

AKSIGORTA A.Ş.

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD JANUARY 1 - JUNE 30, 2018
TOGETHER WITH AUDITOR'S REVIEW REPORT**

AKSIGORTA A.Ş.

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - JUNE 30, 2018**

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AKSIGORTA A.Ş.**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD JANUARY 1 - JUNE 30, 2018**

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

Assets	Note	Reviewed	Audited
		June 30, 2018	December 31, 2017
Total current assets		4,704,051,120	4,021,130,993
Cash and cash equivalents	9	1,621,033,499	1,352,046,487
Debt securities:			
- Available for sale at company's risk	8	488,983,573	516,646,617
- Available for sale at insurees' risk	8	2,622,040	2,514,414
Premium receivables		511,973,086	479,527,221
Due from reinsurers		33,669,474	27,969,645
Reinsurance share of insurance liabilities	11	1,839,224,200	1,472,428,865
Deferred acquisition costs		115,502,164	119,453,993
Other current assets		91,043,084	50,543,751
Total non-current assets		97,581,810	99,045,920
Tangible assets	5	24,157,760	26,197,351
Investment properties		-	80,126
Intangible assets	6	46,522,845	46,544,719
Financial assets			
Equity securities:			
- Available for sale	8	346,211	346,211
Deferred income tax assets	14	26,405,014	22,913,921
Other non-current assets		149,980	2,963,592
Total assets		4,801,632,930	4,120,176,913
Liabilities	Note	Reviewed	Audited
		June 30, 2018	December 31, 2017
Total current liabilities		4,248,885,191	3,542,089,107
Insurance liabilities	11	3,632,118,965	3,079,404,852
Payables to reinsurers	12	488,939,448	332,355,206
Provisions for other liabilities and charges		46,446,367	36,798,073
Trade and other payables	12	67,235,614	84,809,994
Current income tax liabilities	14	14,144,797	8,720,982
Total non-current liabilities		6,094,940	6,172,934
Provision for retirement benefit obligation		6,094,940	6,172,934
Total equity		546,652,799	571,914,872
Shareholders' equity	10	306,000,000	306,000,000
Legal and other reserves	10	112,230,612	95,403,929
Actuarial loss arising from employee benefit, net of tax	10	(3,031,138)	(3,242,827)
Hedging reserve	10	24,734,914	17,618,782
Available-for-sale investments fund	10	(6,351,994)	(14,469)
Retained earnings/accumulated deficit	10	113,070,405	156,149,457
Total equity and liabilities		4,801,632,930	4,120,176,913

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

AKSIGORTA A.Ş.**CONDENSED INTERIM INCOME STATEMENT
FOR THE PERIOD JANUARY 1 - JUNE 30, 2018**

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

Income Statement	Note	Reviewed June 30, 2018	Reviewed June 30, 2017
Insurance premium revenue	13	1,449,448,904	1,013,180,252
Insurance premium ceded to reinsurers	13	(609,920,700)	(432,957,973)
Net insurance premium revenue	13	839,528,204	580,222,279
Investment income		125,719,455	71,638,434
Commission income		85,416,327	79,701,062
Other operating income		3,634,704	2,556,615
Net income		1,054,298,690	734,118,390
Insurance claims	16	(1,033,597,404)	(694,099,935)
Insurance claims recovered from reinsurers	16	439,059,304	314,376,860
Net insurance claims	16	(594,538,100)	(379,723,075)
Commission expense		(227,705,294)	(173,949,102)
Expenses for marketing and administration	15	(90,677,725)	(74,878,002)
Other operating expenses		(23,974,548)	(16,862,475)
Insurance claims and expenses		(936,895,667)	(645,412,654)
Results of operating activities		117,403,023	88,705,736
Foreign exchange gain / (loss), net		(8,438,320)	5,209,250
Profit before tax		108,964,703	93,914,986
Income tax expense	14	(25,057,072)	(19,600,912)
Profit for the period		83,907,631	74,314,074
Earnings per share		0.0027	0.0024

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

AKSIGORTA A.Ş.**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD JANUARY 1 – JUNE 30, 2018**

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

Statement of comprehensive income	Note	Reviewed June 30, 2018	Reviewed June 30, 2017
Profit for the period		83,907,631	74,314,074
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Change in available-for-sale financial assets fund, net off deferred tax		(6,337,525)	6,779,000
Cash flow hedging, net off deferred tax		7,116,132	(1,184,199)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		778,607	5,594,801
Other comprehensive income not being reclassified to profit or loss in subsequent periods:			
Actuarial loss, net off deferred tax		211,689	(8,129)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		211,689	(8,129)
Other comprehensive income, net of tax		990,296	5,586,672
Total comprehensive income for the year, net of tax		84,897,927	79,900,746

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

AKSİGORTA A.Ş.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1 - JUNE 30, 2018

