

AKSIGORTA A.Ş.

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

AKSIGORTA A.Ş.

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

TABLE OF CONTENTS	PAGE
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 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	6-28

AKSİGORTA A.Ş.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2018

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

Assets	Note	Unaudited	Audited
		September 30, 2018	December 31, 2017
Total current assets		5,219,853,349	4,021,130,993
Cash and cash equivalents	9	1,924,229,419	1,352,046,487
Debt securities:			
- Available for sale at company's risk	8	465,853,033	516,646,617
- Available for sale at insureds' risk	8	2,611,267	2,514,414
- Held to Maturity at company's risk		5,435,936	-
- Impairment in Value of Financial Assets (-)		-	
Premium receivables		476,047,159	479,527,221
Due from reinsurers		30,045,958	27,969,645
Reinsurance share of insurance liabilities	11	2,149,671,737	1,472,428,865
Deferred acquisition costs		109,503,430	119,453,993
Other current assets		56,455,410	50,543,751
Total non-current assets		110,323,519	99,045,920
Tangible assets	5	22,927,738	26,197,351
Investment properties		-	80,126
Intangible assets	6	46,130,019	46,544,719
Financial assets			
Equity securities:			
- Available for sale	8	346,211	346,211
Deferred income tax assets	14	40,769,571	22,913,921
Other non-current assets		149,980	2,963,592
Total assets		5,330,176,868	4,120,176,913
Liabilities	Note	Unaudited	Audited
		September 30, 2018	December 31, 2017
Total current liabilities		4,721,750,004	3,542,089,107
Insurance liabilities	11	4,086,489,589	3,079,404,852
Payables to reinsurers	12	437,429,590	332,355,206
Obligations under repurchase agreements		-	-
Provisions for other liabilities and charges		61,718,272	36,798,073
Trade and other payables	12	102,456,676	84,809,994
Current income tax liabilities	14	33,655,877	8,720,982
Total non-current liabilities		6,014,324	6,172,934
Provision for retirement benefit obligation		6,014,324	6,172,934
Total equity		602,412,540	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	10	(3,092,966)	(3,242,827)
Hedging reserve	10	38,349,552	17,618,782
Available-for-sale investments fund	10	(22,391,910)	(14,469)
Retained earnings/accumulated deficit	10	171,317,252	156,149,457
Total equity and liabilities		5,330,176,868	4,120,176,913

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, 2018

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

Income Statement	Note	Unaudited	Unaudited
		September 30, 2018	September 30, 2017
Insurance premium revenue	13	2,268,822,938	1,557,226,869
Insurance premium ceded to reinsurers	13	(957,968,658)	(666,607,825)
Net insurance premium revenue	13	1,310,854,280	890,619,044
Investment income		197,841,378	110,642,403
Commission income		134,738,147	113,280,380
Other operating income		4,939,305	3,205,749
Net income		1,648,373,110	1,117,747,576
Insurance claims	16	(1,845,734,989)	(1,058,270,833)
Insurance claims recovered from reinsurers	16	886,248,418	452,935,654
Net insurance claims	16	(959,486,571)	(605,335,179)
Commission expense		(352,397,733)	(254,575,580)
Expenses for marketing and administration	15	(135,525,973)	(111,953,894)
Other operating expenses		(45,504,403)	(27,783,071)
Insurance claims and expenses		(1,492,914,680)	(999,647,724)
Results of operating activities		155,458,430	118,099,852
Foreign exchange gain / (loss), net		29,666,266	6,805,626
Profit before tax		185,124,696	124,905,478
Income tax expense	14	(42,970,219)	(25,890,387)
Profit for the period		142,154,477	99,015,091
Earnings per share		0.0046	0.0032

