



2017 ANNUAL REPORT

60 GÜNEŞ
Yel **SİGORTA**
“Hayat daha kolay”



2017
Annual Report

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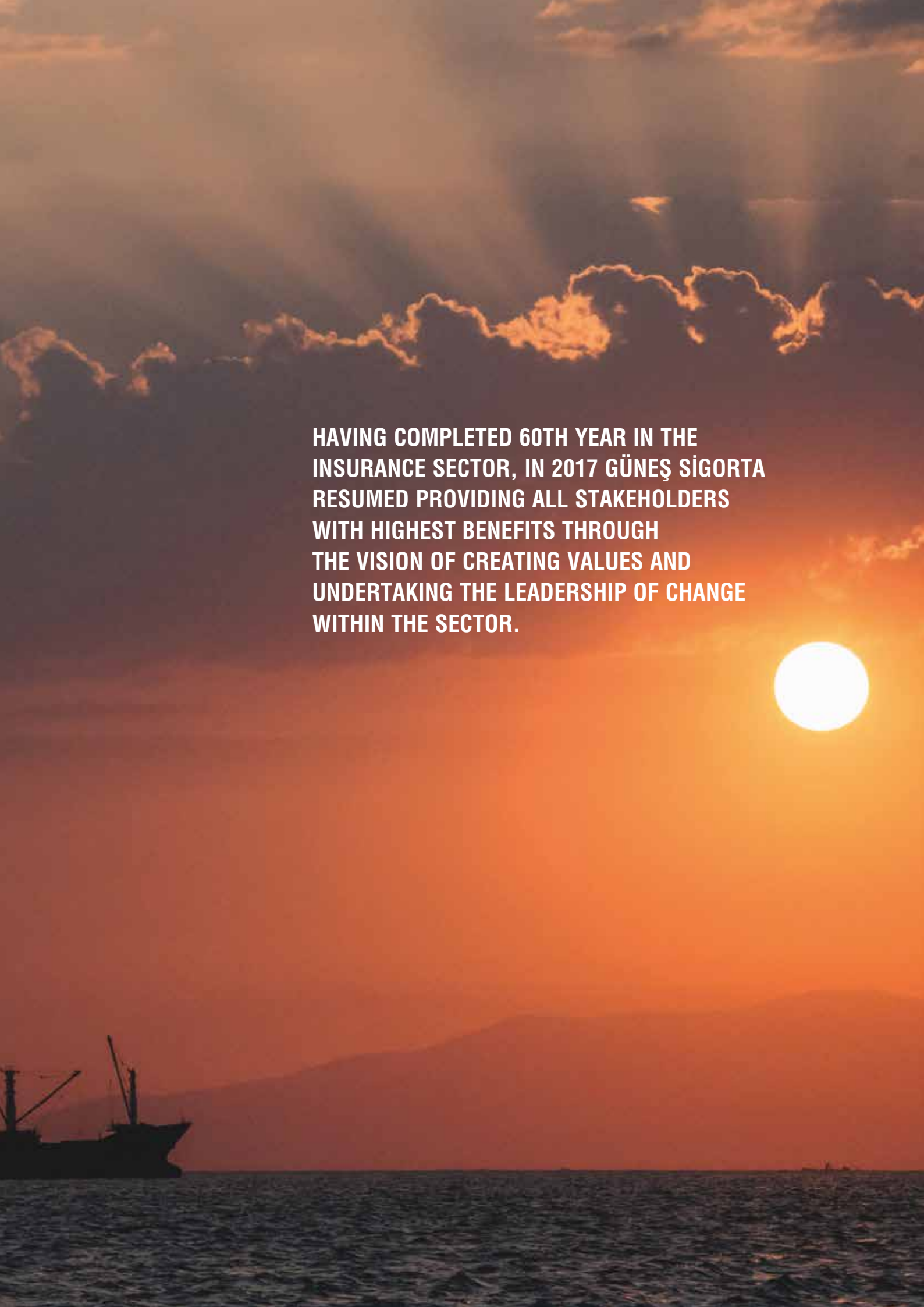
Presentation

60 GÜNEŞ Yel SIGORTA

Having completed its 60th year in the sector of insurance, Güneş Sigorta has kept offering good services to its policyholders in 2017 in line with its vision of adding value and being a leader in the sector.

Being a subsidiary of the VakıfBank, Güneş Sigorta has closed on TRY 1 billion 660 million 979 thousand in premium production and been ranked eighth among the non-life insurance companies in 2017.

With its 599 employees within 9 regional offices, 1554 agencies, 1259 branch channels, 97 brokers and 3389 affiliate institutions, Güneş Sigorta has worked very hard to provide best services to its about 1,4 million of customers.

A sunset over the ocean with a ship silhouette. The sun is a bright white circle on the right side of the frame, casting a warm orange glow across the sky. The sky is filled with dark, silhouetted clouds. In the foreground, the dark silhouette of a ship is visible on the left side, with its masts and rigging extending upwards. The ocean surface is dark with some ripples. The overall scene is a dramatic and serene sunset over the sea.

**HAVING COMPLETED 60TH YEAR IN THE
INSURANCE SECTOR, IN 2017 GÜNEŞ SİGORTA
RESUMED PROVIDING ALL STAKEHOLDERS
WITH HIGHEST BENEFITS THROUGH
THE VISION OF CREATING VALUES AND
UNDERTAKING THE LEADERSHIP OF CHANGE
WITHIN THE SECTOR.**

CORPORATE PROFILE

Having completed the 60th year in the insurance sector, Güneş Sigorta carries out its activities in the framework of its customer-oriented service approach under the insurance law and the other regulations based on this law and issued by the Undersecretariat of the treasury.

With its vision of being a value creating company to its stakeholders in the field of non-life insurance, the company provides assurance toward financial branches and other various branches such as fire and allied perils, goods on transit, ships hull and machinery, ships hull and machinery liability, motor own damage, motor vehicle third party liability, accident, aviation, aviation liability, general damages, general liability, legal protection, credit and sickness/health insurance.

The Güneş Sigorta keeps providing excellent benefit to its customers for 60 years with contribution of its main shareholders; Türkiye Vakıflar Bankası T.A.O (Vakıfbank), which is one of the most reputable banks of our country and Groupama Holding Filiales et Participations S.A, which is one of the leader insurance corporations in France.

It is determined and updated each year In Güneş Sigorta by technical service managements that which risks shall be covered under which conditions at agency, regional directorate or general directorate levels, in accordance with the principles of risk acceptance and through benefiting from reinsurance treaties and previous damage experiences.

With the nine agencies, seven financial regional offices, three representative offices and expert employees working at nearly 3000 sales channels and the strong technological infrastructure, the Güneş Sigorta became the preferred and well-trusted brand in the sector. Considering its solid financial structure and production, attention and effective timing damage payment services meeting the customer satisfaction, Güneş Sigorta makes a difference in the sector. The Güneş Sigorta which has pioneered the insurance sector since its foundation, holds ISO 9001:2008 and ISO 10002:2004 Complaints Management System Certificates.

**HAVING THE NINE AGENCIES,
SEVEN FINANCIAL REGIONAL
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TRUSTED AND TRUSTED BRAND
IN THE SECTOR**



60 GÜNEŞ
Yıl SIGORTA

"Hayat daha kolay"

OUR VISION, MISSION AND VALUES

Our Vision

To pioneer change in the insurance industry, to create value for stakeholders and be the most preferred provider in the industry.

Our Mission

To understand the needs of the customer and offer creative solutions with a customer oriented perspective. To contribute to the improvement of the standards in the insurance industry, create public awareness and offer the highest benefit to stakeholders with our current strategic direction and the ever-growing human resources.

Our Values

- Pioneer in Change
- Reliable
- Progressive
- Making a Difference
- Result Oriented
- Customer Oriented

Our Customer Relations Policy

In line with our high-quality policy that was established through our mission, vision, and core values, we also believe in the enormous importance of customer satisfaction created by our products and services. In order to provide you with the best possible service, Güneş Sigorta has strengthened its commitment to customer satisfaction through comprehensive strategies and efforts that aim to improve customer relations processes.

As a result of our performance, our high-quality customer service has been granted an ISO 10002:2004 Customer Complaints Management System Certificate, a certificate given by TÜV Thüringen, an international certification agency, to very few companies in the insurance industry.

**GÜNEŞ SİGORTA KEEPS DELIVERING
SERVICE FOR 60 YEARS TO CREATE
VALUE FOR ITS STAKEHOLDERS AND
BE THE MOST PREFERRED PROVIDER
IN THE INDUSTRY.**



60 GÜNEŞ
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MILESTONES ON HISTORY OF GÜNEŞ SİGORTA

1957

- Güneş Sigorta was founded. Fire, Transportation and Accident branches were opened.

1959

- Life Insurance branch was established.

1969

- Engineering Insurance branch was founded for the first time in Turkey.

1974

- Agricultural Insurance branch was founded.

1980

- The shares of Istanbul Bank were acquired by Ziraat Bank.

1986

- Güneş Sigorta Sports Club was founded.

1991

- 30% of Güneş Sigorta shares were purchased by GAN.

1992

- Güneş Sigorta Women's Volleyball Team became the Youth League Champion.

1993

- Güneş Sigorta Women's Volleyball Team won the National Championship.

1994

- Güneş Sigorta offered 15% of its shares to the public.

1997

- ISO 9000 Quality Management System was initiated.

1998

- As Groupama, acquired GAN, 30% of Güneş Sigorta shares were transferred to Groupama International.

1999

- Being a sector pioneer, Güneş Sigorta opened the Legal Protection Insurance branch.

2000

- VakıfBank Sports Club merged with Güneş Sigorta Sports Club.
- VakıfBank Güneş Sigorta Sports Club Girls Gymnastics Team won the National Championship.

2001

- Health Insurance branch was opened.
- "Agents Council" was put into practice for the first time in the sector.