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

June 30, 2017									Reviewed
	Note	Share capital	Available-for-sale investment funds	Revaluation fund	Legal reserves	Actuarial loss arising from employee benefit	Cash flow hedging	Retained earnings	Total
Balances at December 31, 2016	10	306,000,000	(7,203,045)	-	178,468,101	(3,472,406)	16,816,074	(63,471,429)	427,137,295
Profit for the year		-	-	-	-	-	-	74,314,074	74,314,074
Transfer		-	-	-	(83,064,172)	-	-	83,064,172	-
Other comprehensive income		-	6,779,000	-	-	(8,129)	(1,184,199)	-	5,586,672
Total comprehensive income	10	-	6,779,000	-	(83,064,172)	(8,129)	(1,184,199)	157,378,246	79,900,746
Dividend payment		-	-	-	-	-	-	-	-
Balances at June 30, 2017	10	306,000,000	(424,045)	-	95,403,929	(3,480,535)	15,631,875	93,906,817	507,038,041
		-	-	-	-	-	-	-	-
June 30, 2018									Reviewed
	Note	Share capital	Available-for-sale investment funds	Revaluation fund	Legal reserves	Actuarial loss arising from employee benefit	Cash flow hedging	Retained earnings	Total
Balances at December 31, 2017	10	306,000,000	(14,469)	-	95,403,929	(3,242,827)	17,618,782	156,149,457	571,914,872
Profit for the year		-	-	-	-	-	-	83,907,631	83,907,631
Transfer		-	-	-	16,826,683	-	-	(16,826,683)	-
Other comprehensive income		-	(6,337,525)	-	-	211,689	7,116,132	-	990,296
Total comprehensive income	10	-	(6,337,525)	-	16,826,683	211,689	7,116,132	67,080,948	84,897,927
Dividend payment		-	-	-	-	-	-	(110,160,000)	(110,160,000)
Balances at June 30, 2018	10	306,000,000	(6,351,994)	-	112,230,612	(3,031,138)	24,734,914	113,070,405	546,652,799

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

AKSIGORTA A.Ş.**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR PERIOD JANUARY 1 - JUNE 30, 2018**

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

Cash Flow Statement	Note	January 1 – June 30, 2018	January 1 – June 30, 2017
Cash inflows from insurance operations		2,149,078,539	1,439,782,648
Cash outflows from insurance operations		(1,802,115,361)	(1,180,399,414)
Income tax payment		(26,860,137)	(3,583,729)
Cash outflows from operational expenses		(81,368,134)	(84,965,253)
Net cash flows from operating activities		238,734,907	170,834,252
Tangible and intangible asset acquisitions		(7,778,225)	(365,099)
Financial asset acquisitions / disposals		43,956,545	379,716,314
Interest received		69,241,773	48,797,867
Other cash inflows		3,463,340	8,457,407
Net cash flows from investing activities		108,883,433	436,606,489
Dividends paid		(110,160,000)	-
Net cash flows from financing operations		-	-
Net increase in cash and cash equivalents		237,458,340	607,440,741
Cash and cash equivalents at the beginning of the period		1,200,503,027	332,076,914
Cash and cash equivalents at the end of the period	9	1,437,961,367	939,517,655

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

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2018

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

1. General Information

Aksigorta A.Ş. (“the Company”) is a joint venture of Hacı Ömer Sabancı Holding A.Ş. and Ageas Insurance International N.V. as of June 30, 2018. 38.02% (December 31, 2017: 38.02%) of the Company is issued in Borsa İstanbul (“BİST”) (Note 2.3).

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

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

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

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

	June 30, 2018	December 31, 2017
Top and middle management	106	103
Other personel (*)	635	518
Total	741	621

(*) As of 30 June 2018, The Company has 90 part-time employees who hold project-based responsibilities.

Remuneration and fringe benefits provided to top management such as; chairman and members of the board of directors, managing director and assistant managing directors amount to 2,923,970 TL in total for January 1 - June 30, 2018 (January 1 - June 30, 2017: TL 3,086,893).

Financial statements include only one company (Aksigorta A.Ş.) and the Company does not have any subsidiaries or affiliates as of June 30, 2018 (December 31, 2017: None).

The Company’s interim condensed financial statements as of June 30, 2018 are approved and authorized for issuance as of July 31, 2018 by the Board of Directors.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2018**

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements at June 30, 2018 have been prepared in accordance with International Financial Reporting Standard as defined by IAS 1. In accordance with the International Accounting Standard No: 34 “Interim Financial Reporting”, entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Company has preferred to prepare condensed financial statements in the interim periods. Accordingly, the financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at June 30, 2018 and any public announcement made by the company during the period.

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

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

Comparative information and restatement of prior period financial statements

The Company’s statement of financial position as of June 30, 2018 is presented in comparison with its statement of financial position as of December 31, 2017; statement of comprehensive income, statement of changes in equity and statement of cash flows for the period between January 1 - June 30, 2018 are presented in comparison with its statement of comprehensive income, statement of changes in equity and statement cash flows for the period between January 1 - June 30, 2017.

2.2 Adoption of New and Revised Standards

The new standards, amendments and interpretations

The accounting policies applied in the preparation of the financial statements as of January 1 - June 30, 2018 are consistent with those applied in the preparation of the financial statements as of December 31, 2017, except for the new standards and amended IAS/IFRS standards which are valid as of January 1, 2018 and International Financial Reporting Interpretations Committee’s (“IFRIC”) interpretations summarised below.

