AKSİGORTA ANONİM ŞİRKETİ

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED JANUARY 1 - MARCH 31, 2018

AKSİGORTA A.Ş.

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - MARCH 31, 2018

TABLE OF CONTENTS **PAGE**

AKSİGORTA A.Ş.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD JANUARY 1 - MARCH 31, 2018

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

Assets	Note	Unaudited March 31, 2018	Audited December 31, 2017
Total current assets		**4,461,003,892**	**4,021,130,993**
Cash and cash equivalents	9	1,401,086,025	1,352,046,487
Debt securities:			
- Available for sale at company's risk	8	582,023,813	516,646,617
- Available for sale at insurees' risk	8	2,594,914	2,514,414
Premium receivables		551,472,092	479,527,221
Due from reinsurers		29,386,787	27,969,645
Reinsurance share of insurance liabilities	11	1,713,180,079	1,472,428,865
Deferred acquisition costs		113,947,488	119,453,993
Other current assets		67,312,694	50,543,751
Total non-current assets		**102,737,134**	**99,045,920**
Tangible assets	5	25,132,035	26,197,351
Investment properties		-	80,126
Intangible assets	6	46,159,801	46,544,719
Financial assets			
Equity securities:			
- Available for sale	8	5,989,955	346,211
Deferred income tax assets	14	24,177,863	22,913,921
Other non-current assets		1,277,480	2,963,592
Total assets		**4,563,741,026**	**4,120,176,913**

Liabilities	Note	Unaudited March 31, 2018	Audited December 31, 2017
Total current liabilities		**4,048,692,419**	**3,542,089,107**
Insurance liabilities	11	3,435,514,398	3,079,404,852
Payables to reinsurers	12	482,099,991	332,355,206
Obligations under repurchase agreements		-	-
Provisions for other liabilities and charges		34,460,755	36,798,073
Trade and other payables	12	80,646,333	84,809,994
Current income tax liabilities	14	15,970,942	8,720,982
Total non-current liabilities		**6,357,549**	**6,172,934**
Provision for retirement benefit obligation		6,357,549	6,172,934
Total equity		**508,691,058**	**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	(3,344,926)	(3,242,827)
Hedging reserve	10	18,941,537	17,618,782
Available-for-sale investments fund	10	(825,451)	(14,469)
Retained earnings/accumulated deficit	10	75,689,286	156,149,457
Total equity and liabilities		**4,563,741,026**	**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 - MARCH 31, 2018

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

		Unaudited	Unaudited
Income Statement	**Note**	**March 31, 2018**	**March 31, 2017**
Insurance premium revenue	13	677,945,636	491,812,484
Insurance premium ceded to reinsurers	13	(280,599,024)	(205,463,593)
Net insurance premium revenue	13	**397,346,612**	**286,348,891**
Investment income		51,017,316	33,075,035
Commission income		67,123,291	52,685,770
Other operating income		2,424,808	1,091,187
Net income		**517,912,027**	**373,200,883**
Insurance claims	16	(429,865,003)	(305,192,835)
Insurance claims recovered from reinsurers	16	162,131,018	112,693,738
Net insurance claims	16	**(267,733,985)**	**(192,499,097)**
Commission expense		(137,878,222)	(98,345,745)
Expenses for marketing and administration	15	(44,377,819)	(35,590,743)
Other operating expenses		(11,675,342)	(8,693,872)
Insurance claims and expenses		**(461,665,368)**	**(335,129,457)**
Results of operating activities		**56,246,659**	**38,071,426**
Foreign exchange gain / (loss), net		4,540,496	4,031,868
Profit before tax		**60,787,155**	**42,103,294**
Income tax expense	14	(14,260,643)	(8,776,897)
Profit for the period		**46,526,512**	**33,326,397**
Earnings per share		**0.0015**	**0.0011**

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

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD JANUARY 1 – MARCH 31, 2018

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

		Unaudited	Unaudited
Statement of comprehensive income	**Note**	**March 31, 2018**	**March 31, 2017**
Profit for the period		**46,526,512**	**33,326,397**
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		(810,982)	1,330,581
Cash flow hedging, net off deferred tax		1,322,755	2,226,375
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**511,773**	**3,556,956**
Other comprehensive income not being reclassified to profit or loss in subsequent periods:			
Actuarial loss, net off deferred tax		(102,099)	(28,764)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**(102,099)**	**(28,764)**
Other comprehensive income, net of tax		**409,674**	**3,528,192**
Total comprehensive income for the year, net of tax		**46,936,186**	**36,854,589**

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD JANUARY 1 - MARCH 31, 2018

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

March 31, 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		-	-	-	-	-	-	33,326,397	33,326,397
Transfer		-	-	-	(83,064,172)	-	-	83,064,172	-
Other comprehensive income		-	1,330,581	-	-	(28,764)	2,226,375	-	3,528,192
Total comprehensive income	10	**-**	**1,330,581**	**-**	**(83,064,172)**	**(28,764)**	**2,226,375**	**116,390,569**	**36,854,589**
Dividend payment		-	-	-	-	-	-	-	-
Balances at March 31, 2017	10	**306,000,000**	**(5,872,466)**	**-**	**95,403,929**	**(3,501,170)**	**19,042,450**	**52,919,140**	**463,991,883**

March 31, 2018									Unaudited
	Note	Share capital	Available-for-sale investment funds	Revaluation fund	Legal reserves	Actuarial loss arising from employee benefit	Cash flow hedging	Retained earnings	Total
Balances at December 31, 2017	10	**306,000,000**	**(14,469)**	**-**	**95,403,929**	**(3,242,827)**	**17,618,782**	**156,149,457**	**571,914,872**
Profit for the year		-	-	-	-	-	-	46,526,512	46,526,512
Transfer		-	-	-	16,826,683	-	-	(16,826,683)	0
Other comprehensive income		-	(810,982)	-	-	(102,099)	1,322,755	-	409,674
Total comprehensive income	10	**-**	**(810,982)**	**-**	**16,826,683**	**(102,099)**	**1,322,755**	**29,699,829**	**46,936,186**
Dividend payment		-	-	-	-	-	-	(110,160,000)	(110,160,000)
Balances at March 31, 2018	10	**306,000,000**	**(825,451)**	**-**	**112,230,612**	**(3,344,926)**	**18,941,537**	**75,689,286**	**508,691,058**

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR PERIOD JANUARY 1 - MARCH 31, 2018

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

Cash Flow Statement	Note	January 1 – March 31, 2018	January 1 – March 31, 2017
Cash inflows from insurance operations		703,889,712	435,979,688
Cash outflows from insurance operations		(477,647,599)	(305,124,403)
Income tax payment		(13,745,830)	(13,478,172)
Cash inflows/(outflows)from operational expenses		(70,599,476)	(40,414,256)
Net cash flows from operating activities		**141,896,807**	**76,962,857**
Tangible and intangible asset acquisitions		(270,101)	(283,765)
Financial asset acquisitions / disposals		(75,183,442)	372,993,610
Interest received		49,948,001	32,877,655
Other cash inflows/(outflows)		(291,041)	(8,622,589)
Net cash flows from investing activities		**(25,796,583)**	**396,964,911**
Dividends paid		(99,925,537)	-
Net cash flows from financing operations		**-**	**-**
Net increase/(decrease) in cash and cash equivalents		**16,174,687**	**473,927,768**
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	**1,216,677,714**	**806,004,682**

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

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

1. General Information

Aksigorta Anonim Şirketi ("the Company") is a subsidiary of Hacı Ömer Sabancı Holding A.Ş. and Ageas Insurance International N.V. as of March 31, 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 fire, marine, accident, personal accident, engineering, agriculture and health.