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, 2018

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

Statement of comprehensive income	Note	Unaudited	Unaudited
		September 30, 2018	September 30, 2017
Profit for the period		142,154,477	99,015,091
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		(22,377,441)	8,319,705
Cash flow hedging, net off deferred tax		20,730,770	(1,173,654)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(1,646,671)	7,146,051
Other comprehensive income not being reclassified to profit or loss in subsequent periods:			
Actuarial loss, net off deferred tax		149,861	235,567
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		149,861	235,567
Other comprehensive income, net of tax		(1,496,810)	7,381,618
Total comprehensive income for the year, net of tax		140,657,667	106,396,709

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, 2018

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

September 30, 2017									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, 2016	10	306,000,000	(7,203,047)	-	178,468,101	(3,472,406)	16,816,075	(63,471,429)	427,137,294
Profit for the year		-	-	-	-	-	-	99,015,091	99,015,091
Transfer		-	-	-	(83,064,172)	-	-	83,064,172	-
Other comprehensive income		-	8,319,705	-	-	235,567	(1,173,654)	-	7,381,617
Total comprehensive income	10	-	8,319,705	-	(83,064,172)	235,567	(1,173,654)	182,079,263	106,396,709
Dividend payment		-	-	-	-	-	-	-	-
Balances at September 30, 2017	10	306,000,000	1,116,658	-	95,403,929	(3,236,839)	15,642,419	118,607,834	533,534,001

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	(14,469)	-	95,403,929	(3,242,827)	17,618,782	156,149,457	571,914,872
Profit for the year		-	-	-	-	-	-	142,154,477	142,154,477
Transfer		-	-	-	(991,349)	-	-	991,349	0
Other comprehensive income		-	(22,377,441)	-	-	149,861	20,730,770	-	(1,496,810)
Total comprehensive income	10	-	(22,377,441)	-	(991,349)	149,861	20,730,770	143,145,826	140,657,667
Dividend payment		-	-	-	17,818,032	-	-	(127,978,032)	(110,160,000)
Balances at September 30, 2018	10	306,000,000	(22,391,910)	-	112,230,612	(3,092,966)	38,349,552	171,317,251	602,412,540

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, 2018

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

Cash Flow Statement	Note	January 1 – September 30, 2018	January 1 – September 30, 2017
Cash inflows from insurance operations		2,944,533,976	1,311,233,292
Cash outflows from insurance operations		(2,474,495,688)	(861,052,264)
Income tax payment		(38,342,397)	(7,746,482)
Cash inflows/(outflows)from operational expenses		(51,262,962)	(118,546,417)
Net cash flows from operating activities		380,432,930	323,888,129
Tangible and intangible asset acquisitions		(10,564,826)	(2,223,595)
Financial asset acquisitions / disposals		41,525,301	288,963,417
Interest received		93,799,132	86,155,606
Other cash inflows/(outflows)		112,288,022	4,705,101
Net cash flows from investing activities		237,047,629	377,600,529
Dividends paid		(110,160,000)	-
Net cash flows from financing operations		-	-
Net increase/(decrease) in cash and cash equivalents		507,320,559	701,488,658
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	1,707,823,586	1,033,565,572

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, 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 September 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:

	September 30, 2018	December 31, 2017
Top and middle management	107	103
Other personel (*)	639	518
Total	746	621

(*) As of 30 September 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 4,474,839 TL in total for January 1 - September 30, 2018 (January 1 - September 30, 2017: TL 4,359,005).

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

The Company's interim condensed financial statements as of September 30, 2018 are approved and authorized for issuance as of October 24, 2018 by the Board of Directors.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT SEPTEMBER 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 September 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 September 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 September 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 - September 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 - September 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 - September 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 September 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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT SEPTEMBER 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 September 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 September 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	September 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 September 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 SEPTEMBER 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.

AKSİGORTA A.Ş.