2002

- In the frame of Mini Repair Service, the first collaboration of the sector was built with Autoking.
- VakıfBank Güneş Sigorta Women's Volleyball Team became the Youth League Champion.

2003

- Motor Vehicles Financial Liability Insurance and Loan Insurance branches were established.
- Authorization was received to convert into Individual Pension. Vakıf Emeklilik was founded.
- Pioneering practices like Automobile Extra and hologram policy were put into practice.
- ISO 9001:2008 Quality Management System was employed.

2007

- Celebrating its 50th anniversary, Güneş Sigorta raised its market share to 6.85% and ranked 5th in the sector.
- Güneş Sigorta Sailing Club was founded.

2008

- In the insurance Summit organized by Active Academy, Güneş Sigorta received the Corporate Social Responsibility Award.

2009

- Life insurance branch was handed over to Vakıf Emeklilik.
- The number of special agencies was increased to 1,800.
- In order to produce some of its electricity need, Güneş Sigorta built a solar energy plant at its head-office.
- The insurance center sales support team was formed to provide assistance for bank branches.

2010

- ISO 10002:2004 Customer Complaints Management System Certificate was received.
- For the first time in Turkey, the “Early Warning System” was offered to service as a precaution for the frost risk in greenhouses.
- Policies were produced with Pusula, the biggest IT project of the sector.
- Health Provision Center was founded.
- Intranet connection with GüneşNet agents was built.

2011

- United Nations Global Impact was signed.
- GüneşİM, the corporate communication platform for Güneş Sigorta employees was put into service.
- 55,000 microloan holders in Turkey were covered by MikroSigorta.

2012

- The new IT system Pusula was fully integrated and employed.
- Approximately 200 aircrafts and 16,000 employees of Turkish Airlines were insured upon a 4-year contract with the company.
- Active communication was maintained via Facebook and Twitter.
- The Green Vehicle Insurance, a policy that covers electric vehicles with battery, was launched for the first time in Turkey.
- Insurance Ethical Principles published by the Insurance Association of Turkey were adopted.

2013

- Principles of the Law of Competition are adopted.
- Social media communication has been accelerated through “Güneş Sigorta Facebook Insurance” application and “Catch Your Sun” contest.
- The MicroHousing Insurance, which has been targetted for citizens with low income, was launched for service as a social responsibility project.
- The MicroInsurance product was awarded with the grand prize under the concept of European Award Program for Corporate Social Responsibility.
- Armada, the distinctive business intelligence and data warehouse project, has been put into action.
- Güneş Sigorta has broken through the 1 billion TRY premium threshold.

2014

- Corporate webpage was renewed in accordance with all devices accessing to Internet and freedom for easy operating was provided to visitors.
- Chance for winning travel abroad was provided to agencies with Güneş Puan practice.
- Health Insurance for Foreign Residents (YBU) policies started to be produced from the agency.

2015

- Güneşim Complementary Health and İksir products were launched for sales.
- Legal Protection product was launched for sales.
- Mine Workers Compulsory Personal Accident Insurance product against the occupational risks of mineworkers.
- Centralization studies were completed for recourse, damage and accounting procedures (Except Cyprus Regional Office).

2016

- Policy proposal screen was created over the Company's website.
- Issued capital was increased from TRY 150,000,000 to TRY 270,000,000.

2017

- One of the shareholders, Groupama SA, has transferred all its shares to Groupama Holding Filiales et Participation with a reorganization.
- Health Insurance Pool has been a leading player in the sector.
- Güneş Sigorta has celebrated its 60th year of activity.
- Exempt insurance and total coverage insurance of Güneş Sigorta have been launched for sales.
- Lifesaver Insurance providing assurance for emergency medical problems has been renewed in accordance with the requirements of bank channels.

CORE PRINCIPLES

Accessibility: Thanks to a variety of communication means provided by our Company, customers are able to reach us easily in order to share their complaints, information demands, suggestions, or satisfaction levels with us.

Availability of Information: Our customers are also able to receive any information they request in the shortest time and in the fastest way possible.

Fast Feedback: Responding promptly to all customer requests is among the basic priorities of our Company.

Solution Emphasis: Fast and effective solutions are produced in line with the requirements of our customers.

Objectivity: In addition to assessing and handling all customer requests objectively, we also take into consideration the objectivity criteria while seeking solutions.

Confidentially: Use of any personal information obtained through customer applications are restricted by law and bound to the principle of confidentiality.

Customer Focus: A customer-oriented policy is pursued to provide our customers with the best service and to ensure that the customer expectations are fully satisfied.

Initiative Taking: Our team members are encouraged to take initiative and to make necessary decisions when required in order to meet customer needs in the shortest time possible and to maintain maximum level of the customer satisfaction.

Customer Engagement: Our customers are kept informed of the assessment and solution-seeking efforts in the management of their requests and are able to be actively engaged in the process.

Accountability: Assessments, solution-seeking efforts, status codes, and results of customer requests are reported and monitored.

Internal Information Exchange: Customer relations activities are shared and monitored within the Company.

Continuous Development: Customer suggestions and opinions are carefully assessed and used as a source for continuous improvement efforts.

Professional Approach: Customer demands are answered by our qualified team in a professional manner.

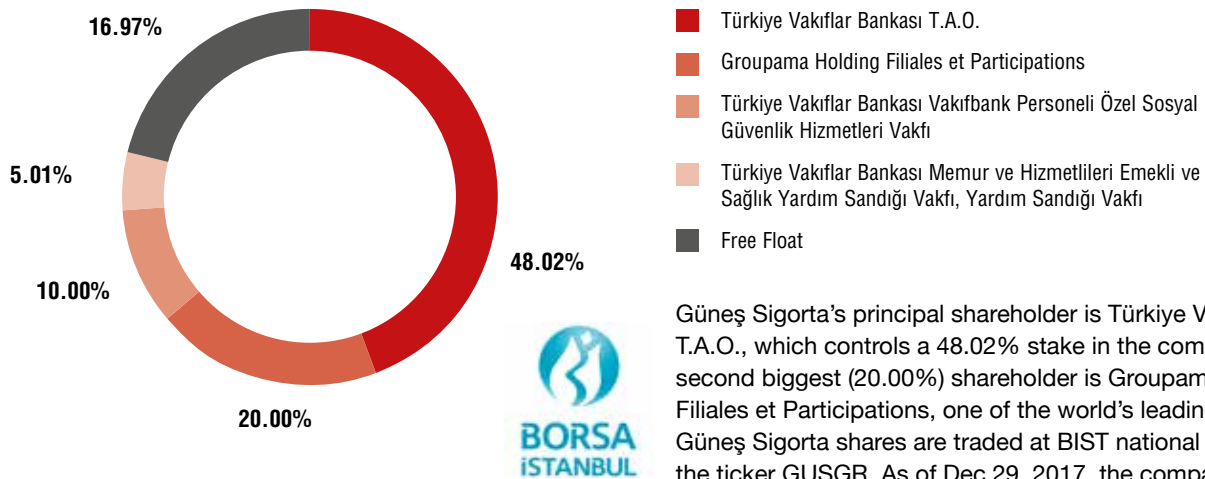
THE CORE PRINCIPLES OF GÜNEŞ SİGORTA SUCH AS SOLUTION EPHASIS, ACCESSIBILITY, FAST FEEDBACK AND OBJECTIVITY ARE THE MOST IMPORTANT VALUES WHICH MOVED THE GÜNEŞ SİGORTA TO SUCCESS FOR 60 YEARS...

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SHAREHOLDER STRUCTURE AND FINANCIAL DATA SUMMARY

CAPITAL AND SHAREHOLDER STRUCTURE

SHAREHOLDERS	SHARE (%)	SHARE VALUE (TRY)
Türkiye Vakıflar Bankası T.A.O.	48.02	129,642,843.97
Groupama Holding Filiales et Participations	20.00	54,000,000.00
Türkiye Vakıflar Bankası Vakıfbank Personeli Özel Sosyal Güvenlik Hizmetleri Vakfı (Vakıfbank Private Social Security Fund)	10.00	27,000,000.00
Türkiye Vakıflar Bankası Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı Yardım Sandığı Vakfı (Vakıfbank Pension Fund)	5.01	13,527,000.00
Offered to Public	16.97	45,830,156.03
TOTAL	100	270,000,000.00



Güneş Sigorta's principal shareholder is Türkiye Vakıflar Bankası T.A.O., which controls a 48.02% stake in the company. Its second biggest (20.00%) shareholder is Groupama Holding Filiales et Participations, one of the world's leading insurers. Güneş Sigorta shares are traded at BIST national market under the ticker GUSGR. As of Dec 29, 2017, the company's market value totaled TRY 445,500,000.