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

	March 31, 2018	**December 31, 2017**
Top and middle management	106	103
Other personel (*)	632	518
Total	**738**	**621**

(*) As of 31 March 2018, The Company has 85 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 1,499,101 TL in total for January 1 - March 31, 2018 (January 1 - March 31, 2017: TL 1,441,185).

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

The Company's interim condensed financial statements as of March 31, 2018 are approved and authorized for issuance as of April 26, 2018 by the Board of Directors.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements at March 31, 2018 have been prepared in accordance with International Financial Reporting Standard as defined by IAS 1. The financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at March 31, 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 March 31, 2018 is presented in comparison with its statement of financial position as of March 31, 2017; statement of comprehensive income, statement of changes in equity and statement of cash flows for the period between January 1 - March 31, 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 - March 31, 2018.

2.2 Adoption of New and Revised Standards

The new standards, amendments and interpretations

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

i) Standards, amendments and interpretations applicable as at 31 March 2018

IFRS 9, ‘Financial instruments’; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 15, ‘Revenue from contracts with customers’; effective from annual periods beginning on or after 1 January 2018. IFRS 15, ‘Revenue from contracts with customers’ is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

Amendment to IFRS 15, ‘Revenue from contracts with customers’, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative

2. Summary of significant accounting policies (Continued)

i) Standards, amendments and interpretations applicable as at 31 March 2018 (Continued)

examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

- give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard IAS 39.

Amendment to IAS 40, 'Investment property' relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

Amendments to IFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

Annual improvements 2014-2016; effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:

IFRS 1, 'First time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10,

IAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.

IFRIC 22, 'Foreign currency transactions and advance consideration'; effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

2. Summary of significant accounting policies (Continued)

a) *Standards, amendments and interpretations that are issued but not effective as at 31 March 2018:*

Amendment to IFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2019. This amendment confirm 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.

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 farreaching 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.

ii) Standards, amendments and interpretations effective after 1 January 2018:

IFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 15, 'Revenue from contracts with customers'; effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

Amendment to IFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

2. Summary of significant accounting policies (Continued)

ii) Standards, amendments and interpretations effective after 1 January 2018 (Continued)

Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

- give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard IAS 39.

Amendment to IAS 40, 'Investment property' relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

Amendments to IFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

Annual improvements 2014-2016; effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:

- IFRS 1, 'First time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10,
- IAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.

IFRIC 22, 'Foreign currency transactions and advance consideration'; effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

Amendment to IFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2019. This amendment confirm 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.

2. Summary of significant accounting policies (Continued)

ii) Standards, amendments and interpretations effective after 1 January 2018 (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, this standard replaces the current guidance in IAS 17 and is a farreaching 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.

IFRIC 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

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.

Company will evaluate the influences of changes above to their operations and implement these changes as of expiry date. Research about the effects of implementation of standards and comments above to the Company's financial statements for the upcoming period is still proceeding.

2.3 Consolidation

The Company has no subsidiaries or joint ventures within the scope of consolidation in accordance with "IFRS 10- Consolidated Financial Statements" as of March 31, 2018 (December 31, 2017: None).

2.4 Segment Reporting

Reporting segments are determined to conform to the reporting made to the Company's chief operating decision maker. The chief operating decision maker is responsible for making decisions about resources

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

2. Summary of significant accounting policies (Continued)

ii) Standards, amendments and interpretations effective after 1 January 2018 (Continued)

to be allocated to the segment and assess its performance. Details related to the segment reporting are disclosed in the Note 4.

2.5 Foreign currency translation

The functional currency of the Company is TL. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

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

Foreign exchange differences arising from the translation of non monetary financial assets and liabilities are considered as part of the fair value changes and those differences are accounted for in the accounts in which the fair value changes are accounted for.

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

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

	March 31, 2018		December 31, 2017	
	US Dollar / TL	**EUR / TL**	**US Dollar / TL**	**Euro / TL**
Bid Rates	3,9489	4,8673	3,7719	4,5155
Ask Rates	3,9620	4,8834	3,7843	4,5305

2.6 Tangible Assets

All property and equipment are carried at cost less accumulated depreciation. Since lands have infinite life, they are not depreciated. Depreciation is calculated using the straight-line method over the estimated useful life of the tangible assets. For assets that are not ready for use or sale, such assets are depreciated, on the same basis used for other fixed assets, when they are ready to use.

Estimated useful life, residual value, and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

2. Summary of significant accounting policies (Continued)

2.6 Tangible Assets (Continued)

If there are indicators of impairment on tangible assets, a review is made in order to determine possible impairment and as a result of the review, if an asset's carrying amount is greater than its estimated recoverable amount, the asset's carrying amount is written down immediately to its recoverable amount by accounting for a provision for impairment. Gains and losses on disposals of property and equipment are included in other operational income and expenses accounts.

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

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

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

	Useful Life
Properties	40 - 50 years
Furniture and fixtures	10 years
Leasehold Improvements	5 - 10 years

2.7 Investment properties

The buildings and lands of the Company held for the purpose of receiving rent or an increase in value or both instead of being used in the operations of the Company or being sold within the normal business course are classified as investment properties. The investment properties are carried at acquisition cost by deducting the accumulated depreciation. Investment properties are amortised by the straight-line method over their estimated useful lives. If there are indicators of impairment on investment properties, a review is made in order to determine possible impairment and as a result of this review, if the property's carrying amount is greater than its estimated recoverable amount, the property's carrying amount is written down immediately to its recoverable amount by accounting for an impairment provision. The recoverable amount is the higher of the future cash inflows from the existing use of the investment property and the fair value of the property after cost of sale. The Company does not have an impairment booking for its investment properties as of March 31, 2018.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of retirement or disposal.

Transfers are made to or from investment property only, when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy applied to "Tangible Assets" up to the date of change in use. Real estates held under finance lease are classified as investment properties. The depreciation period of investment properties is 50 years. Lands is not depreciated.

