

AKSIGORTA A.Ş.

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD JANUARY 1 - SEPTEMBER 30, 2019**

AKSIGORTA A.Ş.

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2019**

<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION	1
CONDENSED INTERIM INCOME STATEMENT	2
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME.....	3
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY	4
CONDENSED INTERIM STATEMENT OF CASH FLOWS.....	5
SELECTED NOTE TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	6-31

AKSİGORTA A.Ş.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION FOR THE PERIOD JANUARY 1 – SEPTEMBER 30, 2019

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

Assets	Note	Unaudited	Audited
		September 30, 2019	December 31, 2018
Total current assets		6.709.680.834	5.371.218.559
Cash and cash equivalents	9	2.210.666.579	1.969.568.662
Financial assets			
Debt securities:			
- Available for sale at company’s risk	8	598.624.665	379.199.276
- Held to Maturity at company’s risk	8	47.629.402	168.805.442
- Held for trading at company’s risk	8	138.954.740	9.752.674
- Available for sale at insurees’ risk	8	1.723.101	1.686.241
Premium receivables		574.838.976	550.022.938
Due from reinsurers		35.232.853	28.966.554
Reinsurance share of insurance liabilities	11	2.878.567.494	2.055.353.150
Deferred acquisition costs		142.147.746	120.592.122
Derivative financial assets		55.198.069	33.895.401
Other current assets		26.097.209	53.376.099
Total non-current assets		141.522.683	114.824.301
Tangible assets	5	50.079.385	24.329.768
Investment properties		166.649	-
Intangible assets	6	58.225.969	55.639.894
Financial assets			
Equity securities:			
- Available for sale	8	430.032	430.032
Deferred income tax assets	14	32.470.668	34.274.627
Other non-current assets		149.980	149.980
Total assets		6.851.203.517	5.486.042.860
Liabilities	Note	September 30, 2019	December 31, 2018
Total current liabilities		6.140.940.353	4.833.268.732
Insurance liabilities	11	5.413.155.956	4.138.493.726
Payables to reinsurers	12	493.487.689	446.831.845
Other financial liabilities		11.630.598	8.495.065
Obligations under repurchase agreements		-	49.953.645
Provisions for other liabilities and charges		85.174.548	40.333.473
Trade and other payables	12	109.630.962	136.919.472
Current income tax liabilities	14	26.613.493	12.241.506
Short-term lease liabilities	12	1.247.108	-
Total non-current liabilities		36.760.886	6.503.684
Provision for retirement benefit obligation		7.301.102	6.503.684
Long-term lease liabilities	12	29.459.784	-
Total equity		673.502.277	646.270.445
Shareholders' equity	10	306.000.000	306.000.000
Legal and other reserves	10	137.889.692	112.230.612
Actuarial loss arising from employee benefit	10	(4.640.829)	(3.602.019)
Available-for-sale investments fund	10	4.180.423	(10.638.677)
Retained earnings/accumulated deficit	10	230.072.991	242.280.529
Total equity and liabilities		6.851.203.517	5.486.042.860

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

AKSİGORTA A.Ş.**CONDENSED INTERIM INCOME STATEMENT
FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2019**

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

Income Statement	Note	Unaudited	Unaudited
		September 30, 2019	September 30, 2018
Insurance premium revenue	13	2.815.517.766	2.268.822.938
Insurance premium ceded to reinsurers	13	(1.240.189.386)	(957.968.658)
Net insurance premium revenue	13	1.575.328.380	1.310.854.280
Investment income		330.311.283	197.841.378
Commission income		156.295.616	134.738.147
Other operating income		6.163.434	4.939.305
Net income		2.068.098.713	1.648.373.110
Insurance claims	16	(2.158.698.701)	(1.845.734.989)
Insurance claims recovered from reinsurers	16	992.251.039	886.248.418
Net insurance claims	16	(1.166.447.662)	(959.486.571)
Commission expense		(404.000.306)	(352.397.733)
Expenses for marketing and administration	15	(166.667.567)	(135.525.973)
Other operating expenses		(63.899.748)	(45.504.403)
Insurance claims and expenses		(1.801.015.283)	(1.492.914.680)
Results of operating activities		267.083.430	155.458.430
Foreign exchange gain / (loss), net		19.878.499	29.666.266
Profit before tax		286.961.929	185.124.696
Income tax expense	14	(71.550.387)	(42.970.219)
Profit for the period		215.411.542	142.154.477
Earnings per share		0,0070	0,0046

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

AKSİGORTA A.Ş.**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2019**

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

		Unaudited	Unaudited
Statement of comprehensive income	Note	September 30, 2019	September 30, 2018
Profit for the period		215.411.542	142.154.477
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		14.819.100	(22.377.441)
Cash flow hedging, net off deferred tax		-	20.730.770
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		14.819.100	(1.646.671)
Other comprehensive income not being reclassified to profit or loss in subsequent periods:			
Actuarial loss, net off deferred tax		(1.038.810)	149.861
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		(1.038.810)	149.861
Other comprehensive income, net of tax		13.780.290	(1.496.810)
Total comprehensive income for the year, net of tax		229.191.832	140.657.667

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 - SEPTEMBER 30, 2019

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

September 30, 2018									Unaudited
	Note	Share capital	Available-for-sale investment funds	Revaluation fund	Legal reserves	Actuarial loss arising from employee benefit	Cash flow hedging	Retained earnings	Total
Balances at December 31, 2017	10	306.000.000	(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 September 30, 2019	10	306.000.000	(424.045)	-	95.403.929	(3.480.535)	15.631.875	93.906.817	507.038.041

