirement and capital market within the frame of the Capital Market Law dated December 6, 2012 and numbered 6362, Insurance Law dated June 3, 2007 and numbered 5684, Individual Saving and Investment System Law dated March 28, 2011 and numbered 4632 and regulations pertaining to their own clauses

Financial Statements are prepared accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Accounting Standards decree for the matters not regulated by insurance legislation; “Insurance Accounting and Financial Reporting Legislation”.

Comparative information on the presentation of the financial statements in the current period is classified as necessary.

a. Preparation of Financial Statements in Hyperinflationary Periods

In accordance with the Treasury and Finance Ministry’s statement no: 19387 issued on April 4, 2005, the Company’s financial statements as of December 31, 2004 are adjusted and its 2005 openings are prepared based on the requirements set out in “the preparation of financial statements in hyperinflationary periods” specified in the Capital Market Board’s (CMB) Decree Volume: XI, No: 25 “Accounting Standards in Capital Markets” which was published in the Official Gazette No: 25290 on November 15, 2003. In addition, the preparation of financial statements in hyperinflationary periods has not been applied in accordance with the statement of the Treasury and Finance Ministry. Therefore, as of June 30, 2019, non-monetary balance sheet assets and liabilities and equity items, including capital share, are calculated by indexing of inputs as of December 31, 2004 (for inputs prior to December 31, 2004) and carrying inputs subsequent to December 31, 2004 at nominal value.

b. Comparative Information and Restatement of Prior Period Financial Statements

The Company’s balance sheet as of June 30, 2019 is presented in comparison with its balance sheet as of June 30, 2018 income statement, statement of changes in equity and cash flow statement for the period between January 1 - June 30, 2018 are presented in comparison with its income statement, statement of changes in equity and cash flow statement for the period between January 1 - June 30, 2018.

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2 Summary of the Accounting Policies (Continued)

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

c. Technical Reserves

Unearned Premium Reserve

An unearned premium reserve is calculated on a daily basis for all policies in force as of the balance sheet date for unearned portions of premiums written. For marine policies with an uncertain end date, unearned premium reserve is calculated as 50% of the premiums written in the last three months. 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. Commissions paid for written premium and commissions received from ceded premium that hit future months and future income statements are accounted in prepaid expenses and prepaid expenses for future years respectively in balance sheet, net in operating expenses. According to the Technical Reserves Regulation, foreign exchange selling rates declared in the Official Gazette of the CBRT on the date of accrual of the relevant premium are taken into account in the account of the unearned premiums related to the insurance contracts, which are indexed to beverages, if no foreign exchange rate is specified in the insurance contract (Note 20).

Deferred commission expense and income

Within the framework of the Circular numbered 2007/25 and dated December 28, 2007 published by Treasury, the unearned portion of commissions paid to agencies for the written premiums and commissions received from reinsurers for the ceded premium, are recorded as in deferred expenses and deferred income, respectively on the balance sheet, and as operating expenses on a net basis in the income statement.

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 current year incurred losses to current year earned premiums. If the loss ratio for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch; and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross and net amounts is considered as the reinsurance share.

In accordance with the Treasury and Finance Ministry's announcement no: 2012/13, article of 7 in order to eliminate the misleading effect of changes in the claims provision calculation, the Company has recalculated the prior period claims provision with new method to calculate unexpired risk reserve.

Within the framework of "the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" numbered 2016/22 and dated June 10, 2016 and within the framework of "the amendment to the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" numbered 2017/7 and dated September 15, 2017 published by Treasury, The Company has revised retrospectively the calculation of outstanding claims provision and ongoing risk provision that it has applied after discounting.

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2. Summary of the Accounting Policies (Continued)

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

In the Circular on Provision for Unexpired Risk Reserve 2019/5, it is stated that the amount of Unexpired Risks Reserve can be calculated on the basis of the accounting year or the year of accident as explained in the first paragraph. If the calculation is based on the accident year, separate calculations will be made for the works transferred to the pool. As a result of the related circular, the Company makes Unexpired Risks Reserve accounts on the basis of accounting year.

As of 30 June 2019, the Company provided a net reserve of TL 18,439,220, TL 17,984,837 in general liability branch, TL 439,240 in water craft branch, TL 14,508 in credit branch, TL 479 in aircraft branch and TL 156 in aircraft liability branch. (31 December 2018: TL 20.653.057) (Note 20).

Bonuses and rebates reserve

The bonus and rebates provisions are the amount that has to be made provision if the Company commits to pay bonus to insured's' policies in force regardless of renewal of the related policies. According to Insurance Law Article No.16, if the Company decides to bonus or discount operations, the amount must be allocated for insured person or beneficiaries regarding to technical results of the current year.

The Company has calculated and accounted for gross bonuses and rebates reserve amounting to TRY 1.711.426 and TRY 18.225 (as of December 31, 2018 company has calculated and accounted gross bonus and rebates reserve amounting to TRY 62.162.575 and TRY 97.055 net)) (Note 20).

Claims provision

The Company accounts for outstanding claims and indemnities for the claims and indemnity costs which have accrued and determined on account, but not actually paid in the previous fiscal periods or in the current fiscal period or if this amount could not be calculated, for the claims and indemnity costs which have emerged in expected amounts, but not reported.

In accordance with Technical Reserve Regulation and "Circular on Regarding to Statements Related to Accounting of Claim Files in a Lawsuit, Actuarial Chain Ladder Method and Recovery and Salvage Income" dated January 14, 2011 numbered 2011/1, outstanding claim reserves are made according to calculated average amounts in accordance with the methods determined by Treasury as of July 1, 2012 for cases with uncertain amounts. Furthermore, outstanding claim reserves are updated according to experts' reports received from courts and stated amounts according to lawsuit judgements.

The Company recognizes outstanding claims reserve for the claims which are accrued but not paid yet in the current period or previous periods and for claims incurred but not reported.

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2. Summary of the Accounting Policies (Continued)

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

Claims provision (Continued)

In accordance with the “Regulation Regarding the Amendment of the Regulation Regarding Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested” published in the Official Gazette dated July 28, 2010 and numbered 27655 and the Circular on Claims Provision dated December 5, 2014 and numbered 2014/16, the Company’s Incurred But Not Reported (IBNR) claims provisions were calculated using the actuarial chain ladder methods (“ACLM”).

The Regulation on the amendment of the related Regulation, published in the Official Gazette dated July 5, 2012 and numbered 28356 has enforced the provision “Incurred but not reported claims are calculated using the actuarial chain ladder method, the content and implementation basis are determined by the Treasury and Finance Ministry or other calculation methods to be determined by the Treasury and Finance Ministry.

In accordance with the circular issued by Turkish Treasury dated December 5, 2014 and numbered 2014/16, as of January 1, 2015 selection of data to be used in the calculation in branch-basis, adjusting process, selection of most appropriate method to interfere with the development factors are performed by the Company’s actuary. IBNR calculation in non-life insurance in accordance with the same circular, chain ladder methods are Standard Chain, Claim/Premium, Cape Cod, Frequency/Severity, Munich Chain or Bornhuett-Ferguson. The method’s using by the actuary are as follows.

Branch	Applied Method	June 30 2019			December 31 2018		
		Gross Additional Reserve	Net Additional Reserve		Gross Additional Reserve	Net Additional Reserve	
Motor Liability	Frequency/Severity / Standard	546.531.833	546.531.833		Frequency/Severity Standard	469.201.267	469.201.272
General Liability	Standard Chain						
Marine	/Damage Premium	111.828.973	32.446.376	Standart Chain /Damage Premium		84.270.336	27.964.168
General Losses	Bornhuetter-Ferguson	941.643	634.276	Bornhuetter-Ferguson		847.566	(270.181)
Suretyship	Bornhuetter-Ferguson	1.309.848	280.721	Bornhuetter-Ferguson		12.530.010	306.358
Water Crafts	Standart Chain	315.375	131.485	Standart Chain		318.456	175.997
Legal Protection	Bornhuetter-Ferguson	161.752	97.414	Bornhuetter-Ferguson		188.309	110.943
Credit	Standart Chain	66.714	66.714	Standart Chain		67.538	67.538
Health	Standart Chain	820.469	16.163	Standart Chain		667.542	33.377
Accident	Bornhuetter-Ferguson	216.402	10.820	Bornhuetter-Ferguson		638.476	11.809
Air Crafst	Standart Chain	189.149	230	Standart Chain		467.249	(3.966)
Air Crafst Liability	Standart Chain	167.340	5	Standart Chain		83.183	19
Financial Losses	Standart Chain	1.641.107	(219.181)	Standart Chain		420.236	533
Fire and Natural Disasters	Standart Chain	(98.135)	(400.544)	Standart Chain		879.982	(195.325)
Motor own damage	Standart Chain	12.420.492	(923.287)	Standart Chain		8.977.040	(1.603.399)
Total		670.140.659	572.300.722			563.893.858	480.135.811

With the resolution of Ministry of Treasury and Finance dated July 5, 2017 and numbered 18145, “Risky Insurance Pool” is founded as of April 12, 2017. Within this framework; On Motor Third Party Liability branch, premium and claim amounts that are transferred to Pool will be deducted from data used for IBNR calculation. And for the claims that company receives from Pool; IBNR is calculated with earned premium estimate and TRY 94.849.638 is reflected to financial statements in accordance of 135% claim premium rate. IBNR calculation related with the Pool is calculated on the expected premium-claim rate for related branch Related loss ratio is the ratio of expected loss for the pool said by the pool govern of Turkey Motor Vehicle Office by June 29, 2019 published in the report. The Company IBNR specific primer rates in the calculation because it corresponded to 76 bases, in the report relating to the expected loss ratio used in the calculation field is specified taking into account the same base.

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2. Summary of the Accounting Policies (Continued)

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

Claims provision (Continued)

A similar pool practice is founded for Medical Malpractice with the sectoral announcement dated September 6, 2017 and numbered 2017/4. When company calculates IBNR for TKU breakdowns with its own modelling, even though IBNR is negative, IBNR have not been recognized for conservative purposes.

As a result of the expectation of increase of minimum wage in 2019 being higher than the previous years; previous data can not reflect the real increase amount correctly especially since deprivation accounts are calculated on minimum salary, bodily claim on Motor Third Party Liability branch will get affected of relevant increase so the affect of minimum wage is added to the amount of provision of compulsory traffic branch. In accordance with this; in order to pay attention to effect of increase on minimum salary on outstanding cases and IBNR amount, in related branch net TRY 40.939.640 and effect of the related branch on IBNR amount on General Liability Branch is examined and added additional reserve for TRY 1.097.418 As a result of the newly opened and revised claims files in the compulsory traffic branch, the minimum wage amounted to TL 12.306.988 was realized within the first 6 months of 2019. For this reason, the effect of the minimum wage in the Compulsory Traffic branch was reflected to the financial statements as 28.632.652 TL as of the second quarter of 2019.

Outstanding Claim Provision discount is calculated as TRY 216.904.645 for General Liability and Motor Liability branches within the framework of "the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" numbered 2016/22 and dated June 10, 2016 and within the framework of "the amendment to the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" published by Treasury (December 31, 2018: TRY 178.356.695). The discount calculation was made considering the development of the claims paid. In this calculation, the distribution of the payments of material and bodily damages for the Motor Vehicle Branch has been evaluated separately. As of June 30, 2019, the net outstanding claims provisions of the Company are presented below before and after the discount. The Company has not applied discounts in outstanding compensation provisions in the branches other than the Motor Liability and General Liability branches, where discounting is mandatory.

June 30 2019

Branch	Net Outstanding Claim Provision Before Discount	Discount Amount	Net Discounted Outstanding Claim Provision
Motor Third Party Liability	860.947.277	179.557.988	681.389.289
General Liability	148.309.790	37.346.657	110.963.133
Total	1.009.257.067	216.904.645	792.352.422

December 31 2018

Branch	Net Outstanding Claim Provision Before Discount	Discount Amount	Net Discounted Outstanding Claim Provision
Motor Third Party Liability	736.930.680	150.182.505	586.748.175
General Liability	120.127.029	28.174.190	91.952.839
Total	857.057.709	178.356.695	678.701.014

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2. Summary of the Accounting Policies (Continued)

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

Claims provision (Continued)

While determining the amount of IBNR, the company actuary has determined the threshold values for major damages with plot analysis starting from 2015, whereas it was calculated by Box-Plot method, which is permitted only by the Treasury and Finance Ministry in the Compulsory Traffic branch before 2014/16 Circle, in order to work with a more homogenous dataset. Files exceeding the threshold value determined by this method are considered as major damage. Since the damage progress of these files is separate from the other files, IBNR amounts have been determined and added to the provisions by a separate calculation for these files. Threshold values determined by June 30, 2019 are total number of files subject to calculation, number of files determined as major damage and their shares in total files are as follows;

BRANCH	June 30 2019				December 31 2018			
	Treshhold	# of Major Claim Files	Treshhold	# of Major Claim Files	Treshhold	# of Major Claim Files	Treshhold	# of Major Claim Files
General Liability	200.000	458	28.046	1,6%	200.000	379	26.469	%1,4
General Losses	999.999	67	165.041	0,0%	999.999	59	158.243	%0,0
Transportation	499.999	70	58.531	0,1%	499.999	62	57.321	%0,1
Fire and Natural Disaster	999.999	181	248.130	0,1%	999.999	156	232.606	%0,1
Accident	299.999	32	6.777	0,5%	299.999	27	6.571	%0,4
Suretyship	149.999	70	8.625	0,8%	149.999	57	8.063	%0,7
Financia Losses	50.000	44	33.482	0,1%	50.000	41	30.989	%0,1

In the branches where major damages are determined, gross and net additional provision amounts that are separately made for these files and added to Outstanding Claim Provisions are shown in the following table.

Branch	Gross Additional Amount	NET IBNR
General Liability	26.636.966	4.827.045
Fire and Natural Disaster	15.939.113	1.428.047
Facultative Public Liability	1.664.716	1.664.716
Financial Losses	1.982.352	122.036
Transportation	935.321	114.029

The circular numbered 2015/7 published by the Treasury and Finance Ministry has made it possible to recognize gradually the increases to occur in the IBNR amount to be calculated as of January 1, 2015 in accordance with the circular numbered 2014/6 when compared to the IBNR amount calculated as of prior year as of quarterly periods from 2015 to 2017. In compliance with the circular published at 2nd quarter of 2017, the company has not used the gradual travision rate in the Compulsory Traffic and General Liability branches (December 31, 2017: gradual travision is not used).In accordance with the statement of Ministry of Treasury and Finance about Incurred But Not Reported (IBNR) (2011/23); Companies have to calculate a win rate on the amounts of the cases against them on sub branches in the last 5 years starting from the concluding dates of cases. By doing this that can make a discount for their cases in litigation process in condition of not exceeding %25 of accrued outstanding cases(%15 for branches that recently began and not applicable for accessing 5 years old data).According to company’s actuary’s opinion, Company did not calculate a discount on the case win rate from company outstanding claim reserves because of actuarial chain stairway methods mentioned above reflects the case win discount to calculations.

In accordance with the circular, IBNR was calculated by the company actuary in gross amount based on the Accident Periods using the above-mentioned methods. For these gross IBNR amounts, reinsurer shares were calculated taking into consideration the reinsurance rates and the effective reinsurance agreement types in the related accident periods in related branches.

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2. Summary of the Accounting Policies (Continued)

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

Claims provision (Continued)

Equalization Reserve

record an equalization reserve for the insurance contracts including earthquake and credit coverage, in order to cover the catastrophic risks and in order to equalize the fluctuations within the claim ratios that may occur during the following accounting periods. Such reserve is calculated over 12% of net earthquake and credit premiums corresponding to each year. In the calculation of the net premium, the amounts paid for the non-proportional reinsurance agreements are regarded as ceded premiums.

In condition of not being of balancing provision of current year, paid claims for earthquake and provision of outstanding claim which is supported by documents such as appraisal report or taken from official organisations in term of disaster can be discounted from balancing reserve.

The Company has calculated TRY 89.490.315 (December 31, 2018:TRY 82.348.570 of equalization reserve as of June 30, 2019, and presented in the long term liabilities in the accompanying financial statements under “Other Technical Reserves” (Note 20).

Life mathematical reserves

Life mathematical reserves comprise actuarial mathematical reserves and life profit share reserves and represent the Company’s total liability to the policyholders in the life branch.

Mathematical Reserves has been calculated with the tariffs approved by the Treasury in the current period of the policies and applicable methods and assumptions specified in the profit share technical principles (Note 20).

d. Subrogation and salvage income

Within the framework of the Treasury and Finance Ministry’s Office of Republic of Turkey. Circular relating to Subrogation and salvage income No. 2015/6, dated February 10, 2015; as of June 30, 2019, the Company recognizes receivables from salvage and subrogation on an accrual basis up to coverage limit of debtor insurance company, on conditions that following the payment of claim, the Company receives the acquaintance or document agreed on payment from individuals and notification is made to individuals or insurance company. However, a doubtful receivables provision for these receivables is accounted under “Provisions for Doubtful Receivables From Main Operations” in case where related amounts are not collected from insurance companies after six months and from individuals after four months following the payment of claim.

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2. Summary of the Accounting Policies (Continued)

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

Accordingly, accrued receivables from salvage and subrogation and doubtful receivables provision for salvage and subrogation as of June 30, 2019 are TRY 25.025.430 (December 31, 2018:TRY 29.909.283 and TRY16.865.750 (December 31, 201: TRY 8.061.143 respectively (Note 12.1).

The amounts of the net salvage and subrogation income which are collected and the accrued income amounts from salvage and subrogation receivables for the claims paid by the Company are as follows:

	June 30 2019					
	Collection			Accrual		
	Gross	Reinsurance share		Gross	Reinsurance share	
Motor Own Damage	112.302.131	-	112.302.131	19.688.246	-	19.688.246
Motor Crafts Liability	4.455.427	(242.274)	4.213.153	5.045.158	(271.600)	4.773.558
Transportation	2.962.376	(1.271.304)	1.691.072	114.023	(76.918)	37.105
Fire and Natural Disaster	2.778.465	(1.697.225)	1.081.240	954.680	(460.626)	494.054
General Liability	72.357	(40.099)	32.258	185.185	(152.718)	32.467
Genel Responsibility	50.333	(29.490)	20.843	-	-	-
Water Crafts	34.502	(24.152)	10.350	-	-	-
Suretyship	5.268	(2.875)	2.393	-	-	-
Legal Protection	934	-	934	-	-	-
Total	122.661.793	(3.307.419)	119.354.374	25.987.292	(961.862)	25.025.430

	December 31 2018					
	Collection			Accrual		
	Gross	Reinsurance share		Gross	Reinsurance share	
Motor Own Damage	209.470.121	-	209.470.121	24.876.295	-	24.876.295
Motor Crafts Liability	6.314.630	(294.645)	6.019.985	4.246.439	(507.324)	3.739.115
Fire and Natural Disaster	4.342.443	(2.317.410)	2.025.033	1.062.428	(186.425)	876.003
Transportation	2.429.948	(677.614)	1.752.334	347.783	(35.845)	311.938
General Liability	539.228	(240.590)	298.638	239.492	(183.528)	55.964
Suretyship	137.216	(93.443)	43.773	14.130	-	14.130
General Responsibility	57.476	(13.357)	44.119	115.551	(79.713)	35.838
Accident	36.000	-	36.000	-	-	-
Water Crafts	16.945	(4.986)	11.959	-	-	-
Legal Protection	12.886	-	12.886	-	-	-
Total	223.356.893	(3.642.045)	219.714.848	30.902.118	(992.835)	29.909.283

e. Premium Income and Claims

Premium income represents premiums on policies written during the year. Unearned premium reserves are determined from premiums written during the year on a daily basis.