2. Summary of significant accounting policies (Continued)

2.8 Intangible assets

Intangible assets acquired

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

Computer software

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

Costs associated with developing or maintaining computer software programmes are recognized as expense as incurred. Costs that are directly associated with the development of identifiable and unique software products that are controlled by the Company and will probably provide more economic benefits than costs in one year are recognized as intangible assets. Costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives.

Useful life:

	2018	**2017**
Rights	5 years	5 years

2.9 Financial assets

The Company classifies and accounts for its financial assets as, "Available-for-sale financial assets" and "Loans and receivables (Premium receivables)". Premium receivables are the receivables arising from insurance agreements and they are classified as financial assets in financial statements.

Regular purchases and sales of financial assets are recognised on the "settlement date". The classification of these financial assets depends on the purpose for which they were acquired and the Company's management determines the classification of its financial assets at initial recognition.

Loans and receivables (Premium receivables):

Loans and receivables are financial assets which are generated by providing money or service to the debtor. Loans and receivables are recognised initially at fair value and subsequently measured at cost. Fees and other charges paid related to assets obtained as guarantee for the above mentioned receivables are not deemed as transaction costs and they are recognised as expense in the income statement.

The Company accounts for a provision for its receivables based on evaluations and estimations of the management. The mentioned provision is deducted from "Premium receivables" on the statement of financial position. The Company sets its estimations in accordance with the risk policies and the principle of prudence by considering the structure of current receivable portfolio, financial structure of policyholders and intermediaries, non-financial data and economical conditions.

2. Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

Available-for-sale financial assets

Investments other than "financial assets at fair value through profit or loss", and "loans and receivables" are described as available-for-sale financial assets.

Available-for-sale financial assets are subsequently measured at fair value after their recognition. It is considered that the fair value cannot be reliably measured if the price that provides a basis for fair value is not set in active market conditions and "amortised cost value" that is calculated using the effective interest method is used as fair value. Equity securities classified as available-for-sale are carried at fair values if they have quoted market prices in active markets and/or if their fair value can be reliably measured. The equity securities that do not have a quoted market price in an active market, and if their fair value cannot be reliably measured are carried at cost less the provision for impairment.

"Unrealised gains and losses" arising from the change in the fair value of available-for-sale financial assets is accounted for under "Valuation of Financial Assets" account in the shareholders' equity and not reflected in the income statement until the financial asset is sold, disposed or derecognised. The unrealised gains and losses arising from the change in the fair value is removed from shareholders' equity and recognised in the income statement when the financial assets mature or are derecognised.

The Company assesses at each statement of financial position date whether there is objective evidence that an available-for-sale financial asset is impaired. In the case of equity investments classified as available-for-sale financial assets, such as, a significant or prolonged decline in the fair value of the security below its cost is considered as impairment. If any objective evidence for impairment exists for available-for-sale financial assets, the difference between the acquisition cost and current fair value is deducted from shareholders' equity and recognised in the income statement. The impairment losses on available-for-sale equity instruments previously recognised in the profit or loss cannot be reversed through profit or loss.

2.10 Reclassification of financial assets

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale

categories if the Company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

2.11 Impairment of Assets

The details about the impairment of assets are explained in the notes in which the accounting policies of the relevant assets are explained.

2. Summary of significant accounting policies (Continued)

2.12 Related party

Parties are considered related to the Company if;

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

(b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

In the financial statements and related notes dated March 31, 2018 and 2017, the Company management, groups associated to H.Ö. Sabancı Holding and Ageas Insurance International N.V. are defined as related parties.

2.13 Offsetting Financial Instruments

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

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments, which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value (Note 9).

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

2. Summary of significant accounting policies (Continued)

2.14 Cash and cash equivalents (Continued)

Cash and cash equivalents included in the statements of cash flows are as follows:

	March 31, 2018	December 31, 2017
Banks	983,692,964	966,463,093
Credit Card Receivables	417,393,061	385,583,394
Less: Interest accrual	(4,408,310)	(3,036,758)
Total Cash and Cash Equivalents	**1,396,677,715**	**1,349,009,729**

2.15 Share capital

As of March 31, 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:

	March 31, 2018		December 31, 2017	
Name of shareholders	**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 trasferred 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.

2.15 Share capital (Continued)

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

2. Summary of significant accounting policies (Continued)

2.16 Insurance and investment contracts

Insurance contracts are contracts under which, in exchange for a premium, the insurer assumes the obligation to compensate a loss caused by the materialization of the danger (risk) having the consequence of harming the interest, measurable by money, of the concerned person or make payment or to fulfill other performances linked to the lifetime of one or several persons or upon the occurrence of some events in the course of their life.

The insurer can take out reinsurance, under conditions as it thinks appropriate, in respect of the interest it had covered.

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

The main contracts produced by the Company are mainly in non-life branches such as motor own damage, motor third party liability, fire, marine, accident, engineering, health and agriculture insurance agreements.

The fire insurance agreements are classified as industrial and individual. The policyholder is insured for the physical losses and claims due to the risks such as fire, earthquake, bursting, flood. The policyholder is insured for losses caused by the complete or partial interruption of the operations as a result of an event covered by the insurance contract with loss of profit coverage. Casualty insurance contracts (Liability, Personal Accident and Motor) have two main purposes. These contracts protect the insured against the risk of damage of assets and against the risk of causing harm to third parties.

Marine insurance contracts contain insurance of transportation (vessels, or vehicles on land or air) and water vehicles (the payment for the claims occurred in sea, river and island vehicles). Engineering insurance contracts are subdivided into two groups. The contracts covering permanently installed risks for an indefinite period, and the contracts covering temporary, non-recurring risks. The first group consists of insurance protection against sudden and unforeseen damages or losses of the machines, mechanical equipment, plants and electronic equipments. The second group provides installation and construction insurance of which coverage is naturally limited with the guarantee period of installation and construction. Liability insurance contracts provide claims due to the air crafts, water crafts and land vehicles liability. Furthermore, the Company has major production of the animal life and publicly supported agriculture insurances which are included in general loss insurance contracts. Health insurance contracts are the contracts that pay benefits an insured who becomes ill or injured, provided that documentation is offered to confirm the illness or injury.

2. Summary of significant accounting policies (Continued)

2.16 Insurance and investment contracts (Continued)

Unearned Premium Reserve

An unearned premium reserve is calculated on a daily basis for all policies in force as of the balance sheet date for unearned portions of premiums written, except for marine premiums. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12:00 noon and finish at 12:00 noon again. In accordance with the Regulation on Technical Reserves, unearned premium reserve and the reinsurers' share of the unearned premium reserve for policies issued after 1 January 2008, are calculated and accounted as the deferred portion of the accrued premiums related to the policies in force and ceded premiums to reinsurers without deducting commissions or any other deduction, on a daily and gross basis. The Company has continued to deduct the commissions from the premiums for the calculation of unearned premium reserve regarding the policies issued before 1 January 2008. For marine policies with an uncertain end date, unearned premium reserve is calculated as 50% of the premiums written in the last three months.