September 30, 2019									Unaudited
	Note	Share capital	Available-for-sale investment funds	Revaluation fund	Legal reserves	Actuarial loss arising from employee benefit	Cash flow hedging	Retained earnings	Total
Balances at December 31, 2018	10	306.000.000	(10.638.677)	-	112.230.612	(3.602.019)	-	242.280.528	646.270.445
Profit for the year		-	-	-	-	-	-	215.411.542	215.411.542
Transfer		-	-	-	25.659.080	-	-	(25.659.080)	-
Other comprehensive income		-	14.819.100	-	-	(1.038.810)	-	-	13.780.290
Total comprehensive income	10	-	14.819.100	-	25.659.080	(1.038.810)	-	189.752.462	229.191.832
Dividend payment		-	-	-	-	-	-	(201.960.000)	(201.960.000)
Balances at September 30, 2019	10	306.000.000	4.180.423	-	137.889.692	(4.640.829)	-	230.072.991	673.502.277

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

AKSİGORTA A.Ş.**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR PERIOD JANUARY 1 - SEPTEMBER 30, 2019**

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

Cash Flow Statement	Note	January 1 – September 30, 2019	January 1 – September 30, 2018
Cash inflows from insurance operations		3.713.811.414	2.944.533.976
Cash outflows from insurance operations		(3.347.854.480)	(2.474.495.688)
Income tax payment		(69.097.504)	(38.342.397)
Cash inflows/(outflows)from operational expenses		(165.376.000)	(51.262.962)
Net cash flows from operating activities		131.483.430	380.432.930
Tangible and intangible asset acquisitions		(19.057.735)	(10.564.826)
Financial asset acquisitions / disposals		14.744.449	41.525.301
Interest received		229.276.307	93.799.132
Other cash inflows/(outflows)		18.529.962	112.288.024
Net cash flows from investing activities		243.492.983	237.047.631
Dividends paid		(201.960.000)	(110.160.000)
Financial lease payments		(6.575.084)	-
Other cash inflows/(outflows)		(6.277.013)	-
Net cash flows from financing operations		(214.812.097)	(110.160.000)
Net increase/(decrease) in cash and cash equivalents		160.164.316	507.320.561
Cash and cash equivalents at the beginning of the period		1.763.461.138	1.200.503.027
Cash and cash equivalents at the end of the period	9	1.923.625.454	1.707.823.588

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 SEPTEMBER 30, 2019

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

1. General Information

Aksigorta A.Ş. ("the Company") is a joint venture of Hacı Ömer Sabancı Holding A.Ş. and Ageas Insurance International N.V. as of September 30, 2019. 38.02% (December 31, 2017: 38.02%) of the Company is issued in Borsa İstanbul ("BİST") (Note 2.3).

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

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

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

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

	September 30, 2019	December 31, 2018
Top and middle management	127	113
Other personel	532	627
Total	659	739*

**Out of 739 personnel, 92 are outsourced.*

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 TL 5,563,973 in total for January 1 - September 30, 2019 (January 1 - September 30, 2018: TL 4,474,839).

Financial statements include only one company (Aksigorta A.Ş.) and the Company does not have any subsidiaries or affiliates as of September 30, 2019 (December 31, 2018: None).

The Company's interim condensed financial statements as of September 30, 2019 are approved and authorized for issuance as of October 23, 2019 by the Board of Directors.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2019**

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements at September 30, 2019 have been prepared in accordance with International Financial Reporting Standard as defined by IAS 1. In accordance with the International Accounting Standard

No: 34 “Interim Financial Reporting”, entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Company has preferred to prepare condensed financial statements in the interim periods. Accordingly, the financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at September 30, 2019 and any public announcement made by the company during the period.

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

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

Comparative information and restatement of prior period financial statements

The Company’s statement of financial position as of September 30, 2019 is presented in comparison with its statement of financial position as of December 31, 2018; statement of comprehensive income, statement of changes in equity and statement of cash flows for the period between January 1 - September 30, 2019 are presented in comparison with its statement of comprehensive income, statement of changes in equity and statement cash flows for the period between January 1 - September 30, 2018.

2.2 Adoption of New and Revised Standards

The new standards, amendments and interpretations

The accounting policies applied in the preparation of the financial statements as of January 1 - September 30, 2019 are consistent with those applied in the preparation of the financial statements as of December 31, 2018, except for the new standards and amended IAS/IFRS standards which are valid as of January 1, 2019 and International Financial Reporting Interpretations Committee’s (“IFRIC”) interpretations summarized below.

Standards, amendments and interpretations applicable as at 30 September 2019:

- **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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2019**

(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)

- **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.

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.

From 1 January 2019, leases are recognized 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

On adaption of IFRS 16, the Company recognized 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2019

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

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards

1 January 2019

Lease liabilities under IAS 17	58,360,359
- Short term leases recognised on a straight line basis as expense(-)	(18,880)

Total Lease liabilities under IFRS 16 (Undiscounted)	58,341,479
Total Lease liabilities under IFRS 16 (Discounted)	31,004,961

Short term lease liabilities	1,937,578
Long term lease liabilities	29,067,383

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

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

	30 September 2019	1 January 2019
Property	23.569.424	27.717.430
Vehicles	4.086.817	6.080.531
Total right of use assets	27.656.241	33.797.961

The Company has TL 6,141,720 depreciation expense with regards to the booked right of use assets between 1 January - 30 September 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 recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

Interpretation has been implemented for the periods after January 1, 2019. The changes are not applicable for the Company. There is no impact on the Company's financial situation and performance. The Company assesses the effects on financial situation and performance.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2019**

(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)

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.

Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

Improvement has been valid for the periods after January 1, 2019. The Company assesses the effects of the standards on the financial situation and performance.

Standards, amendments and interpretations that are issued but not effective as at 30 September 2019:

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.

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.

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2019

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

2. Summary of significant accounting policies (Continued)

2.3 Share capital

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

The share capital structure of the Company is as follows:

Name of shareholders	September 30, 2019		December 31, 2018	
	Share	Share amount	Share	Share amount
H. Ömer Sabancı Holding A.Ş.	36,00	110.160.000	36,00	110.160.000
Ageas Insurance International NV	36,00	110.160.000	36,00	110.160.000
Publicly quoted shares	28,00	85.680.000	28,00	85.680.000
Total	100,00	306.000.000	100,00	306.000.000

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

The Company has accepted the registered capital system set out in accordance with the provisions of Law No: 2499 and applied the system as of September 15, 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As of September 30, 2019, the Company's registered share capital is TL 500,000,000 (December 31, 2018: TL 500,000,000).

3. Critical accounting estimates and judgements

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

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

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.

AKSİGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2019

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

4. Segment information (Continued)

Segment results for period January 1 - September 30, 2019 is as follows:

January 1 - September 30, 2019	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	146.505.365	19.813.236	575.448.122	670.614.877	80.071.671	63.984.051	18.891.057	-	1.575.328.380
Earned Premiums (Net of Reinsurer Share)	146.505.365	19.813.236	575.448.122	670.614.877	80.071.671	63.984.051	18.891.057	-	1.575.328.380
Premiums (Net of Reinsurer Share)	152.729.698	20.213.647	612.446.441	795.980.385	78.701.061	71.481.199	21.908.830	-	1.753.461.262
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(6.224.332)	(400.412)	(36.998.319)	(125.365.507)	1.370.610	(7.497.148)	(3.017.773)	-	(178.132.882)
TECHNICAL EXPENSES	(119.991.048)	(13.717.663)	(576.570.658)	(747.581.393)	(57.366.926)	(44.771.282)	(78.557.263)	-	(1.638.556.233)
Total Claims (Net of Reinsurer Share)	(60.383.270)	(10.260.867)	(422.638.566)	(595.623.862)	(19.844.459)	(8.491.659)	(49.204.979)	-	(1.166.447.662)
Claims Paid (Net of Reinsurer Share)	(61.795.074)	(4.382.346)	(396.760.834)	(401.094.936)	(16.468.929)	(6.926.511)	(5.704.030)	-	(893.132.660)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	1.411.804	(5.878.521)	(25.877.732)	(194.528.927)	(3.375.529)	(1.565.148)	(43.500.949)	-	(273.315.003)
Commissions (Net)	(19.083.439)	(1.813.774)	(83.695.149)	(73.343.622)	(19.603.352)	(24.386.601)	(25.778.754)	-	(247.704.690)
Operating Expenses	(35.692.430)	(989.560)	(54.845.047)	(47.129.027)	(15.278.262)	(9.782.758)	(2.950.482)	-	(166.667.567)
Other Operating Income / Expenses	(4.831.909)	(653.462)	(15.391.897)	(31.484.882)	(2.640.852)	(2.110.265)	(623.048)	-	(57.736.314)
	26.514.318	6.095.573	(1.122.536)	(76.966.516)	22.704.745	19.212.769	(59.666.206)	-	(63.227.853)
Investment income	-	-	-	-	-	-	-	330.311.283	330.311.283
Foreign exchange income	-	-	-	-	-	-	-	19.878.499	19.878.499
Tax expense	-	-	-	-	-	-	-	(71.550.387)	(71.550.387)
Net Profit / (Loss)	26.514.318	6.095.573	(1.122.536)	(76.966.516)	22.704.745	19.212.769	(59.666.206)	278.639.395	215.411.542

AKSİGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2019

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

4. Segment information (Continued)

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

January 1 - December 30, 2018	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	105.155.495	21.528.706	483.112.190	508.901.656	60.477.759	65.797.263	65.881.211	-	1.310.854.280
Earned Premiums (Net of Reinsurer Share)	105.155.495	21.528.706	483.112.190	508.901.656	60.477.759	65.797.263	65.881.211	-	1.310.854.280
Premiums (Net of Reinsurer Share)	97.268.926	22.155.957	464.544.433	626.064.564	56.732.342	59.527.405	63.668.039	-	1.389.961.666
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	7.886.569	(627.251)	18.567.757	(117.162.909)	3.745.417	6.269.858	2.213.171	-	(79.107.389)
TECHNICAL EXPENSES	(90.952.465)	(11.582.977)	(573.919.761)	(515.037.988)	(49.695.057)	(48.231.566)	(63.817.416)	-	(1.353.237.228)
Total Claims (Net of Reinsurer Share)	(48.495.829)	(6.535.960)	(432.260.385)	(415.112.896)	(15.453.762)	(5.300.433)	(36.327.307)	-	(959.486.571)
Claims Paid (Net of Reinsurer Share)	(31.815.934)	(2.893.316)	(407.550.742)	(237.607.690)	(12.473.053)	(5.076.939)	(11.331.125)	-	(708.748.799)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(16.679.896)	(3.642.644)	(24.709.642)	(177.505.205)	(2.980.709)	(223.494)	(24.996.181)	-	(250.737.772)
Commissions (Net)	(18.677.998)	(3.007.721)	(83.776.553)	(49.579.378)	(21.239.295)	(29.588.429)	(11.790.212)	-	(217.659.586)
Operating Expenses	(20.288.764)	(1.324.807)	(44.788.608)	(33.456.423)	(10.994.879)	(11.159.043)	(13.513.449)	-	(135.525.973)
Other Operating Income / Expenses	(3.489.872)	(714.489)	(13.094.215)	(16.889.292)	(2.007.120)	(2.183.662)	(2.186.448)	-	(40.565.098)
	14.203.031	9.945.729	(90.807.571)	(6.136.332)	10.782.702	17.565.696	2.063.795	-	(42.382.948)
Investment income	-	-	-	-	-	-	-	197.841.378	197.841.378
Foreign exchange income	-	-	-	-	-	-	-	29.666.266	29.666.266
Tax expense	-	-	-	-	-	-	-	(42.970.219)	(42.970.219)
Net Profit / (Loss)	14.203.031	9.945.729	(90.807.571)	(6.136.332)	10.782.702	17.565.696	2.063.795	184.537.425	142.154.477

AKSİGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2019

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

5. Tangible assets

As of September 30, 2019 and 2018 tangible assets movement and its accumulated depreciation is as follows:

Costs:	January 1, 2019	Additions	Disposals	Transfers	September 30, 2019
Property for operational use	1.598.569	-	-	-	1.598.569
Motor vehicles	2.720.001	-	-	-	2.720.001
Furniture and fixtures and leased tangible assets	23.741.539	2.612.682	(717.808)	-	25.636.414
Other tangible assets (including leasehold improvements)	21.052.437	47.390	(21.657)	-	21.078.170
Total	49.112.546	2.660.072	(739.465)	-	51.033.153

Accumulated depreciation: (-)	January 1, 2019	Additions	Disposals	Transfers	September 30, 2019
Property for operational use	(569.248)	(28.222)	-	-	(597.470)
Motor vehicles	(5.962)	(406.882)	-	-	(412.844)
Furniture and fixtures and leased tangible assets	(14.906.985)	(2.387.148)	635.899	-	(16.658.235)
Other tangible assets	(9.300.583)	(1.649.008)	8.129	-	(10.941.462)
Total	(24.782.778)	(4.471.260)	644.027	-	(28.610.010)
Net book value	24.329.768	(1.811.188)	(95.438)	-	22.423.143

Costs:	January 1, 2018	Additions	Disposals	Transfers	September 30, 2018
Property for operational use	1.598.569	-	-	-	1.598.569
Furniture and fixtures and leased tangible assets	23.957.267	532.887	(321.697)	-	24.168.457
Other tangible assets (including leasehold improvements)	21.412.252	487.572	(847.387)	-	21.052.437
Total	46.968.088	1.020.459	(1.169.084)	-	46.819.463

Accumulated depreciation: (-)	January 1, 2018	Additions	Disposals	Transfers	September 30, 2018
Property for operational use	(537.189)	(23.985)	-	-	(561.174)
Furniture and fixtures and leased tangible assets	(12.652.946)	(2.251.600)	301.891	-	(14.602.655)
Other tangible assets	(7.580.602)	(1.765.513)	618.219	-	(8.727.896)
Total	(20.770.737)	(4.041.098)	920.110	-	(23.891.724)
Net book value	26.197.351	(3.020.639)	(248.974)	-	22.927.739

The Company has not accounted for any impairment provision for tangible fixed assets in the current period.

Total depreciation expense is TL 24,384,538 (January 1 - September 30, 2018: TL 15,105,137).

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2019

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

5. Tangible assets (Continued)

The Company's right-of use assets movement is as follows:

Right of use assets	1 January 2019	Additions	Disposals	30 September 2019
Real estate	27.717.430	-	-	27.717.430
Motor Vehicle	6.080.531	-	-	6.080.531
Total	33.797.961			33.797.961
Accumulated depreciation	1 January 2019	Period charge	Disposals	30 September 2019
Real estate	-	(4.148.006)	-	(4.148.006)
Motor Vehicle	-	(1.993.714)	-	(1.993.714)
Total	-	(6.141.720)	-	(6.141.720)
Net Book Value	33.797.961			27.656.241

6. Intangible assets

Costs:	January 1, 2019	Additions	Disposals(*)	Transfers	September 30, 2019
Rights	111.808.560	14.715.806	(260.153)	-	126.264.213
Advances given for intangible assets	1.949.163	1.681.857	-	-	3.631.020
Total	113.757.723	16.397.663	(260.153)	-	129.895.234
Accumulated depreciation: (-)	January 1, 2019	Additions	Disposals(*)	Transfers	September 30, 2019
Rights	(58.117.829)	(13.767.249)	215.814	-	(71.669.265)
Total	(58.117.829)	(13.767.249)	215.814	-	(71.669.265)
Net book value	55.639.894	2.630.414	(44.339)	-	58.225.969
Costs:	January 1, 2018	Additions	Disposals(*)	Transfers	September 30, 2018
Rights	87.041.349	9.748.812	-	-	96.790.160
Advances given for intangible assets	2.600.646	900.528	-	-	3.501.174
Total	89.641.995	10.649.340	-	-	100.291.334
Accumulated depreciation: (-)	January 1, 2018	Additions	Disposals(*)	Transfers	September 30, 2018
Rights	(43.097.276)	(11.064.039)	-	-	(54.161.315)
Total	(43.097.276)	(11.064.039)	-	-	(54.161.315)
Net book value	46.544.718	(414.699)	-	-	46.130.019

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2019**

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

**7. Management of insurance and financial risk
Foreign currency risk**

The Company is exposed to foreign exchange risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated assets and liabilities. These risks are monitored by the analysis of exchange rate position. The details of the Company’s foreign currency denominated assets and liabilities as of September 30, 2019 and December 31, 2018 are disclosed below:

September 30, 2019			
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	8.896.701	5,6591	50.347.321
EUR	1.135.840	6,1836	7.023.581
GBP	32.597	6,9487	226.507
CHF	324.985	5,6857	1.847.767
Total			59.445.225
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	32.478.587	5,6591	183.799.572
EUR	15.967.202	6,1836	98.734.790
GBP	161.569	6,9487	1.122.696
CHF	0	5,6857	0
Total			283.657.058
Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	27.206.754	5,6591	153.965.739
Total			153.965.739
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(7.830.000)	5,6591	(44.310.754)
EUR	(1.377.223)	6,1836	(8.516.195)
Other			6
Total			(52.826.943)
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(39.005.022)	5,6591	(220.733.320)
EUR	(8.654.476)	6,1836	(53.515.821)
Other			(3.026.241)
Total			(277.275.382)

AKSİGORTA A.Ş.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2019**

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

Off-balance sheet liabilities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(943.733)	5,6591	(5.340.678)
EUR	(13.133)	6,1836	(81.206)
Total			(5.421.884)
Net Foreign Currency Position			161.543.813

December 31, 2018			
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	5,165,611	5.2609	27,175,763
EUR	2,029,314	6.0280	12,232,705
GBP	55,032	6.6528	366,117
CHF	157,666	5.3352	841,180
Total			40,615,765

Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	28,691,649	5.2609	150,943,896
EUR	17,295,218	6.0280	104,255,574
GBP	107,134	6.6528	712,741
CHF	8,052	5.3352	42,959
Total			255,955,170

Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	23,320,119	5.2609	122,684,814
Total			122,684,814

Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(6,818,960)	5.2609	(35,873,867)
EUR	(1,109,743)	6.0280	(6,689,531)
Other			(4,501)
Total			(42,567,899)

Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(35,271,589)	5.2609	(185,560,303)
EUR	(7,373,885)	6.0280	(44,449,779)
Other			(2,193,297)
Total			(232,203,379)

Net Foreign Currency Position			144,484,471
--------------------------------------	--	--	--------------------

AKSİGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2019

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

7. Management of insurance and financial risk (Continued)

Liquidity risk

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

Table of liquidity risk as of September 30, 2019 is as follows:

September 30, 2019	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	1.112.116.162	1.050.515.676	26.690.304	-	-	21.344.437	2.210.666.579
Financial assets available for sale	17.096.579	26.529.501	104.671.162	359.408.296	52.123.268	38.795.858	598.624.665
	25.511.360	-	-	-	-	-	138.954.740
Financial assets held for trading	-	-	-	-	-	113.443.380	-
Financial assets held to maturity	-	-	-	47.629.402	-	-	47.629.402
Investments on policyholders' risk	-	-	-	1.723.101	-	-	1.723.101
Receivables from main operations	236.817.327	153.346.861	162.976.132	21.698.657	-	-	574.838.977
Due from reinsurance companies	-	-	35.232.853	-	-	-	35.232.853
Reinsurers' share of insurance liabilities	1.255.632.867	952.302.450	488.182.750	169.670.325	12.779.103	-	2.878.567.494
Equity securities	-	-	-	-	-	430.032	430.032
Derivative financial assets	-	168.244.955	-	-	-	-	168.244.955
Other assets	-	-	-	-	-	-	-
Total Assets	2.647.174.295	2.350.939.443	817.753.201	600.129.781	64.902.372	174.013.707	6.654.912.799
Obligations under repurchase agreements	-	-	-	-	-	-	-
Insurance liabilities	2.176.320.520	1.820.922.808	1.089.142.755	305.684.521	21.085.353	-	5.413.155.956
Due to reinsurers	-	-	493.487.689	-	-	-	493.487.689
Trade and other payables	-	-	194.805.510	-	-	-	194.805.510
Total liabilities	2.176.320.520	1.820.922.808	1.777.435.954	305.684.521	21.085.353	-	6.101.449.115
Liquidity surplus/(deficit)	470.853.775	530.016.635	(959.682.753)	294.445.260	43.817.019	174.013.707	553.463.643

AKSİGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2019

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

7. Management of insurance and financial risk (Continued)

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

December 31, 2018	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	486,866,689	579,752,804	886,833,419	-	-	16,115,750	1,969,568,662
Financial assets available for sale	2,098,623	45,006,797	110,705,440	145,327,830	52,382,624	23,677,962	379,199,276
Financial assets held for trading	-	-	-	-	-	168,805,442	168,805,442
Financial assets held to maturity	-	-	-	9,752,674	-	-	9,752,674
Investments on policyholders' risk	-	-	-	1,686,241	-	-	1,686,241
Receivables from main operations	173,197,383	185,593,559	153,796,825	37,435,171	-	-	550,022,938
Due from reinsurance companies	-	28,966,554	-	-	-	-	28,966,554
Reinsurers' share of insurance liabilities	720,110,812	577,060,478	665,232,795	85,291,524	7,657,541	-	2,055,353,150
Equity securities	-	-	-	-	-	430,032	430,032
Derivative financial assets	-	-	33,895,401	-	-	-	33,895,401
Other assets	-	174,005,495	-	-	-	-	174,005,495
Total Assets	1,382,273,507	1,590,385,687	1,850,463,880	279,493,440	60,040,165	209,029,186	5,371,685,865
Obligations under repurchase agreements	49,954,452	-	-	-	-	-	49,954,452
Insurance liabilities	1,250,723,542	1,072,135,412	1,662,070,037	140,913,416	12,651,318	-	4,138,493,725
Due to reinsurers	36,696,709	71,438,385	338,696,751	-	-	-	446,831,845
Trade and other payables	14,557,153	28,338,768	134,394,297	-	-	-	177,290,218
Total liabilities	1,351,931,856	1,171,912,565	2,135,161,085	140,913,416	12,651,318	-	4,812,570,240
Liquidity surplus/(deficit)	30,341,651	418,473,122	(284,697,205)	138,580,024	47,388,847	209,029,186	559,115,625