Standards, amendments and interpretations applicable as at 30 June 2018:

- IFRS 9 - Financial instruments
- IFRS 15 - Revenue from contracts with customers
- Amendment to IFRS 15 - Revenue from contracts with customers
- Amendments to IFRS 4 - Insurance contracts
- Amendment to IAS 40 - Investment property
- Amendments to IFRS 2 - Share based payments
- Annual improvements 2014-2016: IFRS 1 and IAS 28
- IFRIC 22 - Foreign currency transactions and advance consideration

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2018

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

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

Standards, amendments and interpretations that are issued but not effective as at 30 June 2018:

- Amendment to IFRS 9 - Financial instruments
- Amendment to IAS 28 - Investments in associates and joint venture
- IFRS 16 - Leases
- IFRIC 23 - Uncertainty over income tax treatments
- IFRS 17 - Insurance contracts
- Annual improvements 2015-2017: IFRS 3, IFRS 11, IAS 12, IAS 23
- Amendments to IAS 19 - Employee benefits

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

2.3 Share capital

As of June 30, 2018, the Company’s nominal capital is TL 306,000,000 (December 31, 2017: TL 306,000,000). Share capital is represented by 30,600,000,000 of equity shares having a nominal amount of TL 0,01 each.

The share capital structure of the Company is as follows:

Name of shareholders	June 30, 2018		December 31, 2017	
	Share	Share amount	Share	Share amount
H. Ömer Sabancı Holding A.Ş.	36.00	110,160,000	36.00	110,160,000
Ageas Insurance International NV	36.00	110,160,000	36.00	110,160,000
Publicly quoted shares	28.00	85,680,000	28.00	85,680,000
Total	100.00	306,000,000	100.00	306,000,000

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

The Company has accepted the registered capital system set out in accordance with the provisions of Law No: 2499 and applied the system as of June 15, 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As of June 30, 2018, the Company’s registered share capital is TL 500,000,000 (December 31, 2017: TL 500,000,000).

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2018**

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

3. Critical accounting estimates and judgements

Preparation of financial statements requires the use of estimations and assumptions which may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the statement of financial position date and reported amounts of income and expenses during the financial period. Accounting estimates and assumptions are continuously evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Although the estimations and assumptions are based on the best knowledge of the management for existing events and operations, they may differ from the actual results.

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

4. Segment information

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

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

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2018

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

4. Segment information (Continued)

Segment results for period January 1 - June 30, 2018 is as follows:

January 1 - June 30, 2018	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	69,565,164	15,641,058	314,721,848	312,852,973	40,325,627	43,350,160	43,071,374	-	839,528,204
Earned Premiums (Net of Reinsurer Share)	69,565,164	15,641,058	314,721,848	312,852,973	40,325,627	43,350,160	43,071,374	-	839,528,204
Premiums (Net of Reinsurer Share)	71,773,252	16,275,917	295,844,711	390,887,299	40,883,638	45,389,212	40,469,158	-	901,523,187
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(2,208,088)	(634,859)	18,877,137	(78,034,326)	(558,011)	(2,039,052)	2,602,216	-	(61,994,983)
TECHNICAL EXPENSES	(61,526,173)	(6,047,051)	(361,656,870)	(316,048,350)	(33,313,173)	(33,250,971)	(36,002,048)	-	(847,844,636)
Total Claims (Net of Reinsurer Share)	(33,259,331)	(2,480,204)	(270,639,600)	(256,344,577)	(9,181,841)	(3,816,787)	(18,815,760)	-	(594,538,100)
Claims Paid (Net of Reinsurer Share)	(23,711,430)	(3,803,886)	(283,711,239)	(140,120,619)	(8,428,711)	(3,546,560)	(7,287,944)	-	(470,610,389)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(9,547,901)	1,323,682	13,071,639	(116,223,958)	(753,130)	(270,227)	(11,527,816)	-	(123,927,711)
Commissions (Net)	(12,298,526)	(2,121,026)	(54,583,235)	(30,327,231)	(15,287,467)	(20,185,815)	(7,485,667)	-	(142,288,967)
Operating Expenses	(14,120,538)	(1,030,366)	(30,034,003)	(21,066,598)	(7,772,743)	(8,096,910)	(8,556,567)	-	(90,677,725)
Other Operating Income / Expenses	(1,847,778)	(415,455)	(6,400,032)	(8,309,944)	(1,071,122)	(1,151,459)	(1,144,054)	-	(20,339,844)
	8,038,991	9,594,007	(46,935,022)	(3,195,377)	7,012,454	10,099,189	7,069,326	-	(8,316,432)
Investment income	-	-	-	-	-	-	-	125,719,455	125,719,455
Foreign exchange income	-	-	-	-	-	-	-	(8,438,320)	(8,438,320)
Tax expense	-	-	-	-	-	-	-	(25,057,072)	(25,057,072)
Net Profit / (Loss)	8,038,991	9,594,007	(46,935,022)	(3,195,377)	7,012,454	10,099,189	7,069,326	92,224,063	83,907,631

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2018

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

4. Segment information (Continued)

Segment results for period January 1 - June 30, 2017 is as follows:

January 1 - June 30, 2017	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	67,379,325	11,025,915	274,410,077	120,413,062	34,966,226	31,980,867	40,046,807	-	580,222,279
Earned Premiums (Net of Reinsurer Share)	67,379,325	11,025,915	274,410,077	120,413,062	34,966,226	31,980,867	40,046,807	-	580,222,279
Premiums (Net of Reinsurer Share)	78,123,767	11,353,542	241,825,342	116,477,950	41,342,740	39,755,928	42,040,818	-	570,920,087
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(10,744,442)	(327,627)	32,584,735	3,935,112	(6,376,514)	(7,775,061)	(1,994,011)	-	9,302,192
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
TECHNICAL EXPENSES	(65,855,312)	(5,048,878)	(294,607,940)	(114,348,116)	(32,925,523)	(23,579,140)	(26,790,068)	-	(563,154,977)
Total Claims (Net of Reinsurer Share)	(39,059,041)	(2,728,542)	(211,879,509)	(97,273,387)	(14,521,509)	(1,490,550)	(12,770,537)	-	(379,723,075)
Claims Paid (Net of Reinsurer Share)	(29,091,181)	(976,770)	(202,878,524)	(70,441,452)	(7,601,501)	(2,834,315)	(6,013,055)	-	(319,836,798)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(9,967,860)	(1,751,772)	(9,000,985)	(26,831,935)	(6,920,008)	1,343,765	(6,757,482)	-	(59,886,277)
Commissions (Net)	(10,810,399)	(1,190,822)	(49,478,596)	(3,070,142)	(10,557,070)	(12,850,529)	(6,290,482)	-	(94,248,040)
Operating Expenses	(14,131,752)	(826,107)	(26,924,206)	(10,691,103)	(6,884,756)	(8,793,023)	(6,627,055)	-	(74,878,002)
Other Operating Income / Expenses	(1,854,120)	(303,407)	(6,325,629)	(3,313,484)	(962,188)	(445,038)	(1,101,994)	-	(14,305,860)
	1,524,013	5,977,037	(20,197,863)	6,064,946	2,040,703	8,401,727	13,256,739	-	17,067,302
Investment income	-	-	-	-	-	-	-	71,638,434	71,638,434
Foreign exchange income	-	-	-	-	-	-	-	5,209,250	5,209,250
Tax expense	-	-	-	-	-	-	-	(19,600,912)	(19,600,912)
Net Profit / (Loss)	1,524,013	5,977,037	(20,197,863)	6,064,946	2,040,703	8,401,727	13,256,739	57,246,772	74,314,074

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2018

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

5. Tangible assets

As of June 30, 2018 and 2017 tangible assets movement and its accumulated depreciation is as follows:

Costs:	January 1, 2018	Additions	Disposals	June 30, 2018
Property for operational use	1,598,569	-	-	1,598,569
Furniture and fixtures and leased tangible assets	23,957,267	424,558	(141,860)	24,239,965
Other tangible assets (including leasehold improvements)	21,412,252	388,400	(387,894)	21,412,758
Advances for tangible assets	-	-	-	-
Total	46,968,088	812,958	(529,754)	47,251,292

Accumulated depreciation: (-)	January 1, 2018	Additions	Disposals	June 30, 2018
Property for operational use	(537,189)	(15,902)	-	(553,091)
Furniture and fixtures and leased tangible assets	(12,652,946)	(1,499,829)	129,677	(14,023,098)
Other tangible assets	(7,580,602)	(1,183,293)	246,552	(8,517,343)
Total	(20,770,737)	(2,699,024)	376,229	(23,093,532)

Net book value	26,197,351	(1,886,066)	(153,525)	24,157,760
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Costs:	January 1, 2017	Additions	Disposals	June 30, 2017
Property for operational use	1,598,569	-	-	1,598,569
Furniture and fixtures and leased tangible assets	22,168,371	371,864	(22,341)	22,517,894
Other tangible assets (including leasehold improvements)	20,331,354	15,576	-	20,346,930
Advances for tangible assets	-	-	-	-
Total	44,098,294	387,440	(22,341)	44,463,393

Accumulated depreciation: (-)	January 1, 2017	Additions	Disposals	June 30, 2017
Property for operational use	(505,122)	(15,902)	-	(521,024)
Furniture and fixtures and leased tangible assets	(10,064,184)	(1,322,153)	7,695	(11,378,642)
Other tangible assets	(5,527,156)	(1,070,489)	-	(6,597,645)
Total	(16,096,462)	(2,408,544)	7,695	(18,497,311)

Net book value	28,001,832	(2,021,104)	(14,646)	25,966,082
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The Company has not accounted for any impairment provision for tangible fixed assets in the current period.

Total depreciation expense is TL 10,151,809 (January 1 - June 30, 2017: TL 8,322,561).

AKSIGORTA A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2018**

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

6. Intangible assets

Costs:	January 1, 2018	Additions	June 30, 2018
Rights	87,041,349	6,822,451	93,863,800
Advances given for intangible assets	2,600,646	608,460	3,209,106
Total	89,641,995	7,430,911	97,072,906

Accumulated depreciation: (-)	January 1, 2018	Additions	June 30, 2018
Rights	(43,097,276)	(7,452,785)	(50,550,061)
Total	(43,097,276)	(7,452,785)	(50,550,061)

Net book value	46,544,719	(21,874)	46,522,845
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Costs:	January 1, 2017	Additions	June 30, 2017
Rights	69,825,964	7,352,576	77,178,540
Advances given for intangible assets	1,577,347	412,704	1,990,051
Total	71,403,311	7,765,280	79,168,591