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

(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 - September 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 JUNE 30, 2018

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

4. Segment information (Continued)

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

January 1 - September 30, 2017	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	101,114,658	15,209,500	418,025,858	190,700,167	54,444,114	50,665,795	60,458,951	-	890,619,044
Earned Premiums (Net of Reinsurer Share)	101,114,658	15,209,500	418,025,858	190,700,167	54,444,114	50,665,795	60,458,951	-	890,619,044
Premiums (Net of Reinsurer Share)	103,758,375	15,580,683	394,875,871	269,178,524	60,017,254	58,345,218	65,468,745	-	967,224,670
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(2,643,717)	(371,183)	23,149,986	(78,478,357)	(5,573,140)	(7,679,422)	(5,009,794)	-	(76,605,627)
TECHNICAL EXPENSES	(95,025,386)	(7,322,979)	(484,012,581)	(170,988,159)	(47,153,806)	(35,473,067)	(43,185,616)	-	(883,161,595)
Total Claims (Net of Reinsurer Share)	(56,767,465)	(3,791,639)	(357,371,235)	(142,516,036)	(20,167,541)	(2,363,232)	(22,358,030)	-	(605,335,179)
Claims Paid (Net of Reinsurer Share)	(47,421,754)	(2,528,951)	(304,029,929)	(108,329,959)	(11,653,893)	(3,454,053)	(10,015,805)	-	(487,434,346)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(9,345,711)	(1,262,688)	(53,341,305)	(34,186,077)	(8,513,647)	1,090,821	(12,342,225)	-	(117,900,833)
Commissions (Net)	(16,637,567)	(1,993,020)	(73,680,821)	(3,104,460)	(15,604,717)	(20,622,922)	(9,651,691)	-	(141,295,200)
Operating Expenses	(18,576,308)	(1,080,439)	(42,175,445)	(19,626,779)	(9,725,555)	(11,333,215)	(9,436,153)	-	(111,953,894)
Other Operating Income / Expenses	(3,044,046)	(457,880)	(10,785,080)	(5,740,884)	(1,655,993)	(1,153,698)	(1,739,741)	-	(24,577,322)
	6,089,272	7,886,521	(65,986,723)	19,712,008	7,290,308	15,192,728	17,273,335	-	7,457,449
Investment income	-	-	-	-	-	-	-	110,642,403	110,642,403
Foreign exchange income	-	-	-	-	-	-	-	6,805,626	6,805,626
Tax expense	-	-	-	-	-	-	-	(25,890,387)	(25,890,387)
Net Profit / (Loss)	6,089,272	7,886,521	(65,986,723)	19,712,008	7,290,308	15,192,728	17,273,335	91,557,642	99,015,091

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

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

5. Tangible assets

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

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
Advances for tangible assets	-	-	-	-	-
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)	-	22,927,738
-----------------------	-------------------	--------------------	------------------	----------	-------------------

Costs:	January 1, 2017	Additions	Disposals	Transfers	September 30, 2017
Property for operational use	-	-	-	1,598,569	1,598,569
Furniture and fixtures and leased tangible assets	1,996,119	(221,328)	23,943,162	-	25,717,953
Other tangible assets (including leasehold improvements)	776,960	(328,156)	20,780,158	-	21,228,961
Advances for tangible assets	-	-	-	-	-
Total	2,773,079	(549,484)	44,723,320	1,598,569	48,545,483

Accumulated depreciation: (-)	January 1, 2017	Additions	Disposals	Transfers	September 30, 2017
Property for operational use	(23,985)	-	(529,107)	-	(553,092)
Furniture and fixtures and leased tangible assets	(2,072,074)	188,557	(11,947,701)	-	(13,831,217)
Other tangible assets	(1,621,083)	160,482	(6,987,757)	-	(8,448,358)
Total	(3,717,142)	349,039	(19,464,565)	-	(22,832,667)

Net book value	-944,063	(200,445)	25,258,755	1,598,569.00	25,712,817
-----------------------	-----------------	------------------	-------------------	---------------------	-------------------

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

Total depreciation expense is TL 15,105,137 (January 1 - September 30, 2017: TL 12,958,811).