Deferred Commission Expense and Income

Unearned portion of commissions paid to agencies for the written premiums and commissions received from reinsurers for the ceded premiums are recorded as in deferred acquisition costs on the statement of financial position, and as expenses for the acquisition of insurance contracts on a net basis in the income statement.

Liability Adequacy Test

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, from the assets backingsuch liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Long-term insurance contracts with fixed terms are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities. Any DAC written off as a result of this test cannot subsequently be reinstated. At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future cash flows are used. The adequacy of the unearned premium liability is assessed by considering the portion of the estimated value of claims and expenses, likely to arise after the end of the reporting period from existing contracts, that exceeds the provision for unearned premiums after deduction of any acquisition costs. Any deficiency is immediately charged to profit or loss. The assessment, whether a deficiency exists is made at the Company level since all insurance products are regarded as being managed together and there are no constraints on the ability to use assets held in relation to each line of business to meet any of the associated liabilities. For the purpose of calculating the additional provision, the Company does not take into account the investment return expected to be earned by investments held. The Company accounts additional reserves for the branches that the combined loss ratio calculated is higher than 100%.

2. Summary of significant accounting policies (Continued)

2.16 Insurance and investment contracts (Continued)

Outstanding claims provision

Claims are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include settlement costs and arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to the Company. Outstanding claims are estimated using the input of assessments for individual cases reported and statistical analyses. The expected ultimate cost of claims is also affected by external factors such as court decisions.

Claims are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted.

For the estimation of the ultimate liability arising from claims made under insurance contracts, the Company uses Bornhuetter Ferguson ("BF"), Chain-Ladder and Frequency and Severity methods. The method for MTPL is based on frequency and severity method, for the rest of the branches are selected by applying weighted average incurred ultimate results of Chain-Ladder method and incurred or average of paid and incurred ultimate results of Bornhuetter Ferguson method are used for the estimation of ultimate liabilities. It involves the analysis of historical claim development factors based on historical pattern and also loss ratio is considered in BF method.

The appropriate development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claim cost for each accident year. The choice of selected factors for each accident year of each class of business depends on the best estimate of the Company. Considering the uncertainty about the amount and timing of claims, the Company made the estimation of claims development considering starting from the year of 2003 and a tail factor is used for some branches for future developments. The Company performs the ultimate liability estimation for large claims separately which are determined as large claims by using certain statistical methods since these claims have different claim development patterns. Additionally, the ultimate liability calculations are performed on gross basis and the net amounts are determined according to historical ceding rates on each accident quarter or applicable reinsurance treaties are applied to ultimate losses for each branch. A provision is calculated and accounted for unallocated loss adjustment expenses ("ULAE") refer to general overhead expenses associated with the claims-handling process, and particularly the costs of investigating, handling, paying, and resolving claims. The estimation for ULAE is calculated using the rate of historical expenses to total claim amounts. The methods which were selected by the Company for each branch, the results of related calculations as of March 31, 2018 and 2017, the methods to calculate net of reinsurance results and the limits which are used for the big claims eliminations are disclosed in Note 16.

Reinsurance agreements

Reinsurance agreements are the agreements enforced by the Company and the reinsurer, in exchange for a certain compensation, to cede the premiums and losses which may occur in relation to one or more insurance policies produced by the Company.

2. Summary of significant accounting policies (Continued)

Reinsurance agreements (Continued)

The Company has excess of loss, surplus and proportional quota-share agreements in accordance with the branches in which it operates. Within the framework of excess of loss agreements, the ceded premiums are accounted for on accrual basis over the relevant period. The revenues and liabilities due to premium and claim ceded under other annual reinsurance agreements are also accounted for on the same basis.

The Company has surplus reinsurance agreement in fire, marine, engineering and other accident branches and annual proportional quota-share reinsurance agreement for motor branches. Besides, The Company has excess of loss agreements in fire, marine and engineering branches.

Motor quota-share agreement is based on the transfer of written premiums and paid claims during the period covered by the agreement, and portfolio transfer is performed for premium and outstanding claim reserves by the end of each period. For surplus agreements, which work on a run-off basis, the liability of the reinsurers continue for the underwriting year at the policy period when the claim occurred. In addition, the Company has facultative reinsurance agreements signed separately for certain risks based on certain policies.

Premiums Transferred to Social Security Institution

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

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

2. Summary of significant accounting policies (Continued)

Premiums Transferred to Social Security Institution (Continued)

aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI in January 1 - March 31, 2018 account period as TL 25,676,809 (January 1 - December 31, 2017: TL 3,895,819) and an unearned premium reserve amounting to TL 10,326,781 as of March 31, 2018 (December 31, 2017: TL 464,469); classified under "Ceded Premiums".

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

2.17 Insurance contracts and investment contracts with discretionary participation feature

None (December 31, 2017: None).

2.18 Investment contracts without discretionary participation feature

None (December 31, 2017: None).

2.19 Borrowings

None (December 31, 2017: None).

2.20 Current and deferred income tax

The Company is subject to Turkish corporate taxes. Provision is recognized in the accompanying financial statements for the estimated charge based on the Company's results for the years and periods. Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized. The effective tax rate used in 2017 and 2016 is 20 %.

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

In Turkey, advance tax returns are calculated and accrued on a quarterly basis. The advance corporate income tax rate used in 2017 and 2016 is 20 %. Losses are allowed to be carried maximum 5 years in order to deduct from the taxable profit of the following years.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between the dates 1 - 25 April, following the closing of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within 5 years.

2. Summary of significant accounting policies (Continued)

Deferred Income Tax

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

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.21 Employee benefits

The Company accounts for its liability related to employment termination and vacation benefits according to "Turkish Accounting Standards Regarding Employee Benefits" ("IAS 19") and classifies in statement of financial position under the account "Provision of Employment Termination Benefits".

According to the Turkish Labor Law, the Company is required to pay termination benefits to each employee whose jobs are terminated except for the reasons such as resignation, retirement and attitudes determined in Labor Law. The provision for employment termination benefits is calculated over present value of the possible liability in scope with the Labor Law by considering determined actuarial estimates.

2.22 Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. If provision amount is measured by the cash flows estimated to settle the present obligation, its carrying amount will be equal to the present value of such cash flows.

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

Liabilities that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity are classified as contingent liabilities and not included in the financial statements.

2.23 Revenue recognition

Written premium

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

2. Summary of significant accounting policies (Continued)

2.23 Revenue recognition (Continued)

Claim recovery and salvage income

The Company recognizes the subrogation and salvage receivables, as limited to the coverage amount of the debtor insurance company, provided that the claim payment has been performed, the acquittance or the statement of payment has been received from the policyholders; and related individuals or insurance companies have been notified. A provision is recorded for those receivables which are not collected from insurance companies after six months and from individuals after four months following the payment of claim.