SUBSIDIARIES

SUBSIDIARIES	GÜNEŞ SİGORTA'S PARTICIPATION (THOUSAND TRY)	GÜNEŞ SİGORTA'S SHARE IN CAPITAL (%)	CAPITAL OF THE SUBSIDIARY (THOUSAND TRY)
Vakıf Emeklilik A.Ş.	9,832	37.10	26,500
Türk P ve I Sigorta A.Ş.	1,000	16.67	6,000
Vakıf Finansal Kiralama A.Ş. (HA)	13,615	15.65	87,000
Vakıf Faktoring Hizmetleri A.Ş.	3,070	13.71	22,400
Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş. (HA)	2,200	11.00	20,000
Vakıf Pazarlama ve Ticaret A.Ş.	2,952	9.76	30,241
Tarım Sigortaları Havuz İşletmesi A.Ş.	346	4.00	8,655
Vakıf İnşaat Restorasyon ve Ticaret A.Ş.	1,004	2.92	34,330
Vakıf Enerji ve Madencilik A.Ş.	1,504	1.77	85,000
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. (HA)	3,709	1.74	213,000
Taksim Otelcilik A.Ş.	4,790	1.43	334,257
Vakıf Yatırım Menkul Değerler A.Ş.	88	0.25	35,000
TOTAL	44,110		

PRIMARY FINANCIAL INDICATORS

FINANCIAL INDICATORS (000 TRY)	2017	2016
Total Assets	2,167,689	1,739,462
Total Liabilities	1,490,090	1,239,968
Paid-in Capital	270,000	270,000
Shareholder's Equity	677,599	499,494
Premium Production	1,660,979	1,372,978
Gross Claims Paid	(839,528)	(757,106)
Operational Expenses	(223,530)	(205,556)
Financial Income	173,062	82,850
Financial Expenses	(156,095)	(89,647)
Financial Profit	16,967	(6,797)
Technical Part Balance	27,875	21,292
Net Profit	26,493	(48,066)

FINANCIAL ANALYSIS RATIOS

CAPITAL ADEQUACY RADIOS	2017 (%)	2016 (%)
Written Premiums/Shareholder's Equity	245	275
Shareholder's Equity/Total Assets	31	29
Shareholder's Equity/Technical Reserves (Net)	60	53

RATIOS REGARDING ASSET QUALITY & LIQUIDITY	2017 (%)	2016 (%)
Liquid Assets/Total Assets	60	55
Liquidity Ratio	91	88
Current Ratio	99	97
Receivables from Premium and Reinsurance/Total Assets	21	22
Receivables from Agencies/Shareholder's Equity	33	41

OPERATIONAL RATIOS	2017 (%)	2016 (%)
Retention Ratio	53	55
Claims Paid/(Claims Paid + Outstanding Claims)	41	45

PROFITABILITY RATIOS	2017 (%)	2016 (%)
Loss Ratio (Net)	82	82
Financial Profit / Written Premiums	1	-0,5
Financial Profit	2	-4
Net Profit/Shareholder's Equity	4	-10

MESSAGE FROM THE CHAIRMAN OF THE BOARD

ON BEHALF OF OUR BOARD OF DIRECTORS AND MYSELF, I WOULD LIKE TO EXPRESS MY GRATITUDE TO ALL OF OUR EMPLOYEES WHO HAVE SHARED THEIR KNOWLEDGE AND ENERGY WITH US AND IN PARTICULAR TO OUR PARTNERS CONTRIBUTED TO MAKE US COMPLETE THE YEAR 2017 SUCCESSFULLY IN A MANNER BEFITTING OUR 60TH ANNIVERSARY AS WELL AS TO OUR ESTEEMED AGENCIES, BROKERS, BANK CHANNELS WHO HAVE DELIVERED OUR PRODUCTS TO ALL CORNERS OF OUR COUNTRY AND TO ALL OUR SHAREHOLDERS WHO HAVE ALWAYS PROVIDED US FULL SUPPORT.

Dear Stakeholders,

In 2017, the growth rates of various countries showed major variation across the globe. With the impacts of increased investment level and developments in trade, the growth curve observed since the second half of the previous year has shown an increase. Despite of globally increased geopolitical risks, an improvement of financial conditions, supporting policies and increase of commodity prices, the world economy has been grown beyond the annual predictions.

In accordance with this positive situation, the percentage of 2017 global economic growth has been raised to 3% from 2.7% in the January 2018 Global Economic Prospects report of World Bank and its forecasts economic growth to edge up to 3.1 percent in 2018. Nevertheless, although the economic growth curve has been observed, geopolitic tensions and low productivity problems encountered in almost every country in the World continued to has an effect of repression on the economic growth.

As for Turkish economy, it maximized its growth rate a little more in the world economy in 2017.

Turkey became fastest-growing economy among G20 nations with 11.1% growth rate in the third quarter of 2017. Investments made, and steps taken to invigorate the real economy, particularly the Credit Guarantee Fund (CGF) established by the government, have started to produce positive results since the second half of the year. It is foreseen that our economy which had the highest growth performance of the last six years, will also continue to achieve strong growth acceleration in the forthcoming days. As a result of these improvements and forecasts, OECD has revised up its 2017 economic growth forecast for Turkey to 6.1% from 3.4% in its Global Economic Outlook November 2017. The estimated growth rate in 2018 has also been revised to 3.5% from 4.9%. Effective progress with the structural reforms, fiscal transparency and inflation had a positive contribution to private sector investments. I have an opinion that this contribution will increasingly continue in the forthcoming days.

And the insurance sector, one of the most important sectors of our country, has completed the year of 2017 with a busy agenda. Despite the negative effects of catastrophic events emerged within the previous year, the insurance sector has increase its premium produc-



tion by 15% to TRY 46.5 billion. The 12-month production amount has been TRY 12.2 billion for the traffic branch being one of the most contentious subjects of the year and which is conducted with a pool system according to the regulations made by the Government.

The branch which has attracted the most attention in the insurance sector has been the Complementary Health Insurance. The Complementary Health Insurance which will lead a considerable increase in insurance penetration, has achieved a real growth of 113.9% in 2017 and its production has exceeded TRY 493 million in this field.

In 2017 that we celebrate our 60th year, we are honored to successfully reach our goal of achieving a growth in different branches such as health, personal accident, transportation and engineering insurances and thanks to the positive effect of the pool system implemented in traffic insurances. This year, we continued to increase our product range in line with our balanced portfolio and sustainability-oriented strategy. We have pleasure to see that our exempt insurance and total damage coverage products being in our insurance product group and offering wide range of alternatives to poli-

cy holders, have been adopted. As a company which has been a pioneer of change since 60 years, our quality assurance for our holdings and values is a source of pride for us. Also in 2018, we will continue to provide added value to society while covering individual and institutional risks with the support and power of our main shareholder VakıfBank.

On behalf of our board of directors and myself, I would like to express my gratitude to all of our employees who have shared their knowledge and energy with us and in particular to our Partners who contributed to make us complete the year 2017 successfully in a manner befitting our 60th anniversary as well as to our esteemed agencies, brokers, bank channels who have delivered our products to all corners of our country and to all our shareholders who have always provided us full support.

Sincerely Yours,

YAKUP ŞİMŞEK
Chairman of the Board of Directors

MESSAGE FROM THE GENERAL MANAGER

ACTIVE ASSETS OF OUR COMPANY HAD AN INCREASE BY 25% TO TRY 2 BILLION 167 MILLION 689 THOUSAND COMPARED TO THE LAST YEAR AND THE COMPANY'S TOTAL SHAREHOLDER'S EQUITY STANDS AT TRY 677 MILLION 599 THOUSAND. IN 2017; WE CONTINUED TO EXPAND OUR COMPANY AND PRODUCE ADDED-VALUE FOR ALL OF OUR STAKEHOLDERS BY STARTING TO ERASE NEGATIVE EFFECTS OF THE LOSSES WRITTEN DUE TO THE EXTENDED JUDICIAL PROCESSES OF CORPORAL INJURIES AND TRAFFIC INSURANCES.

Dear Stakeholders,

The insurance sector leaving a busy and difficult year behind, has continued also in 2017 to grow and support the economy. The sector has increase its Premium production by 15% to TRY 46.5 billion.

The insurance sector is a dynamic sector and the year of 2017 has also passed quite dynamic. In the last year, there have been some promising developments related to sectoral troubles that can not be solved for a while. The "Pool system" created for the traffic insurances has been one of the developments that left its mark in last year. According to my opinion, whole sector will remember the year of 2017 as a year in which many progress have been made to strengthen the structure of the insurance sector.

"We are in the process of growth"

The active assets of our company had an increase by 25% to TRY 2 billion 167 million 689 thousand compared to the last year and the company's total shareholder's equity stands at TRY 677 million 599 thousand. Within the context of successful cooperation we carry out with our main shareholder VakıfBank in the field of bank insurance, our Premium production had an increase by 21% to TRY 1 billion 660 million 979 thousand. Imposed ceiling price on Compulsary Traffic Insurance had a positive effect on the results of the traffic branch.

In 2017; we continued to expand our company and produce added value for all of our stakeholders by starting to erase the negative effects of the losses written due to the extended judicial processes of corporal injuries and traffic insurances. As a Güneş Sigorta Family, we started to see in 2017 the positive effects of the structural reforms we made during last 10 years. And the 2018 will be a year in which Güneş Sigorta will grow and become stronger more and more due to its experiences, innovation and customer-oriented service mentality.

"Our focus is on data digitalization"

The earth is undergoing a major digital transformation. However, this transformation must be considered not only as innovative actions taken in Mobile Platform. We refer to a major structural transformation. The data digitalization must be the first step of this historical transformation. Today, our Company is able to keep all measurable and processable information due to its action taken 10 years ago through this awareness. We keep working at full speed for a working organization compatible with mobile which is a crucial step of digitalization. Another development that we believe it will create an influence for both the sector and Güneş Sigorta in 2018 is improving the cooperation with VakıfBank, which we associate with in the field of Banking Sector. We will keep expanding the bank insurance sector and improving this channel in 2018 with support of our main shareholder VakıfBank.



“We are here to facilitate the life!”

Besides these positive developments, we have also been touched by major catastrophic events in 2017. Storms in America, earthquake in Mexico and the natural events occurred in our country have been an important lesson learnt for the insurance sectors while showing one more time the necessity of being insured. In the event of a country basis evaluation; it has been a year in which we have justified the pride of not keeping our customers to whom we made high amounts of claim payments due to the floods and hail fails, victimized.

In the 60th anniversary of our company’s foundation, we have also renewed our motto as so we reflect better our service mentality. In 2017, we have renewed the motto of the Güneş Sigorta Family as “Life is easier” and with this vision, we strive to provide our policyholders with added-value and facilitate their life.

“We are aware of our social responsibilities”

As Güneş Sigorta Family, in 2017, we also attached importance to embrace our social responsibilities as well as our sectoral responsibilities. We have continued to facilitate the life for all of us by engaging in special social responsibility projects. We have generated a new synergy within our corporate structure with the “Healthy Life Movement” that we carried out in order to improve the quality of life of our employees who are the most important values to us.