Accumulated depreciation: (-)	January 1, 2017	Additions	June 30, 2017
Rights	(30,227,061)	(5,914,017)	(36,141,078)
Total	(30,227,061)	(5,914,017)	(36,141,078)

Net book value	41,176,250	1,851,263	43,027,513
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2018

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

7. Management of insurance and financial risk

Foreign currency risk

The Company is exposed to foreign exchange risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated assets and liabilities. These risks are monitored by the analysis of exchange rate position. The details of the Company’s foreign currency denominated assets and liabilities as of June 30, 2018 and December 31, 2017 are disclosed below:

June 30, 2018			
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	9,533,742	4.5607	43,480,537
EUR	2,242,552	5.3092	11,906,157
GBP	34,090	5.9810	203,892
CHF	119,782	4.5790	548,482
Other			3,155
Total			56,142,223
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	39,467,195	4.5607	179,998,036
EUR	17,118,819	5.3092	90,887,234
GBP	170,933	5.9810	1,022,350
CHF	251,623	4.5790	1,152,182
Other			98
Total			273,059,900
Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	13,536,167	4.5607	61,734,397
Total			61,734,397
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(6,426,000)	4.5607	(29,307,058)
EUR	(1,299,951)	5.3092	(6,901,700)
Other			(4,045)
Total			(36,212,803)
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(47,357,612)	4.5607	(215,983,861)
EUR	(12,684,846)	5.3092	(67,346,384)
Other			(2,400,337)
Total			(285,730,582)
Off-balance sheet liabilities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(13,289,767)	4.5607	(60,610,640)
Total			(60,610,640)
Net Foreign Currency Position			8,382,495

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

7. Management of insurance and financial risk (Continued)

December 31, 2017

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	6,135,494	3.7719	23,142,470
EUR	1,420,773	4.5155	6,415,500
GBP	92,357	5.0803	469,201
CHF	95,190	3.8548	366,938
Other			3,149
Total			30,397,258

Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	45,975,362	3.7719	173,414,468
EUR	10,498,749	4.5155	47,407,101
GBP	93,403	5.0803	474,515
CHF	14,379	3.8548	55,428
Other			37,491
Total			221,389,003

Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	15,141,844	3.7719	57,113,520
Total			57,113,520

Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(6,355,551)	3.7719	(23,972,503)
EUR	(897,954)	4.5155	(4,054,711)
Other			(3,438)
Total			(28,030,652)

Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(35,179,329)	3.7719	(132,692,911)
EUR	(5,721,273)	4.5155	(25,834,408)
Other			(1,349,223)
Total			(159,876,542)

Off-balance sheet liabilities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(14,322,351)	3.7719	(54,022,476)
Total			(54,022,476)

Net Foreign Currency Position **66,970,111**

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2018

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

7. Management of insurance and financial risk (Continued)

Liquidity risk

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

Table of liquidity risk as of June 30, 2018 is as follows:

June 30, 2018	Up to 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	701,843,265	901,082,639	-	-	-	18,107,595	1,621,033,499
Securities pledged under repurchase agreements	-	-	-	-	-	-	-
Financial assets available for sale	-	9,683,089	84,362,266	162,195,530	27,589,714	205,152,974	488,983,573
Investments on policyholders’ risk	-	-	-	2,622,040	-	-	2,622,040
Receivables from main operations	165,631,939	198,009,441	121,402,914	26,928,792	-	-	511,973,086
Due from reinsurance companies	-	-	33,669,474	-	-	-	33,669,474
Reinsurers’ share of insurance liabilities	614,782,490	438,554,620	679,193,057	97,750,073	8,943,960	-	1,839,224,200
Equity securities	-	-	-	-	-	346,211	346,211
Other assets	-	206,545,248	-	-	-	-	206,545,248
Total Assets	1,482,257,694	1,753,875,037	918,627,711	289,496,435	36,533,674	223,606,780	4,704,397,331
Insurance liabilities	1,059,076,355	817,761,903	1,580,242,601	160,364,992	14,673,114	-	3,632,118,965
Due to reinsurers	-	-	488,939,448	-	-	-	488,939,448
Trade and other payables	-	-	113,681,981	-	-	-	113,681,981
Total liabilities and shareholders’ equity	1,059,076,355	817,761,903	2,182,864,030	160,364,992	14,673,114	-	4,234,740,394
Liquidity surplus/(deficit)	423,181,339	936,113,134	(1,264,236,319)	129,131,443	21,860,560	223,606,780	469,656,937

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2018**

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

7. Management of insurance and financial risk (Continued)

Table of liquidity risk as of December 31, 2017 is as follows:

December 31, 2017	Up to 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	480,433,483	856,650,464	-	-	-	14,962,540	1,352,046,487
Financial assets available for sale	5,441,840	5,261,658	72,340,849	175,656,024	24,969,289	232,976,957	516,646,617
Investments on policyholders’ risk	-	-	-	2,514,414	-	-	2,514,414
Receivables from main operations	100,695,396	159,738,668	201,424,723	17,668,434	-	-	479,527,221
Due from reinsurance companies	-	-	27,969,645	-	-	-	27,969,645
Reinsurers’ share of insurance liabilities	386,021,008	371,448,592	600,806,670	73,049,522	41,103,073	-	1,472,428,865
Equity securities	-	-	-	-	-	346,211	346,211
Other assets	-	169,997,744	-	-	-	-	169,997,744
Total Assets	972,591,727	1,563,097,126	902,541,887	268,888,394	66,072,362	248,285,708	4,021,477,204
Insurance liabilities	695,798,797	719,819,164	1,474,895,518	122,004,755	66,886,618	-	3,079,404,852
Due to reinsurers	-	-	332,355,206	-	-	-	332,355,206
Trade and other payables	-	-	121,608,067	-	-	-	121,608,067
Total liabilities and shareholders’ equity	695,798,797	719,819,164	1,928,858,791	122,004,755	66,886,618	-	3,533,368,125
Liquidity surplus/(deficit)	276,792,930	843,277,962	(1,026,316,904)	146,883,639	(814,256)	248,285,708	488,109,079