Dividend income

Dividend income is recognized as an income in the financial statements when the right to receive payment is established.

2.24 Interest income and expense

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

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lesser are classified as financial leases while other leases are classified as operational leases.

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The liability to lesser is classified as the leasing payables in the statement of financial position. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost except for capitalised portion is charged to the income statement.

2.26 Operational lease

The payment of the operational lease is charged to the income statement on a straight-line basis over the lease period (The incentives received or to be received from the lessor and payments made to intermediaries to acquire the lease contract are also charged to the income statement on a straight-line basis over the lease period). As of March 31, the company has paid in advance amounting to TL 7,820,573 arising from operational leases, which is accounted amounting to TL 6,703,348 in short term assets, TL 1,117,225 in long term assets. As of March 31, 2018, the Company's total contractual cash outflows are TL 54,527,207 (USD 13,808,201) with the monthly maturity between January 1, 2017 to May 5, 2024 (December 31, 2017: TL 54,022,477).

2. Summary of significant accounting policies (Continued)

2.28 Derivative financial instruments

The Company uses foreign currency swap contracts. The Company uses end of period market exchange rates and interest rates to calculate market value of foreign exchange swap contracts. During the period between January 1 - March 31, 2018, total income resulting from short-term swap contracts' market valuation has been accounted under "investment income" in the income statement. As of March 31, 2018, the Company has TL 161,637,024 outstanding derivative financial instruments (December 31, 2017: None). During the period between January 1 - March 31, 2018, TL 871,925 total income resulting from short-term swap contracts' realization has been booked under the income statement as an income from derivatives (January 1 - December 31, 2017: TL 30,328,737).

2.29 Hedge accounting

All foreign currency payments, collections and investments result in a foreign exchange position. The foreign currency cash flow transaction has faced the risk of exchange rate fluctuations effect the Company's financial position positively or negatively. In order to forecast the transaction made via foreign currencies that have a high possibility of realization and minimize the effect of exchange rate fluctuations on the Company's financial position, hedge accounting has been applied. Changes in the value of the hedge instrument arising from exchange rate changes has been reclassified under equity, changes except for ineffective part of exchange rate which has been reclassified under current period income statement. The gains or losses recognized under equity has been transferred to related profit/ loss accounts when the transaction is completed or the profit for the period is affected by the expected result of the transaction. Effectiveness of hedge transaction has been measured and evaluated in each reporting period.

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.

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

4. Segment information (Continued)

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

January 1 - March 31, 2018	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	**34,491,864**	**7,700,025**	**151,815,788**	**140,785,383**	**20,088,457**	**21,335,289**	**21,129,806**	**-**	**397,346,612**
Earned Premiums (Net of Reinsurer Share)	34,491,864	7,700,025	151,815,788	140,785,383	20,088,457	21,335,289	21,129,806	-	397,346,612
Premiums (Net of Reinsurer Share)	36,818,240	10,026,982	144,685,185	217,455,328	20,968,483	24,266,344	20,035,207	-	474,255,769
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(2,326,377)	(2,326,958)	7,130,603	(76,669,945)	(880,027)	(2,931,055)	1,094,599	-	(76,909,160)
TECHNICAL EXPENSES	**(27,547,372)**	**(3,493,551)**	**(168,326,492)**	**(142,804,958)**	**(17,936,739)**	**(16,524,285)**	**(15,483,873)**	**-**	**(392,117,270)**
Total Claims (Net of Reinsurer Share)	(12,826,198)	(1,786,995)	(124,393,545)	(115,323,625)	(4,373,734)	(1,965,605)	(7,064,284)	-	(267,733,986)
Claims Paid (Net of Reinsurer Share)	(11,757,143)	(2,053,017)	(139,797,022)	(64,907,986)	(4,949,757)	(2,014,524)	(3,805,361)	-	(229,284,810)
Changes in Outstanding Claims Reserve									-
(Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(1,069,055)	266,022	15,403,477	(50,415,639)	576,023	48,919	(3,258,923)	-	(38,449,175)
Commissions (Net)	(7,206,570)	(1,037,750)	(26,237,719)	(13,504,413)	(8,854,892)	(10,126,673)	(3,786,914)	-	(70,754,931)
Operating Expenses	(6,633,754)	(470,346)	(14,764,839)	(10,348,333)	(4,190,355)	(3,882,115)	(4,088,078)	-	(44,377,819)
Other Operating Income / Expenses	(880,851)	(198,460)	(2,930,389)	(3,628,587)	(517,758)	(549,892)	(544,597)	-	(9,250,534)
	6,944,492	**4,206,474**	**(16,510,704)**	**(2,019,575)**	**2,151,717**	**4,811,004**	**5,645,933**	**-**	**5,229,342**
Investment income	-	-	-	-	-	-	-	51,017,316	51,017,316
Foreign exchange income	-	-	-	-	-	-	-	4,540,496	4,540,496
Tax expense	-	-	-	-	-	-	-	(14,260,643)	(14,260,643)
Net Profit / (Loss)	**6,944,492**	**4,206,474**	**(16,510,704)**	**(2,019,575)**	**2,151,717**	**4,811,004**	**5,645,933**	**41,297,169**	**46,526,511**

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

4. Segment information (continued)

Segment results for period January 1 - March 31, 2017 is as follows:

January 1 - March 31, 2017	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	**33,317,351**	**4,897,783**	**137,413,091**	**58,929,032**	**16,895,262**	**15,032,758**	**19,863,614**	**-**	**286,348,891**
Earned Premiums (Net of Reinsurer Share)	33,317,351	4,897,783	137,413,091	58,929,032	16,895,262	15,032,758	19,863,614	-	286,348,891
Premiums (Net of Reinsurer Share)	39,668,660	7,186,088	114,291,711	62,098,944	21,507,232	19,568,867	20,196,057	-	284,517,560
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(6,351,309)	(2,288,305)	23,121,380	(3,169,913)	(4,611,970)	(4,536,110)	(332,443)	-	1,831,331
TECHNICAL EXPENSES	**(35,670,898)**	**(1,841,696)**	**(146,517,411)**	**(56,312,770)**	**(15,598,664)**	**(10,947,410)**	**(14,463,651)**	**-**	**(281,352,500)**
Total Claims (Net of Reinsurer Share)	(21,895,724)	(756,350)	(107,450,624)	(48,342,771)	(5,481,232)	(662,834)	(7,909,563)	-	(192,499,097)
Claims Paid (Net of Reinsurer Share)	(15,516,027)	(1,035,118)	(105,959,480)	(36,204,897)	(4,030,182)	(1,943,240)	(3,618,118)	-	(168,307,062)
Changes in Outstanding Claims Reserve									-
(Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(6,379,698)	278,768	(1,491,144)	(12,137,874)	(1,451,050)	1,280,406	(4,291,445)	-	(24,192,035)
Commissions (Net)	(5,764,067)	(494,721)	(24,389,608)	(730,025)	(5,816,422)	(5,528,454)	(2,936,678)	-	(45,659,975)
Operating Expenses	(7,076,329)	(453,210)	(11,463,661)	(5,586,614)	(3,326,479)	(4,624,351)	(3,060,100)	-	(35,590,743)
Other Operating Income / Expenses	(934,778)	(137,416)	(3,213,518)	(1,653,360)	(974,532)	(131,771)	(557,310)	-	(7,602,685)
	(2,353,547)	**3,056,087**	**(9,104,320)**	**2,616,262**	**1,296,598**	**4,085,347**	**5,399,964**	**-**	**4,996,391**
Investment income	-	-	-	-	-	-	-	33,075,035	33,075,035
Foreign exchange income	-	-	-	-	-	-	-	4,031,868	4,031,868
Tax expense	-	-	-	-	-	-	-	(8,776,897)	(8,776,897)
Net Profit / (Loss)	**(2,353,547)**	**3,056,087**	**(9,104,320)**	**2,616,262**	**1,296,598**	**4,085,347**	**5,399,964**	**28,330,006**	**33,326,397**