Claims are recognized as expense as they are paid. Outstanding claims provision is provided for both reported unpaid claims at period-end and incurred but not reported claims. Reinsurer's shares of claims paid and outstanding loss provisions are off-set against these reserves.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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2. Summary of the Accounting Policies (Continued)

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

f. Receivables from Insurance Operations

In accordance with the Turkish Tax Code article No: 323, the Company provided provision for doubtful receivables by taking the nature and the value of the receivable into account. As of June 3, 2019, the Company has provided provision for the doubtful receivables under legal and management follow up in the account of “Provision for doubtful receivables from insurance operations” amounting to TRY 24.223.313 (December 31, 2018: TRY 23.016.557) provision for the overdue receivables which are not under legal follow up in the account of “Provision for doubtful receivables from main operations” amounting to TRY 24.472.837 (December 31, 2018: TRY 11.935.533) Furthermore, provision is accounted for the retention of claim recovery transactions under legal follow up amounting to TRY 87.773.714 (December 31, 2018: TRY 83.717.544) and it has been accounted in “Provision for doubtful receivables from main operations” account (Note 12).

g. Earnings per Share

Earnings per share presented in the statement of income is calculated by dividing the net profit into the weighted average number of the outstanding shares throughout the financial year.

Companies in Turkey can increase their capital by distributing “bonus shares” to shareholders from the prior periods’ profit. Such “bonus share” distributions are considered as issued shares in the earnings per share calculations. Accordingly, weighted average number of equity shares used in the calculations is calculated by considering the retrospective effects of share distributions.

h. Subsequent Events

Subsequent events cover the events between the balance sheet date and the issuance of the financial statements, even if they are occurred subsequent to the disclosures made on profit or other selected financial information. The Company adjusts its financial statements in the occurrence of any subsequent events (Note 46).

i. Provisions, Contingent Liabilities and Assets

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

If provision is measured using the cash flows estimated to settle the present obligation, its carrying amount will be equal to the present value of such cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably (Note 23.2).

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2. Summary of the Accounting Policies (Continued)

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

j. Accounting Policies, Changes and Misstatements on Accounting Estimates

Significant changes in accounting policies and significant accounting errors are applied retrospectively and prior period financial statements are restated. If the changes in accounting estimates are related to only one period, they are applied in the current period in which the change is made, and if they are related to the future periods, they are applied prospectively both in the period of change and in the future period.

k. Corporate Taxation and Deferred Tax

Income tax expense represents the sum of the current tax payable and deferred tax expense.

Corporate Tax

Corporation tax is payable at a rate of 22% on the total income of the Company and its Subsidiaries registered in Turkey in 2019 (2018: 20%) after adjusting for certain disallowable expenses, exempt income and investment and other allowances. 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.

Corporations are required to pay advance corporation tax quarterly at the rate of 22% on their corporate income. Advance Tax is declared by 14th of the second month following and payable by the 17th 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 50% of the profit obtained from the property sales are considered as tax exemptions in such condition that the amount is added onto capital as prestated 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 can not be offset against previous years' profits. There is no such application for the reconciliation of payable taxes with the tax authority. Corporate tax returns are submitted to the related tax office by the 25th day of the 4th month following the month when the accounting period ends. In tax reviews authorized bodies can review the accounting records for the past five years and if 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 (Wholesale Price Index increase rate). Since these conditions in question were not fulfilled in 2016 and 2015, no inflation adjustments were performed (Note 35).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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2. Summary of the Accounting Policies (Continued)

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

Deferred income tax

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

Except the conditions that the Company can control its temporary differences removal and when the possibility of that removal is very low, deferred tax liabilities are accounted for all of the taxable temporary differences that are related with the rates in partnerships and investments in subsidiaries and participations. 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.

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.

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.

As of June 30, 2019, the Company has booked the deferred tax assets in amounting to TRY 11.897.881 (December 31, 2018:TRY 16.972.963) The Company management is in the opinion that the Company is able to make sufficient taxable income based on the business plans and projections therefore the Company foresees no indicator of any concern regarding its recoverability of deferred tax assets.

Income tax withholding

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from April 24, 2003 by the end of July 22, 2006. However, this rate was changed to 15% commencing from 22 July 2006 upon the order no: 2006/10731 of the Council of Ministers. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Until the Council of Ministers has changed the rate, 10% will be applied. Undistributed dividends added to share capital are not subject to income tax withholding.

With the resolution of the president of the republic dated 31 August 2018 and numbered 30521 about making a change at the resolution of the Council of Ministers' addition dated 22 July 2006 and numbered 10731; stoppage rates applied on foreign exchange deposit accounts, deposit interests, participation accounts are changed temporarily. Within this framework; the interests paid on the Turkish Lira demand deposit accounts and time deposit accounts up to 6 months (including 6th month) are decreased to 5% deduction from 15% and for time deposit accounts up to 1 year (including 1 year) are decreased to 3% deduction from 12%. The interests paid on the foreign exchange deposit accounts and the profit paid on the foreign exchange accounts from the Participation Banks and time deposit accounts up to 6 months (including 6th month) are increased to 20% deduction from 18%, and for time deposit accounts up to 1 year (including 1st year) are increased to 16% deduction from 15%. Deduction rate which is 13% applied on time deposits with longer maturity date than 1 year is not changed.

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2. Summary of the Accounting Policies (Continued)

2.1.2 Other related accounting policies for the understanding of financial statements

All accounting policies are explained in Note 2.1.1 “Basis of Preparation of Financial Statements and Specific Accounting Policies Used”.

2.1.3 Functional currency

The Company’s financial statements are expressed in TL, which is the functional and presentation currency of the Company

2.1.4 Rounding degree used in the financial statements

All the balances presented in the financial statements are expressed in full in Turkish Lira (TRY) and rounded to the closest whole number.

2.1.5 Valuation method(s) used in the presentation of financial statements)

Financial statements, except for revaluation of financial instruments, are prepared based on the historical cost method.

2.1.6 New and Revised International Financial Reporting Standards

New and revised standards and comments

Turkey Financial Reporting Standards (IFRS) financial statements are register changes in the standards and comments should be as follow in the notes:

a. New standards and amendments to existing standards as of 30 June 2019:

Explanations on the effects of the new IFRS on financial statements:

- a) Title of the IFRS,
- b) he accounting policy change is made in accordance with the relevant transition provisions, if any,
- c) explanation of the changes in the accounting policy,
- d) a description of the transitional provisions, if any,
- e) the effect of the transition provisions, if any, to the future periods,
- f) as far as possible, the amounts of the adjustment for the current and each prior period presented,
 - i. should be presented for each effected financial statement item and ,
 - ii. If the standard TAS 33 earnings pe sharely applies, the amount of ordinary shares and diluted earnings per share should be recalculated
- g) The correction amounts if possible, of the periods preceding the periods not presented
- h) The retrospective application should be disclosed outdoors where this is possible for any period or periods, and which one of the leading accounting policy is explained and how it is applied.

Amendment to IFRS 9, ‘Financial instruments’;effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) 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 IAS 39.

Until the date of validity of IFRS 17, the Company benefits from the temporary relief subjects for IFRS 9 partaking IFRS 4.

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

2. Summary of the Accounting Policies (Continued)

2.1.6 New and Revised International Financial Reporting Standards (Continued)

New standards in force as of June 30, 2019 and amendments and interpretations to existing standards (Continued):

- **Amendment to IAS 28, ‘Investments in associates and joint venture’;** effective from annual periods beginning on or after 1 January 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 IFRS 9.

The changes are not applicable for the Company. There is no impact on the Company’s financial situation and performance.

- **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.

The company has applied first adoption of “IFRS 16 Leases” from the new standards, amendments and interpretations effective from 1 January 2019, in accordance with transition provision of the related standard.

The effects of the changes in account policies and the application of the related standards for the first time are as follows:

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the lease term on a straight line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payment:

- a) Fixed payments (including in substance fixed payments), less any lease incentives receivable
- b) Payment of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar economic environment with similar terms and conditions.

Right of use assets are measured at cost comprising the following:

- a) The amount of the initial measurement of lease liability
- b) Any lease payments made at or before the commencement date less any lease incentives received
- c) Any initial direct costs and
- d) Restoration costs

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2. Summary of the Accounting Policies (Continued)

2.1.6 Accounting policies, changes in accounting estimates and errors: (Continued)

On adaption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principle of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 25% for local currency liabilities.

	January 1 2019
Lease liabilities under IAS 17	58.360.359
-_Short term leases (-)	(18.880)
Total Lease liabilities under IFRS 16 (Undiscounted)	58.341.479
Total Lease liabilities under IFRS 16 (Discounted) (discounted with alternative borrowing rate)	31.004.961
Short term lease liabilities	1.937.578
Long term lease liabilities	29.067.383

The recognised right of use assets relate to the following types of assets:

	June 30 2019	January 1 2019
Property	24.952.092	27.717.430
Vehicles	4.782.455	6.080.531
Total right of use assets	29.734.547	33.797.961

The Company has TL 4.063.414 depreciation expense with regards to the booked right of use assets between 1 January - 30 June 2019.

IFRIC 23, ‘Uncertainty over income tax treatments’; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to 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. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The Company assesses the effects of the related standard on the financial situation and performance.

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2. Summary of the Accounting Policies (Continued)

2.1.6 Accounting policies, changes in accounting estimates and errors: (Continued)

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

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

The Company assesses the effects of the standards above on the financial situation and performance..

- **IAS 19 ‘Employee Benefits’, amendments to plan, downsizing or improvement;** effective for annual periods beginning on or after 1 January 2019. These improvements require the following changes:
 - For the period after the change, reduction and fulfillment of the plan; using current assumptions to determine current service cost and net interest;
 - Recognition of profit or loss as part of past service cost, or any loss of surplus in the financial statements, even if not previously recognized in the financial statements due to the effect of the asset ceiling.

The Company assesses the effects of the related standard on the financial situation and performance.

b. Standards and amendments that have been published as of 30 June 2019 but have not yet entered into force:

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

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

Improvement has been valid for the periods after January 1, 2020. The Company assesses the effects of the standards on the financial situation and performance.

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2. Summary of the Accounting Policies (Continued)

2.1.6 Accounting policies, changes in accounting estimates and errors: (Continued)

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 Company assesses the effects of the standards above on the financial situation and performance.

IFRS 17, ‘Insurance contracts’; effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

Standard will be implemented for the periods after January 1, 2022. The Company assesses the effects of the standard on the financial situation and performance.

2.2 Consolidation

The Company has no subsidiaries or joint ventures that fall within the scope of consolidation as per "IFRS 10- Consolidated and Separate Financial Statements" as of June 30, 2019 (December 31, 2018: None).

2.3 Segment Reporting

Reporting segments are determined to conform to the reporting made to the Company’s chief operating decision maker. The chief operating decision maker is responsible for making decisions about resources to be allocated to the segment and assess its performance. Details related to the segment reporting are disclosed in the Note 5.

The competent authority for decision-making is responsible for making decisions on the resources to be allocated to the department and for evaluating the performance of the department. Details of segment reporting are explained in Note 5.

2.4 Discontinued Operations

The Company does not have any discontinued or disposed operations as of June 30, 2019 and December 31, 2018.

2.5 Foreign Currency Translation

The Company’s functional currency is Turkish Lira (“TL”). In preparing the financial statements of the Company, transactions in currencies other than TL (foreign currencies) are recognized at exchange rates prevailing at the transaction date. At each balance sheet date, monetary items denominated in foreign currencies are retranslated to Turkish Lira at the rates prevailing on the balance sheet date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated to Turkish Lira at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in equity.

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.

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2. Summary of the Accounting Policies (Continued)

2.6 Tangible assets

Tangible assets are carried at cost, less any accumulated depreciation and impairment loss.

Assets held for use in the construction, or for leasing, administrative or any other purposes are carried at cost, less any impairment. Legal charges are also added to costs. For assets that need substantial time to be ready for use or sale, borrowing costs are capitalized based on the Company’s accounting policy.

Such assets are depreciated, on the same basis used for other fixed assets, when they are ready to use. Assets, other than land and ongoing constructions, are depreciated over their expected useful lives by using the straight line method. Estimated useful life, residual value, and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Assets acquired under finance lease are depreciated as the same basis as tangible assets or, where shorter, the term of the relevant lease.

Gain or loss arising on the disposal or retirement of an item of tangible assets are determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized to profit or loss.

Depreciation periods for tangible assets are presented in the table below:

	Useful Life
Properties	50 Years
Furniture and fixtures	10 Years
Motor vehicles	5 Years
Leasehold Improvements	5 Years

2.7 Intangible Assets

Intangible assets acquired

Intangible assets acquired are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. Estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred from the date of acquisition to the date to bring the specific software in use. These costs are capitalized under intangible advances account and amortized over their estimated useful lives (1 to 10 years).

Costs associated with developing or maintaining computer software programmes are recognized as expense as incurred. Costs that are directly associated with the development of identifiable and unique software products that are controlled by the Company and will probably provide more economic benefits than costs in one year are recognized as intangible assets. Costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets from the date that the assets become to provide economical benefit are amortized over their estimated useful lives (June 30 2019: 5 years - December 31 2018: 5 years).

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2. Summary of the Accounting Policies (Continued)

2.8 Financial Assets

Investments, other than those that are classified as financial assets at fair value through profit and loss, are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Investments are recognized and derecognized on a trade date, where the purchase or sale of an investment under a contract, whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: financial assets as “available-for-sale” (AFS) financial assets, “financial assets at fair value through profit and loss” and “loans and receivables”. As of June 30, 2019, the Company has no financial assets at fair value through profit and loss (December 31, 2018: None).

Effective interest method

Effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Held for trading financial assets

Financial assets that are measured at fair value by the Company and associated with the income statement are classified under financial assets held for trading in the financial statements.

Financial assets measured at fair value and associated with the income statement are obtained for the purpose of gaining profit from the fluctuations in price and similar factors that occur in the market in the short term, or regardless of the reason for obtaining them, financial assets in a short term profit portfolio and measured at fair value by the Company are classified in this category during the purchase.

Financial assets at fair value through profit or loss are initially measured at fair value, and are subsequently remeasured at their fair values. Gains and losses arising from the valuation are included in the income statement (Note 11).

Available-for-sale financial assets

Investments other than a) held-to-maturity, b) held for trading, or c) loans and receivables are classified as available-for-sale financial assets.

Available-for-sale financial assets are measured at subsequent reporting dates at fair value except available-for-sale investments that do not have quoted prices in an active market and their fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power. Gains and losses arising from available-for-sale financial assets are included in profit or loss for the period. Changes in the fair value of such these assets are recognized in the equity. When the related asset is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment

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2. Summary of the Accounting Policies (Continued)

2.8 Financial Assets (Continued)

Held-to-maturity financial assets

Held-to-maturity financial assets are intended to be held until their maturities and including ability to funding, provided the circumstances to be held to maturity, with fixed or determinable payments and with fixed maturity, and apart from loans and receivables, when recognized, not recognized as financial assets at fair value through profit or loss and not available for sale financial assets. These financial assets, initially recognized at the acquisition cost and is considered fair value. The fair value of held-to-maturity financial assets is determined on transaction cost of these financial assets or market price of similar financial instruments. Held-to-maturity financial assets are carried at amortized cost. Contribution income related to held-to-maturity financial assets is reflected in the income statement.

The Company does not allocate any impairment on short-term market fluctuations, provided that there is no risk of collection of the securities representing the borrowings classified as held-to-maturity financial assets. If there is a risk of collection, the amount of the impairment is the difference between the book value of the financial asset and the value of the cash flows expected from the financial asset, if any, amortized based on the original effective rate of return.

As of June 30,2019, the Company has TRY 26.481.451 TL of financial assets under held-to-maturity investment account (December 31 2018:TRY 9.752.674).

Financial Assets at Insured's Risk r

Such assets are classified as available for sale and held to maturity financial assets. Available for sale financial assets are carried at fair value and revaluation difference arising from amortized cost is recognized under the statement of income. Also, 5% of the difference in between the fair value and amortized cost is recognized under equity and 95% of insurance technical reserves that are attributable to insurees are recognized in the Insurance Technical Reserves - Life Mathematical Reserves account. Assets that are not carried at fair value are carried at amortized cost using the effective interest rate method.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

Associates

An associate is an entity that retains at the shares of voting rights or has significant power over another entity. The difference between carrying value and fair value (to the extent that it is measured reliably) of such assets are recognized in shareholders' equity and assets that have fair value are carried at fair value while the other assets are carried at book value.

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2. Summary of the Accounting Policies (Continued)

2.9 Impairment of Assets

Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate, that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that are impaired, are reviewed for possible reversal of the impairment at each reporting date.

Impairment of financial assets

The Company assesses its financial assets, other than those at FVTPL, at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as held-to-maturity, available-for-sale or loans and receivables is impaired.

A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

For loans and receivables, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets except for trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Except for AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

2.10 Derivative Financial Instruments

The Company uses foreign currency swap and option contracts, the Company uses end of period market exchange rates and interest rates to calculate market value of foreign exchange swap contracts.Şirket’in As of June 30, 2019, there is a registered financial asset amounting to TRY 936.000.000 which costed to TRY 951.399.253 (December 31 2018:TRY 1.068.791.711).

As of June 30, 2019, the Company has accrued TRY16.334.764 arising from valuation of derivative instruments (December 31, 2018: TRY 33.895.401).

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2. Summary of the Accounting Policies (Continued)

2.11 Offsetting Financial Instruments

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

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments, which have maturities with three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value (Note14).

2.13 Share Capital

As of June 30, 2019, the Company’s nominal capital is TRY 306,000,000 (December 31, 2018: TRY 306,000,000). Share capital is represented by 30,600,000,000 of equity shares having a nominal amount of TRY 0.01 each. The share capital structure of the Company is as follows:

	June 30 2019		December 31 2018	
	Rate %	Amount	Rate %	Amount
	%	TL	%	TL
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
Other	28,00	85.680.000	28,00	85.680.000
	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 TL 189,658,802 nominal value that belong to H.Ö. Sabancı Holding (“Holding”) portfolio was signed with Ageas Insurance International N.V. at February 18, 2011. At the date of July 29, 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.

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 15 September 2000 upon the permission no: 67/1039 granted by the Capital Markets Board.

As of June 30, 2019, Company has TRY500,000,000 registered share capital ceiling.(December 31, 2018: TRY 500,000,000). More extensive details related to the company capital are disclosed in the Note 15

2.14 Insurance and Investment Contracts

Insurance Contracts

Insurance contracts are contracts in which one part accepts a significant insurance risk and pays compensation (insurer) to the other part (insuree) when any uncertain case affects the insuree. The Company makes reinsurance agreements in which the Company (ceding company) is compensated by the insurer (reinsurer company) for one or more claims. Insurance contracts entered into by the Company under which the contract holder is another insurer (reinsurance) are included with insurance contracts.

Insurance and reinsurance contracts of the Company are included in classification of Insurance contracts.

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2. Summary of the Accounting Policies (Continued)

2.14 Insurance and Investment Contracts - Classification (Continued)

Insurance Contracts (Continued)

Insurance contracts are accounted when the insurance risk is transferred, and classified as an insurance contract as of the maturity date and/or amortization of the all contractual rights and liabilities.