We have kept on supporting arts and art-lovers at our Art Gallery by showing a presence in the field of art as well as health field. On the other hand, we kept developing applications that will be beneficial for the society with the innovative products such as a micro-credit and green vehicle insurance.

I would like to vehicle my profound gratitude to our employees who have worked devotedly and provided full support for Güneş Sigorta to attain better position, to our main shareholder Türkiye Vakıflar Bankası which have helped us to look to the future with confident, to our agencies being our prominent family members and to all of our policyholders and stakeholders who have the most significant role in corporate growth by believing us.

Sincerely yours,

SERHAT SÜREYYA ÇETİN
General Manager

ECONOMIC OUTLOOK IN 2017

TURKISH ECONOMY HAS MAINTAINED A STRONG ECONOMIC GROWTH ACHIEVING AN AVERAGE GDP GROWTH RATE OF OVER 7.7% IN THE FIRST THREE QUARTERS OF 2017. THIS GROWTH RATE IS SEEN MOSTLY AS THE POLITICAL PRECAUTIONARY MEASURES TAKEN IN ORDER TO INCREASE ECONOMIC ACTIVITIES AND THE EFFECT OF LIMITED ECONOMIC GROWTH ACHIEVED IN 2016.

The acceleration in the modest Global economic growth in 2017 has continued by an increase in production activities and trading volume. According to the IMF World Economic Outlook Update, January 2018 data, the economic growth for 2017 is estimated to reach 3.7%. With the growth performances of USA 2.3%, Euro Zone 2.4% and Japan 1.8%, the expectation of increment of the developed country economic growth rate to be 2.3%, which was 1.7% in 2016, is an indicator that 2017 benefitted the developed countries. The economic growth rate of 6.5% achieved in the Asian countries including China and India is an indicator of a forecast growth rate of 4.7% for the developed and developing economies.

While the mitigation of short-term risks in the World economy is considered to be a positive development, low inflation rate of the developed countries in the medium-term, financial turmoil in the emerging market economies, tightening of global financial conditions faster than expected, protectionist policies, increasing Geopolitical risks originate from North Korea and Middle East and the political crises faced due to the elections made and the referendums held in certain areas are indicators that the risks will be continued in 2018. Although all these negative forecasts it is expected in 2018 that the economic growth will progressively increase helped by the recovery of global demand and the feasible environment of the financing conditions.

It is envisaged that the positive impact will be observed until 2022 based upon the Tax Law approved in December 2017 in USA and the tax reductions to be applied, which will encourage enterprises to invest. Low interest rates in medium term, along with the lack

of structural reforms in the Euro Zone, the burden of private and public debts in some countries, financial fragility arises from crisis and the forming possibility of asset bubbles are the emerging risks in the Euro Zone. The Euro Zone, which is dominated by European Central Bank's (ECB) quantitative easing policies, The UK's Brexit decision and political uncertainty related to the elections in Germany, is also expected to grow in 2018 by 2.2% with a similar progress.

Factors such as sensitivity to the commodity prices, structural reform efforts, financial fragilities and the private sector's debts reached high levels in some of the developing countries, affect more developing and emerging countries. China, which has tightened controls over the real sector and banking sector, is expected to grow by 6.6% in 2018 maintaining its balanced growth performance. While the global economy is expected to keep moderately growing in the forthcoming period; the geopolitical risks, political instabilities and emerging market economies that need external financing will keep their place in the forthcoming period as important risks which poses risks to the global economy.

Course of the Turkish economy in 2017

In the first three quarters of 2017, the Turkish economy has achieved a powerful economic growth with increasing over 7% in GNDP. This growth rate is seen mostly as the political precautionary measures taken in order to increase economic activities and the effect of limited economic growth in 2016. Loans originated by the Credit Guarantee Fund and issued Treasury-guaranteed credits amounted to over TRY 200 billion to thousands of companies with the financial facilitation, are among the factors driving the growth.

Tax deductions applied on white goods and furniture, insurance and income tax incentives are also among the factors that raise the economic growth.

With 11.1% growth performance in the third quarter, Turkey is the fastest growing country among the G20 countries. By the end of the year, Turkey is expected to experience a growth between 6.5-7% band. In the upcoming period, it is expected that our country will show a growth performance with even a little deceleration. Risk-bearing primary developments in terms of Turkey's economy in 2017 are the inflation's tendency to increase and current deficit. The inflation rate, which was 8.53% at the end of 2016 occurred as 11.92% at the end of 2017. This number, which has the highest end-of-year inflation rate since 2003, has shown itself especially on food prices. Because of cost pressure and depreciation of TRY, inflation reached the level of 11.9%. While CPI (Consumer Price Index) is not expected to go down to single digit level until the first quarter of 2018, it can be expected that the Central Bank will keep its monetary stance in order to provide price stability and high GDP growth rates.

In parallel with the depreciation of TRY, the foresight of rapid increase in import prices not equally actualizing in 2018 is expected to promote the regression of inflation. The activity of exchange rate of Dollar during the year caused the depreciation of TRY and Dollar's exchange rate showed a high volatility behavior between TRY 3.41 and TRY 3.96 band.

In 2017 as for the Central Bank, it continued its strict monetary policy in the direction of main objective of price stability. Marginal funding rate and Late Liquidity Window Facility (LLWF) were used mainly to fund the markets. Towards the end of the year, The Central Bank started launching the tender for the sale of Turkish-lira conventional forward foreign exchange and it has allowed the payment of export credits that due soon and the foreign currency acquisitive rediscount credits to be made in Turkish Liras until February 1st, 2018. In order to provide and maintain price stability due to the increase of inflation and mobility in rate, inflation expectations, price setting behaviour and the other factors influencing inflation will be monitored closely and the deliberate attitude on monetary policy will be sustained.

GLOBAL AND TURKISH INSURANCE INDUSTRIES' GENERAL OUTLOOK AND EXPECTATIONS

IN PARALLEL WITH THE MODEST GROWTH PERFORMANCE IN GLOBAL ECONOMY, INSURANCE SECTOR ALSO KEPT ITS GROWTH RATE IN 2017. REAL PREMIUM PRODUCTION IN ADVANCED ECONOMIES IN 2017 HAS GROWN 2%, AND NOMINAL GROWTH HAS INCREASED FROM 1.7% TO 4%.

Over the course of the year, large-scaled natural disasters (Harvey, Irma, Maria Hurricanes, Earthquake in Mexico, California Forest Fires) have increased insurance significantly the premium prices sector-wide and created a significant pressure on general profitability. According to Swiss Re data, premium production of global life assurance is expected to increase by 0.7 points compared to the previous year to be 3% and likewise, the global non-life insurance is expected to increase to the level of 3%.

In parallel with the modest growth performance in the global economy, it is foreseen that global non-life premium production will be 3% and life premium production will be 4% in the upcoming period.

In 2017, real premium production in advanced economies grew by 2% and the nominal growth increased from 1.7% to 4%. While the insurance market in USA grew by 4.7% with the strong growth in vehicle premium, in Europe; production of stronger vehicle insurances have led to premium growth in Germany, France, Spain and England, but there has been a decline in growth due to the ongoing moderation in Italy.

Emerging economies maintained its role to be the driving power of both non-life and life sector in terms of global premium production in 2017 as well. In this context, while the Asian market maintained its development, Latin American and African markets continued to develop by the influence of the increase in petroleum and commodity prices. While the non-life

premium production in these emerging countries in 2017 is in 6% level, it is predicted that the premium-production of life insurance will be 17%. The growth rate of the emerging markets is predicted to be preserved in the upcoming period and it is expected to achieve a growth of 10% in 2018 and 2019 in premium production of life insurance. It is expected that the national scaled protectionist measures, which shows an increase worldwide, will effect the insurance business in the emerging markets in the upcoming period.

Profitability of global non-life insurance business equity decreased from 6% to 3% in 2017. The most important factor initiated this decrease is; the loose underwriting conditions, low investment income and the severity of the catastrophic losses.

Global Damage Balance Sheet

It is expected that the total economic losses arose from the natural and the man-made disasters will be in the level of 306 billion USD in 2017, while it was in the level of 188 billion USD in 2016. The estimated global insured damage amount due to catastrophic disasters in 2017 is 136 billion USD and it is the highest level of damage according to sigma records since 1970. 131 billion USD of the total insured damage of 136 billion USD is from natural disasters and the rest 5 billion USD is from the man-made disasters. 300 billion USD of the total economic damage of 306 billion USD is from natural disasters and the rest 6 billion USD is from man-made disasters, and the total amount that is not insured is 170 billion USD.



60 GÜNEŞ
Yıl SIGORTA
"Hayat daha kolay"

2017 in Turkish Insurance Business

The Harvey, Irma and Maria hurricanes took place in USA are recorded as the second most expensive hurricane season according to sigma datum. Based on these disasters, it is thought that over 11 thousand people are lost or died.

In 2017, important natural disasters took place, which affected the global insurance business in means of profitability. The hurricanes in Carribeans and USA (Harvey, Irma, Maria) and the earthquake happened in Mexico brought a damage of 1 billion USD. While the Harvey hurricane unhoused 30 thousand people near Houston, brought a damage to the houses and offices of 200 thousand people. Along the two earthquakes happened in Mexico, insured damage valued of 95 billion USD occurred by the impact of hurricanes. Also the forest fires took place in California and the south of Europe effected negatively the global premium production of the sector. An increase in the insurance prices of the new policies to be made in the damaged areas in expected.

Insurtech, Big Data, Artificial Intelligence (AI), Internet of Things (IoT), Blok Zincir, Telematics, Unmanned Combat Air Vehicles and Cloud Computing applications express the implementation of the usage of digital technology in insurance business. Two staged application areas exist with its examples worldwide. At first, the sales of traditional insurance products via online distribution (online portals or mobile channels) have been provided. This trend has been accelerated by the regulatory agencies, which organize the insurance activities of online tools, through publishing the regulations. The second stage provided the solution of upgrade and privatization of the technology-based products by using especially the Big Data analytic. The development of new products such as telematics and critical illness products based on wearable devices are among the examples. Insurers and big technology companies will continue to work on and explore new new approaches to cover the risks, especially the data analysis in online environment.