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2019**

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

8. Financial assets

Available for sale debt securities:

September 30, 2019			
	Cost Value	Fair Value	Book Value
Private bonds	292.066.753	306.755.719	306.755.718
Eurobonds	154.353.102	153.965.739	153.965.739
Equities	37.937.621	38.795.860	38.795.860
Government bonds	89.389.791	99.107.348	99.107.348
Total	573.747.267	598.624.666	598.624.665

December 31, 2018			
	Cost Value	Fair Value	Book Value
Private bonds	218.835.732	233.265.994	233.265.994
Eurobonds	134.782.226	122.684.814	122.684.814
Equities	24.215.782	23.247.732	23.247.732
Government bonds	736	736	736
Total	377.834.476	379.199.276	379.199.276

Held for trading securities:

September 30, 2019			
	Cost Value	Fair Value	Book Value
Investment Funds	82.794.435	113.443.380	113.443.380
Reverse Repo	25.500.000	25.511.360	25.511.360
Total	108.294.435	138.954.740	138.954.740

December 31, 2018			
	Cost Value	Fair Value	Book Value
Investment Funds	142,717,574	168,805,442	168,805,442
Total	142,717,574	168,805,442	168.805.442

Financial assets at insurees' risk:

September 30, 2019			
	Cost Value	Fair Value	Book Value
Government bonds	1.647.665	1.723.101	1.723.101
Total	1.647.665	1.723.101	1.723.101

December 31, 2018			
	Cost Value	Fair Value	Book Value
Government bonds	1.647.665	1.686.241	1.686.241
Total	1.647.665	1.686.241	1.686.241

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2019

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

8. Financial assets (Continued) Held to maturity:

September 30, 2019			
	Cost Value	Fair Value	Book Value
Eurobond	36.976.138	37.399.182	37.399.182
Government bonds	9.194.956	10.230.220	10.230.220
Total	46.171.093	47.629.402	47.629.402

December 31, 2018			
	Cost Value	Fair Value	Book Value
Government bonds	9.194.956	9.752.674	9.752.674
Total	9.194.956	9.752.674	9.752.674

List of the investments and fair values is as below:

September 30, 2019			
	Cost Value	Fair Value	Book Value
<i>Equity investments</i>			
Tarsim	430.032	-	430.032
Total	430.032	-	430.032

December 31, 2018			
	Cost Value	Fair Value	Book Value
<i>Equity investments</i>			
Merter BV	30.116.653	-	-
Tarsim	430.032	-	430.032
Total	30.546.685	-	430.032

(*) The Company’s subsidiary Merter BV has been sold in exchange for 1 Euro. The subsidiary’s book value and its provision has been accounted under “Other operating expenses” account.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2019

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

8. Financial assets (Continued)
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).

	September 30, 2019	Level 1	Level 2	Level 3
Available for sale at company's risk	598.624.665	598.624.665	-	-
Available for sale at insureds' risk	1.723.101	1.723.101	-	-
Held to maturity at company's risk	47.629.402	47.629.402	-	-
Held for trading at company's risk	138.954.740	138.954.740	-	-
Equity securities, net	430.032	-	-	430.032
Total	787.361.940	786.931.908	-	430.032

	December 31, 2018	Level 1	Level 2	Level 3
Available for sale at company's risk	379.199.276	379.199.276	-	-
Available for sale at insureds' risk	1.686.241	1.686.241	-	-
Held to maturity at company's risk	9.752.674	9.752.674	-	-
Held for trading at company's risk	168.805.442	168.805.442	-	-
Equity securities, net	430.032	-	-	430.032
Total	559.873.664	559.443.633	-	430.032

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2019**

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

9. Cash and cash equivalents

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

	September 30, 2019	December 31, 2018
Cash at banks	1.607.739.176	1.485.633.722
-time deposits	1.586.394.739	1.469.517.972
-demand deposits	21.344.437	16.115.750
Bank guaranteed credit card receivables with maturity less than 3 months	602.927.403	483.934.940
Total cash and cash equivalents	2.210.666.579	1.969.568.662

The maturities of the Company's time deposits as of September 30, 2019 are less than three months (December 31, 2018: Less than three months).

Cash and cash equivalents that are included in the statements of cash flows for the periods January 1 - September 30, 2019 and 2018 are as follows:

	September 30, 2019	December 31, 2018
Total cash and cash equivalents	2.210.666.579	1.969.568.662
Interest accrual on cash at banks (-)	(49.785.346)	(11.676.242)
Blocked time deposits	(237.255.779)	(194.431.281)
Cash and cash equivalents per statement of cash flow	1.923.625.454	1.763.461.139

Interest rate ranges of time deposits:

	September 30, 2019	December 31, 2018
TL	16,26 – 23,25	18,00 – 30,00
USD	2,50 – 2,9	1,15 – 3,75
EUR	0,5 - 1	1,4 – 2,85

AKSİGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2019

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

10. Equity

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

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

January 1, 2019			Issued Capital		Amortised		September 30, 2019	
Unit	Nominal TL		Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid	30.600.000.000	306.000.000	-	-	-	-	30.600.000.000	306.000.000
Total	30.600.000.000	306.000.000	-	-	-	-	30.600.000.000	306.000.000

January 1, 2018			Issued Capital		Amortised		December 31, 2018	
Unit	Nominal TL		Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid	30.600.000.000	306.000.000	-	-	-	-	30.600.000.000	306.000.000
Total	30.600.000.000	306.000.000	-	-	-	-	30.600.000.000	306.000.000

Movement of legal reserves is as follows:

Legal Reserves	2019	2018
Opening balance, January 1	112.230.612	95.403.929
Addition related to profit for the period	25.659.080	16.826.683
Closing balance, September 30	137.889.692	112.230.612

Actuarial gain / (loss)

In accordance with changes regarding "IAS 19 - Employee Benefits" effective as of January 1, 2013, actuarial loss amounting to TL 4,900,531 (net off deferred tax: TL 4,640,829) resulting from retirement pay liability calculation has been accounted to extraordinary reserves under equity.