Investment Contracts

The accumulation component present in some life insurance contracts is measured by the Company on a separate basis; On the other hand, as the accounting policies require the recognition of rights and obligations related with the accumulation component, regardless of the measurement principles, the insurance and investment components are not decomposed.

Reinsurance agreements

Reinsurance agreements are the agreements agreed by the Company and reinsurance company for the loss which may occur in one or more insurance agreements signed by the Company, and those meet all conditions to be classified as insurance contract and those whose costs are paid.

The Company has excess of loss, surplus and quota share treaty agreements in related branches. In the context of excess of loss agreements, the ceded premiums are accounted for on accrual basis over the related period. The ceded premiums and claims of other agreements are accounted on the basis of the income and loss from related insurance contracts.

The Company has surplus reinsurance agreement in fire, marine, engineering and other accident branches. Besides, The Company has excess of loss agreements in fire, marine and engineering branches. The Company continues to be exposed to the insurance risk under the insurance contracts whereas the liability of the reinsurer ceases by the end of the agreement period. Company has annual proportional quota-share reinsurance agreement for third person liability, electronic equipment, personal accident, health, professional liability, machinery breakdown and bus compulsory chair branches. Mentioned reinsurance agreements, the reinsurer's liability continues even after expiration of the agreement in the run-off agreements. Catastrophic excess of loss re-insurance agreement, natural disasters such as flood and earthquake is also protected in these branches.

In addition, the Company has facultative reinsurance agreements signed separately for certain risks based on certain policies

Premiums Transferred to Social Security Institution

The collection and settlement of expenses with respect to the medical care related services provided to the injured people due to the traffic accidents have been regulated by Article 98 of Road Traffic Act numbered 2918 altered by Article 59 of “The Law on Restructuring of Some Receivables and Changes in Social Security and General Insurance Law and Other Laws and Law Decrees” (the “Law”) numbered 6111 and dated February 25, 2011. In this context, all the traffic accident related medical care services provided by any public or private health institution will be covered by Social Security Institution (“SSI”) regardless of social security status of the injured. Besides, in accordance with the temporary Article 1 of the Law, all of the expenses with respect to the traffic accident related medical care services provided before enforcement of the Law, will also be covered by SSI.

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2. Summary of the Accounting Policies (Continued)

2.14 Insurance and Investment Contracts - Classification (Continued)

Premiums Transferred to Social Security Institution (Continued)

The liability of the insurance companies with respect to the service costs to be incurred in the context of abovementioned articles has been determined in accordance with the provisions of "The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated 27 August 2011 ("The Regulation"), "The Communiqué on the Principles of the Implementation of the Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated September 15, 2011 and numbered 2011/17 (the "Communiqué numbered 2011/17") and "The Communiqué on the Accounting of Payments to Social Security Institution ("SSI") with respect to Treatment Expenses and Introduction of New Account Codes to Insurance Account Chart" dated 17 October 2011 (the "Communiqué numbered 2011/18"), the regulation (the "Communique numbered 2012/3") making changes in "The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated March 16, 2012 and numbered 2012/3 and the communique about changes related "the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated April 30, 2012 and numbered 2012/6 (Note 2.24) (the "Communique numbered 2012/6"). Within this framework, the Group is required to cede a certain amount of premiums to be determined in accordance with the Regulation and the Communiqué numbered 2011/17 to SSI in relation to policies issued as of February 25, 2011 the notice numbered 2012/3 and the communique numbered 2012/6 in "Compulsory Transportation", "Compulsory Traffic" and "Compulsory Motor Personal Accident" branches regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law.

Based on the aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI in January 1 - June 30, 2019 accounting period as TRY 58.376.767 (January 1 - June 30, 2018:TRY46.253.245) and unearned premium reserve amounting to TRY 7.776.280 (January 1 - June 30, 2018:TRY 11.329.403) for the period ended as of January 1 - June 30, 2019; classified under the accounts of "Premiums ceded to SSI" and "Change in SSI share of of Unearned Premiums Reserve", respectively (Note 20).

In the Board of Directors meeting of The Association of the Insurance and Reinsurance Companies of Turkey dated September 22, 2011 and numbered 18, it was decided to appeal Council of State for the "suspense of execution" and "cancellation" of the Regulation and the Communiqué numbered 2011/17; and the cancellation of related provisions of the Law as being contradictory to the Constitution. The legal procedures are in progress as of the date of the preparation of the financial statements.

Premium ceded to Turkish Motor Insurers' Bureau

The Pool of Higher Risk Policies ("The Pool") was established by Treasury and Finance Ministry in accordance with "the Regulation Regarding Change in the Regulation on Tariff Application Principals of Motor Liability Insurance" issued on the Official Gazette dated July 11, 2017 and numbered 30121 for the vehicle groups and/or steps what have high damage frequency valid for written motor liability policies after April 12, 2017. In accordance with the Higher Risk Policies Operating Principals that is effectuated with aforementioned regulation, Turkey Motor Insurance Bureau ("TMIB") makes two-step calculations premiums and claims of motor liability policies which are subject to the Pool. Hereunder, 50% of premiums and claims is apportioned between insurance companies equally and the other 50% is apportioned according to insurance companies' share of motor liability premiums in last 3 years.

In accordance with the Higher Risk Policies Operating Principals issued by TMIB on August 15, 2017; 76% of total premiums net of deductions to be received from the insured, on policies issued after July 11, 2017 which are subject to the Pool, will be ceded to the Pool.

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2. Summary of the Accounting Policies (Continued)

2.14 Insurance and Investment Contracts - Classification (Continued)

Premium ceded to Turkish Motor Insurers' Bureau (Continued)

The Company has recorded the amounts of premiums, claims and commissions paid to the Pool under the regulation and taken over from the Pool within the scope of the Company's share, taking into account the monthly receipts finalized by the TMTB as of June 30, 2019. As at June 30, 2019, the Company accounted TRY 85.334.671 premium ceded to the Pool and TRY 44.393.396 paid claim; TRY46.054.469 premium which is reported as Company share from the pool, TRY 16.880.802 claims paid, TRY 135.405 recourse and TRY 183.367 salvage are accounted in accordance with the related legislation.

2.15 Insurance and Investment Contracts With Discretionary Participation Features

None (December 31 2018: None).

2.16 Investment Contracts without Discretionary Participation Features

None (December 31 2018: None).

2.17 Borrowings

None (December 31 2018: None).

2.18 Employee Benefits

The Company accounts for its liability related to employment termination and vacation benefits according to "Turkish Accounting Standards Regarding Employee Benefits" ("TAS 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 (Note 22).

2.19 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. Provisions are measured over expenditures expected to be required to settle the obligation by considering the risks and uncertainties related to the obligation at the balance sheet date. 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 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 shall be 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 arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity are classified as contingent liabilities and not included in the non-consolidated financial statements (Note 23).

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2. Summary of the Accounting Policies (Continued)

2.20 Revenue Recognition

Written Premium Commission

Written premiums represent premiums on policies written during the year, net of cancellations. Premium income is recognized in the financial statements on accrual basis by allocating the unearned premium provision over written premiums.

Commission income received in relation to ceded premiums to reinsurance companies is accrued in the related period and classified in technical part under operating expenses in the income statement.

The part of paid amounts to the assistance services which hit the following periods are deferred in accordance with the Technical Provisions Regulation numbered 27655 and dated July 28, 2010.

Interest income and expense

Interest income and expenses are accounted on an accrual basis in the related period’s profit/loss. Interest income includes income gains from the coupons of the fixed return investment instruments and valuation of discounted government bonds based on internal rate of return method.

Dividend income

Dividend income from the equity share investments are recognized when the shareholder has the right to receive dividends.

2.21 Finance Lease - The Company as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company’s general policy on borrowing costs.

2.22 Profit Share Distribution

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the Company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

The excess portion of the inflation adjustment of the general reserves including prior year losses and profits, share premiums and shareholders’ equity excluding capital is considered in the calculation of the net distributable profit.

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2. Summary of the Accounting Policies (Continued)**2.23 Related parties**

Parties are considered related to the Company if.

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i) has control or joint control over the reporting entity,
 - ii) has significant influence over the reporting entity; or,
 - iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting.

2.24 Foreign currency transactions

Transactions are recorded in TL, which represents the Company’s functional currency. Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are converted into TL at the exchange rates ruling at the reporting date with the resulting exchange differences recognized in the statement of profit or loss as foreign exchange gains or losses.

Foreign currency assets and liabilities are converted by using period end exchange rates of Central Bank of the Republic of Turkey’s bid rates. For the conversion of liabilities the exchange rate stated at the contract is used.

The Central Bank of the Republic of Turkey exchange rates used in the conversion is as follows:

	June 30 2019		December 31 2018	
	USD/ TL	EUR / TL	USD / TL	EUR / TL
Buying Rate	5,7551	6,5507	5,2609	6,0280
Selling Rate	5,7741	6,5724	5,2783	6,0479

3. Significant Accounting Estimates and Requirements

Preparation of financial statements requires the use of assumptions and estimates that might affect the amounts of assets and liabilities reported as of balance sheet date, explanation of the conditional assets and liabilities and amounts of the income and expenses reported throughout the accounting period. Accounting evaluations, estimates and assumptions are evaluated taking into consideration past experience, other factors, current conditions and reasonable expectations for future events. Such evaluations and estimates might differ from actual consequences, even though they are based on the best knowledge of the management about current events and transactions.

One of the most important accounting estimates for the Company is to estimate the final net liabilities relating to the expenses to arise from the effective policies. As per its nature, estimating liabilities regarding the insurance business includes the evaluation of many uncertainties

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4. Insurance and Financial Risk Management

4.1 Insurance Risk

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

Insurance risk is the probability of risk exposure that is covered under any insurance contracts and the uncertainty of the magnitude of the claims in relation to the risk exposed. Due to the nature of insurance transactions, risks are incidental and hard to anticipate. Maximum risk that the Company bears is limited to the coverage amount specified in the insurance contract.

The Company has adopted central risk assessment policy and this policy is applied in relation to the Company’s specified operations and limitations. Principally, in risk assessment, potential claims are measured based on the past experience, similar risk comparisons and risks in relation to production process. Location, geographical area, field of activity and fire and theft measures are also key issues used in the assessment of the insured risk.

4.1.2 Details of insurance risk, including the following information (details prior and/or subsequent to minimizing risks through reinsurance);

4.1.2.1 Sensitivity to insurance risk

The Company is managing its insurance risk by policy production strategies, reinsurance contracts and effective settlement and payment operations.

The Company’s policy production strategy follows an effective risk management in the policy production process considering the nature, extent, geographical area and accurate distribution of the risk incurred.

Reinsurance contracts include excess of loss (quota-share and excess loss) and catastrophic coverage. The Company can also enter into reinsurance contracts with facultative participation under its reinsurance programme.

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4. Insurance and Financial Risk Management (Continued)

Reinsurance Company Notification

2019		2018	
Reinsurance Company	Standard & Poors Rating	Reinsurance Company	Standard & Poors Rating
African Re	A-	Allianz Risk Transfer	AA-
ARIG	NR	Amlin Re	A
Asia Capital Re	A-	Arab Re	-
China Re	A	ARIG	-
Covea Cooperations	A+	Asia Capital	A-
Everest Re	A+	XLcatlin Re	A+
Fair Pool	NR	China Re	A
GIC	NR	Covea	A+
Hannover Re	AA-	Everest Re	A+
Korean Re	A	GIC	-
Mapfre Re	A	Hannover Re	AA-
Milli Re	trA+	QBE	A+
MS Amlin AG	A	Korean Re	A
Odyssey Re	A-	Malaysian Re	-
Partner Re	A+	Mapfre Re	A
QBE	A+	Milli Re	tr AA-
Samsung Fire&Marine Re	AA-	Odyssey Re	A-
Sava Re	A	Scor	AA-
Scor Global P&C	AA-	Sompo Japan	A+
Toa Re	A+	Toa Re	A+
Tokio Millenium Re	A+	Trust Re	A-
Trust Re	NR	VIG	A+
Unipol Re	NR	Coface	Fitch: AA-
VIG	A+		
XL Catlin Re	AA-		

4.1.2.2 Insurance risk concentrations with explanations of how management identify risk concentrations and common features of each concentration (the nature of insurance, geographic region or currency)

Generally, the Company’s insurance contracts include fire and natural disasters, marine, accident, motor vehicles, air crafts, water crafts, general losses, motor vehicles liability, air crafts liability, general liability, financial losses, legal protection, illness/health and life branches. The Company’s gross and net insurance risk concentrations (after reinsurance) in terms of insurance branches are summarized as below.

	June 30 2019			December 31 2018		
	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Motor Crafts Liability	702.943.200	(21.553.910)	681.389.290	602.744.898	(15.996.721)	586.748.177
Fire and Natural Disaster	653.849.930	(615.250.715)	38.599.215	592.426.425	(550.469.556)	41.956.869
General Liability	397.919.459	(286.994.107)	110.925.352	317.979.138	(226.026.299)	91.952.839
General Losses	284.478.905	(269.060.412)	15.418.493	267.069.677	(256.781.293)	10.288.384
Motor Own Damage	104.998.643	(203)	104.998.440	94.454.919	(181)	94.454.738
Fidelity Guarantee	81.407.829	(78.622.219)	2.785.610	74.959.768	(72.180.205)	2.779.563
Financial Losses	47.853.597	(41.283.575)	6.570.022	56.541.493	(49.053.205)	7.488.288
Air Crafts	45.645.189	(45.638.277)	6.912	15.356.409	(15.350.024)	6.385
Transportation	43.845.737	(37.160.194)	6.685.543	39.538.203	(33.365.205)	6.172.998
Health	17.700.972	(12.160.794)	5.540.178	16.500.937	(13.142.555)	3.358.382
Water Crafts	35.653.162	(33.218.755)	2.434.407	5.392.784	(3.716.914)	1.675.870
Air Crafts Liability	5.982.979	(5.974.251)	8.728	5.563.092	(5.554.759)	8.333
Accident	5.860.527	(3.224.058)	2.636.469	4.603.245	(2.640.550)	1.962.695
Credit	3.414.094	(3.243.389)	170.705	2.715.263	(2.598.366)	116.897
Legal Protection	296.456	-	296.456	302.965	-	302.965
Life	132.613	-	132.613	128.954	-	128.954
Total	2.431.983.292	(1.453.384.859)	978.598.433	2.096.278.170	(1.246.875.833)	849.402.337

(*) Total claim liability includes all outstanding claims reserves and IBNR as of the balance sheet date.

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4. Insurance and Financial Risk Management (Continued)

4.1.2.3 Comparison of incurred claims with past estimations (claims development process)

	June 30 2019				December 31 2018		
	Effect on Current Period (Net)	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Unpaid Claims	(75.575.475)	2.080.428.225	(1.457.358.483)	623.069.742	1.783.361.109	(1.235.866.842)	547.494.267
Discount Effect of Reported Damages	38.547.950	(318.718.206)	101.813.561	(216.904.645)	(251.105.751)	72.749.056	(178.356.695)
Claim Provisions (*)	(92.164.911)	670.140.659	(97.839.937)	572.300.722	563.893.858	(83.758.047)	480.135.811
Non-life Total	(129.192.436)	2.431.850.678	(1.453.384.859)	978.465.819	2.096.149.216	(1.246.875.833)	849.273.383
Life	(3.660)	132.613	-	132.613	128.954	-	128.954
Grand Total	(129.196.096)	2.431.983.292	(1.453.384.859)	978.598.433	2.096.278.170	(1.246.875.833)	849.402.337

(*) Claim provisions include all additional provisions within unpaid claims in the total outstanding compensation provision in the balance sheet date.

Outstanding Claim Reserve:

	June 30 2019			December 31 2018		
	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Beginning of the period - January 1	1.783.361.109	(1.235.866.842)	547.494.267	1.070.409.825	(761.572.736)	308.837.089
Opened in the period	1.147.868.249	(481.303.452)	666.564.797	1.117.709.933	(450.072.998)	667.636.935
Paid from current period (-)	(570.036.759)	174.073.913	(395.962.846)	(480.561.218)	134.748.106	(345.813.112)
Paid from previous periods (-)	(280.764.374)	85.737.898	(195.026.476)	(186.884.918)	52.402.041	(134.482.877)
Period end reported claims	2.080.428.225	(1.457.358.483)	623.069.742	1.520.673.622	(1.024.495.587)	496.178.035
Life	132.613	-	132.613	128.405	-	128.405
Reported claims discount effect	(318.718.206)	101.813.561	(216.904.645)	(214.524.087)	63.658.499	(150.865.588)
IBNR	670.140.659	(97.839.937)	572.300.722	392.789.943	(55.093.729)	337.696.214
Total	2.431.983.292	(1.453.384.859)	978.598.433	1.699.067.883	(1.015.930.817)	683.137.066

Claims development tables prepared in accordance with the Technical Provision Regulations which are used in the ACLM calculation are explained below.

Gross claim development table prepared on the principles of incurred claims by June 30, 2019:

	1.07.2012 31.06.2013	1.07.2013 31.06.2014	1.07.2014 31.06.2015	1.07.2015 31.06.2016	1.07.2016 31.06.2017	4.07.2017 31.06.2018	1.07.2018 31.06.2019	Gross Claim
Accident period								
Claim realized in the accident period	703.122.492	740.127.447	921.276.704	771.427.801	1.143.101.874	1.339.731.936	1.771.798.732	7.390.586.986
1 year later	141.593.776	212.918.108	267.970.503	203.985.590	853.337.768	513.978.660	-	2.193.784.405
2 year later	59.233.190	95.353.856	153.366.603	130.022.115	790.654.711	-	-	1.228.630.475
3 year later	51.430.852	90.565.504	159.801.362	100.927.480	-	-	-	402.725.198
4 year later	44.214.487	80.511.378	170.623.840	-	-	-	-	295.349.705
5 year later	48.043.620	85.455.127	-	-	-	-	-	133.498.747
6 year later	46.846.653	-	-	-	-	-	-	46.846.653
TOTAL								11.691.422.169

Gross claim development table prepared on the principles of incurred claims by December 31, 2018:

	1.01.2012 31.12.2012	1.01.2013 31.12.2013	1.01.2014 31.12.2014	1.01.2015 31.12.2015	1.01.2016 31.12.2016	1.01.2017 31.12.2017	1.01.2018 31.12.2018	Gross Claim
Accident period								
Claim realized in the accident period	805.358.245	673.026.038	838.172.102	841.913.192	930.621.837	1.366.238.878	1.564.047.984	7.019.378.276
1 year later	202.466.775	160.175.099	239.937.131	216.699.946	420.934.178	793.577.616	-	2.033.790.745
2 year later	63.973.783	84.819.582	144.014.862	126.303.760	345.579.002	-	-	764.690.989
3 year later	54.371.895	67.301.174	120.606.234	110.917.361	-	-	-	353.196.664
4 year later	51.998.615	65.886.722	133.086.346	-	-	-	-	250.971.683
5 year later	47.498.155	65.079.638	-	-	-	-	-	112.577.793
6 year later	48.136.076	-	-	-	-	-	-	48.136.076
TOTAL								10.582.742.226

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

4. Insurance and Financial Risk Management (Continued)

4.2 Financial Risk

4.2.1 Capital risk management and capital requirement

The Company’s main purpose in capital management is to maintain its status as an revenue generating company of the group and to protect shareholder and corporate partners’ benefits while sustaining the most effective capital structure in order to reduce capital costs.