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

5. Tangible assets

As of March 31, 2018 and 2017 tangible assets movement and its accumulated depreciation is as follows:

Costs:	January 1, 2018	Additions	Disposals	Transfers	March 31, 2018
Property for operational use	1,598,569	-	-	-	1,598,569
Furniture and fixtures and leased tangible assets	23,957,267	270,101	-	-	24,227,368
Other tangible assets (including leasehold improvements)	21,412,252	-	-	-	21,412,252
Advances for tangible assets	-	-	-	-	-
Total	**46,968,088**	**270,101**	**-**	**-**	**47,238,189**

Accumulated depreciation: (-)	January 1, 2018	Additions	Disposals	Transfers	March 31, 2018
Property for operational use	(537,189)	(7,907)	-	-	(545,096)
Furniture and fixtures and leased tangible assets	(12,652,946)	(746,085)	-	-	(13,399,031)
Other tangible assets	(7,580,602)	(581,424)	-	-	(8,162,026)
Total	**(20,770,737)**	**(1,335,416)**	**-**	**-**	**(22,106,153)**
Net book value	**26,197,351**	**(1,065,315)**	**-**	**-**	**25,132,035**

Costs:	January 1, 2017	Additions	Disposals	Transfers	March 31, 2017
Property for operational use	1,598,569	-		-	1,598,569
Furniture and fixtures and leased tangible assets	22,168,371	290,857	(7,092)	-	22,452,136
Other tangible assets (including leasehold improvements)	20,331,354	-	-	-	20,331,354
Advances for tangible assets	-	-	-	-	-
Total	**44,098,294**	**290,857**	**(7,092)**	**-**	**44,382,059**

Accumulated depreciation: (-)	January 1, 2017	Additions	Disposals	Transfers	March 31, 2017
Property for operational use	(505,122)	(7,907)	-	-	(513,029)
Furniture and fixtures and leased tangible assets	(10,064,184)	(658,137)	3,999	-	(10,718,322)
Other tangible assets	(5,527,156)	(532,118)	-	-	(6,059,274)
Total	**(16,096,462)**	**(1,198,162)**	**3,999**	**-**	**(17,290,625)**
Net book value	**28,001,832**	**(907,305)**	**(3,093)**	**-**	**27,091,434**

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

Total depreciation expense is TL 4,972,727 (January 1 - March 31, 2017: TL 3,999,395).

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

6. Intangible assets

Costs:	January 1, 2018	Additions	Disposals(*)	Transfers	March 31, 2018
Rights	87,041,350	2,968,784	-	-	90,010,134
Advances given for intangible assets	2,600,646	283,609	-	-	2,884,255
Total	**89,641,995**	**3,252,394**	**-**	**-**	**92,894,389**

Accumulated depreciation: (-)	January 1, 2018	Additions	Disposals(*)	Transfers	March 31, 2018
Rights	(43,097,276)	(3,637,312)	-	-	(46,734,588)
Total	**(43,097,276)**	**(3,637,312)**	**-**	**-**	**(46,734,588)**
Net book value	**46,544,719**	**(384,918)**	**-**	**-**	**46,159,801**

Costs:	January 1, 2017	Additions	Disposals(*)	Transfers	March 31, 2017
Rights	69,825,964	1,172,836	-	-	70,998,800
Advances given for intangible assets	1,577,347	295,013	-	-	1,872,360
Total	**71,403,311**	**1,467,849**	**-**	**-**	**72,871,160**

Accumulated depreciation: (-)	January 1, 2017	Additions	Disposals(*)	Transfers	March 31, 2017
Rights	(30,227,061)	(2,801,233)	-	-	(33,028,294)
Total	**(30,227,061)**	**(2,801,233)**	**-**	**-**	**(33,028,294)**
Net book value	**41,176,250**	**(1,333,384)**	**-**	**-**	**39,842,866**

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

7. Management of insurance and financial risk

Foreign currency risk

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

March 31, 2018

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	5,738,972	3.9489	22,662,626
EUR	2,116,012	4.8673	10,299,267
GBP	44,704	5.5385	247,594
CHF	331,637	4.1326	1,370,523
Other			3,534
Total			**34,583,544**

Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	45,504,513	3.9489	179,692,771
EUR	17,992,882	4.8673	87,576,755
GBP	89,051	5.5385	493,209
CHF	7,144	4.1326	29,523
Other			37,525
Total			**267,829,783**

Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	15,183,011	3.9489	59,956,192
Total			**59,956,192**

Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(6,370,008)	3.9489	(25,154,527)
EUR	(984,121)	4.8673	(4,790,011)
Other			(3,749)
Total			**(29,948,287)**

Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(36,411,793)	3.9489	(143,786,529)
EUR	(10,739,902)	4.8673	(52,274,325)
Other			(2,160,965)
Total			**(198,221,819)**

hbo	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(13,808,201)	3.9489	(54,527,207)
Total			**(54,527,207)**

Net Foreign Currency Position	**79,672,207**

(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**

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

7. Management of insurance and financial risk (Continued)

Liquidity risk

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

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

March 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	470,033,724	903,673,669	-	-	-	27,378,632	1,401,086,025
Financial assets available for sale	19,772,966	35,511,764	62,584,775	149,875,367	26,263,638	288,015,303	582,023,813
Investments on policyholders' risk	-	-	-	2,594,914	-	-	2,594,914
Receivables from main operations	150,160,093	217,133,484	157,934,143	26,244,372	-	-	551,472,092
Due from reinsurance companies	-	-	29,386,787	-	-	-	29,386,787
Reinsurers' share of insurance liabilities	512,879,680	399,326,843	697,979,702	94,120,894	8,872,960	-	1,713,180,079
Equity securities	-	-	-	-	-	5,989,955	5,989,955
Other assets	-	181,260,182	-	-	-	-	181,260,182
Total Assets	**1,152,846,463**	**1,736,905,942**	**947,885,407**	**272,835,547**	**35,136,598**	**321,383,890**	**4,466,993,847**
Insurance liabilities	897,832,569	756,751,741	1,610,551,559	155,700,355	14,678,174	-	3,435,514,398
Due to reinsurers	-	-	482,099,991	-	-	-	482,099,991
Trade and other payables	-	-	115,107,088	-	-	-	115,107,088
Total liabilities and shareholders' equity	**897,832,569**	**756,751,741**	**2,207,758,638**	**155,700,355**	**14,678,174**	**-**	**4,032,721,477**
Liquidity surplus/(deficit)	**255,013,894**	**980,154,201**	**(1,259,873,231)**	**117,135,192**	**20,458,424**	**321,383,890**	**434,272,370**