In 2017, Turkish insurance sector left behind an operating period in which profitability was in the forefront. The total insurance premium production increased by 15% compared to the previous year and become TRY 46 billion 551 million 636 thousand in 2017. TRY 39 billion 707 million 553 thousand of the total premium production is attained from non-life branches

and TRY 6 billion 844 million 82 thousand 921 was attained from life insurances. Increment in non-life and life branches actualized as 12% and 35.8% respectively.

When the real exchange is calculated by subtracting the inflation, it is seen that the sector's premium production grew by 2.7%. While in fact the sector was not growing except from life, the life branch grew by 21.4%.

When the non-life sector's branch-based production is examined, the compulsory traffic insurance branch, which has the biggest production in the sector, is increased by 0.03% with the 12-month production ceiling price compared to 2016 with a diminution of 10.4% in real terms and become 12.5 billion TRY. Traffic policies increased by 8%. In the automobile insurance sector, which is the second largest branch in the sector, whereas the production in 2017 has become TRY 6.9 billion, the production increased by 12.1% compared to 2016. While production in the fire branch, which is the third largest branch, become TRY 5.7 billion in 2017, the production increased by 20% compared to 2016. While production in DASK branch become TRY 1 billion in 2017, it achieved a growth in production by 16.6% which is higher than the inflation compared to 2016. 12.7% of the sector production is in the Health branch. While the premium production was TRY 5 billion in 2017, its production is increased by 19% compared to 2016. In the General Damages branch, production was TRY 4.3 billion, in the Casualty branch it was TRY 1.6 billion and in the General Responsibilities branch the premium production was TRY 1 billion in 2017. The total 2017 production of Marine, Financial Losses, Legal Protection, Watercraft, Credit, Aircraft Liability, Aircraft, Cautio, Watercraft Liability, Support and Railed Vehicles braches is TRY 1.9 billion.

Complementary health products are new products for the sector, and we can say that companies and the policyholders are paying more attention to supplementary health products and the numbers support it as the policy production has more than doubled compared to last year. That is to say that, the branch in which the premium production was TRY 206 million in 2016, is exceeded TRY 493 million in 2017. The trust of policyholders which was lost with the Traffic Insurance Ceiling Price Application, was tried to be restored. Negative opinions and complaints reflected in the media gradually decreased.

In terms of sectoral regulations, among the prominent major developments in 2017, establishment of Risky Insurance Pool in the Compulsory Traffic Insurance Branch takes part. It is aimed to reduce the cost pressure on the sector by sharing premiums and damages of vehicle group such as the vehicles with a high risk of damage and taxi, minibuses and bus between insurance companies. It is estimated that the production of Risky Insurance Pool within the sector in 2017 is over 1 billion 331 million TRY.

In the future, when the pool is at a certain level of production after its development, the actual assessment can be made clearer. Another practice made compulsory in 2017 is discounting the net cash flow of outstanding indemnity equivalent. The total discount written by the sector in 2017 is 3.4 billion TRY. The total net effect of the discount rate on income chart in the same period is 1.5 billion TRY, and it was effective on reducing the outstanding claim's exchange amount on the loss of the traffic insurance. While companies' production in a balanced manner is an important criterion showing the wide-range of competence and liability in insurance branches, at the same time, depending on the production of a certain product, it may cause problems such as claim payment difficulty,

weakness of capital adequacy ratio and difficulty in financial structure.

One of the most significant developments in 2017 was the digitalization and the digital transformation of processes becoming effective throughout the sector. Factors such as new technologies, new distribution models, and changing customer behaviours force the insurance sector to change as well as other sectors. It is also necessary for the insurance sector to comply with the necessities of the digital age we are in. Especially mobile applications and active social media usage helps the brands make difference in this area. From this viewpoint, the sector has made significant investments in this area in 2017 and it will continue to invest in this area in 2018. Sales through mobile channels, customer relationship management and customer experience are among the most important works of digital transformation. The digitalization of smart systems that can integrate with many channels, mobility and agencies will be an important part of the insurance sector's agenda in 2018.

Based on Treasury branches, total premium production of the sector in 2017 and its comparison to the previous year's figures are shown in the table below:

BRANCHES (THOUSAND TRY)	2017	SHARE (%)	2016	SHARE (%)	INCREASE (%)	REAL INCREASE (%)
ACCIDENT	1,682,317	4,2	1,431,583	4.0	18	5
SICKNESS/HEALTH	5,028,211	12,7	4,226,078	11.9	19	6
MOTOR OWN DAMAGE	6,916,181	17,4	6,170,691	17.4	12	0
RAILED VEHICLES	11,07	0,0	11,07	0.0	0.0	0.0
AVIATION	114,153	0,3	105,544	0.3	8	-3.4
SHIPS HULL AND MACHINERY	218,148	0,5	177,524	0.5	23	10
GOODS ON TRANSIT	651,958	1,6	549,456	1.6	19	6
FIRE AND ALLIED PERILS	5,745,991	14,5	4,827,636	13.6	19	6
GENERAL DAMAGES	4,355,445	11,0	3,498,931	9.9	24	11
MOTOR VEHICLE THIRD PARTY LIABILITY	13,037,799	32,8	12,931,210	36.5	1	-10
AVIATION LIABILITY	131,775	0,3	128,611	0.4	2	-8
SHIPS HULL AND MACHINERY LIABILITY	26,402	0,1	22,117	0.1	19	7
GENERAL LIABILITY	1,023,312	2,6	816,065	2.3	25	12
CREDIT	173,718	0,4	171,623	0.5	1	-10
BOND	50,021	0,1	30,392	0.1	65	47
FINANCIAL LOSSES	325,760	0,8	234,861	0.7	39	24
LEGAL PROTECTION	225,033	0,6	123,119	0.3	83	63
ASSISTANCE	1,319	0,003	2,535	0.01	-48	-54
NON-LIFE TOTAL	39,707,554	85,3	35,447,987	87.6	12	0.1
LIFE	6,844,083	14,7	5,038,808	12.4	36	21
TOTAL	46,551,637	100,0	40,486,795	100.0	15	3

Source: www.tsb.org.tr

LEGAL REGULATIONS

Risky Insurance Pool

In order to prevent the premiums and damages related to the policies issued by The Prime Ministry Undersecretariat of Treasury for the high level of damage frequencies and/or groups or vehicles to be distributed to all the companies that have a license in the Traffic Insurance branch and to prevent the concentration on some company/companies and to ensure that the vehicles in the aforementioned groups are not uninsured, The Risky Pool of Policyholders has been established. All insurance companies with a license in the branch of Land Vehicles Liability Insurance have become natural members of the pool. In order to ensure the execution of the pool activities and the rules to be obeyed by the members, based on Provisional Article 12 of the Regulation on Tariff Implementation Fundamentals in the Motor Vehicles Compulsory Automobile Liability Insurance of Highways have been prepared. Division of the premiums collected in the pool and the paid damages between the companies are made in two stages considering the data of insurance companies, Insurance Association of Turkey (TSB) and Insurance Information Centre (SBM), and its 50% is split evenly by Motor Insurance Bureau of Turkey (TMTB) among the members who possess licenses in traffic branch. The remaining 50% is calculated according to the market share in the last three years of the insurance company in this branch.

Discounting the Net Cash Flows due to Outstanding Claims' Provision

It has been notified by the Undersecretariat of Treasury that companies can make discount calculations with "The Circular Letter on Discounting the Net Cash Flows from Outstanding Claims" dated June 10, 2016 and numbered 2016/22. According to "Making Amendment on the 2016/22 Numbered Circular Letter on Discounting the Net Cash Flows from Outstanding Claims" circular of the Undersecretariat of Treasury's 2017/7 numbered and dated September 15, 2017 the obligation to calculate discount have been imposed in the General Liability and Land Vehicles Liability branches. Accordingly, as of September 30, 2017 the Company has begun to calculate discounts for outstanding claims provisions.



Premium and Damage Share Management of Compulsory Liability Insurance Related to Medical Malpractice

In order to eliminate the problems arising from the failure to comply with the policy on Compulsory Liability Insurance on Medical Malpractice with the 2017/4 sector announcement, in accordance with the Item-1 of Article 12 of the Insurance Law No: 5684, within the scope of the approval dated 05.09.2017 and numbered 22863, which is obtained from the office of Deputy Prime Minister, the principles stating the share of premium and claims. It has been decided that the related transactions concerning the share is going to be carried out by our company Güneş Sigorta A.Ş., which has a license in General Liability Insurance branch.

2017-2019 STRATEGIC MAP

GÜNEŞ SİGORTA DETERMINED FOUR STRATEGIC TENDENCIES, WHICH ARE DEVELOPED TO STEER THE WORK BETWEEN 2017-2019. THIS FOUR STRATEGIC TENDENCIES AND SUBTITLES ARE;

Profitability

- Effective Expenditure Management and Transition to Cost Accounting
- Enhancement of Technical and Financial Profitability
- Efficient Collection and Cash Flow Management
- Growth in Profitable Branches with Efficient Portfolio

Operational Productivity

- Enhancement of Operational Efficiency with Continuous Change and Development
- Development of Active Risk Management and Control Mechanisms with System Support and Standardized Reporting
- Moving the Manually Operated Internal Processes Into the Digital Media to be Rendered Measurable and Reportable
- Creating a Planned and Organized Working Environment in Cooperation

Sustainable and Balanced Growth

- Increasing the Share of Bancassurance
- Profitable Growth with Accurate, Dynamic and Competitive Pricing and Lean Products
- Efficient Campaign Management
- Providing Internal and Technological Continuity

Stakeholder Satisfaction and Loyalty

- Enhancement of Employee Commitment and Motivation
- Enhancement of Customer, Agency and Solution Partners' Satisfaction and Loyalty
- Enhancement of Brand Recognition
- Setting Direct Communication Channels with Customers to Call Centre Standards



2017 IN GÜNEŞ SİGORTA

IN PARALLEL WITH THE MODEST GROWTH PERFORMANCE IN GLOBAL ECONOMY, INSURANCE SECTOR ALSO KEPT ITS GROWTH RATE IN 2017. REAL PREMIUM PRODUCTION IN ADVANCED ECONOMIES IN 2017 HAS GROWN 2%, AND NOMINAL GROWTH HAS INCREASED FROM 1.7% TO 4%.