The Company measures its adequacy semi-annually in accordance with the Decree “Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds” published in the Official Gazette No: 26761 on January 19, 2008. The Treasury and Finance Ministry has not published capital adequacy calculation tables for the interim period ended on June 30, 2019 as of publication date of financial statements. The minimum required capital of the company as of June 30, 2019, calculated within the framework of the regulation on capital adequacy measurement is TRY677,247,116. In accordance with the Regulation on Measurement and Evaluation of Capital Adequacy of Insurance and Reinsurance Companies and Pension companies published on 19 January 2008, The Company’s capital is in excess of TRY98,283,913 from the minimum capital required as of June 30, 2019. The Company management believes that, as of June 30, 2019, the necessary capital adequacy has been provided for the interim period 1 January - 30 June 2019 considering the movement of equity.

4.2.2 Financial risk factors

The Company is exposed to market risk (exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk due to its assets and liabilities and reinsurance assets and liabilities. The Company’s risk management generally focuses on minimizing the probable adverse effects of uncertainties in financial markets over the Company’s performance. The Company’s exposure to interest rate risk and credit risk in general is due to its financial investments and insurance receivables, respectively.

Market risk

The Company is exposed to market risk due to fluctuations in the exchange rates, interest rates and equity share prices.

Exchange rate risk

The Company’s foreign currency denominated assets and liabilities expose the Company to exchange rate risks. These risks are monitored by analyzing exchange rate position. The details of the Company’s foreign currency denominated assets and liabilities as of June 30, 2019 and December 31, 2018 are presented in details in Note 12.4

Sensitivity to exchange rate risk

The Company’s sensitivity to a 10% increase/decrease in USD and Euro currencies are presented below. Sensitivity analysis only includes foreign currency denominated monetary assets outstanding at the end of period and indicates the effects of 10% changes in exchange rates. Positive value indicates an increase in profit/loss and other equity items.

	June 30 2019		December 31 2018	
	USD Effect	EUR Effect	USD Effect	EUR Effect
Profit / Loss Increase	10.585.484	3.787.455	7.937.030	6.534.897
Profit / Loss (Decrease)	(10.585.484)	(3.787.455)	(7.937.030)	(6.534.897)

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4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Interest rate risk

	June 30 2019	December 31 2018
Total	Effect on profit and profit reserves	
Market interest rate increase / (decrease)		TRY
+% 1	(8.890.632)	(226.353)
-% 1	7.249.167	253.313
Financial assets available for sale	Effect on profit and profit reserves	
Market interest rate increase / (decrease)		TL
+% 1	(7.226.285)	(195.413)
-% 1	8.865.553	216.688
+% 1 Financial Assets with Risks on Policy Holders	(22.882)	(30.940)
-% 1 Financial Assets with Risks on Policy Holders	25.079	34.625

The Company is required to manage its interest rate risks due to price fluctuations in its financial instruments arising from changes in interest rates. The Company’s sensitivity to interest rate risk results from the mismatch in maturities of its assets and liabilities. Interest rate risk is managed by offsetting the assets that are affected by the interest rate fluctuations against the liabilities in same nature.

Price risk

The Company is exposed to price risk due to its available for sale financial assets. As of the reporting date, if data used in the valuation method is increased/decreased by 10% and all variables remain fixed, the Company’s sensitivity is as follows. The sensitivity of the Company for the price risk is arising from the available for sale financial assets as of June 30, 2019.

	June 30 2019	December 31 2018
Total	Financial Assets	
Price increase / (decrease)		TRY
+% 10	104.506.462	55.818.742
-% 10	(104.506.462)	(55.818.742)

Credit risk

Credit risk is the risk that the debtor defaults on its obligations under the terms of the transaction. Credit risk is managed by setting out limits and providing guarantees for receivables from a specific party. Limits and guarantees are determined based on the assessment of the respective party’s financial ability and trading capacity. The Company is exposed to credit risk in Turkey because it mainly performs its operations in Turkey.

As of June 30, 2019, the Company has presented its receivables from insurance operations and guarantees received and provision for doubtful receivables in Note 12.1.

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.

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2019

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

4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Liquidity risk table

June 30 2019

	Up to 1 month	1 - 3 month	3 months-1 year	1 -5 years	5 years and over	No maturity	Total
Cash and Cash Equivalents	721.278.197	443.911.534	736.235.769	-	-	36.699.578	1.938.125.078
Financial Assets Available for Sale	368.306.024	27.480.235	112.655.859	323.159.359	48.319.162	138.662.531	1.018.583.170
Held-to-Maturity Financial Assets	-	-	-	26.481.451	-	-	26.481.451
Investments with Risks on Policy Holders Investments	-	-	-	1.742.288	-	-	1.742.288
Receivables From Main Operations	247.080.441	241.211.216	248.941.829	24.535.514	-	-	761.769.000
Due from Related Parties	-	-	155.006	-	-	-	155.006
Other Receivables	-	-	12.250.007	-	-	-	12.250.007
Prepaid Expenses and Income Accruals	51.494.776	59.861.758	158.870.021	-	-	-	270.226.555
Other Current Assets	45.813	-	3.177.955	-	-	-	3.223.768
Tangible Fixed Assets	-	-	-	-	-	53.656.554	53.656.554
Intangible Fixed Assets	-	-	-	-	-	58.019.678	58.019.678
Prepaid Expenses and Income Accruals (Long Terms)	-	-	-	149.980	-	-	149.980
Other Non-current Assets	-	-	-	-	-	11.897.881	11.897.881
Total Assets	1.388.205.251	772.464.743	1.272.286.446	376.068.592	48.319.162	298.936.222	4.156.280.416
Financial Liabilities	239.097.473	-	-	-	-	-	239.097.473
Financial Lease Liabilities- Net	684.374	2.053.122	7.778.599	21.611.062	-	-	32.127.157
Payables From Main Operations	224.200.691	170.413.806	164.779.424	20.861.628	-	-	580.255.549
Due to Related Parties	203.179	-	1.143	-	-	-	204.322
Other Payables	-	116.950.978	-	-	-	-	116.950.978
Insurance Technical Reserves 1	592.670.620	522.829.112	958.416.444	70.048.279	4.771.591	-	2.148.736.046
Insurance Technical Reserves	-	71.837.805	-	-	-	-	71.837.805
Cost Expense Provisions	-	-	65.498.498	-	-	-	65.498.498
Prepaid Expenses and Income Accruals	4.692.275	23.461.373	89.153.219	-	-	-	117.306.867
Long Term Insurance Technical Reserves	-	-	-	1.452.569	89.490.315	-	90.942.884
Provisions for Other Risks	-	-	-	-	-	7.179.124	7.179.124
Shareholders' Equity	-	-	-	-	-	686.143.713	686.143.713
Total Liabilities and Shareholders' Equity	1.061.548.612	907.546.196	1.285.627.327	113.973.538	94.261.906	693.322.837	4.156.280.416
Liquidity Surplus / (Deficit)	326.656.639	(135.081.453)	(13.340.881)	262.095.054	(45.942.744)	(394.386.615)	-

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2019

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4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Liquidity risk table (Continued)

December 31 2018

	Up to 1 month	1 - 3 month	3 months- 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	192.483.404	548.434.750
Financial Assets Held for Trading	-	-	-	9.752.674	-	-	9.752.674
Investments with Risks on Policy Holders	-	-	-	1.686.241	-	-	1.686.241
Receivables From Main Operations	173.197.383	185.593.560	204.611.519	37.435.170	-	-	600.837.632
Due from Related Parties	-	-	126.885	-	-	-	126.885
Other Receivables	-	-	20.668.330	-	-	-	20.668.330
Prepaid Expenses and Income Accruals	65.078.730	53.091.248	142.960.854	-	-	-	261.130.832
Other Current Assets	218.754	-	5.416.876	-	-	-	5.635.630
Financial Assets	-	-	-	-	-	24.329.768	24.329.768
Intangible Fixed Assets	-	-	-	-	-	55.639.894	55.639.894
Prepaid Expenses and Income Accruals (Long Terms)	-	-	-	149.980	-	-	149.980
Other Non-current Assets	-	-	-	-	-	16.972.963	16.972.963
Total Assets	727.460.179	863.444.409	1.371.323.323	194.781.927	52.382.624	305.541.779	3.514.934.241
Financial Liabilities	58.448.710	-	-	-	-	-	58.448.710
Payables From Main Operations	121.540.357	74.500.013	217.355.734	5.323.197	-	-	418.719.301
Due to Related Parties	253.415	-	1.143	-	-	-	254.558
Other Payables	-	132.714.624	-	-	-	-	132.714.624
Insurance Technical Reserves	510.096.956	464.596.373	876.084.765	54.643.643	4.905.950	-	1.910.327.687
Taxes and Other Liabilities and Provisions	-	44.131.441	-	-	-	-	44.131.441
Cost Expense Provisions	-	-	40.333.473	-	-	-	40.333.473
Prepaid Income and Expense Accruals	8.353.828	16.262.600	77.102.666	-	-	-	101.719.094
Long Term Insurance Technical Reserves	-	-	-	1.473.636	82.348.570	-	83.822.206
Provisions for Other Risks	-	-	-	-	-	6.503.684	6.503.684
Shareholders' Equity	-	-	-	-	-	717.959.463	717.959.463
Total Liabilities and Shareholders' Equity	698.693.266	732.205.051	1.210.877.781	61.440.476	87.254.520	724.463.147	3.514.934.241
Liquidity Surplus/ (Deficit)	28.766.913	131.239.358	160.445.542	133.341.451	(34.871.896)	(418.921.368)	-

Categories of Financial Assets

Current Financial Assets	30 June 2019		31 December 2018	
	Book Value	Fair Value	Current Financial Assets	Book Value
Financial Assets Available for Sale	1.018.583.170	1.018.583.170	548.434.750	548.434.750
Financial Assets Held to Maturity	26.481.451	26.481.451	9.752.674	9.752.674
Financial Investments with Risks on Policy Holders	1.742.288	1.742.288	1.686.241	1.686.241
Impairment Provision for Financial Assets	-	-	-	-
Non-Current Financial Assets				
Affiliate	-	-	30.116.653	30.116.653
Impairment Provision for Affiliates	-	-	(30.116.653)	(30.116.653)
Total Financial Assets	1.046.806.909	1.046.806.909	559.873.665	559.873.665

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4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Fair value of financial assets

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction in accordance with market conditions.

	June 30 2019	Category 1	Category 2	Category 3
Financial Assets Available for sale				
Corporate Bond	1.018.583.170	1.018.153.139	-	-
Investment Funds	274.803.432	274.803.432	-	-
Eurobond	109.305.441	109.305.441	-	-
Stocks	162.258.803	162.258.803	-	-
Government Bonds	29.357.090	28.927.058	-	430.032
Reverse Repo	112.213.256	112.213.256	-	-
Held to maturity				
financial assets				
Eurobond	330.645.148	330.645.148	-	-
Government Bonds	26.481.451	26.481.451	-	-
Financial Assets with Risks on Policy Holders	10.261.578	10.261.578	-	-
Government Bonds	1.742.288	1.742.288	-	-
Total	1.742.288	1.742.288	-	-
Financial Assets Available for sale	1.046.806.909	1.046.376.877	-	430.032-

	December 31 2018	Category 1	Category 2	Category 3
Financial Assets Available for sale				
Corporate Bond	233.265.994	233.265.994	-	-
Investment Funds	168.805.442	168.805.442	-	-
Eurobond	122.684.814	122.684.814	-	-
Stocks	23.677.764	23.247.732	-	430.032
Government Bonds Treasury Bills	736	736	-	-
Held to maturity				
financial assets				
Government Bonds	9.752.674	9.752.674	-	-
Financial Assets with Risks on Policy Holders				
Government Bonds	1.686.241	1.686.241	-	-
Total	559.873.665	559.443.633	-	430.032

The Company determines the estimated fair value of its financial instruments by using the current market information and appropriate valuation methods. Additionally, ability to estimate the market values through assessing the market information requires interpretation and judgment. As a result, the estimations presented herein cannot be an indicator of the amounts obtained by the Company in a current market transaction.

The fair value of financial assets shown in the following table in terms of valuation methods is shown divided into three categories. "Category 1", was organized market obtained from fair values (market data), the "Category 2" precedent that has truth according to processes and "Category 3" is the future cash flows to their present reduced according to the values that are valued financial assets represents.

The following methods and assumptions were used to estimate the fair value of financial instruments for which fair value estimates are practicable.

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4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Financial assets

It is anticipated that fair value of the financial assets including cash and cash equivalents and other financial assets carried at cost will approximate to their book value based on their short term nature and having insignificant potential losses.

Market value is taken as a basis in the measurement of fair value of government bonds and equity shares.

Financial liabilities

It is anticipated that fair value of monetary liabilities will converge to their carrying value based on their short term nature.

5. Segment Information

5.1 Operating segments

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

Numerical limits in “IFRS 8 - Operating Segments” is also considered as well as management reporting in the determination of operating segments. Premium production and net technical income of different operating segments are grouped separately.

The Company operates in Turkey. Since the results of operating activities abroad have very low effect on financial statements, the information about geographical segmentation has not been given.

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5. Segment Information (Continued)

5.1 Operating segments (Continued)

Segment results for the period ended at June 30, 2019:

	Fire	Transportation	Motor Own Damage	Motor Crafts Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life d	Undistributed	Total
TECHNICAL INCOME	100.310.391	17.295.248	412.031.154	586.180.487	87.445.148	10.536.952	15.618.673	60.724.890	65.596	-	1.290.208.539
1- Earned Premiums (Net of Reinsurer Share)	77.073.618	12.668.570	370.753.148	455.671.063	61.611.192	9.430.651	9.229.777	41.480.352	-	-	1.037.918.371
1.1- Premiums (Net of Reinsurer Share)	86.109.933	12.979.733	356.847.109	530.743.728	79.994.441	8.520.970	18.045.583	53.967.967	-	-	1.147.209.464
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(9.036.315)	(311.163)	(3.375.901)	(75.072.665)	(4.040.691)	909.681	(8.815.806)	(11.762.070)	-	-	(111.504.930)
1.3-Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	-	-	17.281.940	-	(14.342.558)	-	-	(725.545)	-	-	2.213.837
2- Investment Income transferred from Non-Technical Part	21.885.047	4.854.652	39.737.967	122.278.838	25.859.262	1.068.884	6.388.896	19.244.538	65.596	-	241.383.680
3- Other Technical Income (Net of Reinsurance Share)	-	-	2.391.520	-	-	-	-	-	-	-	2.391.520
4- Accured Subrogation and Salvage Income (+)	1.351.726	(227.974)	(851.481)	8.230.586	(25.306)	37.417	-	-	-	-	8.514.968
TECHNICAL EXPENSES	(74.130.989)	(2.469.635)	(376.121.177)	(441.218.392)	(67.501.616)	(6.653.699)	(10.224.792)	(30.696.927)	(72.327)	-	(1.009.089.554)
1- Total Claims (Net of Reinsurer Share)	(32.425.025)	(950.201)	(264.727.095)	(367.865.425)	(35.488.113)	(5.080.555)	(7.124.439)	(6.431.171)	(93.394)	-	(720.185.418)
1.1- Claims Paid (Net of Reinsurer Share)	(35.782.680)	(437.656)	(254.183.394)	(273.224.313)	(15.684.054)	(5.776.248)	(1.561.867)	(4.249.376)	(89.734)	-	(590.989.322)
1.2- Changes in Outstanding Claims Reserve Reinsurer Share and Reserves Carried Forward (+/-)	3.357.655	(512.545)	(10.543.701)	(94.641.112)	(19.804.059)	695.693	(5.562.572)	(2.181.795)	(3.660)	-	(129.196.096)
2- Changes in Bonus and Discount Reserve (Net of Reinsurer) (+/-)	(7.962)	9.142	83.916	-	(5.595)	(671)	-	-	-	-	78.830
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-) and Other Technical Expenses	(6.015.392)	-	(546.461)	-	(425.400)	(154.492)	-	-	-	-	(7.141.745)
4- Operating Expenses	(29.971.525)	(1.401.201)	(90.932.025)	(64.484.940)	(29.622.271)	(1.133.776)	(2.992.732)	(22.320.086)	-	-	(242.858.556)
4.1- Production Commissions (-)	(48.741.680)	(5.426.864)	(63.405.278)	(56.036.092)	(39.061.220)	(10.331.143)	(2.935.644)	(34.050.982)	-	-	(259.988.903)
4.2- Reinsurance Commissions (+)	36.730.055	5.287.755	23.391	11.180.002	17.841.890	11.680.034	333.163	17.086.483	-	-	100.162.773
4.3- General Administrative Expenses	(17.959.900)	(1.262.092)	(27.550.138)	(19.628.850)	(8.402.941)	(2.482.667)	(390.251)	(5.355.587)	-	-	(83.032.426)
4.4- Other Operating Expenses	-	-	-	-	-	-	-	-	-	-	-
5- Changes in Mathematical Reserves (+/-)	-	-	-	-	-	-	-	-	21.067	-	21.067
6- Other Technical Expenses (Net of Reinsurer Share)	(5.711.085)	(127.375)	(19.999.512)	(8.868.027)	(1.960.237)	(284.205)	(107.621)	(1.945.670)	-	-	(39.003.732)
	26.179.402	14.825.613	35.909.977	144.962.095	19.943.532	3.883.253	5.393.881	30.027.963	(6.731)	-	281.118.985
Financial income	-	-	-	-	-	-	-	-	-	326.829.074	326.829.074
Depreciation expense	-	-	-	-	-	-	-	-	-	(15.656.258)	(15.656.258)
Provisions account	-	-	-	-	-	-	-	-	-	(2.789.368)	(2.789.368)
Tax expenses	-	-	-	-	-	-	-	-	-	(57.079.641)	(57.079.641)
Financial expenses	-	-	-	-	-	-	-	-	-	(330.974.623)	(330.974.623)
Other	-	-	-	-	-	-	-	-	-	(33.220.223)	(33.220.223)
Net Profit / (Loss)	26.179.402	14.825.613	35.909.977	144.962.095	19.943.532	3.883.253	5.393.881	30.027.963	(6.731)	(112.891.039)	168.227.946

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5. Segment information (Continued)

5.1 Operating segments (Continued)

Segment results for the period ended at June 30, 2018:

	Fire and Natural Disaster	Transportation	Motor Own Damage	Land Vehicles Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
TECHNICAL INCOME	85.228.895	19.824.736	344.316.487	382.641.065	90.502.219	12.798.414	31.140	53.220.295	68.636	-	988.631.887
Earned Premiums (Net of Reinsurer Share)	71.884.484	15.456.077	331.541.915	313.141.030	73.010.581	11.128.842	23.188	43.480.484	500	-	859.667.101
1.1 - Premiums (Net of Reinsurer Share)	74.094.998	16.281.507	312.632.175	391.188.569	69.597.920	12.037.673	26.827	45.523.904	500	-	921.384.073
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(2.210.514)	(632.004)	18.909.740	(78.047.539)	2.953.280	(908.831)	(3.639)	(2.043.420)	-	-	(61.982.927)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	-	(193.426)	-	-	459.381	-	-	-	-	-	265.955
Investment Income transferred from Non-Technical Part	12.069.303	2.897.161	7.555.077	65.919.790	17.432.827	1.621.143	7.952	9.740.103	68.136	-	117.311.492
Share and Reserves Carried Forward(+/-)	-	-	1.959.553	-	-	-	-	-	-	-	1.959.553
Investment Income transferred from Non-Technical Part	1.275.108	1.471.498	3.259.942	3.580.245	58.811	48.429	-	(292)	-	-	9.693.741
TECHNICAL EXPENSES	(72.845.403)	(7.422.898)	(372.517.877)	(285.591.326)	(51.403.458)	(8.314.198)	(489.953)	(32.958.596)	(75.898)	-	(831.619.607)
1- Total Claims (Net of Reinsurer Share)	(34.433.693)	(3.950.248)	(273.873.768)	(242.233.869)	(19.890.742)	(5.045.326)	(4.858)	(3.807.940)	(203.583)	-	(583.444.027)
1.1- Claims Paid (Net of Reinsurer Share)	(23.970.807)	(3.738.623)	(279.923.445)	(152.486.079)	(11.303.410)	(5.154.400)	(90.524)	(3.355.385)	(273.316)	-	(480.295.989)
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(10.462.886)	(211.625)	6.049.677	(89.747.790)	(8.587.332)	109.074	85.666	(452.555)	69.733	-	(103.148.038)
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-) and Other Technical Expenses	-	298	(102.330)	-	5.581	(2)	-	-	-	-	(96.453)
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-) and Other Technical Expenses	(4.930.094)	-	(356.385)	-	(70.107)	(162.400)	-	-	-	-	(5.518.986)
4- Operating Expenses	(29.351.735)	(3.400.941)	(80.225.934)	(41.809.478)	(30.006.160)	(2.902.372)	(401.003)	(28.183.439)	-	-	(216.281.062)
4.1- Production Commissions (-)	(43.900.397)	(5.764.546)	(54.614.469)	(39.431.424)	(37.163.922)	(8.315.496)	(4.119.549)	(34.395.491)	-	-	(227.705.294)
4.2- Reinsurance Commissions (+)	31.601.871	3.643.520	31.234	9.104.193	14.816.205	7.921.166	4.088.464	14.209.674	-	-	85.416.327
4.3- General Administrative Expenses	(17.053.209)	(1.279.915)	(25.642.699)	(11.482.247)	(7.658.443)	(2.508.042)	(369.918)	(7.997.622)	-	-	(73.992.095)
4.4- Other Operating Expenses	-	-	-	-	-	-	-	-	-	-	-
5- Changes in Mathematical Reserves (+/-)	-	-	-	-	-	-	-	-	127.685	-	127.685
6- Other Technical Expenses (Net of Reinsurer Share)	(4.129.881)	(72.007)	(17.959.460)	(1.547.979)	(1.442.030)	(204.098)	(84.092)	(967.217)	-	-	(26.406.764)
	12.383.492	12.401.838	(28.201.390)	97.049.739	39.098.761	4.484.216	(458.813)	20.261.699	(7.262)	-	157.012.280
Investment income	-	-	-	-	-	-	-	-	-	202.649.311	202.649.311
Depreciation expense	-	-	-	-	-	-	-	-	-	(10.151.808)	(10.151.808)
Provisions account	-	-	-	-	-	-	-	-	-	(19.839.649)	(19.839.649)
Tax expense	-	-	-	-	-	-	-	-	-	(28.795.739)	(28.795.739)
Financial expenses	-	-	-	-	-	-	-	-	-	(202.679.668)	(202.679.668)
Other	-	-	-	-	-	-	-	-	-	(2.145.605)	(2.145.605)
Net Profit / (Loss)	12.383.492	12.401.838	(28.201.390)	97.049.739	39.098.761	4.484.216	(458.813)	20.261.699	(7.262)	(60.963.158)	96.049.122

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2019

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

6. Tangible Assets

June 30 2019

<u>Cost Value</u>	<u>Owner Occupied Properties</u>	<u>Vehicles</u>	<u>Furnitures and Fixtures and Leased Tangible Assets</u>	<u>Other Tangible Assets (Including Leasehold Improvements)</u>	<u>Advances for Tangible Assets</u>	<u>Total</u>
1 January	1.598.569	2.720.001	23.741.539	21.052.437	-	49.112.546
Additions	-	-	2.537.065	47.390	-	2.584.456
Disposals	-	-	(704.503)	-	-	(704.503)
30 June	1.598.569	2.720.001	25.574.101	21.099.827	-	50.992.499
<u>Accumulated Depreciation</u>						
1 January Charge for the Period	(569.248)	(5.962)	(14.906.985)	(9.370.383)	-	(24.852.578)
Additions	(15.854)	(269.764)	(1.446.479)	(1.142.711)	-	(2.894.808)
Disposals	-	-	676.894	-	-	676.894
30 June	(585.102)	(275.726)	(15.696.570)	(10.513.094)	-	(27.070.492)
Net Book Value as of June 30	1.013.467	2.444.275	9.877.531	10.586.733	-	23.922.007

The Company has no impairment loss recognized for tangible fixed assets in the current period (1 January - December 31 2018: None).

30 June 2018

<u>Cost Value</u>	<u>Owner Occupied Properties</u>	<u>Vehicles</u>	<u>Furnitures and Fixtures and Leased Tangible Assets</u>	<u>Other Tangible Assets (Including Leasehold Improvements)</u>	<u>Advances for Tangible Assets</u>	<u>Total</u>
1 January	1.598.569	-	23.957.267	21.412.252	-	46.968.088
Disposals	-	-	424.558	388.400	-	812.958
Transfers	-	-	(141.860)	(387.894)	-	(529.754)
30 June	1.598.569	0	24.239.965	21.412.758	-	47.251.292
<u>Accumulated Depreciation</u>						
1 January	(537.189)	-	(12.652.946)	(7.580.602)	-	(20.770.737)
Charge for the Period	(15.902)	-	(1.499.829)	(1.183.293)	-	(2.699.024)
Disposals	-	-	129.677	246.552	-	376.229
30 June	(553.091)	-	(14.023.098)	(8.517.343)	-	(23.093.532)
Net Book Value as of June 30	1.045.478	-	10.216.867	12.895.415	-	24.157.760

As of 1 January 2019, the movement table of asset utilization rights that the Company first recorded in IFRS 16 is as follows:

<u>Right of use assets</u>	<u>January 1 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30 2019</u>
Real estates	27.717.430	-	-	27.717.430
Motor vehicles	6.080.531	-	-	6.080.531
Total	33.797.961	-	-	33.797.961

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2019

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

6. Tangible Assets (Continued)

<u>Accumulated Depreciation (-)</u>	<u>January 1 2019</u>	<u>Charge for the Period</u>	<u>Disposals</u>	<u>June 30 2019</u>
Real estates	-	2.765.337	-	2.765.337
Motor vehicles	-	1.298.077	-	1.298.077
Total	-	4.063.414	-	4.063.414
Net Book Value	33.797.961			29.734.547

7. Investment Properties

None.

8. Intangible Assets

June 30 2019

<u>Cost Value</u>	<u>Advances for Intangible Assets (*)</u>	<u>Rights</u>	<u>Total</u>
1 January	1.949.163	111.808.560	113.757.723
Additions	1.467.560	9.670.346	11.137.906
Disposals	-	(275.900)	(275.900)
30 June	3.416.723	121.203.006	124.619.729
Accumulated Amortization			
1 January	-	(58.117.829)	(58.117.829)
Charge for the Period	-	(8.698.036)	(8.698.036)
Disposals	-	215.814	215.814
30 June	-	(66.600.051)	(66.600.051)
Net book value as of June 30	3.416.723	54.602.955	58.019.678

(*) Intangible assets advances include the administrative advances for the projects implemented. Since the related assets do not create economical benefits no amortization is calculated over intangible assets.

30 June 2018

<u>Cost Value</u>	<u>Advances for Intangible Assets (*)</u>	<u>Rights</u>	<u>Total</u>
1 January	2.600.646	87.041.349	89.641.995
Additions	608.460	6.822.450	7.430.910
30 June	3.209.106	93.863.799	97.072.905
Accumulated Amortization			
1 January	-	(43.097.276)	(43.097.276)
Charge for the Period	-	(7.452.784)	(7.452.784)
30 June	-	(50.550.060)	(50.550.060)
Net book Value as of December 31	3.209.106	43.313.739	46.522.845

(*) Intangible assets advances include the administrative advances for the projects implemented. Since the related assets do not create economical benefits no amortization is calculated over intangible assets.

As of June 30, 2019, the Company has not recognized any impairment loss for its intangible fixed assets in the current period (December 31, 2018: None).

The Company has no goodwill amount in its financial statements.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2019

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9. Investments in Affiliates

None. (December 31 2018: TRY30.116.653)

10. Reinsurance Assets

Reinsurance assets are disclosed in Note 17.16.

11. Financial Assets

11.1 Subcategories of Financial Assets

Financial Assets and Financial Investments with Risks on Policy Holders

	June 30 2019	December 31 2018
Financial Assets Available for Sale	578.632.581	379.629.308
Financial Assets held for tradig	439.950.589	168.805.442
Financial Assets to be Held to Maturity	26.481.451	9.752.674
Financial Investments with Risks on Policy Holders	1.742.288	1.686.241
Total	1.046.806.909	559.873.665

Financial Assets Available for Sale

	June 30 2019			December 31 2018		
	Cost Value TRY	Fair Value TRY	Book Value TRY	Cost Value	Fair Value TRY	Book Value TRY
Private Sector bonds	256.042.664	274.803.432	274.803.432	218.835.732	233.265.994	233.265.994
Eurobond	170.678.239	162.258.803	162.258.803	134.782.226	122.684.814	122.684.814
Government Bonds	107.405.789	112.213.256	112.213.256	736	736	736
Equitiy Shares (Listed on the stock exchange)	30.092.087	28.927.058	28.927.058	24.215.782	23.247.732	23.247.732
Equity Shares (Not listed on the stock exchange) Net	430.032	-	430.032	430.032	-	430.032
Total	564.648.811	578.202.549	578.632.581	378.264.508	379.199.276	379.629.308

Financial Assets held For Trading

	June 30 2019			December 31 2018		
	Cost Value TRY	Fair Value TRY	Book Value TRY	Cost Value	Fair Value TRY	Book Value TRY
Reverse Repo	330.000.000	330.645.148	330.645.148	-	-	-
Investment Funds	84.415.920	109.305.441	109.305.441	142.717.574	168.805.442	168.805.442
Total	414.415.920	439.950.589	439.950.589	142.717.574	168.805.442	168.805.442

Held-to-Maturity Financial Assets

	June 30 2019			December 31 2018		
	Cost Value TRY	Fair Value TRY	Book Value TRY	Cost Value	Fair Value TRY	Book Value TRY
Government Bonds	25.445.200	26.481.451	26.481.451	9.194.956	9.752.674	9.752.674

Financial Investment with Risks on Policy Holders

	June 30 2019			December 31 2018		
	Cost Value TRY	Fair Value TRY	Book Value TRY	Cost Value	Fair Value TRY	Book Value TRY
Government Bonds	1.647.665	1.742.288	1.742.288	1.647.665	1.686.241	1.686.241

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1 OCAK - 30 Haziran 2019 HESAP DÖNEMİNE AİT FİNANSAL TABLOLARA İLİŞKİN AÇIKLAYICI DİPNOTLAR

(Tüm tutarlar aksi belirtilmedikçe Türk Lirası (TL) olarak gösterilmiştir.)

11 Financial Assets

11.1 Subcategories of Financial Assets (Continued)

Financial Assets Available for Sale (Continued)

The breakdown of the shares classified as available-for-sale financial assets is as follows:

June 30 2019				
Equity Shares	Participation Rate	Cost Value	Fair Value	Book Value
	%	TRY	TRY	TRY
Borsa İstanbul Listed		30.092.087	28.927.058	28.927.058
Tarsim Tarım Sigortaları Havuz İşletmesi A.Ş.	4,17	430.032	-	430.032
Unlisted		430.032	-	430.032
Total		30.522.119	28.927.058	29.357.090

December 31 2018				
Equity Shares	Participation Rate	Cost Value	Fair Value	Book Value
	%	TRY	TRY	TRY
Borsa İstanbul Listed		24.215.782	23.247.732	23.247.732
Tarsim Tarım Sigortaları Havuz İşletmesi A.Ş.	4,17	430.032	-	430.032
Unlisted		430.032	-	430.032
Total		24.645.814	23.247.732	23.677.764

The Company does not have assets held for trading as of June 30, 2019 and December 31, 2018.

As of June 30, 2019 and December 31, 2018, the blockage on financial assets in favour of Treasury and Finance Ministry has been disclosed in Note 17.1.

11.2 Securities other than equity shares issued in the current period:

None (December 31 2018: None).

11.3 Securities issued representing the amortized borrowing in the current period:

None (December 31 2018: None).

11.4 Fair value of securities and long-term financial assets that are carried at cost in the balance sheet and cost of securities and long-term financial assets that are carried at fair value in the balance sheet

Cost, fair value and book values of marketable securities are presented in Note 11.1.

Financial assets consist of unlisted assets, and cost and book value of financial assets are presented as below:

Borsa İstanbul Unlisted	June 30 2019			December 31 2018		
	Participation Rate	Cost Value	Book Value	Participation Rate	Cost Value	Book Value
	%	TRY	TRY	%	TRY	TRY
Merter BV	-	-	-	25	30.116.653	30.116.653
Impairment (-)		-	-		-	(30.116.653)
Affiliates, net		-	-		30.116.653	-

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 30 JUNE 2019**

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

11 Financial Assets

11.5 Marketable securities issued by the shareholders, affiliates and subsidiaries of the Company classified under marketable securities and associates and their issuers:

None (December 31 2018: None).

11.6 Increase in value of financial assets in the last three years

Value increases and decreases (net-off deferred tax) reflect the difference between the book value and cost value of the financial assets at period end.

Type of Financial Asset	June 30 2019	December 31 2018	December 31 2017
Financial Assets Available for Sale	(10.013.138)	(13.298.346)	(18.088)

11.7 Financial Instruments

- i) Information that enables the financial statement users to evaluate the financial position and performance of the Company is disclosed in Note 4.1.
- ii) Information on the book value of the financial assets is disclosed in Note 11.1.
- iii) Comparison of the fair value and book value of financial assets is disclosed in Note 11.1..
- iv) Financial assets overdue or impaired are presented in Note 11.1.

11.8. Financial Instruments

Information related to hedge accounting has been disclosed in Note 34.5.

11.9 Effects of Exchange Rate Differences

Exchange rate differences arising from the payments of monetary items or different conversion rates used in the current period or at initial recognition are recognized in profit or loss.

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2019

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

12. Receivables and Payables

12.1 Details of the Company's receivables

	<u>June 30 2019</u>	<u>December 31 2018</u>
Receivables from insurance operations		
Receivables from agencies	582.047.305	396.286.545
Bank Guaranteed Credit Card Receivables More than Three Months	121.333.882	147.593.612
Receivables from reinsurance companies	39.061.903	28.935.600
Receivables for salvage and claim recovery - net (Note 2.1.1)	25.025.430	29.909.283
Other receivables	417.050	340.483
Receivables from insurance operations	767.885.570	603.065.523
Cash deposited for insurance and reinsurance companies	30.954	30.954
Receivables from insurance and reinsurance companies	30.954	30.954
Claim recovery receivables under legal follow-up	87.773.714	83.717.544
Doubtful receivables from main operations	42.548.626	32.693.245
Total provision amount for doubtful receivables	130.322.340	116.410.789
Receivables from main operations	898.238.864	719.507.266
Provision for due from insurance operations (-) (*)	(24.472.837)	(11.935.533)
Provision for doubtful receivables from main operations (-) (**)	(24.223.313)	(23.016.557)
Provision for net claim recovery receivables under legal follow-up (-) (**)	(87.773.714)	(83.717.544)
Total provision amount for doubtful receivables	(136.469.864)	(118.669.634)
Receivables from main operations - net	761.769.000	600.837.632

(*) In balance sheet disclosed under provision for receivables from insurance operations.

(**) In balance sheet disclosed under provision for receivables from main operations.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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12. Receivables and Payables (Continued)

12.1 Details of the Company's receivables (Continued)

The movement table of provision for doubtful receivables under legal follow-up is presented below:

	June 30 2019	December 31 2018
0-90 days	27.213.250	8.190.917
90+	49.410.923	36.047.030
Not due receivables	691.292.351	558.858.530
Total	767.916.524	603.096.477

The details of guarantees for the Company's receivables are presented below:

Type of Guarantee	June 30 2019		December 31 2018	
	Receivables	Doubtful Receivables	Type of Guarantee	Receivables
Real Estate Pledges	52.476.791	1.861.952	60.207.941	2.049.952
Letters of Guarantee	43.177.389	-	42.311.128	-
Government Bonds and Equity	442.847	7.500	376.202	-
Others	1.474.238	-	1.061.759	-
Total	97.571.265	1.869.452	103.957.030	2.049.952

As of June 30, 2019, the Company has useful collateral amount is that TRY37,969,508 (December 31, 2018: TRY35,967,624).

Doubtful trade receivable transactions

	2019	2018
Opening Balance, 1 January	(106.734.101)	(95.011.803)
Charge for the Period	(7.743.856)	(17.012.726)
Collections	2.480.930	5.290.428
Closing Balance - 30 June	(111.997.027)	(106.734.101)

The Company books provision for 100% of doubtful receivables discluding guarantees. The movement table of provision for doubtful receivables under legal follow-up is presented below:

12.2 Receivable-payable relationship with shareholders, affiliates and subsidiaries of the Company

Due to/from shareholders, affiliates and subsidiaries in balance sheet includes dividends which have paid in previous years but not yet collected by shareholders. As of December 30, 2019, the Company has liabilities amounting to TRY 1,143 to shareholders (December 31, 2018: TL 1,143).

12.3 Total pledges and other guarantees received for receivables amount

Total amount of pledges and other guarantees received for receivables amounts to TRY 97,571,265. (December 31, 2018: TRY 103,957,030)

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2019

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12. Receivables and Payables (Continued)

12.4 Details of the Company's foreign currency denominated receivables without exchange rate guarantees are presented below:

June 30 2019

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount TRY
USD	5.180.112	5,7551	29.812.063
EUR	890.355	6,5507	5.832.448
GBP	32.846	7,2855	239.300
CHF	943	5,3317	5.028
Others	1.993	5,8894	11.738
Total			35.900.577
Stocks and Bonds			
USD	28.236.261	5,7551	162.502.507
Total			162.502.507
Receivables from Insurance Operations			
USD	49.047.950	5,7551	282.275.857
EUR	20.429.788	6,5507	133.829.412
GBP	193.068	7,2855	1.406.597
CHF			
Total			417.511.866
Outstanding Claims Reserve			
USD			
EUR	(8.251.513)	5,7551	(47.488.282)
Others	(1.884.214)	6,5507	(12.342.921)
Total			(4.983)
Payables from Insurance Operations			
USD	(54.865.338)	5,7551	(315.755.506)
EUR	(13.654.172)	6,5507	(89.444.387)
Others			(3.924.384)
Total			(409.124.277)
Net Foreign Currency Position			146.954.487

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2019

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12. Receivables and Payables (Continued)

12.4. Details of the Company’s foreign currency denominated receivables without exchange rate guarantees are presented below(Continued) :

December 31 2018

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount TRY
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			40.615.765
Stocks and Bonds			
	Amount in Foreign Currency	Exchange Rate	Amount TRY
USD	23.320.119	5,2609	122.684.814
Total			122.684.814
Receivables from Insurance Operations			
	Amount in Foreign Currency	Exchange Rate	Amount TRY
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
Outstanding Claims Reserve			
	Amount in Foreign Currency	Exchange Rate	Amount TRY
USD	(6.818.960)	5,2609	(35.873.867)
EUR	(1.109.743)	6,0280	(6.689.531)
Others			(4.501)
Total			(42.567.899)
Payables from Insurance Operations			
	Amount in Foreign Currency	Exchange Rate	Amount TRY
USD	(35.271.589)	5,2609	(185.560.303)
EUR	(7.373.885)	6,0280	(44.449.779)
Others			(2.193.297)
Total			(232.203.379)
Net Foreign Currency Position			144.484.471

13. Derivative Financial Instruments

During the period between January 1 - June 30, 2019, total income resulting from short-term swap contracts’ market valuation has been accounted under “Income from derivatives” in the income statement in amounting to TRY60,536,973 (January 1 - June 30, 2018: TRY39,763,851).