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

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

6. Intangible assets

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	2,600,648	900,527	-	-	3,501,175
Total	89,641,996	10,649,339	-	-	100,291,335

Accumulated depreciation: (-)	January 1, 2018	Additions	Disposals(*)	Transfers	September 30, 2018
Rights	(43,097,277)	(11,064,039)	-	-	(54,161,316)
Total	(43,097,277)	(11,064,039)	-	-	(54,161,316)

Net book value	46,544,719	(414,700)	-	-	46,130,019
-----------------------	-------------------	------------------	----------	----------	-------------------

Costs:	January 1, 2017	Additions	Disposals(*)	Transfers	September 30, 2017
Rights	69,825,964	9,761,528	-	-	79,587,492
Advances given for intangible assets	1,577,347	741,572	-	-	2,318,919
Total	71,403,311	10,503,100	-	-	81,906,410

Accumulated depreciation: (-)	January 1, 2017	Additions	Disposals(*)	Transfers	September 30, 2017
Rights	(30,227,061)	(9,241,792)	-	-	(39,468,853)
Total	(30,227,061)	(9,241,792)	-	-	(39,468,853)

Net book value	41,176,250	1,261,308	-	-	42,437,558
-----------------------	-------------------	------------------	----------	----------	-------------------

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT SEPTEMBER 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 September 30, 2018 and December 31, 2017 are disclosed below:

September 30, 2018			
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	2,216,812	5.9902	13,279,147
EUR	2,605,393	6.9505	18,108,784
GBP	11,843	7.8079	92,469
CHF	195,328	6.1211	1,195,622
Other			4,951
Total			32,680,973
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	26,944,665	5.9902	161,403,932
EUR	13,119,677	6.9505	91,188,315
GBP	154,244	7.8079	1,204,322
CHF	7,053	6.1211	43,172
Other			2,477
Total			253,842,218
Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	11,931,458	5.9902	71,471,820
Total			71,471,820
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(5,864,773)	5.9902	(35,131,164)
EUR	(1,170,426)	6.9505	(8,135,045)
Other			(7,393)
Total			(43,273,602)
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(26,326,268)	5.9902	(157,699,611)
EUR	(7,597,534)	6.9505	(52,806,660)
Other			(2,885,407)
Total			(213,391,677)
Off-balance sheet liabilities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(12,762,764)	5.9902	(76,451,509)
Total			(76,451,509)
Net Foreign Currency Position			24,878,223

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

(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**

AKSİGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 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 September 30, 2018 is as follows:

September 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	1,493,050,765	399,964,704	-	-	-	31,213,950	1,924,229,419
Financial assets available for sale	2,088,812	19,838,751	79,550,520	152,308,982	26,151,286	185,914,682	465,853,033
Financial assets held to maturity	-	-	-	5,435,936	-	-	5,435,936
Investments on policyholders' risk	-	-	-	2,611,267	-	-	2,611,267
Receivables from main operations	178,167,373	197,774,520	64,541,435	35,563,831	-	-	476,047,159
Due from reinsurance companies	-	-	30,045,958	-	-	-	30,045,958
Reinsurers' share of insurance liabilities	792,973,672	593,615,661	651,014,428	101,019,249	11,048,728	-	2,149,671,737
Equity securities	-	-	-	-	-	346,211	346,211
Other assets	-	165,958,840	-	-	-	-	165,958,840
Total Assets	2,466,280,622	1,377,152,476	825,152,341	296,939,265	37,200,014	217,474,843	5,220,199,561
Insurance liabilities	1,291,276,181	1,040,813,830	1,580,657,360	156,613,056	17,129,161	-	4,086,489,589
Due to reinsurers	-	-	437,429,590	-	-	-	437,429,590
Trade and other payables	-	-	164,174,948	-	-	-	164,174,948
Total liabilities and shareholders' equity	1,291,276,181	1,040,813,830	2,182,261,898	156,613,056	17,129,161	-	4,688,094,127
Liquidity surplus/(deficit)	1,175,004,440	336,338,646	(1,357,109,557)	140,326,208	20,070,853	217,474,843	532,105,434

AKSİGORTA A.Ş.