ORGANIZATIONAL CONFIGURATION PROJECTS

- In order to carry out the coordination and follow-up from the beginning to the end of new product development and current product revision processes exclusively, The Product Management Unit was established under the Management of Marketing.
- Structuring the Mediterranean Regional Management in a hybrid (mixed) way, it is ensured to monitor agents and financial sources from the same region.
- Physical Damage Management has been structured under the responsibilities of "Physical Damage Management" of auto and non-auto insurance products.
- The Customer Relations Department was separated from The Marketing Department and The Customer Relations Management Department was established.
- The Damage Abuse Prevention Unit was established within the Internal Control and Risk Management Department in order to evaluate the damage files correctly and establish a system to prevent and assess the abuses.
- Technical and Damage Management Vice Presidency separated into Technical General Vice Presidency and Damage Management Vice Presidency. Non-auto Insurances Group Management, Health Insurances Group Management, Automobile Insurances Technical Management, Actuary and Data Analysis Management, Reinsurance and Special Risks Management and Marine Insurances Management has been connected to Technical General Vice Presidency. Technical and Damage Management Legal Attorneyship, Damage Control and Operation Management, Corporal Injury Management Management, Recourse Management and Damage Logistics and Supply Management has been connected to Damage Management Vice Presidency.

RESTRUCTURED PROCESSES, PROCESS IMPROVEMENT AND DATA PROCESSING APPLICATIONS

Vakıf Emeklilik TSS Project

Within the frame of cooperation agreement between our company and Vakıf Emeklilik Inc., Vakıf Emeklilik has provided an infrastructure to monitor the process, which belongs to Supplementary Health Insurance (SHI) product and provided to make a sale.

BKM Trustworthy Solution Integration Project

During the period of collection with credit card, the liabilities of our company's PCI DSS supervisions have been reduced by ensuring a secure collection with the first six and last four digits of card information and the cardholder's Turkish ID number information. At the same time, our company has positively affected customer satisfaction by providing a safer collection service for its customers.

Health Branch Document Administration Project

The integration of the documents requested and used in the Health Insurance Management processes into the Pusula System has been completed, and the documents have been transferred to the digital media. Thus an increase in the operational efficiency is ensured.

Purchase Application

In the purchasing process, the printed and manuel processes are transferred into the digital media via an application and integrated with Pusula. In this context, the purchase requests have begun to be recorded and the use of form has been abolished. Thus, operational efficiency is ensured and information repository for past purchases is obtained.

E-Invoice Project

E-invoices transmitted from Revenue Administration are ensured that they will get transferred to the Pusula System automatically. Automatic distribution of invoices between units complying with certain rules, which have previously been carried out manually, have been provided and the process effectiveness have been increased.

Archive Management Project

Within the scope of this project, improvements have been made by examining the archive process and the barcode system has been moved for the files to be sent to archive. Thus, more active and efficient use of archive system in ensured.

Recourse-Law Entegration Project

By establishing a process and putting it into practice,

it has been contributed to the increase in efficiency of File follow-up to be made actively between the Recourse and Law Management of our company.

Policy Lapsing Due to Damage Project

Approval processes related to the policies that should be cancelled due to damage have been set up and it has been provided that these processes can be monitored through the Pusula.

Asset Freezing and Risks Group Identification

Within the framework of legal legislations, risky customer identification screens monitored by Güneş Sigorta Legislation and Compliance Management are revised and confirmation and warning flows are configured via Pusula in order to make parametric identifications according to risk criteria and for these risk types.

Reinsurance Project

With The Reinsurance Project, the approval mechanism of the definition of reinsurance agreement is built and reinsurer payment processes are designed. The designed processes are integrated into the payment process and the definition of agreements for "Excess of Loss" process is provided. Thus, the process of facultative reinsurance payment can be monitored and regularly done.

Development of Mixed Products Project

In accordance with the needs arising from the transition of health practices to the Slip system, the development of health and other branches' assurance to be presented in the same product has been completed. It is aimed to increase the customer portfolio and product range of our company by increasing the cross sales with the package policy created within the scope of the project.

Middle Tier Practise System Renewal Project

Server systems, which are the substructural component of our company's main insurance application Pusula, have been renovated by technological update in middle-tier. Thus, it is possible to have the opportunity to respond to the increasing demands of system

resources more actively. In addition, all of our customers and staff who use the Pusula system have been provided with a faster system equipped with the latest technologies.

System and Substructure Technologies' Renewal Projects

Software and hardware renovation projects have been carried out on the basic components of our information technologies. In this context, technological updating was provided by investing in the products used in system security and virtualization system.

Reporting Projects Developed with Management Information Systems

With the Installation Project of Agency Productivity Tracking System, efficient/inefficient agents have started to be monitored on a daily basis. A reporting system has been set up to provide that the outstanding lists are tracked more effectively by the relative departments on a daily basis. Reinsurance based premium, payment and outstanding reporting have been compelled and making reinsurer based agreements ensured that it gets done faster. It have been made temporarily on the latest versions of interpersonal intelligence products.



MARKETING & SALES ACTIVITIES AND CAMPAIGNS

Within the scope of increment and growth strategy in profitable branches and products, campaigns and applications related to chain of distribution and sales forces in target products have been effectively managed and followed. In 2017, Commercial Fire Application, Housing Campaigns, Personal Accident Campaigns, Automobile Insurance Campaigns and Supplementary Health Insurance Campaigns were held. "The Agency Club" applications, which is determined annually according to the criterias of our agencies' portfolio structure, profitable branch production, refresh rat, profitability and collection, is put in practice in 2015 and offers special services such as giving prioritizing claim payments to agencies based on the club membership they belong to. Foreign travel awards were organized for our successful agencies in 2017 campaigns. Our agencies that achieved the target production in the Housing Campaign available from February 1 to March 31, 2017 participated in Riga (Latvia) tour, which was held in September. In addition, the agencies that executed the production of Personal Accident targets between April 1 and May 31, 2017 were qualified to attend the Batum (Georgia) tour organized in October.

Within the scope of Bancassurance Project collaborated with VakıfBank, full integration of Travel Health, Traffic, Housing and Dask policies has been provided and the production of related policies by the Bank personel over their own screen has been provided. For automobile insurance product, the insurance operation is on probation in test branches and it is planned to be disseminated to all branches in the first month of 2018. The integration of customer's capability to pay premiums with regular payment order for policies issued by bank sources has been completed and it has been entered into service. A brochure about the insurance products sold through the bancassurance for VakıfBank Corporate Branches has been published. A protocol related to the insurance of leasable properties owned by General Directorate for Foundations was signed, the integration was completed with the infrastructure works and and insurance process was put into operation.

NEW PRODUCT AND TARIFF DEVELOPMENT STUDIES

Lifeguard Insurance

In order to provide assurance to the emergency health problems of our policyholders, our company has developed Lifeguard Insurance. Lifeguard Insurance, in the event of encountering an emergent health prob-

lem, which is determined by World Health Organization (WHO) within the borders of Turkish Republic and in the private or public healthcare organization licensed by the Ministry of Health, provides assurance to our policyholders for required expenses within the limits for outpatient and/or ambulatory treatment.

Complimentary Unemployment Insurance

Cooperation with companies in different sectors has been made to raise insurance awareness and to increase insurance product ownership. Complimentary Unemployment Insurance has been developed for the payments of invoice expenditures to guarantee the possible risks to be encountered by CK Boğaziçi members who are a part of the collaboration with CK Boğaziçi Elektrik Parakende and Satış A.Ş.

HUMAN RESOURCES APPLICATIONS

Güneş Sigorta organized various events and participated in a variety of organizations in 2017 to increase the employees' motivation, to improve team spirit and sense of belonging in its employees.

"Thank You Practice"

The "Thank You" practice, which was structured in such a way that Güneş Sigorta employees thanked each other via intranet portal in the categories of "Team Work, Transparency, Effective Communication and Performance" within a month, was continued in 2017 as well. Also the agencies thanked in "Customer Focality, Building Positive Working Relationship and Fast and Active Solution Generating" categories via agency intranet portal.

Güneş Sigorta Sailing Team

Güneş Sigorta Sailing team, which was formed by Güneş Sigorta employees in 2007, continued to achieve succeed in 2017 as well. TAYK Autumn Series Yatch Races, which consist of five races in 2017, Güneş Sigorta Sailing Team as IRC 2 winner came first in all races and caught the attention with its patient and self-sacrificing work and with its team's perfect union and communication coordination.

Tennis Tournament

Güneş Sigorta participated in the tennis tournament organized by Corporate Game. Twelve contestants from 10 companies participated in the tournament, which took place in Maltepe between May 12th and 14th. Our company's employee, Pinar Aydal showed the success to be 3rd in the women's single 30-39-age category.

BASS Women's 2017 Bowling Tournament

Güneş Sigorta attended the BASS Women's Bowling Tournament in February-March 2017 period with two teams. The organization, which consists of only female company employees and a total of 70 teams, was carried out on determined weekends during two months as a fun organization for the employees to both play sports and to relieve the tiredness of the week.

Continuos Learning and Developments as an Organization

Seminars Organized for Güneş Sigorta Employees

In line with the human resources strategy, Güneş Sigorta, which organizes several activities that would contribute to the development and motivation of its employees, continued to organize seminars in 2017 as well for its employees in order to spend lunch breaks more productively.