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

Actuarial Loss	2019	2018
Opening balance, January 1	3.602.019	3.242.827
Change for the period	1.038.810	359.192
Closing balance, September 30	4.640.829	3.602.019

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2019**

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

Available for sale investments fund:

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

Available for sale investments fund	2019	2018
Opening balance, January 1	(10.638.677)	(14.469)
Increase/decrease in value recognized under the shareholders' equity in the current period	14.819.100	(10.624.208)
Closing balance, September 30	4.180.423	(10.638.677)

11. Insurance liabilities

	September 30, 2019	December 31, 2018
Outstanding claims provision	3.339.898.977	2.367.199.721
Reserve for unearned premiums	2.071.788.024	1.769.723.313
Life actuarial mathematical reserves	1.303.095	1.326.272
Life profit share provision	144.788	147.364
Bonus and rebates provision	21.072	97.055
Total	5.413.155.956	4.138.493.726

Reinsurance Share	September 30, 2019	December 31, 2018
Reinsurers' share of outstanding claims	2.025.087.589	1.325.805.075
Reinsurers' share of unearned premiums	853.479.905	729.548.075
Total	2.878.567.494	2.055.353.150

Net	September 30, 2019	December 31, 2018
Net outstanding claims	1.314.811.388	1.041.394.647
Net unearned premiums	1.218.308.119	1.040.175.238
Life actuarial mathematical reserves	1.303.095	1.326.272
Life profit share provision	144.788	147.364
Bonus and rebates provision	21.072	97.055
Total	2.534.588.462	2.083.140.576

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2019**

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

12. Payables to reinsurers, trade and other payables and lease liabilities

	September 30, 2019	December 31, 2018
Payables to reinsurers	459.134.799	418.719.301
Payables to SSI regarding medical expenses	34.352.890	28.112.544
Payables due to main operations	493.487.689	446.831.845
Taxes payable	30.247.095	31.884.957
Payables to Turkish Catastrophe Insurance Pool	19.907.005	18.902.758
Payables to contracted institutions	41.908.685	54.098.804
Payables to suppliers	13.245.224	26.701.130
Other	4.322.952	5.331.823
Total other short term payables	109.630.961	136.919.472
Total financial liabilities trade and other payables, deferred income	603.118.650	583.751.317

As at September 30, 2019 and January 1, 2019; lease liabilities are as follows:

	30 September 2019	1 January 2019
- Short-term lease liability (undiscounted)	13.480.384	10.236.560
- Long-term lease liability (undiscounted)	38.286.010	48.104.919
- Discount amount with lease's incremental borrowing rate of interest	(21.059.504)	(27.336.518)
	30.706.890	31.004.961

Movement of lease liabilities for the period ended September 30, 2019 and January 1, 2019 are as follows:

	2019
Opening balance, January 1	-
IFRS 16 impact	31.004.961
Lease payments	(6.575.084)
Interest payments	6.277.013
Closing balance, September 30	30.706.890

AKSİGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2019

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

13. Net insurance premium income

The distribution of premium income is as follows:

	January 1 – September 30, 2019			January 1 – September 30, 2018		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Written premium	3.117.582.477	(1.373.488.479)	1.744.093.998	2.446.499.296	(1.056.537.130)	1.389.962.166
Change in unearned premium reserve	(302.064.711)	133.299.093	(168.765.618)	(177.676.358)	98.568.472	(79.107.886)
Total premium revenue	2.815.517.766	(1.240.189.386)	1.575.328.380	2.268.822.938	(957.968.658)	1.310.854.280
Fire	701.049.699	(548.320.001)	152.729.698	422.134.436	(324.865.510)	97.268.926
Marine	71.706.652	(51.493.004)	20.213.647	55.085.874	(32.929.917)	22.155.957
Motor Own Damage	647.346.067	(34.899.625)	612.446.441	493.102.126	(28.557.693)	464.544.433
Motor Third Party Liability	1.017.170.832	(230.557.710)	786.613.122	826.334.114	(200.269.551)	626.064.563
Other	139.082.874	(117.174.044)	21.908.830	223.337.451	(159.669.412)	63.668.039
General Losses	270.668.156	(191.967.095)	78.701.061	217.237.894	(160.505.552)	56.732.342
Health	270.558.198	(199.076.998)	71.481.199	209.266.901	(149.739.495)	59.527.405
Life	-	-	-	500	-	500
Total	3.117.582.477	(1.373.488.479)	1.744.093.998	2.446.499.296	(1.056.537.130)	1.389.962.166

14. Taxes

As at September 30, 2019 and December 31, 2018 prepaid income taxes are netted off with the current income tax payable as stated below:

	September 30, 2019	December 31, 2018
Income taxes payable	80.481.424	66.694.754
Prepaid income taxes	(53.867.931)	(54.453.247)
Tax payable/(asset)	26.613.493	12.241.507

Deferred tax

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

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:

AKSİGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2019

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

Deferred tax (Continued)