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

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

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

8. Financial assets

Available for sale debt securities:

September 30, 2018			
	Cost Value	Fair Value	Book Value
Private bonds	202,678,266	213,118,467	213,118,467
Investment Funds	145,662,930	167,895,622	167,895,622
Eurobonds	93,661,601	71,471,821	71,471,821
Equities	17,376,317	18,012,383	18,012,383
Government bonds	736	736	736
Total	459,379,850	470,499,029	470,499,029
Impairment (-)			(4,645,996)
Total	459,379,850	470,499,029	465,853,033

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:

September 30, 2018			
	Cost Value	Fair Value	Book Value
Government bonds	2,495,766	2,611,267	2,611,267
Total	2,495,766	2,611,267	2,611,267

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

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

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

8. Financial assets (Continued)

Held to Maturity at company's risk

September 30, 2018			
	Cost Value	Fair Value	Book Value
Government bonds	5,429,134	5,435,936	5,435,936
Total	5,429,134	5,435,936	5,435,936

Equity shares under available-for-sale investments:

As of September 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 September 30, 2018 in accordance with the appraisal report obtained from an independent appraisal firm (December 31, 2017: TL 30,116,653).

List of the investments and fair values is as below:

September 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

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

(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: In puts 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, 2018	Level 1	Level2	Level 3
Available for sale at company’s risk	465,853,033	465,853,033	-	-
Available for sale at insurees' risk	2,611,267	2,611,267	-	-
Total	468,464,300	468,464,300	-	-

	December 31, 2017	Level 1	Level2	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	519,507,241	519,161,031	-	-

9. Cash and cash equivalents

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

	September 30, 2018	December 31, 2017
Cash at banks	1,473,535,105	966,463,093
-time deposits	1,442,321,155	951,500,553
-demand deposits	31,213,950	14,962,540
Bank guaranteed credit card receivables with maturity less than 3 months	450,694,314	385,583,394
Total cash and cash equivalents	1,924,229,419	1,352,046,487

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

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

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

9. Cash and cash equivalents (Continued)

Cash and cash equivalents that are included in the statements of cash flows for the periods January 1 - September 30, 2018 and January 1 – December 31, 2017 are as follows:

	September 30, 2018	December 31, 2017
Total cash and cash equivalents	1,924,229,419	1,352,046,487
Interest accrual on cash at banks (-)	(18,458,023)	(3,036,758)
Blocked time deposits	(197,947,810)	(148,506,702)
Cash and cash equivalents per statement of cash flow	1,707,823,586	1,200,503,027

Weighted average interest rates of time deposits:

	September 30, 2018	December 31, 2017
TL	10,5 – 29,50	7,75 - 15,95
USD	0,10 – 7,5	0,10 - 4,40
EUR	0,90 – 2,5	0,10 - 1,75

10. Equity

As of September 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		September 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

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

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

10. Equity (Continued)

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, September 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 3,866,207 (net off deferred tax: TL (3,092,966) 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	(187,327)	(286,973)
Closing balance, September 30	3,866,207	4,053,534

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)	(7,203,046)
Increase/decrease in value recognized under the shareholders’ equity in the current period	(22,377,441)	7,188,577
Closing balance, September 30	(22,391,910)	(14,469)

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

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

10. Equity (Continued)

Hedge Accounting

The Company recognizes the changes in value of hedged asset by the foreign currency differences under equity. As of September 30, 2018, TL 47,936,941 (net: TL 38,349,553) is recognized under equity resulting from hedge accounting (December 31, 2017: TL 22,023,479 net: TL 17,618,782).