Trainings

In parallel to Güneş Sigorta's needs and in line with the potential and preferences of the employees, various training and development programs are being implemented and equal and enriched career opportunities are being offered to all employees. Training programs organized by Güneş Sigorta annually are; Employment Process/On-the-job Orientation, Basic Insurance Business, Branch Technique (Fire, Shipping, Health, Car Crash, Non-auto, Technical Accounting, Collection, Risk Engineering, Agriculture, Damage etc.) Trainings, Regulation, Operational Risk Management Trainings, Protection of Personal Data Integrated Approach Seminar, Emergency, Hygiene, First Aid Training, Pusula

Screen Trainings, MASAK- Vindication of Crime Revenues and Counter Terrorism Class and Screen Trainings, Competition Law Compliance Program Class Trainings, BIM Assistance Application Utilization Screen Training, Microsoft Outlook and Lync Screen Training, Basic Information Security Screen Training and Information Security Awareness Screen Training Special for IT Personnel, Business Continuity Management Basic Concepts and Screen Training Special for Team, Integrated Approach Seminar of Preserving the Personal Data In Accordance with Legal Obligations and Career/ Technical Development, Pusula Screen Trainings, BIM Help Application Usage Screen Training, Microsoft Outlook and Lync Screen Training, Emergency Management and Fire Screen Training, Basic Occupational Health and Security Class and Screen Training, Talent Interiorization and Analysis Screen Training, Armada, MS. Excel-Macro, SIEM, IBM Interconnect, Oracle Data Integrator 12C Trainings, Agency Orientation and Pusula Screen Trainings for Agency Employees, Supplementary Health Insurance, Logistics Non-auto Class Trainings, Güneş Sigorta Promotion and Insurance Transactions for VakıfBank Employees, MASAK-Vindication of Crime Revenues and Counterterrorism Trainings, Supplementary Health Insurance and Sales Training For Vakıf Emeklilik Employees.

Personal Development Trainings offered to Güneş Sigorta Employees Performed in 2017:

- Communication Training
- Overcoming the Stress Training
- Education Abroad
- Microsoft Office Programmes Training

TECHNICAL AND PERSONAL DEVELOPMENT TRAININGS IN 2017

IN-CLASS TRAININGS

TARGET GROUP OF THE TRAINING	TOTAL NUMBER OF TRAININGS	TOTAL DAYS OF TRAININGS	TOTAL NUMBER OF PARTICIPANTS
Güneş Sigorta Employees	165	967	1,560
Bank Employees	9	214	775
Private Agency Employees	20	206	868
Vakıf Emeklilik Employees	3	2	116
Total	197	1,389	3,319

DISTANT TRAININGS

TARGET GROUP OF THE TRAINING	TOTAL NUMBER OF TRAINING	TOTAL NUMBER OF PARTICIPANTS
Güneş Sigorta Employees	13	2,445
Private Agency Employees	3	411
Total	16	2,856

IMPORTANCE OF OCCUPATIONAL HEALTH AND SAFETY

In the field of Occupational Health and Safety, for the safety of our employees and our workplace, Güneş Sigorta is implementing the current legislations and required measures under the guidance of Occupational Health and Safety Council. Within this scope, the following studies were carried out in 2017;

- In March, June, September and December, Occupational Health and Safety Council convened and worked on issues such as measures, practices and matters include employees. Risk Assessment process is repeated with continuous revisions and improvements.
- Under the scope of on-the-job orientation training in June and December, General Occupational Health and Security training was given to 50 person.
- The preparations for the emergency action plan were reviewed and an updating training is provided to the employees in the emergency plan.
- In November, regional visits of Black Sea, Marmara and Mediterranean Regional Offices with Samsun, Kayseri and Erzurum Representatives, General Occupational Health and Security Trainings were given to 49 people and risk analysis and emergency exercises were completed.
- Four employees undergone First Aid Certificate Update Training.
- Job hygiene measurements were made in the general directorate in May 24, 2017.
- Periodical checks of job equipment and electrical installation were carried out in the general directorate in May 31, 2017.

Activities Organized within the Scope of Quality Management System

Within the scope of the revision project of Quality Management System (ISO 9001:2008) existing procedures, forms, job descriptions and business flows were updated. As a result of inspections made in February 6-7, 2017, the documents of Quality Management System (ISO 9001: 2008) and Customer Satisfaction Management System (ISO 10002) have been renewed. In 2017, the 28 quality inspectors who are within the structure of our company have made 14 inspections as part of Quality Management System Process-Based Internal Audit.

Internal Control and Risk Management Activities

Internal Control and Risk Management Department was established within the framework of the procedures defined with the "Regulation on the Internal Systems of Insurance and Reassurance and Pension Companies"

published by the Republic of Turkey Prime Ministry's Office Undersecretariat of Treasury in the Official Gazette dated June 21, 2008 and numbered 26913. The purpose of the Internal Control System is to ensure the protection of company's assets, execution of activities in an efficient and effective manner in line with the laws and other relevant legislation, in-house policies and rules and insurance rules and to procure the reliability, integrity of accounting and financial reporting system and the procurement of information on time.

The objective of the Risk Management System is to ensure the identification, measurement, follow-up and control of the risks exposed to, through the policies, application procedures and limits determined in order to monitor the risk and revenue structure involved in the future cash flows of the company, the nature and level of the activities in connection with this, to keep them under control and to change these when deemed necessary.

Internal Control and Risk Management Department that carries out its activities under the General Management, conveys information with regard to the studies it carries out to the Committee for the Early Detection of Risks.

Internal Control Processes

Within the framework of the Internal Control Plan that entered into force after it was approved by the General Manager, internal control activities were carried out during 2017 on issues such as production, marketing, technical, damage, reinsurance, recourse, law, collection, human resources, data processing and accounting processes. Within the scope of the studies carried out, the compliance of the activities with domestic-international legislation and the efficacy of existing controls were evaluated. The follow-up of the actions that have to be taken against the risks determined by Internal Control Unit is realized effectively over the system.

Explanations Regarding Private and Public Inspections

Issue-based inspection activities were performed within Güneş Sigorta during 2017 by the Undersecretariat of Treasury Insurance Inspection Board. Insurance Inspection Board carried out studies related to damage and indemnity and technical reserves processes in 2017. Türkiye Vakıflar Bank T.A.O. Inspection Board Chairmanship inspected Güneş Sigorta subject to subsidiary inspection periodically during 2017 along with the relevant unit to include the activities of the General Management. Also, the relevant department in 2017 supervised CO- BIT inspections.

Information Related to the Company's Acquired Shares

The Company does not have any shares is has acquired.

Lawsuits Filed Against the Company and Potential Results

Information about the lawsuits filed against the company and their potential results are presented in the footnote of the financial table numbered 42 under the heading "Risks".

Procedures Carried Out by the Company with the Risk Group it is involved in

Güneş Sigorta carries out all insurance procedures within the framework of the service obligation rendered to third parties and companies within the risk group it is involved in. All of the explanations related to the procedures carried out by the company together with the risk group it is involved in during 2017 are provided in the financial table footnote numbered 45.

Loyalty Report of Actions Made With Holding Company and Subsidiary

For the procedures carried out by Güneş Sigorta A.Ş., its holdig company Türkiye Vakıflar Bankası T.A.O. and the group of companies it is involved in, "Comparative Price Method" which is the most appropriate method for determining compliance with precedents was utilized and there are no losses with regard to procedures during 2017.

Amendments Made in the Company's Articles of Association

At the Ordinary Meeting of the General Assembly held on June 16, 2017 amendment of the Articles 7, 9, 15, 18, 19 and 22 have been approved and officially registered on June 28, 2017 and announced on Commercial Registry Gazette.

Our Main Objective, Policies and Studies for 2018

- The work on the simplification and enrichment of the of the product portfolio's contents will be continued.
- Within the scope of VakıfBank Bancassurance Project, in 2017, integration of DASK, Housing, Traffic and Travel Health products was provided, and the production was made from bank screens.
- The transfer of processes initiated in 2016 to the electronic media is still in progress. The digitalization of processes that require printed matter is

aimed within the scope of this project by practicing process improvement work.

- Our company has completed the integration work KEP service provider to perform all correspondances qualified as legal documents through the Registered E-Mail (KEP) system. It is aimed to save the time and cost by sending the agency abstract account through KEP system, which is sent manually with the project and its comeback is monitored manually. Following the implementation of of the project, dissemination of the KEP use in other processes will be continued.
- It is aimed to make the credit card transactions collected via Interbank Card Center (BKM) compatible with the 3D security system and to provide a secure payment method for card holders and for our Company.
- It is aimed to make improvements in claims and production processes by carrying out process and systematic studies for identification of claims' fraud.
- We are continuing our effort to improve the institutional and individual performance management by rewieving the performance system within the institution.
- We are continuing our efforts to establish CRM system and to integrate it into the entire processes of the institution by performing studies to identify the customer in the institution.
- The work regarding to enable online sales through website will be focused. The processes initiated with traffic and automobile insurance will be continued on other products as well.
- In order to exercise the reinsurance and policy risk controls, it is aimed to work on integration of Geocode application into Pusula. Within the scope of the project, our customers will also be provided with the opportunity to easily reach our solution partners (agencies, bank branches, contracted institutions, etc.) in the nearest or a certain region via the map application on our website.
- It is aimed to develop Pusula mobile application in order to ensure that the processes carried out on Pusula can be accessed through mobile application and enable the users to make inter-company transactions from outside the computer environments.
- Our company is aiming that the services offered to the customers to be accessed by mobile application, to be able to sell policies through mobile application and to update existing Güneş Mobil application in accordance with other needs.

PROCESS THAT STARTED TO
TRANSFER TO ELECTRONIC MEDIA
IN 2016, IS STILL IN PROGRESS.
DIGITILIZATION OF MATERIALS
IS AIMED UNDER THE SCOPE OF
PROCESS IMPROVEMENT PROJECT.