14. Cash and Cash Equivalents

	30 June 2019	31 December 2018
Cash at Banks	1.376.873.074	1.485.633.722
Time Deposit	1.340.173.496	1.469.517.972
Demand Deposit	36.699.578	16.115.750
Bank Guaranteed Credit Card Receivables with Maturities less than three months	561.252.004	483.934.940
Total	1.938.125.078	1.969.568.662
Interest Accrual on Cash and Cash Equivalents	(23.069.164)	(11.676.242)
Blocked Deposits (*)	(189.769.019)	(194.431.282)
Cash Flow Based Grand Total	1.725.286.895	1.763.461.138

(*) Details of blocked deposits in the company's treasury are given in footnote 17.1.

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1 OCAK - 30 HAZİRAN 2019 ARA HESAP DÖNEMİNE AİT FİNANSAL TABLOLARA İLİŞKİN AÇIKLAYICI DİPNOTLAR

(Tüm tutarlar aksi belirtilmedikçe Türk Lirası (TL) olarak gösterilmiştir.)

14. Cash and Cash Equivalents (Continued)

The details of interest rates received from time deposits as of June 30, 2019 and December 31, 2018 are as follows:

	June 30 2019	December 31 2018
	Annual Interest Rate	Annual Interest Rate
	(%)	(%)
TRY	19,50 - 24,50	18,00 - 30,00
USD	2,50 - 3,50	1,15 - 3,75
EUR	1,00 - 1,50	1,40 - 2,85

As of June 30 2019, the maturities of TRY deposits are between 18 January 2019 and 9 August 2019; while the currency of foreign exchange deposits varies between 6 February 2019 and 20 December 2019.

As of December 31 2018, the maturities of TRY deposits vary between 2 November 2018 and 22 November 2019.

As June 30 2019, there are TRY239,097,473 in the companies' other financial payables accounts. (December 31 2018: TRY58,448,710).

As of June 30 2019, the Company has accounted TRY299,870 in the valuation of repurchase agreements. (December 31 2018: TRY204,451) (Note 26).

15. Share Capital

15.1 Transactions between the Company and its shareholders, showing each distribution made to the shareholders separately

The Company's shareholders and its shareholders' equity structure as of June 30, 2019 and December 31, 2018 are presented in Note 2.14.

The details of the transactions between the Company and its shareholders and the related balances as of the end of the period are presented in "Related Parties" note.

According to the provisions of the tax legislation, 50% of the profits arising from the sales of real estates in the assets of the companies are exempted from the corporation tax, provided that they are kept in a special fund account for at least five full years. The exempted profit can not be transferred to another account nor be withdrawn unless it is in any other account, except for the addition to the capital within five years. The Sales Profit To Be Added To The Capital account includes the amounts transferred from the real estate sales to the equity.

15.2 Reconciliation of carrying values of each capital account and each reserve as of the beginning and end of the period showing each change separately

Legal Reserve

According to the Turkish Commercial Code, legal reserves; consists of first and second legal reserves. The first legal reserve is appropriated out of the statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and second legal reserves cannot be distributed unless they exceed 50% of the total capital; however, they can be used to compensate for losses in case of depletion of reserve reserves. As of 30 June 2019, the Company has legal reserves amounting to TRY 45,882,288. (December 31 2018: TRY15,835,334).

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15. Share Capital (Continued)

15.2 Reconciliation of carrying values of each capital account and each reserve as of the beginning and end of the period showing each change separately(Continued)

Special Funds (reserves)	30 June 2019	31 December 2018
Actuarial (gain)/loss	4.313.882	3.602.019
Total	4.313.882	3.602.019

Gains From Sale of Fixed Asset

75% of TRY127,169,601 of total gains from the sale of real estates, namely TL 95,377,201, which was obtained through the sale of real estate in Bursa and Istanbul in 2009, sale of real estate in İzmir in 2010, sale of Adapazarı Karaaptiler land and participation shares in 2011, sale of real estate in İzmir Tepecik in 2011, sale of real estate in Istanbul Fındıklı and Ankara in 2013, and sale of real estate in Ankara, Çanakkale and İzmir in 2014, has been decided not to be distributed in the related accounting periods but to be followed under special funds account pursuant to the Article 5-1/3 of the Corporate Tax Law and in accordance with the Tax Legislation, Capital Markets Legislation and other related financial legislation. As of 30 June 2019, at the Ordinary General Assembly Meeting held on March 4, 2019, it was decided to distribute TL 4.387.874 from the sales profit to be added to capital in the previous year's profit.

Previous Years Profits/Previous Years Losses

In accordance with the financial statements reflecting the results of 2018, the Company decided to pay TL 4.387.874 from retained earnings in addition to the profit to be distributed at the Ordinary General Assembly held on 4 March 2019.

15.3 For each class of share capital

15.3.1 The explanation about the number of capital shares

The Company’s issued capital share is composed of 30,600,000,000 shares having a nominal amount of TL 0.01 each. These shares are presented by Class 10 shares (December 31, 2018: 30,600,000,000 shares with a nominal amount of TL 0.01each).

15.3.2 The explanation about the number of issued and fully paid shares and issued but not fully paid shares

None (December 31, 2018: None).

15.3.3 Nominal value of an equity share or equity shares without having nominal value

Nominal value of equity shares is TRY0.01 per share (December 31, 2018 TRY0.01 per share).

15.3.4 Reconciliation of the number of the equity shares at the beginning and ending of the period

	Number of Shares	
	June 30 2019	June 30 2019
Beginning of the Period, 1 January	30.600.000.000	30.600.000.000
Issued in the Current Period	-	-
End of the Period, 30 June	30.600.000.000	30.600.000.000

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15. Share Capital (Continued)

15.3.5 Rights, privileges and limitations on dividend payments and repayment of share capital

In accordance with Article 61 of the Company’s Articles of Association, corporate tax is deducted from the net profit which is determined and calculated based on the issued balance sheet. 5% of statutory reserve is allocated over the remaining amount and subsequent to this allocation, at minimum, 1. dividend amount that is determined by the CMB is also allocated over the final remaining amount.

The Company’s capital does not include any preferred shares.

Based on the guidelines and principals issued by the Capital Markets Board (the Board) dated January 27, 2010 for the distribution of dividends from the profit generated from operating activities in 2010, concerning public entities, the shares of which are quoted in public equity markets, it has been agreed upon not to set a mandatory minimum dividend payment quota (December 31, 2015: 20%). Furthermore, it has been agreed upon to let public entities perform dividend distributions as stated within the “Communique Concerning Principal Matters on Dividend Advances Distributed by Public Entities Under the Regulation of the Capital Markets Law” (Serial: IV, No: 27), as stated within the principal agreement of the companies and as stated within the policies on dividend distribution that have been shared with the public.

15.3.6 Equity shares held by the Company, its affiliates or its subsidiaries

None (December 31, 2018: None).

15.3.7 Equity shares held for future sale for forward transactions and contracts

None (December 31, 2018: None).

15.4 Share based payments

None (December 31, 2018: None).

15.5 Subsequent events

Disclosed in note 46.

16. Other Provisions and Capital Component of Discretionary Participation

16.1 Each income and expense item and their total amounts accrued under shareholders’ equity in the current period in accordance with other standards and interpretations

	June 30 2019	December 31 2018
Available for sale financial assets valuation difference	(10.013.138)	(13.298.346)
Deferred tax effect	2.002.628	2.659.669
Total	(8.010.510)	(10.638.677)

In accordance with changes regarding “TAS 19 - Employee Benefits” effective as of January 1, 2013, actuarial loss amounting to TRY5,392,352 (Deferred tax effect: TRY1,078,470), (31 December 2018: TRY4,502,524, Deferred tax effect: TRY900,505) resulting from retirement pay liability calculation has been accounted to “Other Reserves and Retained Earnings” under equity.

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16. Other Provisions and Capital Component of Discretionary Participation (Continued)

16.2 Net exchange differences classified separately as an equity item and reconciliation of exchange differences at the beginning and end of the period

None (December 31, 2018: None).

16.3 Hedging for forecasted transactions and net investment hedging

None (December 31, 2018: None).

16.4 Hedging against financial risks

Information related to hedge accounting has been disclosed in Note: 34.5.

16.5 Gains and losses from available for sale financial assets recognized directly in equity for in the current period and amounts recognized in the current profit or loss taken from shareholders' equity

	2019	2018
	Increase/(Decrease)	Increase/(Decrease)
Beginning of the Period, 1 January	(10.638.677)	(14.470)
Increase / decrease in value recognized under the shareholders' equity in the current period	2.628.167	(10.624.207)
End of the Period	(8.010.510)	(10.638.677)

16.6 Income and loss related to affiliates recognized directly in equity in the current period

Disclosed in note 34.5.

16.7 Revaluation increases in tangible fixed assets

None (December 31, 2018: None).

16.8 Current and deferred tax in relation to debit and credit items directly charged in equity

None (December 31, 2018: None).

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17. Insurance Liabilities and Reinsurance Assets

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

The Company's guarantees to be provided for life and non-life insurance branches and guarantees provided for life and non-life insurances based on assets are below:

Branch	June 30 2019		December 31 2018	
	Amount to be Provided TRY	Current Blockage TRY	Amount to be Provided TRY	Current Blockage TRY
Life	1.602.590	1.742.288	1.609.847	1.686.241
Government Bonds		1.742.288		1.686.241
Non-Life (*)	195.062.313	207.848.192	192.033.411	194.431.282
Time Deposit		157.848.192		144.431.282
Credit Card Receivables		50.000.000		50.000.000
Total	196.664.903	209.590.480	193.643.258	196.117.523

(*) As of June 30, 2019, the required guarantee amount has been calculated based on capital requirements in August 31, 2018. The Company has on behalf of Treasury and Finance Ministry, TRY157,848,192 time deposits and TRY50,000,000 credit card blocked.

17.2 Number of life insurance policies, additions, disposals in the current period, and current life insurances and their mathematical reserves

	2019		2018	
	Unit	Mathematical Reserves TRY	Unit	Mathematical Reserves TRY
Beginning of the Period 1 January	182	1.473.636	195	1.609.127
Participations in the Current Period	-	-	-	-
Leavings in the Current Period	(5)	(21.067)	(10)	(127.685)
End of the period – 30 June	177	1.452.569	185	1.481.442

Mathematical reserves amounting to TRY1,452,569 (December 31, 2018: TRY1,326,272) and Reserves for the policies, investment risk of which belongs to life insurance policy holders amounting TRY145,257 (December 31, 2018: TRY147,364) and cancelled policy numbers together with their mathematical reserves are included in the table above.

Financial assets classified as Financial Assets Available For Sale under Financial Investments at Policyholder's Risk are valued with current value as explained in note 11; as of June 30, 2019, there is no difference in the value accounted in Life Mathematical Reserve account discounted with current value (December 31, 2018: None).

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.3 Insurance guarantees given ton on life insurances based on insurance branches

Branch	June 30 2019 Amount	December 31 2018 Amount
Motor Crafts Liability	24.146.398.195.115	20.830.248.339.935
Health	16.376.884.799.293	13.785.470.579
Fire and Natural Disaster	1.048.332.611.373	774.813.336.135
General Losses	450.639.555.018	343.647.533.783
Transportation	231.038.780.241	203.454.329.909
General Liability	202.926.991.453	46.269.250.717
Financial Losses	112.036.472.305	127.495.793.682
Motor Own Damage	106.035.090.034	83.398.602.747
Air-Crafts Liability	67.908.995.633	99.646.391.975
Accident	42.595.371.291	43.772.951.606
Legal Protection	10.240.803.200	11.172.942.871
Air Crafts	4.936.778.673	2.727.411.879
Fidelity Guarantee	1.419.966.939	696.497.821
Credit	1.183.012.872	2.839.757.128
Water Crafts		1.296.038.530
Total	42.802.577.423.440	22.585.264.649.297

17.4 Pension investment funds established by the Company and their unit prices

None (December 31, 2018: None).

17.5 Number and amount of participation certification in portfolio and circulation

None (December 31, 2018: None).

17.6 Number of portfolio amounts of additions, disposals, reversals, and current individual and group pension participants

None (December 31, 2018: None).

17.7 Valuation methods used in profit share calculation for life insurances with profit shares

None (December 31, 2018: None).

17.8 Number of the additions and their group or individual gross and net share participations in the current period

None (December 31, 2018: None).

17.9 Number of additions from the other companies and their group or individual gross and net share participations in the current period

None (December 31, 2018: None).

17.10 Number of transfers from the Company's life portfolio to individual pension portfolio and their group or individual gross and net share participations

None (December 31, 2018: None).

17.11 Number of transfers from the Company's individual pension portfolio to other company or not and together their personal and corporate allocation and gross and net share participations

None (December 31, 2018: None).

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.12 Number of additions of life insurances and their group or individual gross and net mathematical reserves

None (December 31, 2018: None).

17.13 Number of disposals of life insurances and their group or individual gross and net mathematical reserves

All of disposals of life insurances in current period are individual and units and amounts are represented in Note 17.2.

17.14 Profit share distribution rate of life insurances in the current period

In the current period, profit share distribution rate of life insurances are calculated as below:

	June 30 2019	December 31 2018
	Profit Share	Profit Share
	Distribution	Distribution
	(%)	(%)
TRY (Life Insurance)	9,00	9,00

17.15 Explanation of information that describes amounts arose from insurance agreements

None (December 31 2018: None).

17.16 Assets, liabilities, income, expense and cash flows from insurance contacts recognized when the insurer is a ceding company:

Reinsurance Assets

	June 30 2019	December 31 2018
Reinsurance Share of Outstanding Claims Reserve (Note 4.1.2.2)	1.453.384.859	1.246.875.833
Reinsurance Share of Unearned Premiums Reserve (Note 20)	949.568.240	729.548.076
Ongoing Risks Provision Reinsurer Share (Note 20)	171.830.156	106.920.200
Equalization Provision Reinsurer Share (Note 20)	138.610.482	106.980.739
Cash Deposited For Insurance & Reinsurance Companies (Note 12.1)	39.061.903	28.935.600
Bonus and rebates provision Reinsurance Share (Not 20)	1.693.201	-
Deposits of Reinsurance Company (Note 12.1)	30.954	30.954
Total	2.754.179.795	2.219.291.402

Reinsurance Debts

	June 30 2019	December 31 2018
Payables to Insurance and Reinsurance Companies (Note 19.1)	580.255.549	418.719.301
Deferred Commissions Income (Note 19.1)	116.995.065	101.508.921
Total	697.250.614	520.228.222

Income / Expense on Reinsurance Agreements

	1 January- June 30 2019	1 April- June 30 2019	1 January- June 30 2018	1 April- June 30 2018
Reinsurance Share of Outstanding Claims Reserve	206.509.025	49.159.244	190.304.196	130.071.349
Reinsurance Share of Unearned Premiums Reserve (Note 20)	220.020.164	54.621.326	164.650.572	(12.637.809)
Reinsurance Share of Claims Paid	259.811.811	155.497.352	187.150.147	86.449.501
Commissions Received (Note 32)	100.162.773	53.536.537	85.416.327	46.900.049
Bonus and rebates provision Reinsurance Share (Not 20)	(60.372.319)	(601.024)	53.059.117	53.177.774
Ongoing Risks Provision Reinsurer Share (Note 20)	64.909.956	47.312.782	9.995.093	17.639.498
Premiums Ceded to Reinsurers (-)	(995.555.648)	(461.717.414)	(754.698.330)	(306.843.096)
Total	(204.514.238)	(102.191.197)	(64.122.878)	14.757.266

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17. Insurance Liabilities and Reinsurance Assets (Continued)

Branch	June 30 2019			June 30 2018		
	Premiums Ceded (*)	Reinsurance Share of Technical Reserves (**)	Reinsurance Share of Claims Paid	Premiums Ceded (*)	Reinsurance Share of Technical Reserves (**)	Reinsurance Share of Claims Paid
Fire and Natural Disaster	(336.756.447)	139.977.606	35.297.058	(227.859.656)	104.437.197	36.387.966
Health	(160.713.934)	56.806.697	96.404.815	(124.894.256)	35.529.686	71.230.360
General Losses	(110.577.342)	(42.762.807)	45.047.061	(129.835.154)	149.670.485	24.074.326
Motor Crafts Liability	(144.388.332)	22.439.106	44.161.602	(142.004.970)	52.968.654	20.850.547
General Liability	(79.957.331)	157.973.092	8.747.654	(54.445.040)	29.116.030	6.982.589
Financial Losses	(69.236.106)	26.298.980	14.798.588	(33.494.668)	33.383.059	64
Transportation	(29.361.504)	4.768.572	8.351.745	(18.942.550)	4.746.125	6.472.061
Accident	(3.600.070)	(3.464.320)	2.442.854	(5.611.734)	(2.533.766)	2.783.630
Fidelity Guarantee	(1.504.244)	3.212.461	25.693	(1.682.360)	(6.803.062)	15.873.608
Air Crafts Liability	(6.444.902)	(71.744.766)	-	(5.073.625)	1.240.604	
Air Crafts	(37.195.358)	96.587.205	2.658.211	(3.315.379)	15.351.066	2.182.038
Water Crafts	(11.535.981)	39.477.372	1.612.371	(3.856.329)	2.170.243	131.351
Credit	(1.788.275)	1.283.611	264.159	(1.330.941)	128.317	181.579
Motor Own Damage	(2.495.822)	214.017		(2.351.668)	(1.395.660)	28
Total	(995.555.648)	431.066.826	259.811.811	(754.698.330)	418.008.978	187.150.147

(*) As explained in Note 2.15, Transferred Premiums amounted to TRY58,376,767 (31 December 2018: TRY46,253,245) transferred to the Social Security Institution as of 30 June 2019.

(**) Technical reserves reinsurer share includes unearned premium reserve, unexpired risk reserve, outstanding claim reserve.

The company defers commission income that arises from reinsurance agreements which has been bought as cedant enterprise.

17.17. Comparison of incurred claims with past estimations

4 Disclosed in Note 4.1.2.3.

17.18. Effects of changes in the assumptions used in the measurement of insurance assets and liabilities, showing the effects of each change that has significant effect on the financial statements separately

Disclosed in note 4.1.2.4.