September 30, 2018				
Amount of deposit	Currency	Exchange rate at the beginning	Exchange rate at the end	Exchange difference
12,762,764	USD	2.2342	5.9902	(47,936,941)
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 12,762,764.

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

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

11. Insurance liabilities

Gross	September 30, 2018	December 31, 2017
Outstanding claims provision	2,435,463,563	1,606,010,832
Reserve for unearned premiums	1,649,454,182	1,471,777,825
Life actuarial mathematical reserves	1,329,469	1,448,214
Life profit share provision	147,719	160,913
Bonus and rebates provision	94,656	7,068
Total	4,086,489,589	3,079,404,852
Reinsurance Share	September 30, 2018	December 31, 2017
Reinsurers’ share of outstanding claims	1,463,252,676	884,582,067
Reinsurers’ share of unearned premiums	686,419,061	587,846,798
Total	2,149,671,737	1,472,428,865
Net	September 30, 2018	December 31, 2017
Net outstanding claims	972,210,887	721,428,765
Net unearned premiums	963,035,121	883,931,027
Life actuarial mathematical reserves	1,329,469	1,448,214
Life profit share provision	147,719	160,913
Bonus and rebates provision	94,656	7,068
Total	1,936,817,852	1,606,975,987

12. Payables to reinsurers, trade and other payables

	September 30, 2018	December 31, 2017
Payables to reinsurers	405,409,571	308,244,281
Payables to SSI regarding medical expenses	32,020,019	24,110,925
Payables due to main operations	437,429,590	332,355,206
Taxes payable	22,906,358	32,009,499
Payables to Turkish Catastrophe Insurance Pool	26,820,962	24,947,212
Payables to contracted institutions	41,454,179	8,522,694
Payables to suppliers	6,685,101	15,121,193
Other	4,590,076	4,209,396
Total other short term payables	102,456,676	84,809,994
Total financial liabilities trade and other payables, deferred income	539,886,266	417,165,200

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 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 – September 30, 2018			January 1 – September 30, 2017		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Written premium	2,446,499,296	(1,056,537,130)	1,389,962,166	1,755,569,860	(788,335,103)	967,234,757
Change in unearned premium	(177,676,358)	98,568,472	(79,107,886)	(198,342,991)	121,727,278	(76,615,713)
Total premium revenue	2,268,822,938	(957,968,658)	1,310,854,280	1,557,226,869	(666,607,825)	890,619,044
Fire	422,134,436	(324,865,510)	97,268,926	395,886,397	(292,128,022)	103,758,375
Marine	55,085,874	(32,929,917)	22,155,957	34,733,784	(19,153,101)	15,580,683
Motor Own Damage	493,102,126	(28,557,693)	464,544,433	419,337,442	(24,457,484)	394,879,958
Motor Third Party Liability	826,334,114	(200,269,550)	626,064,564	332,749,691	(63,571,167)	269,178,524
Other	223,337,451	(159,669,412)	63,668,039	194,730,069	(129,261,324)	65,468,745
General Losses	217,237,894	(160,505,552)	56,732,342	189,580,986	(129,563,732)	60,017,254
Health	209,266,901	(149,739,495)	59,527,405	188,545,491	(130,200,274)	58,345,218
Life	500	-	500	6,000	-	6,000
Total	2,446,499,296	(1,056,537,130)	1,389,962,166	1,755,569,860	(788,335,103)	967,234,757