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2018

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

8. Financial assets

Available for sale debt securities:

June 30, 2018			
	Cost Value	Fair Value	Book Value
Private bonds	209,316,025	221,786,552	221,786,552
Investment Funds	170,403,411	195,971,185	195,971,185
Eurobonds	71,310,218	62,049,826	62,049,826
Equities	9,864,262	9,175,406	9,175,406
Government bonds	736	604	604
Total	460,894,652	488,983,573	488,983,573

December 31, 2017			
	Cost Value	Fair Value	Book Value
Private bonds	217,089,791	226,548,745	226,548,745
Investment Funds	189,348,522	232,976,958	232,976,958
Eurobonds	58,976,694	57,120,310	57,120,310
Government bonds	736	604	604
Total	465,415,743	516,646,617	516,646,617

Financial assets at insurees’ risk:

June 30, 2018			
	Cost Value	Fair Value	Book Value
Government bonds	2,495,766	2,622,040	2,622,040
Total	2,495,766	2,622,040	2,622,040

December 31, 2017			
	Cost Value	Fair Value	Book Value
Government bonds	2,495,766	2,514,414	2,514,414
Total	2,495,766	2,514,414	2,514,414

Equity shares under available-for-sale investments:

As of June 30, 2018, the Company has an investment in Merter BV with a 25% participation rate (December 31, 2017: 25%). Merter BV is a real estate company which has an investment in a shopping mall and office building with 50% participation rate. The Company has a final participation rate of 12,5% in the real estates. Since the Company does not have any influence in the financial and operating policy decisions of the investee, this investment is classified as available for sale financial asset and carried at its fair value. The Company has booked impairment provision for Merter BV amounting to TL 30,116,653 in its financial statements as of June 30, 2018 in accordance with the appraisal report obtained from an independent appraisal firm (December 31, 2017: TL 30,116,653).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2018

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

8. Financial assets (Continued)

List of the investments and fair values is as below:

June 30, 2018			
	Cost Value	Fair Value	Book Value
<i>Equity investments</i>			
Merter BV	30,116,653	-	-
Unlisted	346,211	-	346,211
Total	30,462,864	-	346,211

December 31, 2017			
	Cost Value	Fair Value	Book Value
<i>Equity investments</i>			
Merter BV	30,116,653	-	-
Unlisted	346,211	-	346,211
Total	30,462,864	-	346,211

Fair Value Hierarchy

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

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

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

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

	June 30, 2018	Level 1	Level 2	Level 3
Available for sale at company's risk	488,983,573	488,983,573	-	-
Available for sale at insurees' risk	2,622,040	2,622,040	-	-
Total	491,605,613	491,605,613	-	-

	December 31, 2017	Level 1	Level 2	Level 3
Available for sale at company's risk	516,646,617	516,646,617	-	-
Available for sale at insurees' risk	2,514,414	2,514,414	-	-
Total	519,161,031	519,161,031	-	-

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2018

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

9. Cash and cash equivalents

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

	June 30, 2018	December 31, 2017
Cash at banks	1,229,314,332	966,463,093
-time deposits	1,211,206,737	951,500,553
-demand deposits	18,107,595	14,962,540
Bank guaranteed credit card receivables with maturity less than 3 months	391,719,167	385,583,394
Total cash and cash equivalents	1,621,033,499	1,352,046,487

The maturities of the Company’s time deposits as of June 30, 2018 are less than three months (December 31, 2017: Less than six months).

Cash and cash equivalents that are included in the statements of cash flows for the periods January 1 - June 30, 2018 and 2017 are as follows:

	June 30, 2018	June 30, 2017
Total cash and cash equivalents	1,621,033,499	1,060,706,105
Interest accrual on cash at banks (-)	(572,132)	(1,408,250)
Blocked time deposits	(182,500,000)	(119,780,200)
Cash and cash equivalents per statement of cash flow	1,437,961,367	939,517,655

Weighted average interest rates of time deposits:

	June 30, 2018	June 30, 2017
TL	10.50 - 19.00	12.25 - 15.00
USD	0.10 - 4.50	2.25 - 2.25
EUR	0.90 - 2.50	0.70 - 0.70

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2018

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

10. Equity

As of June 30, 2018, the Company’s total amount of nominal shares is 30,600,000,000 (December 31, 2017: 30,600,000,000) which has all been paid. The face value of the Company’s common stocks is TL 0,01 each and the total nominal amount is TL 306,000,000 (December 31, 2017: TL 306,000,000).