(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	387,028,030	372,275,888	601,269,480	73,267,328	38,588,138	-	1,472,428,865
Equity securities	-	-	-	-	-	346,211	346,211
Other assets	-	169,997,744	-	-	-	-	169,997,744
Total Assets	**973,598,749**	**1,563,924,422**	**903,004,697**	**269,106,200**	**63,557,427**	**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)	**277,799,952**	**844,105,258**	**(1,025,854,094)**	**147,101,445**	**(3,329,191)**	**248,285,708**	**488,109,079**

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

8. Financial assets

Available for sale debt securities:

	March 31, 2018		
	Cost Value	**Fair Value**	**Book Value**
Private bonds	220,395,234	232,028,614	232,028,614
Investment Funds	248,641,964	288,015,303	288,015,303
Eurobonds	61,744,232	59,956,195	59,956,195
Government bonds	2,025,313	2,023,701	2,023,701
Total	**532,806,743**	**582,023,813**	**582,023,813**

	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:

	March 31, 2018		
	Cost Value	**Fair Value**	**Book Value**
Government bonds	2,495,766	2,594,914	2,594,914
Total	**2,495,766**	**2,594,914**	**2,594,914**

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

Equity shares under available-for-sale investments:

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

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

8. Financial assets (Continued)

List of the investments and fair values is as below:

	March 31, 2018		
	Cost Value	**Fair Value**	**Book Value**
Equity investments			
Merter BV	30,116,653	-	-
Listed	5,997,951	-	5,643,744
Unlisted	346,211	5,643,744.06	346,211
Total	**36,460,815**	**5,643,744.06**	**5,989,955**

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

Fair Value Hierarchy

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

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

Level 2: Inputs other thanqouted pricesincluded within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indircetly (that is, derived from prices).

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

	March 31, 2018	**Level 1**	**Level2**	**Level 3**
Available for sale at company's risk	582,023,813	582,023,813	-	-
Available for sale at insurees' risk	2,594,914	2,594,914	-	-
Total	**584,618,727**	**584,618,727**	**-**	**-**

	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**	**-**	**-**

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

9. Cash and cash equivalents

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

	March 31, 2018	December 31, 2017
Cash at banks	**983,692,964**	**966,463,093**
-time deposits	956,314,332	951,500,553
-demand deposits	27,378,632	14,962,540
Bank guaranteed credit card receivables with maturity less than 3 months	417,393,061	385,583,394
	1,401,086,025	1,352,046,487
Securities pledge under repurchase agreements	-	-
Total cash and cash equivalents	**1,401,086,025**	**1,352,046,487**

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

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

	March 31, 2018	December 31, 2017
Total cash and cash equivalents	1,401,086,025	1,352,046,487
Interest accrual on cash at banks (-)	(4,408,311)	(3,036,758)
Blocked time deposits	(180,000,000)	(148,506,702)
Cash and cash equivalents per statement of cash flow	**1,216,677,714**	**1,200,503,027**

Weighted average interest rates of time deposits:

	March 31, 2018	December 31, 2017
TL	10,5 - 15,1	7,75 - 15,95
USD	0,10 - 2,75	0,10 - 4,40
EUR	0,90 - 2,3	0,10 - 1,75

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

10. Equity

As of March 31, 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, 2017		Issued Capital		Amortised		June 30, 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

	January 1, 2016		Issued Capital		Amortised		December 31, 2016	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000
Total	**30,600,000,000**	**306,000,000**	-	-	-	-	30,600,000,000	306,000,000

Movement of legal reserves is as follows:

Legal Reserves	2018	2017
Opening balance, January 1	95,403,929	178,468,101
Transfers from retained earnings	16,826,683	(83,064,172)
Closing balance, March 31	**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 4,181,158 (net off deferred tax: TL (3,344,926) 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	127,624	(286,973)
Closing balance, March 31	**4,181,158**	**4,053,534**

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

10. Equity (Continued)

Available for sale investments fund:

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

Available for sale investments fund	**2018**	**2017**
Opening balance, January 1	(14,469)	(7,203,046)
Increase/decrease in value recognized under the shareholders' equity in the current period	(810,982)	7,188,577
Closing balance, March 31	**(825,451)**	**(14,469)**

Hedge Accounting

The Company recognizes the changes in value of hedged asset by the foreign currency differences under equity. As of March 31, 2018, TL 23,676,923 (net: TL 18,941,538) is recognized under equity resulting from hedge accounting (December 31, 2017: TL 22,023,479 net: TL 17,618,782).

March 31, 2018				
Amount of deposit	**Currency**	**Exchange rate at the beginning**	**Exchange rate at the end**	**Exchange difference**
13,808,201	USD	2.23	3.95	(23,676,923)

December 31, 2017				
Amount of deposit	**Currency**	**Exchange rate at the beginning**	**Exchange rate at the end**	**Exchange difference**
14,322,351	USD	2.23	3.77	(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 15,183,011 .

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

11. Insurance liabilities

Gross	March 31, 2018	December 31, 2017
Reserve for unearned premiums	1,725,975,363	1,471,777,825
Outstanding claims provision	1,708,024,102	1,606,010,832
Life actuarial mathematical reserves	1,360,497	1,448,214
Life profit share provision	151,166	160,913
Bonus and rebates provision	3,270	7,068
Total	**3,435,514,398**	**3,079,404,852**

Reinsurance Share	March 31, 2018	December 31, 2017
Reinsurers' share of outstanding claims	948,044,901	884,582,067
Reinsurers' share of unerned premiums	765,135,178	587,846,798
Total	**1,713,180,079**	**1,472,428,865**

Net	March 31, 2018	December 31, 2017
Net outstanding claims	759,979,201	721,428,765
Net unearned premiums	960,840,185	883,931,027
Life actuarial mathematical reserves	1,360,497	1,448,214
Life profit share provision	151,166	160,913
Bonus and rebates provision	3,270	7,068
Total	**1,722,334,319**	**1,606,975,987**