17.19 Reconciliation of insurance payables, reinsurance assets and changes in deferred acquisition costs, if any

	2019	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, January 1	520.228.222	2.219.291.402
Net change of the year	177.022.392	534.888.393
End of the period-June 30	697.250.614	2.754.179.795
	2018	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, January 1	386.475.544	1.530.033.769
Net change of the year	184.582.882	387.658.220
End of the period June 30	571.058.426	1.917.691.989

17.20 Deferred production commissions and deferred commission income

The part of the commissions paid to the intermediaries for the premiums written and the commissions received from the reinsurers due to the premiums transferred to the reinsurers are accounted for in the balance sheet under “Deferred manufacturing expenses” and “deferred commission income” accounts, respectively, and in the Income Statement under the operating expenses account. Deferred commission expenses and deferred commission income as of 30 June 2019 amounted to TRY250,506,263(31 December 2018: TRY222,173,395) and TRY116,995,065 (31 December 2018: TRY101,508,921), respectively, deferred production expenses and deferred tax commission income is included in account items.

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18. Investment Contract Liabilities

Disclosed in Note 17.3.

19. Trade and Other Payables, Deferred Income

19.1 Sub-classifications of presented items in the Company's operations line with

	June 30 2019	December 31 2018
Payables from Insurance and Reassurance Operations (Note 17.16)	580.255.549	418.719.301
Payables from Insurance Operations	580.255.549	418.719.301
Current account of natural catastrophe insurance	26.238.348	18.902.758
Payables to sellers	12.307.953	26.701.130
Negotiated service and debts to institutions	31.301.550	54.098.804
DASK debts to agencies	879.058	937.702
Other	2.938.568	3.961.451
Other Payables	73.665.477	104.601.845
Payables to SSI regarding medical expenses	42.675.507	28.112.544
Deferred commission income (Not 17.16)	116.995.065	101.508.921
Expense accruals (Not 23.4)	65.498.498	40.333.473
Other	311.802	210.173
Deferred Income and Expense Accruals	182.805.365	142.052.567
Total Short Term Liabilities	879.401.898	693.486.257
Total Trade and Other Payables, Deferred Income	879.401.898	693.486.257

19.2 Related Party Disclosures

Details related with related party balances and transactions for the current financial period are disclosed in Note 45.

20. Payables

Insurance Technical Reserves	June 30 2019	December 31 2018
Unearned Premiums Reserve- Net (*)	1.151.680.168	1.040.175.238
Unexpired Risks Reserve- Net (Note 4.1.2.2)	978.598.433	849.402.337
Equalization Provision - Net	89.490.315	82.348.570
Ongoing Risks Provision- Net	1.452.569	1.473.636
Mathematical Reserves-Net	18.439.220	20.653.057
Bonus and Discount Provisions- Net	18.225	97.055
Total	2.239.678.930	1.994.149.893

(*) While calculating the income statement effect of the provisions for unearned premiums, TRY1,374,762 the deferral effect of the premiums transferred to assistance companies, which is included in operating expenses, has been netted off (December 31, 2018: TRY501,585).

As disclosed in note 2.15, the reinsurers' share of unearned premiums includes SSI share as of June 30, 2019 which is TRY53,437,849 (December 31, 2018: TRY35,362,066).

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2019

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

20. Payables (Continued)

The movement of technical reserves are as follows:

Unearned Premium Reserve:

	June 30 2019			June 30 2018		
	Gross	Reinsurance Share(*)	Net	Gross	Reinsurance Share(*)	Net
Beginning of the Period, January 1	1.769.723.314	(729.548.076)	1.040.175.238	1.471.777.825	(587.846.797)	883.931.028
Net change	331.525.094	(220.020.164)	111.504.930	226.633.499	(164.650.572)	61.982.927
End of the Period - June 30	2.101.248.408	(949.568.240)	1.151.680.168	1.698.411.324	(752.497.369)	945.913.955

(*) The reinsurance share for unearned premiums also includes the share of SSI amounting to TRY7,776,280 (June 30 2018: TRY211,329,403).

Unexpired Risk Reserve:

	June 30 2019			June 30 2018		
	Net	Gross	Reinsurance Share	Net	Gross	Reinsurance Share
Beginning of the Period, January 1	127.573.257	(106.920.200)	20.653.057	15.546.916	(15.070.795)	476.121
Net change	62.696.119	(64.909.956)	(2.213.837)	9.729.138	(9.995.093)	(265.955)
End of the Period – June 30	190.269.376	(171.830.156)	18.439.220	25.276.054	(25.065.888)	210.166

Equalization Reserve:

	June 30 2019			June 30 2018		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	189.329.309	(106.980.739)	82.348.570	144.099.369	(73.534.993)	70.564.376
Net change	38.771.488	(31.629.743)	7.141.745	22.512.434	(16.993.448)	5.518.986
End of the Period – June 30	228.100.797	(138.610.482)	89.490.315	166.611.803	(90.528.441)	76.083.362

Provision for bonus and discount

	June 30 2019			June 30 2018		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	62.162.575	(62.065.520)	97.055	539.637	(532.570)	7.067
Net change	(60.451.149)	60.372.319	(78.830)	53.155.570	(53.059.117)	96.453
End of the Period – June 30	1.711.426	(1.693.201)	18.225	53.695.207	(53.591.687)	103.520

Outstanding claims reserve:

The movement of Outstanding Claims Reserve of 2019 and 2018 are presented in note 4.1.2.3.

The Company's total lease liability and the movement table of the lease liabilities, which are accounted for under the transition to IFRS 16- Leases, are as follows:

	June 30 2019	January 1 2019
Short term lease liabilities	13.749.179	10.236.560
Long term lease liabilities	41.551.252	48.104.919
Alternative borrowing rate and discount amount	(23.173.274)	(27.336.518)
Total Lease Liabilities	32.127.157	31.004.961

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

20. Payables (Continued)

	June 30 2019
Total rent liabilities as of January 1	-
IRFS 16 transition effect	31.004.961
Rent payments (real estate and motor vehicles)	(3.041.048)
Interest Payments	4.163.244
Total rent liability as of June 30, 2019	32.127.157

21. Deferred Income Tax

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

Within the scope of the "Law on the Amendment of Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated December 5, 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. For severance indemnity provision and marketable securities valuation difference, 20% is used. The Company's deferred income tax amounts are disclosed in footnote 35.

22. Retirement and Welfare Liabilities

Provisional Article 23 of the Banking Act No: 5411 requires the transfer of pension funds, which are established for employees of financial institutions, insurance and reinsurance companies under Social Security Act, to Social Security Institution ("SSI") as of the effective date of the Act within 3 years and principles and procedures of fund transfer are also prescribed in accordance with the Council of Ministers' order no: 2006/11345 issued on 30 November 2006. However, transfer requirement in the related Act was annulled based on the application made by the Turkish President on November 2, 2005 in accordance with the order of the Constitutional Court (no: E.2005/39, K.2007/33) issued on March 22, 2007 as effective from the date of publishment in the Official Gazette no: 26479 on March 31, 2007.

On the other hand, the Act No: 5754 "Amendments in Social Securities and General Health Insurance Acts Specific Laws and Related Requirements" published in the Official Gazette No: 26870 on May 8, 2008, requires the transfer of participants or beneficiaries of pension funds to SSI as of the effective date of the Act within 3 years and prescribes the extension period of the transfer as maximum of two years upon the order of Council of Ministers.

The Act prescribes that, as of the transfer date, present value of fund liabilities should be measured by considering the fund income and expense based on the insurance branches presented in the related act using 9,8% of technical interest rate in the actuarial calculation. The Act also specifies that the uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by institutions that made the fund transfers.

Aksigorta A.Ş. is a member of Akbank T.A.Ş Pension Fund (Akbank T.A.Ş Tekaüt Sandığı). At each period-end, the Company pays its liability calculated for its share to the pension fund. As the result of the actuarial calculations made in relation to the Pension Fund of Akbank T.A.Ş. established in accordance with Article 20 of the Social Securities Act No: 506, the Company has no deficits by the end of the current period and no payments have been made in relation to any deficit amount by the Company. Fund assets are adequate in covering all the funds liabilities; therefore, the Company management anticipates no liabilities to be assumed in relation to the above-mentioned matter.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

22. Retirement and Welfare Liabilities (Continued)

Aksigorta A.Ş. is a member of Akbank T.A.Ş Pension Fund (Akbank T.A.Ş Tekaüt Sandığı). At each period-end, the Company pays its liability calculated for its share to the pension fund. As the result of the actuarial calculations made in relation to the Pension Fund of Akbank T.A.Ş. established in accordance with Article 20 of the Social Securities Act No: 506, the Company has no deficits by the end of the current period and no payments have been made in relation to any deficit amount by the Company. Fund assets are adequate in covering all the funds liabilities; therefore, the Company management anticipates no liabilities to be assumed in relation to the above-mentioned matter.

Retirement Pay Provisions:

Under the terms of Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are entitled to retirement pay provisions subsequent to the completion of their retirement period by gaining a right to receive retirement payments in accordance with the amended Article 60 of the applicable Social Insurance Law No: 506 and the related Decrees No: 2422 and 4447 issued on 6 March 1981 and August 25, 1999, respectively. Some transitional provisions related to pre-retirement service term was excluded from the law since the related law was amended as of May 23, 2002.

Employee termination benefits provisions are legally not a subject of funding. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at June 30, 2019 and 2018, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. As of June 30, 2019, the provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of %15,7 (December 31, 2018: %20,3) and a discount rate of 11,7% (December 31, 2018: %16,4), resulting in a real interest rate of 4% (December 31, 2018: 4%). The anticipated rate of forfeitures is considered and estimated rate of the Company's retirements pay is also taken into account

However, during this estimation, other conditions other than the ages specified in subparagraphs (a) and (b) of the first paragraph of Article 60 of Law 506, which are stated in paragraph 1 of Article 14 of the Labor Law No. 1475, temporary. According to Article 81, the severance payments to be made due to the fact that they complete the insured period (15 years) and the number of premium payment days (3600 days) foreseen to be connected to the old-age pension are separated from their estimations

In accordance with changes regarding "TAS 19 - Employee Benefits" effective as of January 1, 2013, actuarial loss amounting to TRY5,392,352 (Deferred tax effect: TRY1,078,470) resulting from retirement pay liability calculation has been accounted to extraordinary reserves under equity.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

22. Retirement and Welfare Liabilities(Continued)

Retirement Pay Provisions (Continued):

As the maximum liability is updated semi annually, as of June 30, 2019, the maximum amount of TRY6,379 effective from July 1, 2019 has been taken into consideration in calculation of provision from employment termination benefits (December 31, 2018: TRY6,017).

Movement of employee termination benefits provisions are presented in the statement below:

	2019	2018
Beginning of the period, January 1	6.503.684	6.172.934
Charge for the period (Note 47)	874.836	579.055
Actuarial Gain/Loss	889.829	(264.611)
Retirement Payments (-)	(1.089.225)	(392.438)
End of the period , June 30	7.179.124	6.094.940

23. Other Liabilities and Expense Accruals

23.1 Provisions related to employee benefits and others

	2019		2018	
	Unused Vacationions Provisions	Social Security Premiums Payable	Unused Vacationions Provisions	Social Security Premiums Payable
Beginning of the period, January 1	1.833.998	168.325	1.317.302	1.879.776
Movements in the Current Period	876.195	14.865.390	408.292	11.365.216
Payments in the Current Period	(168.723)	(14.827.067)	(85.687)	(13.078.766)
End period, June 30	2.541.470	206.647	1.639.907	166.226

23.2 Total Amount of Non-liability Commitments

Company' s statement of pledges and commitments as of June 30, 2019 and December 31, 2018 are presented below:

Collaterals, Pledges and Mortgages Given by the Company(CPM)	June 30 2019		December 31 2018	
	Amount in Original i Currency	Amount TRY	Amount in Original i Currency	Amount TRY
A, Total amount of CPM's given on behalf of the Company legal entity	-	-	-	-
B, Total amount of CPM's given in favor of joint ventures included in full consolidation	-	-	-	-
C, Total amount of CPM's given as the guarantee of the third parties for the maintenance purpose of the ordinary activities		7.773.913		7.871.027
TRY	7.773.913	7.773.913	7.871.027	7.871.027
USD	-	-	-	-
D, Total amount of the other CPM's given		565.250		565.250
i, Total amount of CPM's given in favor of the parent company	-	-	-	-
ii, Total amount of CPM's given in favor of other group companies not included in clauses B and C	-	-	-	-
iii, Total amount of CPM's given in favor of third parties not included		565.250		565.250
TRY	565.250	565.250	565.250	565.250
Total		8.339.163		8.436.277

Other CPM's given by the Company is zero in proportion to the Company's equity (December 31, 2017: None).

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23. Other Liabilities and Expense Accruals (Continued)

23.3 Provisions, Contingents Assets and Liabilities

Contingent Liabilities	30 June 2019	31 December 2018
Outstanding Claims under Litigation (*)	599.395.386	483.639.563
Guarantee fund provision	2.541.470	1.833.998
Business Cases Provision	1.353.508	1.831.997
Total	603.290.364	487.305.558
Contingent Assets	30 June 2019	31 December 2018
Subrogation Receivable Litigations, Gross	116.348.270	111.065.416
Trade Receivable Litigations and Executions	5.290.428	5.290.428
Total	121.638.698	116.355.844

(*) Outstanding claims provision consists of net receivables, interest and expenses & agency fees in the amount of TRY367,242,944 TRY112,752,288 and TRY119,400,154 respectively.

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. 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. Large taxpayers were interviewed by the Tax Office on February 15, 2018, and on February 27, 2018 a lawsuit was filed against the Grand Taxpayers' Office as no compromise could be reached. In the cases of 2009, 2010, 2011 and 2012, in tax litigation related to BITT the Tax Court ruled in favor of the Company.

23.4 Provision for Expense Accruals

	June 30 2019	December 31 2018
Commission provision (*)	23.846.537	16.206.481
Expense provision	13.667.132	1.847.440
Donation	10.800.000	-
Performance premium provision	5.905.740	7.131.516
Guarantee fund provision	5.894.079	10.312.123
Allowance	2.541.470	1.833.998
Business Cases Provision	1.353.508	1.831.997
Other	1.490.032	1.169.918
Total	65.498.498	40.333.473

(*) Commission provision to be distributed to the agency, bank and institutional channels for the current period.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2019

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24. Net Insurance Premium Revenue

	1 January - June 30 2019			1 April - June 30 2019		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Motor Crafts Liability (*)	675.132.060	(144.388.332)	530.743.728	444.827.494	(117.502.422)	327.325.072
Fire and Natural Disaster	422.866.381	(336.756.448)	86.109.933	295.813.109	(272.023.579)	23.789.530
Motor Own Damage	359.342.931	(2.495.822)	356.847.109	68.868.876	(1.759.971)	67.108.905
Health	214.681.901	(160.713.934)	53.967.967	46.900.775	26.873.891	73.774.666
General Losses	163.911.386	(110.400.288)	53.511.098	56.166.925	(109.311.009)	(53.144.084)
Financial Losses	92.628.270	(69.236.106)	23.392.164	39.406.728	7.722.208	47.128.936
General Liability	92.583.848	(79.946.107)	12.637.741	70.310.621	21.413.817	91.724.438
Transportation	42.341.237	(29.361.504)	12.979.733	34.196.942	17.316.352	51.513.294
Air Crafts	37.195.822	(37.195.358)	464	36.431.623	(34.508.244)	1.923.379
Accident	15.895.295	(3.788.348)	12.106.947	(21.735.668)	(1.449.149)	(23.184.817)
Water Craft	13.098.805	(11.535.981)	1.562.824	10.411.369	(8.873.254)	1.538.115
Air Crafts Liability	6.445.116	(6.444.902)	214	6.445.116	(2.717.421)	3.727.695
Fidelity Guarantee	2.748.941	(1.504.244)	1.244.697	86.122	13.536.674	13.622.796
Legal Protection	2.032.636	-	2.032.636	(4.479.874)	-	(4.479.874)
Credit	1.860.483	(1.788.274)	72.209	892.532	(435.307)	457.225
Total - Non-life branches	2.142.765.112	(995.555.648)	1.147.209.464	1.084.542.690	(461.717.414)	622.825.276
Written premium - Life branch	-	-	-	-	-	-
Total	2.142.765.112	(995.555.648)	1.147.209.464	1.084.542.690	(461.717.414)	622.825.276

	1 January - June 30 2019			1 April - June 30 2019		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Motor Crafts Liability (*)	533.193.538	(142.004.969)	391.188.569	241.017.175	(67.442.262)	173.574.913
Motor Own Damage	314.983.841	(2.351.668)	312.632.173	160.670.721	(1.171.933)	159.498.788
Fire and Natural Disaster	301.954.654	(227.859.656)	74.094.998	139.257.828	(103.174.322)	36.083.506
General Losses	170.922.645	(129.835.154)	41.087.491	62.184.492	(42.180.537)	20.003.955
Health	170.418.161	(124.894.256)	45.523.905	63.959.231	(42.766.947)	21.192.284
General Liability	63.421.793	(54.442.534)	8.979.259	26.278.402	(21.903.673)	4.374.729
Financial Losses	51.901.944	(33.494.668)	18.407.276	19.518.705	(9.954.318)	9.564.387
Transportation	33.798.582	(18.942.550)	14.856.032	12.626.221	(7.267.497)	5.358.724
Accident	15.521.032	(5.614.240)	9.906.792	7.293.155	(2.419.131)	4.874.024
Water Crafts	5.281.805	(3.856.329)	1.425.476	3.155.498	(2.261.604)	893.894
Air Crafts Liability	5.073.873	(5.073.625)	248	3.441.616	(3.441.503)	113
Air Crafts	3.315.668	(3.315.379)	289	978.440	(978.282)	158
Fidelity Guarantee	2.606.605	(1.682.360)	924.245	1.319.874	(855.728)	464.146
Legal Protection	2.286.772	-	2.286.772	1.158.546	-	1.158.546
Credit	1.400.990	(1.330.942)	70.048	1.079.324	(1.025.359)	53.965
Total - Non-life branches	1.676.081.903	(754.698.330)	921.383.573	743.939.228	(306.843.096)	437.096.132
Written premium - Life branch	500	-	500	-	-	-
Total	1.676.082.403	(754.698.330)	921.384.073	743.939.228	(306.843.096)	437.096.132

(*) Reinsurance share of land vehicles liability branch amounting to TRY58,376,767 (January 1 - June 30,2018: TRY46,253,245) includes premiums to be ceded to SSI.

25. Fee Income

None (January 1 - December 31 2018: None).