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

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

	January 1, 2017		Issued Capital		Amortised		December 31, 2017	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000
Total	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000

Movement of legal reserves is as follows:

Legal Reserves	2018	2017
Opening balance, January 1	95,403,929	178,468,101
Transfers from retained earnings	16,826,683	(83,064,172)
Closing balance, June 30	112,230,612	95,403,929

Actuarial gain / (loss)

In accordance with changes regarding “IAS 19 – Employee Benefits” effective as of January 1, 2013, net-off deferred tax actuarial loss amounting to TL 3,788,923 (net off deferred tax: TL (3,031,138) resulting from retirement pay liability calculation has been accounted to extraordinary reserves under equity.

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

Actuarial Loss	2018	2017
Opening balance, January 1	4,053,534	4,340,507
Change for the period	(264,611)	10,162
Closing balance, June 30	3,788,923	4,350,669

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2018

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

10. Equity (Continued)

Available for sale investments fund:

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

Available for sale investments fund	2018	2017
Opening balance, January 1	(14,469)	(7,203,045)
Increase/decrease in value recognized under the shareholders’ equity in the current period	(6,337,525)	6,779,000
Closing balance, June 30	(6,351,994)	(424,045)

Hedge Accounting

The Company recognizes the changes in value of hedged asset by the foreign currency differences under equity. As of June 30, 2018, TL 30,918,643 (net: TL 24,734,914) is recognized under equity resulting from hedge accounting (December 31, 2017: TL 22,023,479 net: TL 17,618,782).

June 30, 2018				
Amount of deposit	Currency	Exchange rate at the beginning	Exchange rate at the end	Exchange difference
13,289,767	USD	2.2342	4.5607	(30,918,643)

December 31, 2017				
Amount of deposit	Currency	Exchange rate at the beginning	Exchange rate at the end	Exchange difference
14,322,351	USD	2.2342	3.7719	(22,023,479)

Type risk and principle of the cash flow hedge

The Company aims to prevent the future foreign exchange risk resulting from the operational leases by hedging with the eurobond amounting to USD 13,289,767.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2018

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

11. Insurance liabilities

Gross	June 30, 2018	December 31, 2017
Outstanding claims provision	1,932,114,542	1,606,010,832
Reserve for unearned premiums	1,698,411,324	1,471,777,825
Life actuarial mathematical reserves	1,333,298	1,448,214
Life profit share provision	148,144	160,913
Bonus and rebates provision	111,657	7,068
Total	3,632,118,965	3,079,404,852

Reinsurance Share	June 30, 2018	December 31, 2017
Reinsurers’ share of outstanding claims	1,086,726,831	884,582,067
Reinsurers’ share of unearned premiums	752,497,369	587,846,798
Total	1,839,224,200	1,472,428,865

Net	June 30, 2018	December 31, 2017
Net unearned premiums	945,913,955	883,931,027
Net outstanding claims	845,387,711	721,428,765
Life actuarial mathematical reserves	1,333,298	1,448,214
Life profit share provision	148,144	160,913
Bonus and rebates provision	111,657	7,068
Total	1,792,894,765	1,606,975,987

12. Payables to reinsurers, trade and other payables

	June 30, 2018	December 31, 2017
Payables to reinsurers	468,371,194	308,244,281
Payables to SSI regarding medical expenses	20,568,254	24,110,925
Payables due to main operations	488,939,448	332,355,206
Payables to Turkish Catastrophe Insurance Pool	23,986,669	24,947,212
Taxes payable	19,271,404	32,009,499
Payables to contracted institutions	14,073,283	8,522,694
Payables to suppliers	3,852,749	15,121,193
Other	6,051,509	4,209,396
Total other short term payables	67,235,614	84,809,994
Total financial liabilities trade and other payables, deferred income	556,175,062	417,165,200

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2018

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

13. Net insurance premium income

The distribution of premium income is as follows:

	January 1 – June 30, 2018			January 1 – June 30, 2017		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Written premium	1,676,094,510	(774,570,823)	901,523,687	1,117,887,675	(546,959,752)	570,927,923
Change in unearned premium reserve	(226,645,606)	164,650,123	(61,995,483)	(104,707,423)	114,001,779	9,294,356
Total premium revenue	1,449,448,904	(609,920,700)	839,528,204	1,013,180,252	(432,957,973)	580,222,279
Fire	301,965,460	(230,192,208)	71,773,252	292,981,714	(214,857,947)	78,123,767
Motor Third Party Liability	533,193,540	(142,306,241)	390,887,299	125,501,904	(9,023,954)	116,477,950
Motor Own Damage	314,983,842	(19,139,131)	295,844,711	257,605,048	(15,779,706)	241,825,342
General Losses	170,923,944	(130,040,306)	40,883,638	137,656,790	(96,314,050)	41,342,740
Health	170,418,161	(125,028,949)	45,389,212	149,057,791	(109,301,863)	39,755,928
Marine	39,080,386	(22,804,469)	16,275,917	27,040,116	(15,686,574)	11,353,542
Life	500	-	500	2,500	-	2,500
Other	145,528,677	(105,059,519)	40,469,158	128,041,812	(85,995,658)	42,046,154
Total	1,676,094,510	(774,570,823)	901,523,687	1,117,887,675	(546,959,752)	570,927,923

14. Taxes

As at June 30, 2018 and December 31, 2017 prepaid income taxes are netted off with the current income tax payable as stated below:

	June 30, 2018	December 31, 2017
Income taxes payable	28,795,739	40,115,659
Prepaid income taxes	(14,650,942)	(31,394,677)
Tax payable	14,144,797	8,720,982

Deferred tax

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2018

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

14. Taxes (Continued)

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

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Impairment on financial assets	30,116,655	30,116,655	6,625,664	6,625,664
Claim handling	12,532,515	10,393,275	2,506,503	2,078,655
General expense provision	10,562,609	3,572,559	2,323,774	785,963
Employment termination benefit	6,094,940	6,172,934	1,218,988	1,234,587
Doubtful receivable provisions	2,657,045	3,514,000	584,550	773,080
Unused vacation provision	1,639,905	1,317,303	360,779	289,807
Unexpired risks reserve	210,168	476,123	46,237	104,747
Bonus provision	4,563,414	7,412,368	1,003,951	1,630,721
Claim reserves	(210,168)	(476,123)	(46,237)	(104,747)
Other	(6,244,564)	(4,693,571)	(1,373,804)	(1,032,588)
Discounting in outstanding claims	150,865,587	131,991,307	30,914,143	26,761,802
Useful life of tangible and intangible assets	(11,621,891)	(9,849,205)	(2,556,816)	(2,166,825)
Equalization reserve	(69,103,264)	(63,940,659)	(15,202,718)	(14,066,945)
Total deferred tax assets / liabilities	132,062,951	116,006,966	26,405,014	22,913,921

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.

	June 30, 2018	June 30, 2017
Profit before taxes	108,964,703	93,914,986
Tax rate	22%	20%
Taxes on income per statutory tax rate	(23,972,235)	(18,782,997)
The effect of non-deductible expenses	(1,084,837)	(817,915)
Closing balance	(25,057,072)	(19,600,912)

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AS AT JUNE 30, 2018**

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

15. Expenses by nature

	January 1 - June 30, 2018	January 1 - June 30, 2017
Personnel expenses	(43,848,531)	(39,105,919)
Depreciation expenses	(10,151,809)	(8,322,561)
Information technology expenses	(7,460,529)	(5,859,475)
Assistance expenses	(6,533,822)	(3,436,385)
Rent expenses	(4,866,155)	(4,619,300)
Advertisement expenses	(3,760,258)	(1,914,199)
Meeting and training expenses	(2,797,400)	(2,953,304)
Transportation expenses	(2,766,664)	(2,264,060)
Social relief expenses	(2,004,332)	(1,743,977)
Repair and maintenance	(1,574,506)	(1,438,401)
Outsourcing service expenses	(1,334,584)	(707,336)
Communication expenses	(897,262)	(705,167)
Other	(2,681,873)	(1,807,918)
Total	(90,677,725)	(74,878,002)

16. Insurance claims and claims recovered from reinsurers**June 30, 2018**

	Gross	Reinsurers' Share	Net
Paid Claims	654,465,815	(183,855,426)	470,610,389
Change in outstanding claims	326,103,710	(202,144,764)	123,958,946
Change in mathematical reserves	(127,685)	-	(127,685)
Bonus and rebates provision	53,155,564	(53,059,114)	96,450
Total	1,033,597,404	(439,059,304)	594,538,100

June 30, 2017

	Gross	Reinsurers' Share	Net
Paid Claims	432,780,363	(112,943,565)	319,836,798
Change in outstanding claims	262,597,577	(202,751,015)	59,846,562
Change in mathematical reserves	30,915	-	30,915
Bonus and rebates provision	(1,308,920)	1,317,720	8,800
Total	694,099,935	(314,376,860)	379,723,075

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2018

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

17. Related parties

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

Due from /to related parties

	June 30, 2018	December 31, 2017
Shareholder’s subsidiaries	60,851,353	41,157,345
Shareholders	73,212	37,671
Total	60,924,565	41,195,016

Banks

	June 30, 2018	December 31, 2017
Shareholder’s subsidiaries	138,468,501	455,146,116
Total	138,468,501	455,146,116

Marketable securities

	June 30, 2018	December 31, 2017
Shareholder’s subsidiaries	48,915,261	45,670,100
Total	48,915,261	45,670,100

Investment funds

	June 30, 2018	December 31, 2017
Shareholder’s subsidiaries	195,977,568	232,967,097
Total	195,977,568	232,967,097

Written Premium

	June 30, 2018	June 30, 2017
Shareholder’s subsidiaries	71,455,019	79,234,722
Shareholders	980,611	1,579,476
Total	72,435,630	80,814,198

Commission Paid

	June 30, 2018	June 30, 2017
Shareholder’s subsidiaries	95,971,035	53,090,342
Total	95,971,035	53,090,342

Claims Paid

	June 30, 2018	June 30, 2017
Shareholder’s subsidiaries	36,598,950	7,860,846
Total	36,598,950	7,860,846

Investment Income

	June 30, 2018	June 30, 2017
Shareholder’s subsidiaries	19,927,130	34,082,724
Total	19,927,130	34,082,724

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2018**

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

18. Contingencies

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

Competition Board decided with the decision of 18 May / 240-M dated May 3, 2018 to determine whether the violation of Article 4 of Law No. 4054 was violated and to open an investigation before the Company and other companies involved in the decision.

19. Subsequent events

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

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