12. Payables to reinsurers, trade and other payables

	March 31, 2018	December 31, 2017
Payables to reinsurers	456,428,437	308,244,281
Payables to SSI regarding medical expenses	25,671,554	24,110,925
Payables due to main operations	**482,099,991**	**332,355,206**
Taxes payable	23,325,548	32,009,499
Payables to Turkish Catastrophe Insurance Pool	24,063,409	24,947,212
Payables to contracted institutions	15,263,305	8,522,694
Payables to suppliers	3,213,959	15,121,193
Other	14,780,112	4,209,396
Total other short term payables	**80,646,333**	**84,809,994**
Total financial liabilities trade and other payables, deferred income	**562,746,324**	**417,165,200**

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

13. Net insurance premium income

The distribution of premium income is as follows:

	January 1 – March 31, 2018			January 1 – March 31, 2017		
	Gross	**Reinsurers' share**	**Net**	**Gross**	**Reinsurers' share**	**Net**
Written premium	932,143,175	(457,886,906)	474,256,270	615,383,853	(330,857,168)	284,526,685
Change in unearned premium reserve	(254,197,539)	177,287,882	(76,909,657)	(123,571,369)	125,393,575	1,822,205
Total premium revenue	**677,945,636**	**(280,599,024)**	**397,346,612**	**491,812,484**	**(205,463,593)**	**286,348,891**
Fire	162,696,824	(125,878,583)	36,818,241	159,757,389	(120,088,728)	39,668,660
Marine	23,298,668	(13,271,686)	10,026,982	19,319,721	(12,133,634)	7,186,088
Motor Own Damage	154,313,121	(9,627,936)	144,685,185	121,973,553	(7,677,255)	114,296,299
Motor Third Party Liability	292,176,363	(74,721,035)	217,455,328	66,404,055	(4,305,111)	62,098,944
Other	84,460,616	(64,425,409)	20,035,207	60,939,398	(40,744,803)	20,194,595
General Losses	108,738,153	(87,769,670)	20,968,483	91,008,140	(69,500,907)	21,507,232
Health	106,458,930	(82,192,585)	24,266,344	95,975,597	(76,406,730)	19,568,867
Life	500	-	500	6,000	-	6,000
Total	**932,143,175**	**(457,886,906)**	**474,256,270**	**615,383,853**	**(330,857,168)**	**284,526,685**

14. Taxes

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

	March 31, 2018	**December 31, 2017**
Income taxes payable	15,970,942	40,115,659
Prepaid income taxes	-	(31,394,677)
Tax payable/(asset)	**15,970,942**	**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.

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

14. Taxes (Continued)

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

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Impairment on financial assets	30,116,655	30,116,655	6,625,664	6,625,664
Claim handling	11,144,915	10,393,274	2,228,983	2,078,655
General expense provision	7,471,936	3,572,559	1,643,826	785,963
Employment termination benefit	6,357,550	6,172,935	1,271,510	1,234,587
Doubtful receivable provisions	2,507,000	3,514,000	551,540	773,080
Unused vacation provision	1,557,459	1,317,300	342,641	289,806
Unexpired risks reserve	1,497,991	476,123	329,558	104,747
Bonus provision	3,203,614	7,412,368	704,795	1,630,721
Fiscal loss	-	-	-	-
Claim reserves	(1,497,991)	(476,121)	(329,558)	(104,747)
Other	(4,840,241)	(4,693,577)	(1,051,094)	(1,032,587)
Total deferred income tax assets / liabilities	**57,518,888**	**57,805,515**	**12,317,865**	**12,385,889**
Discounting in outstanding claims	141,227,016	131,991,307	28,793,658	26,761,802
Useful life of tangible and intangible assets	(10,349,914)	(10,834,125)	(2,276,981)	(2,166,825)
Equalization reserve	(66,621,267)	(70,334,725)	(14,656,679)	(14,066,945)
Total deferred tax assets / liabilities	**121,774,723**	**108,627,973**	**24,177,863**	**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.

	March 31, 2018	December 31, 2017
Profit/(Loss) before taxes	60,787,155	42,103,294
Tax rate	22%	20%
Taxes on income/expense per statutory tax rate	(13,373,174)	(8,420,659)
The effect of non-deductible expenses	(887,469)	(356,238)
Closing balance	(14,260,643)	(8,776,897)

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

15. Expenses by nature

	January 1 - March 31, 2018	January 1 - March 31, 2017
Personnel expenses (*)	(21,924,565)	(18,557,864)
Depreciation expenses	(4,972,727)	(3,999,395)
Information technology expenses	(3,606,803)	(2,646,382)
Rent expenses	(2,411,979)	(2,236,780)
Assistance expenses	(2,653,174)	(1,396,967)
Meeting and training expenses	(1,568,425)	(1,634,552)
Transportation expenses	(695,250)	(474,832)
Advertisement expenses	(1,357,559)	(1,156,572)
Social relief expenses	(1,037,544)	(931,546)
Repair and maintanence	(1,790,991)	(1,102,139)
Communication expenses	(439,041)	(374,985)
Outsourcing service expenses	(760,521)	(714,006)
Other	(1,159,240)	(364,723)
Total	**(44,377,819)**	**(35,590,743)**

16. Insurance claims and claims recovered from reinsurers

March 31, 2018

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

March 31, 2017

	Gross	Reinsurers' Share	Net
Paid Claims	223,455,962	(55,148,900)	168,307,062
Change in outstanding claims	81,725,054	(57,546,698)	24,178,356
Change in mathematical reserves	6,380	-	6,380
Bonus and rebates provison	5,439	1,860	7,299
Total	**305,192,835**	**(112,693,738)**	**192,499,097**

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

17. Related parties

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

Due from /to related parties

	March 31, 2018	December 31, 2017
Shareholder's subsidiaries	98,765,050	41,157,345
Shareholders	1,693,962	37,671
Total	**100,459,012**	**41,195,016**

Banks

	March 31, 2018	December 31, 2017
Shareholder's subsidiaries	86,220,073	455,146,116
Total	**86,220,073**	**455,146,116**

Marketable securities

	March 31, 2018	December 31, 2017
Shareholder's subsidiaries	47,121,022	45,670,100
Total	**47,121,022**	**45,670,100**

Investment funds

	March 31, 2018	December 31, 2017
Shareholder's subsidiaries	288,015,304	232,967,097
Total	**288,015,304**	**232,967,097**

Written Premium

	March 31, 2018	March 31, 2017
Shareholder's subsidiaries	43,827,857	163,873,621
Shareholders	843,514	3,186,378
Total	44,671,371	167,059,999

Claims Paid

	March 31, 2018	March 31, 2017
Shareholder's subsidiaries	16,543,572	76,487,949
Shareholders	-	154
Total	16,543,572	76,488,103

Investment Income

	March 31, 2018	March 31, 2017
Shareholder's subsidiaries	13,135,295	55,466,309
Total	**13,135,295**	**55,466,309**

18. Subsequent events

There are no subsequent events.

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