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Impairment on financial assets	-	30.116.655	-	6.625.664
Claim handling	19.891.915	14.999.177	3.978.383	2.999.835
General expense provision	23.988.995	3.552.177	5.277.579	781.479
Employment termination benefit	7.301.100	6.503.684	1.460.220	1.300.737
Doubtful receivable provisions	8.094.800	3.874.391	1.780.856	852.366
Unused vacation provision	1.900.155	1.834.000	418.034	403.480
Unexpired risks reserve	16.875.559	20.653.059	3.712.623	4.543.673
Bonus provision	6.512.150	7.131.518	1.432.673	1.568.934
Claim reserves	(16.875.559)	(20.653.057)	(3.712.623)	(4.543.673)
Other	10.016.027	14.962.768	(8.346.941)	3.291.809
Total deferred income tax assets / liabilities	77.705.142	82.974.371	6.000.804	17.824.304
Discounting in outstanding claims	234.950.704	131.991.307	49.412.869	36.962.187
Useful life of tangible and intangible assets	(21.282.768)	(20.164.460)	(4.682.209)	(4.032.892)
Equalization reserve	(83.003.620)	(82.394.863)	(18.260.796)	(16.478.973)
Total deferred tax assets / liabilities	208.369.458	112.406.356	32.470.668	34.274.627

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

	September 30, 2019	September 30, 2018
Profit/(Loss) before taxes	286.961.929	185.124.696
Tax rate	22%	22%
Taxes on income/expense per statutory tax rate	(63.131.624)	(40.727.433)
The effect of prior periods' adjustments	(4.969.248)	-
The effect of non-deductible expenses	(3.449.515)	(2.242.786)
Closing balance	(71.550.387)	(42.970.219)

AKSİGORTA A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2019**

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

15. Expenses by nature

	January 1 - September 30, 2019	January 1 - September 30, 2018
Personnel expenses	(79.310.406)	(65.097.814)
Depreciation expenses	(24.384.538)	(15.105.137)
Information technology expenses	(13.466.297)	(11.346.348)
Rent expenses	(1.925.690)	(7.445.722)
Assistance expenses	(17.158.358)	(11.012.001)
Meeting and training expenses	(5.568.995)	(3.631.162)
Transportation expenses	(3.166.353)	(4.438.548)
Advertisement expenses	(3.062.901)	(5.299.894)
Social relief expenses	(3.790.864)	(2.919.871)
Repair and maintenance	(3.142.561)	(2.224.227)
Communication expenses	(1.419.100)	(1.155.827)
Outsourcing service expenses	(2.349.511)	(1.630.956)
Other	(7.921.993)	(4.218.466)
Total	(166.667.567)	(135.525.973)

**16. Insurance claims and claims recovered from reinsurers
September 30, 2019**

	Gross	Reinsurers' Share	Net
Paid Claims	1.245.257.984	(352.125.324)	893.132.660
Change in outstanding claims	972.699.256	(699.282.514)	273.416.742
Change in mathematical reserves	(25.754)	-	(25.754)
Bonus and rebates provision	(59.232.785)	59.156.800	(75.985)
Total	2.158.698.701	(992.251.039)	1.166.447.662

September 30, 2018

	Gross	Reinsurers' Share	Net
Paid Claims	946.747.950	(237.999.151)	708.748.799
Change in outstanding claims	829.452.730	(578.670.609)	250.782.121
Change in mathematical reserves	(131.939)	-	(131.939)
Bonus and rebates provision	69.666.248	(69.578.658)	87.590
Total	1.845.734.989	(886.248.418)	959.486.571

AKSİGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2019

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

17. Related parties

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

Due from /to related parties

	September 30, 2019	December 31, 2018
Shareholder’s subsidiaries	77.054.960	62.857.652
Shareholders	2.306	61.264
Total	77.057.266	62.918.916

Banks

	September 30, 2019	December 31, 2018
Shareholder’s subsidiaries	344.166.433	322.410.622
Total	344.166.433	322.410.622

Marketable securities

	September 30, 2019	December 31, 2018
Shareholder’s subsidiaries	46.029.239	48.709.250
Total	46.029.239	48.709.250

Investment funds

	September 30, 2019	December 31, 2018
Shareholder’s subsidiaries	113.443.439	168.805.699
Total	113.443.439	168.805.699

Written Premium

	September 30, 2019	September 30, 2018
Shareholder’s subsidiaries	127.509.833	101.024.745
Shareholders	1.751.210	598.549
Total	129.261.043	101.623.295

Claims Paid

	September 30, 2019	September 30, 2018
Shareholder’s subsidiaries	20.184.318	34.874.297
Total	20.184.318	34.874.297

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2019**

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

17. Related parties (Continued)**Investment Income**

	September 30, 2019	September 30, 2018
Shareholder's subsidiaries	47.365.274	42.943.060
Total	47.365.274	42.943.060

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 the Company believes that its practice is in compliance with the regulations. On January 16, 2015, the Company filed a reconciliation request for the year 2009 and on February 20, 2015 filed a reconciliation request for the years 2010, 2011 and 2012 to the Large Taxpayers Office Commission of Reconciliation. The reconciliation meeting took place on February 15, 2018, however parties could not reach a consensus. As a consequence, the Company sued Large Taxpayers Office on February 27, 2018. Tax courts decided in favor of the Company for the years 2009, 2010, 2011 and 2012. The tax court has decided in favour of the Company for the years 2009, 2010, 2011 and 2012 about the Banking and Insurance Transaction Tax investigation. Tax department has gone for an appeal for 2009 court decision and administrative court has rejected the appeal.

19. Subsequent events

There are no subsequent events.

.....