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

26. Investment Income/Expences

	1 January - June 30 2019	1 April - June 30 2019	1 January - June 30 2018	1 April - June 30 2018
Realized Investment Income / Expenses				
Term Deposit	28.437.415	16.414.265	53.347.176	21.558.785
Private Sector Bonds	22.016.144	11.536.696	16.067.101	9.059.585
Investment Fund	14.109.000	7.553.209	30.528.439	19.265.355
Eurobond	8.276.611	3.700.703	2.015.222	2.015.222
Government Bond	7.986.811	472.818	100.332	118.899
Stock	3.743.977	1.699.991	(428.992)	(615.728)
Treasury Bond	1.132.785	2.185.902	-	-
Other	109	-	-	-
Total	85.702.852	43.563.584	101.629.278	51.402.118
Unrealized Investment Income / Expenses				
Term Deposit	11.392.922	1.481.939	(2.464.791)	(3.836.343)
Private Sector Bonds	5.909.644	1.777.377	3.778.714	1.758.579
Government Bond	2.453.316	4.025.367	15.534	(60.835)
Eurobond	2.086.573	256.160	(159.512)	(1.007.577)
Repo	299.870	-	-	-
Treasury Bond	(65.596)	(32.752)	(68.136)	(33.390)
Stock	(371.798)	(575.745)	(688.856)	(334.649)
Investment Fund	(703.849)	(1.526.139)	(17.026.688)	(12.983.005)
Total	21.001.082	5.406.207	(16.613.735)	(16.497.220)
Investment Income/Expense, Net	106.703.934	48.969.791	85.015.543	34.904.898

27. Net Accrual Income on Financial Assets

Financial Assets Available for Sale	1 January - June 30 2019	1 January - June 30 2018
Valuation differences recognized under shareholders' equity	(8.010.510)	(6.351.994)
Total	(8.010.510)	(6.351.994)

28. Assets Held At Fair Value through Profit and Loss

The net gain which is booked in income statement from the fair value difference reflected to gain or loss of the financial assets, is amounting to TRY13,705,021(January 1 – June 30, 2018: TL 30.131.143)

29. Insurance Rights and Demands

Outstanding Claims Reserve Expenses	1 January - June 30 2019	1 April - June 30 2019	1 January - June 30 2018	1 April - June 30 2018
Motor Crafts Liability	(94.641.112)	(45.426.648)	(89.747.792)	(48.429.310)
General Liability	(18.972.515)	(12.506.993)	(7.870.305)	(5.303.194)
Motor Own Damage	(10.543.701)	(13.387.290)	6.049.677	(9.957.228)
General Losses	(5.112.770)	(4.056.001)	11.728	(648.260)
Health	(2.181.796)	(1.382.528)	(452.555)	(468.911)
Water Crafts	(758.535)	(326.746)	(610.955)	(555.872)
Accident	(691.112)	(532.177)	(395.348)	(286.618)
Transportation	(512.545)	(1.135.457)	399.330	556.269
Credit	(33.949)	31.739	4.581	1.084
Legal Protection	(13.355)	(42.971)	(124.832)	2.200
Fidelity Guarantee	(6.046)	(110.884)	(191.325)	(296.622)
Air Crafts	(526)	(150)	(953)	(747)
Air Crafts Liability	(394)	56	(7.034)	(7.036)
Financial Losses	918.265	1.363.553	195.980	46.192
Fire and Natural Disaster	3.357.655	3.991.034	(10.477.968)	(9.231.162)
Total Non-life	(129.192.436)	(73.521.463)	(103.217.771)	(74.579.215)
Life	(3.660)	-	69.733	70.735
Total (*)	(129.196.096)	(73.521.463)	(103.148.038)	(74.508.480)

(*) For current previous period comparison please refer to note 4.1.2.3.

AKSIGORTA A.Ş.

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30. Investment Agreement Types

None (December 31 2018: None).

31. Mandatory Other Expenses

Types of expenses are disclosed in Note 32

32. Expense Type

	1 January- June 30 2019	1 April - June 30 2019	1 January- June 30 2018	1 April - June 30 2018
Production Commissions (-)	(259.988.903)	(134.755.822)	(227.705.294)	(118.434.084)
Employee Wages and Expenses (-) (*) (Note 33)	(52.744.183)	(26.434.705)	(43.848.531)	(21.923.966)
Information Technology Expenses (-)	(8.868.533)	(5.284.127)	(7.460.529)	(3.853.726)
Meeting and Training Expenses (-)	(3.762.853)	(1.818.834)	(2.797.400)	(1.228.975)
Social Relief Expenses (-) (Note 33)	(2.540.480)	(1.230.110)	(2.004.332)	(966.788)
Transportation Expenses (-)	(2.122.194)	(1.121.906)	(2.766.664)	(1.409.105)
Advertisement Expenses (-)	(2.070.959)	(929.189)	(3.760.258)	(1.969.267)
Repair and Maintenance Expenses (-)	(2.005.598)	(927.374)	(1.574.506)	(813.985)
Outsourcing Service Expenses (-)	(1.740.826)	(1.135.347)	(1.334.584)	(639.334)
Building Expenses (-)	(1.115.482)	(520.593)	(4.866.155)	(2.454.176)
Communication Expenses (-)	(944.739)	(471.457)	(897.262)	(458.221)
Reinsurance Commissions (+)	100.162.773	53.536.537	85.416.327	46.900.049
Other (-)	(5.116.579)	(2.360.758)	(2.681.874)	(1.522.635)
Total	(242.858.556)	(123.453.685)	(216.281.062)	(108.774.213)

(*) The Company makes payments to pension contribution (3% of the monthly gross salary) for the employees who fulfill conditions and this amount is presented in employees wages and expenses.

33. Employee Wages and Expenses i

	1 January- June 30 2019	1 April - June 30 2019	1 January- June 30 2018	1 April - June 30 2018
Salary and Bonus Payments	(42.839.793)	(21.403.378)	(36.647.161)	(18.229.229)
Insurance Payments	(8.754.727)	(4.461.109)	(5.706.695)	(2.967.254)
Other Payments	(3.690.143)	(1.800.328)	(3.499.007)	(1.694.271)
Total (Note 32)	(55.284.663)	(27.664.815)	(45.852.863)	(22.890.754)

34. Financing Cost

34.1 Financial Expenses:

None. (December 31 2018: None).

34.2 Current period's financial expenses related to shareholders, affiliates and subsidiaries:

None. (December 31 2018: None).

34.3 Sales transactions with shareholders, affiliates and subsidiaries:

Disclosed in Note 45.

34.4 Interest, rent and similar balances with shareholders, affiliates and subsidiaries:

Disclosed in Note 45.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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34. Financial Cost (Continued)**34.5 Hedge accounting principle****Cash Flow hedging principle**

None

Type risk and principle of the cash flow hedge

None.

34.6 Exchange differences, other than those arising from financial assets held at fair value through profit and loss

None (December 31 2018: None).

35. Corporate Tax

	<u>June 30 2019</u>	<u>December 31 2018</u>		
<u>Current Tax Liability:</u>				
Corporate Tax Liability Provision on Period Profit	59.773.560	66.694.754		
Prepaid Taxes and Other Liabilities on Period Profit (-)	(16.139.257)	(54.453.247)		
Total	<u>43.634.303</u>	<u>12.241.507</u>		
<u>Tax (Expense) / Income is Formed by the Items Below:</u>				
	<u>1 January- June 30 2019</u>	<u>1 April – June 30 2019</u>	<u>1 January- June 30 2019</u>	<u>1 April – June 30 2018</u>
Current Tax Income / (Expense)	(59.773.560)	(41.966.902)	(28.795.739)	(12.824.797)
Deferred Tax Income / (Expense) due to Temporary Differences	-	-	-	-
	2.693.919	9.938.207	314.144	(61.925)
Total Tax Income / (Expense)	<u>(57.079.641)</u>	<u>(32.028.695)</u>	<u>(28.481.595)</u>	<u>(12.886.722)</u>
<u>Deferred Tax</u>			<u>2019</u>	<u>2018</u>
Recognized in the Shareholders' Equity:				
Valuation of Financial Assets Available for Sale			2.002.628	2.659.669
Hedge Effect				
Actuarial Gain/Loss Effect			1.078.470	900.505
			<u>3.081.098</u>	<u>3.560.174</u>

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below. Within the scope of the "Law on the Amendment of Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated December 5, 2017, the corporate tax rate for the years 2019 and 2020 was increased from 20% to 22%. 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 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2018 are calculated with 22% tax rate for the temporary differences which will be realized in 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards. The tax rate used in the calculation of deferred tax assets and liabilities is 22% excluding the retirement pay provision. For severance indemnity provision and marketable securities valuation difference, 20% is used.

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35. Corporate Tax (Continued)

Deferred tax items are as follows:

Deferred Tax Assets / (Liabilities)	Temporary differences	Temporary differences	Deferred Tax Assets / (Liabilities)	Deferred Tax Assets / (Liabilities)
	June 30 2019	December 31 2018	June 30 2019	December 31 2018
Ongoing Risks	18.439.220	20.653.057	4.056.628	4.543.673
Expense reserves (Note 23.4)	16.857.799	3.552.176	3.708.716	781.479
Donation	10.800.000	-	2.376.000	-
Investment Fund Valuation Difference	10.013.138	13.298.346	2.002.628	2.659.669
Balancing Equivalent	7.990.829	7.444.150	1.757.982	1.637.713
Provision for doubtful receivables	7.607.087	3.874.390	1.673.559	852.366
Provision for employment termination benefits(Note 22)	7.179.124	6.503.684	1.435.825	1.300.737
Performance premium provision (Note 23.4)	5.905.740	7.131.516	1.299.263	1.568.934
Unused vacation allowance (Note 23.4)	2.541.470	1.833.998	559.123	403.480
Tangible Assets Leasing	2.392.610	-	526.374	-
Bonuses and Rebates	18.225	97.055	4.010	21.352
Provision for impairment (Note 9)	-	30.116.653	-	6.625.664
Effect of Valuation of Financial Assets Held for Trading	(15.707.864)	2.776.310	(3.455.730)	610.788
Tangible and intangible assets economic life differences	(18.393.170)	(18.331.315)	(4.046.497)	(4.032.892)
Deferred Tax Assets / (Liabilities)	55.644.208	78.950.020	11.897.881	16.972.963

Corporation tax reconciliation is as below:

Confirmation of Tax Provision	2019	2018
Profit Before Tax	225.307.587	294.193.790
Tax Calculated: 22%	(49.567.669)	(64.722.634)
Effect of Additions	(35.023.869)	(20.416.770)
Effect of Allowances	24.817.978	18.444.650
Corporate Tax Liability Provision on Period Profit	(59.773.560)	(66.694.754)

Reconciliation of period tax expense with net income for the period is as below:

	2019	2018
Profit before tax	225.307.587	124.530.717
Calculated tax revenue: %22 (2017: %20)	(49.567.669)	(27.396.758)
Effect of previous period adjustments	(4.969.248)	-
Part of deferred tax recognized in equity	(2.180.593)	243.957
Effect of tax rate change	-	1.077.207
Disallowable expenses	(362.131)	(2.406.001)
Total Tax Expense	(57.079.641)	(28.481.595)

36. Net Foreign Exchange Gain/Loss

	1 January - June 30 2019	1 April - June 30 2019	1 January - June 30 2018	1 April - June 30 2018
Recognized in Profit / Loss:				
Foreign Exchange Income	152.881.601	101.679.994	76.968.662	51.344.806
Foreign Exchange Expense (*)	(78.804.360)	(49.315.603)	(85.406.982)	(64.323.622)
	74.077.241	52.364.391	(8.438.320)	(12.978.816)

(*) The amount classified to the profit reserves arising from the foreign exchange hedge accounting is deducted from the foreign exchange losses account in the profit or loss table amounting to TRY22.023.479.

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37. Earnings per Share

	2019	2018
Number of Equity Shares Outstanding Beginning Period, 1 January	<u>30.600.000.000</u>	<u>30.600.000.000</u>
Number of Equity Shares Issued in Cash		
Number of Equity Shares Outstanding End of Period, December 31	<u>30.600.000.000</u>	<u>30.600.000.000</u>
Weighted Average Number of Outstanding Shares (Unit of 1; TRY0.01)	30.600.000.000	30.600.000.000
Net Profit for the Period / (Loss) (TRY)	<u>168.227.946</u>	<u>89.973.857</u>
Earnings / (Loss) per Share (TRY)	<u>0,550</u>	<u>0,294</u>

38. Dividends per share

Pursuant to the decision taken in the Company’s Ordinary General Meeting held on March 4, 2019, dividend distribution to shareholders was TRY200,000 based on the 2018 operating results.

39. Cash Generated from the Operations

Cash Generated from Operations is presented in the Cash Flow Statement.

40. Equity Share Convertible Bonds

None (December 31, 2018: None).

41. Cash Convertible Privileged Equity Shares

None (December 31, 2018: None).

42. Risks

The Company’s contingent asset and liabilities are presented in Note 23.3.

43. Commitments

Total amount of off balance sheet commitments are presented in Note 23.2.

44. Business Combinations

None (December 31, 2018: None).

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45. Related Parties

Related Party Receivables / (Payables)

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

	1 January- June 30 2019	1 April - June 30 2019	1 January- June 30 2018	1 April- June 30 2018
Premium production				
Related Parties	85.188.805	59.643.655	71.455.019	27.627.163
Shareholders	1.152.660	604.630	980.611	137.098
Total	86.341.465	60.248.285	72.435.630	27.764.261

	1 January- June 30 2019	1 April- June 30 2019	1 January- June 30 2018	1 April- June 30 2018
Claims Paid				
Related Parties	22.856.118	21.791.383	36.598.950	20.055.379
Total	22.856.118	21.791.383	36.598.950	20.055.379

	1 January- June 30 2019	1 April- June 30 2019	1 January- June 30 2018	1 April- June 30 2018
Interest Income Received from Related Part				
Related Parties	27.370.901	22.471.827	19.927.130	6.791.835
Total	27.370.901	22.471.827	19.927.130	6.791.835

	1 January- June 30 2019	1 April- June 30 2019	1 January- June 30 2018	1 April- June 30 2018
Commission Expenses				
Related Parties	57.574.736	30.287.262	95.971.035	46.097.439
Total	57.574.736	30.287.262	95.971.035	46.097.439

Bank Deposit	June 30 2019	December 31 2018
Related Parties	322.410.622	455.146.116
Total	322.410.622	455.146.116

Private Sector Bonds	June 30 2019	December 31 2018
Related Parties	67.915.316	48.709.250
Total	67.915.316	48.709.250

Investment Funds	June 30 2019	December 31 2018
Related Parties	109.305.500	168.805.699
Total	109.305.500	168.805.699

Related Party Receivables	June 30 2019	December 31 2018
Related Parties	76.997.181	62.857.652
Shareholders	126.609	61.264
Total	77.123.790	62.918.916

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2019

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46. Subsequent Events

In the case filed before the Tax Court in 2009 concerning BITT, the decision of the Tax Court in favor of the company (cancellation of tax and penalty assessments). Grand Taxpayers Office choose to apply for the Tax Office. It was decided by the Istanbul Administrative Court to reject the appeal.

47. Other

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

Other Receivables	June 30 2019	December 31 2018
Receivables from Tarım Sigortaları A.Ş.	5.698.532	12.961.070
Receivables from Agencies due to DASK Premiums	3.072.833	4.489.770
Other Receivables	2.768.238	2.699.367
Total	11.539.603	20.150.207

Other Short Term Payables	June 30 2019	December 31 2018
Payables to suppliers	31.301.550	26.701.130
Payables to contracted enterprises	26.238.348	54.098.804
Payables to Turkish Catastrophe Insurance Pool	12.307.953	18.902.758
Turkish Catastrophe Insurance Pool Payables to agencies	879.058	937.702
Other	2.938.568	3.961.451
Total	73.665.477	104.601.845

Other Prepaid Expenses	June 30 2019	December 31 2018
Prepaid Expenses	3.385.528	5.062.036
Total	3.385.528	5.062.036

Other Prepaid Expenses (Long Term)	June 30 2019	December 31 2018
Prepaid Expenses	149.980	149.980
Total	149.980	149.980

Assistance services under other technical expenses in the income statement, amounting to TRY39,003,732 consist of deferral of these amounts and technical expenses of these services.

Income and Profit / Expenses and Losses from Other and Extraordinary Activities	1 January - June 30 2019	1 April - June 30 2019	1 January - June 30 2018	1 April - June 30 2018
Provisions Account (+/-)	(2.789.368)	15.951.573	(19.839.649)	(10.169.868)
Provisions No Longer Required (**)	30.116.653	30.116.653	-	-
Guarantee Fund Provision	-	-	(4.827.153)	(2.169.987)
Provisions for other expenses	(358.081)	(16.475)	(113.452)	105.811
Retirement pay provision (*)	(874.836)	(437.419)	(579.055)	(289.978)
Unused vacation provision (Note 22)	(876.195)	(138.554)	(408.292)	(141.806)
Portfolio Management	(2.196.679)	(201.356)	(1.574.473)	(1.185.597)
Donation	(10.800.000)	(6.400.000)	(6.500.000)	(3.000.000)
Provisions for doubtful receivable (Note 12,1)	(17.800.230)	(6.971.276)	(5.837.224)	(3.488.311)
Featured Insurance Account (+/-)	1.271.491	279.781	1.039.827	164.555
Deferred tax asset account (+/-) (Note 35)	2.693.919	9.938.207	314.144	(61.925)
Other income and profits	886.951	316.040	635.323	68.282
Other expenses and losses (-)	(35.361.034)	(32.860.340)	(4.134.899)	(2.129.339)
Loss on Sale of Associates (**)	(30.116.647)	(30.116.647)	-	-
Bank expenses	(3.791.717)	(1.844.137)	(3.082.744)	(1.520.700)
Disallowable Expenses	(519.645)	(394.458)	(219.027)	(119.824)
Management Expenses of Associates	-	-	(484.179)	(246.777)
Other	(31.049.672)	(30.621.745)	(348.949)	(242.038)
Total	(33.298.041)	(6.374.738)	(21.985.254)	(12.128.295)

(*) Donations to be paid to Hacı Ömer Sabancı Foundation.

(**) Merter BV, a subsidiary of the Company, has been sold for one euro. The carrying value of the associate is accounted under "Other Expenses and Losses" after deducting the sales amount, and the provision for the associate is accounted under Provisions No Longer Required".

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	Current Period June 30 2019	Previous Period June 30 2018
I. Distribution of profit for the period		
1.1. Profit for the period		
1.2. , Taxes payable and legal liabilities		
1.2.1. Corporation tax (Income tax)		
1.2.2. Income tax deduction		
1.2.3. Other taxes and legal liabilities		
A Net profit for the period (1.1 - 1.2)		
1.3. Previous years' losses (-)		
1.4. First legal reserve		
1.5. Legal reserves kept in the company (-)		
B Net distributable Profit for the period [(A - (1.3 + 1.4 + 1.5)]		
1.6. First dividend to shareholders (-)		
1.6.1. To common shareholders		
1.6.2. To preferred shareholders		
1.6.3. To owners of participating redeemed shares		
1.6.4. To owners of profit-sharing securities		
1.6.5. To owners of profit and loss sharing securities		
1.7. Dividends to personnel (-)		
1.8. Dividends to founders (-)		
1.9. Dividends to board of directors (-)		
1.10. Second dividends to shareholders (-)		
1.10.1. To common shareholders		
1.10.2. To preferred shareholders		
1.10.3. To owners of participating redeemed shares		
1.10.4. To owners of profit-sharing securities		
1.10.5. To owners of profit and loss sharing securities		
1.11. Second legal reserve (-)		
1.12. Statutory reserves (-)		
1.13. Extraordinary reserves		
1.14. Other reserves		
1.15. Special funds		
II. Distribution from reserves		
2.1. Distributed reserves		
2.2. Second legal reserve (-)		
2.3. Dividends to shareholders (-)		
2.3.1. To common shareholders		
2.3.2. To preferred shareholders		
2.3.3. To owners of participating redeemed shares		
2.3.4. To owners of profit-sharing securities		
2.3.5. To owners of profit and loss sharing securities		
2.4. Dividends to employees (-)		
2.5. Dividends to board of directors (-)		
III Profit per share		
3.1. To common shareholders		
3.2. To common shareholders (%)		
3.3. To preferred shareholders		
3.4. To preferred shareholders (%)		
IV. Dividends per share		
4.1. To common shareholders		
4.2. To common shareholders (%)		
4.3. To preferred shareholders		
4.4. To preferred shareholders (%)		

The General Assembly is the authorized body of the Company regarding the distribution of profit for the period. Since there is no profit distribution for the period between 1 January - 30 June 2019 and 2018, profit distribution table is not calculated.

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