14. Taxes

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

	September 30, 2018	December 31, 2017
Income taxes payable	60,451,668	40,115,659
Prepaid income taxes	(26,765,791)	(31,394,677)
Tax payable	33,655,877	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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 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)	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Impairment on financial assets	30,116,655	30,116,655	6,625,664	6,625,664
Claim handling	14,300,840	10,393,274	2,860,168	2,078,655
General expense provision	11,719,182	3,572,559	2,578,220	785,963
Employment termination benefit	6,014,325	6,172,935	1,202,865	1,234,587
Doubtful receivable provisions	3,840,600	3,514,000	844,932	773,080
Unused vacation provision	1,426,818	1,317,300	313,900	289,806
Unexpired risks reserve	3,601,259	476,123	792,277	104,747
Bonus provision	5,895,932	7,412,368	1,297,105	1,630,721
Claim reserves	(3,601,259)	(476,121)	(792,277)	(104,747)
Other	5,355,009	(4,693,577)	9,226,708	(1,032,587)
Total deferred income tax assets / liabilities	78,669,360	57,805,515	24,949,562	12,385,889
Discounting in outstanding claims	168,512,546	131,991,307	34,796,474	26,761,802
Useful life of tangible and intangible assets	(15,448,700)	(10,834,125)	(3,398,714)	(2,166,825)
Equalization reserve	(70,807,960)	(70,334,725)	(15,577,751)	(14,066,945)
Total deferred tax assets / liabilities	160,925,247	108,627,973	40,769,571	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.

	September 30, 2018	September 30, 2017
Profit before taxes	185,124,696	124,905,478
Tax rate	22%	20%
Taxes on income per statutory tax rate	(40,727,433)	(24,981,096)
The effect of non-deductible expenses	(2,242,786)	(909,291)
Closing balance	(42,970,219)	(25,890,387)

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

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

15. Expenses by nature

	January 1 - September 30, 2018	January 1 - September 30, 2017
Personnel expenses	(65,097,814)	(56,362,181)
Depreciation expenses	(15,105,137)	(12,958,811)
Information technology expenses	(11,346,348)	(9,479,593)
Rent expenses	(7,445,722)	(7,149,411)
Assistance expenses	(11,012,001)	(6,428,472)
Meeting and training expenses	(3,631,162)	(3,590,924)
Transportation expenses	(4,438,548)	(2,732,233)
Advertisement expenses	(5,299,894)	(2,128,301)
Social relief expenses	(2,919,871)	(2,612,705)
Repair and maintenance	(2,224,227)	(1,301,219)
Communication expenses	(1,155,827)	(1,026,266)
Outsourcing service expenses	(1,630,956)	(3,414,096)
Other	(4,218,466)	(2,769,682)
Total	(135,525,973)	(111,953,894)

16. Insurance claims and claims recovered from reinsurers

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

September 30, 2017

	Gross	Reinsurers' Share	Net
Paid Claims	718,884,765	(231,450,419)	487,434,346
Change in outstanding claims	340,225,855	(222,397,669)	117,828,186
Change in mathematical reserves	63,865	-	63,865
Bonus and rebates provision	(903,652)	912,434	8,782
Total	1,058,270,833	(452,935,654)	605,335,179

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT SEPTEMBER 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

	September 30, 2018	December 31, 2017
Shareholder’s subsidiaries	58,484,058	41,157,345
Shareholders	36,501	37,671
Total	58,520,559	41,195,016

Banks

	September 30, 2018	December 31, 2017
Shareholder’s subsidiaries	642,420,598	455,146,116
Total	642,420,598	455,146,116

Marketable securities

	September 30, 2018	December 31, 2017
Shareholder’s subsidiaries	45,383,405	45,670,100
Total	45,383,405	45,670,100

Investment funds

	September 30, 2018	December 31, 2017
Shareholder’s subsidiaries	167,902,359	232,967,097
Total	167,902,359	232,967,097

Written Premium

	September 30, 2018	September 30, 2017
Shareholder’s subsidiaries	101,024,745	121,574,989
Shareholders	1,478,089	2,396,093
Total	102,502,835	123,971,082

Claims Paid

	September 30, 2018	September 30, 2017
Shareholder’s subsidiaries	34,874,297	59,593,783
Shareholders	-	154
Total	34,874,297	59,593,936

Investment Income

	September 30, 2018	September 30, 2017
Shareholder’s subsidiaries	42,943,060	45,669,932
Total	42,943,060	45,669,932

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT SEPTEMBER 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.

.....