60 GÜNEŞ
Yıl SİGORTA
“Hayat daha kolay”

TECHNICAL EVALUATION

BRANCH-BASED TECHNICAL EVALUATION

Accident Insurances

ACCIDENT	2017	2016	INCREASE (%)
Premium Production - Thousand TRY	47,422	30,042	58
Conservation Ratio (%)	70	74	-4
Earned Premium (net) - Thousand TRY	25,337	23,776	7
Losses Incurred (net) - Thousand TRY	(2,355)	(5,905)	-60
Technical Part Balance - Thousand TRY	17,114	8,856	93
Loss Ratio (net) (%)	9	25	-16
Technical Balance/Premium (%)	36	29	7

At the end of 2017, the premium production in Accident branch totaled TRY 47.4 million increasing 58%. The conservation ratio has been 70%.

At the end of 2017, net loss ratio in the Accident Branch has been 9%. While the net earned premium has been TRY 25.337 million, the incurred loss has been TRY 2.4 million. The technical part balance of the Company in Accident increased by 93%, totaling TRY 17.1 million.

Sickness/Health Insurances

SICKNESS/HEALTH	2017	2016	INCREASE (%)
Premium Production	142,589	118,626	20
Conservation Rate (%)	100	100	0
Earned Premium (net) - Thousand TRY	133,912	121,127	11
Losses Incurred (net) - Thousand TRY	(107,648)	(86,859)	24
Technical Part Balance - Thousand TRY	(10,067)	(655)	1437
Loss Ratio (net) (%)	80	72	8
Technical Balance/Premium (%)	-7	-1	-6

At the end of 2017, the premium production in Sickness/Health branch totaled TRY 142.6 million with an increase of 20%. The conservation ratio has been 100%.

At the end of 2017, net loss ratio of this branch has been 80%. While the net earned premium has been TRY 133.9 million, the incurred loss has been TRY 107.6 million. Sickness/Health technical branch had a loss and happened as TRY 10.1 million.

Motor Own Damage Insurances

MOTOR OWN DAMAGE	2017	2016	INCREASE (%)
Premium Production - Thousand TRY	292,367	258,014	13
Conservation Rate (%)	97	98	-1
Earned Premium (net) - Thousand TRY	261,521	254,752	3
Losses Incurred (net) - Thousand TRY	(210,206)	(192,447)	9
Technical Part Balance - Thousand TRY	818	10,127	-92
Loss Ratio (net) (%)	80	76	5
Technical Balance/Premium (%)	0.3	4	-4

At the end of 2017, the premium production in Motor Own Damage Insurances branch totaled TRY 292.4 million increasing 13%. The conservation ratio has been 97%.

At the end of 2017, net loss ratio has been 80% in this branch. While the net earned premium has been TRY 261.5 million, the net incurred loss has been TRY 210.2 million. The technical part balance of the Company in Motor Own Damage Insurances resulted with a profit of TRY 818 thousand.

Aviation Insurances

AVIATION	2017	2016	INCREASE (%)
Premium Production - Thousand TRY	77,072	68,709	12
Conservation Ratio (%)	-	-	-
Earned Premium (net) - Thousand TRY	-	3	-100
Losses Incurred (net) - Thousand TRY	(0.01)	2	-101
Technical Part Balance - Thousand TRY	(1,102)	(525)	110
Loss Ratio (net) (%)	0	-67	67
Technical Balance/Premium (%)	-1	-1	0

At the end of 2017, the premium production in Aviation Insurances branch turned out to be TRY 77.1 million presenting an increase of 12%.

The technical loss of the Company in Aviation Insurances has been TRY 1.1 million.

Ships Hull and Machinery Insurances

SHIPS HULL AND MACHINERY	2017	2016	INCREASE (%)
Premium Production - Thousand TRY	25,973	19,984	30
Conservation Rate (%)	9	9	-1
Earned Premium (net) - Thousand TRY	2,225	1,430	56
Losses Incurred (net) - Thousand TRY	(2,788)	(1,758)	59
Technical Part Balance - Thousand TRY	651	(21)	3200
Loss Ratio (net) (%)	125	123	2
Technical Balance/Premium (%)	3	-0,1	3

At the end of 2017, the premium production in Ships Hull and Machinery Insurances Branch totaled TRY 26.0 million with an increase of 30%.

At the end of 2017, the net earned premium in this branch has been TRY 2.2 million, while the net incurred loss has been TRY 2.8 million. The technical profit of the Company in Ships Hull and Machinery Insurances has been TRY 651 thousand.

Goods on Transit Insurances

GOODS ON TRANSIT	2017	2016	INCREASE (%)
Premium Production - Thousand TRY	22,654	20,824	9
Conservation Rate (%)	51	48	3
Earned Premium (net) - Thousand TRY	11,118	10,047	11
Losses Incurred (net) - Thousand TRY	(2,611)	(470)	456
Technical Part Balance - Thousand TRY	10,152	6,653	53
Loss Ratio (net) (%)	23	5	19
Technical Balance/Premium (%)	45	32	13

At the end of 2017, the premium production in Goods on Transit Insurances branch increased by 9% and reached TRY 22.6 million. The conservation ratio has been 51%.

At the end of 2017, the net earned premium in this branch has been TRY 11.2 million and the net loss has been TRY 2.6 million. The technical part balance of the Company in Goods on Transit Insurances branch has been TRY 10.2 million by an increase of 53% compared to previous year.

Fire And Allied Perils Insurances

FIRE AND ALLIED PERILS	2017	2016	INCREASE (%)
Premium Production - Thousand TRY	304,091	269,267	13
Conservation Rate (%)	28	27	1
Earned Premium (net) - Thousand TRY	77,760	67,136	16
Losses Incurred (net) - Thousand TRY	(45,578)	(26,004)	75
Technical Part Balance - Thousand TRY	8,733	27,887	-69
Loss Ratio (net) (%)	59	39	20
Technical Balance/Premium (%)	3	10	-7

At the end of 2017, the premium production in Fire and Allied Perils Insurances branch increased by 13% and reached TRY 304.1 million. The conservation ratio has been 28%.

At the end of 2017, the net loss ratio in this branch has been 59%. While the net earned premium total has been TRY 77.8 million, the net incurred loss totaled TRY 45.6 million. In the technical part balance of the Company in Fire and Allied Perils Insurances, the profit has been TRY 8.7 million.

General Damages Insurances

GENERAL DAMAGES	2017	2016	INCREASE (%)
Premium Production - Thousand TRY	233,724	199,334	17
Conservation Rate (%)	8	8	0
Earned Premium (net) - Thousand TRY	18,579	15,779	18
Losses Incurred (net) - Thousand TRY	(12,039)	(8,310)	45
Teknik Bölüm Dengesi - Thousand TRY	20,815	19,045	9
Loss Ratio (net) (%)	65	53	12
Technical Balance/Premium (%)	9	10	-1

At the end of 2017, the premium production in General Damages branch totaled TRY 233.7 million by increasing 4%. The conservation ratio has been recorded as 8%.

At the end of 2017, net loss ratio has been 65% in this branch. While the net earned premium has been TRY 18.6 million, the net incurred loss has been TRY 12.0 million. The technical part balance profit of the Company in General Damages has been recorded as TRY 20.8 million increasing 9%.

Motor Vehicle Third Party Liability Insurances

MOTOR VEHICLE THIRD PARTY LIABILITY	2017	2016	INCREASE (%)
Premium Production - Thousand TRY	394,324	269,369	46
Conservation Rate (%)	74	89	-15
Earned Premium (net) - Thousand TRY	272,859	211,953	29
Losses Incurred (net) - Thousand TRY	(278,455)	(265,177)	5
Technical Part Balance - Thousand TRY	(19,233)	(49,602)	-61
Loss Ratio (net) (%)	102	125	-23
Technical Balance/Premium (%)	-5	-18	13

At the end of 2017, the premium production in Motor Vehicle Third Party Liability branch totaled TRY 394.3 million, presenting an increase of 46%. The conservation ratio has been 74%.

At the end of 2017, net loss ratio of this branch has been 102%. While the net earned premium has been TRY 272.9 million, the net incurred loss has been TRY 278.5 million. The technical part balance loss of the Company in Motor Vehicle Third Party Liability was recorded as TRY 19.2 million decreased by 61% compared to the previous year.

Aviation Liability Insurances

AVIATION LIABILITY	2017	2016	INCREASE (%)
Premium Production - Thousand TRY	75,514	68,184	11
Conservation Ratio (%)	0	0	0
Earned Premium (net) - Thousand TRY	49	98	-50
Losses Incurred (net) - Thousand TRY	(1)	0.04	-2377
Technical Part Balance - Thousand TRY	(1,525)	(1,175)	30
Loss Ratio (net) (%)	2	0	2
Technical Balance/Premium (%)	-2	-2	0

At the end of 2017, the premium production in Aviation Liability Insurances branch reached TRY 75.5 million increasing 11%.

The conservation rate in aircrafts liability branch is 0.1%. The loss in the technical part balance of the Company in Aviation Liability Insurances has been TRY 1.5 million.

General Liability Insurances

GENERAL LIABILITY	2017	2016	INCREASE (%)
Premium Production - Thousand TRY	31,410	26,034	21
Conservation Ratio (%)	14	14	0
Earned Premium (net) - Thousand TRY	4,145	3,276	27
Losses Incurred (net) - Thousand TRY	(7,104)	(8,186)	-13
Technical Part Balance - Thousand TRY	(200)	(4,015)	-95
Loss Ratio (net) (%)	171	250	-79
Technical Balance/Premium (%)	-1	-15	14

At the end of 2017, the premium production in General Liability branch has increased 21% and totaled TRY 31.4 million. The conservation ratio has been 14%.

While the net earned premium has been TRY 4.1 million, the net incurred loss has been TRY 7.1 million. Thus, net loss ratio in this branch has been 171%. The technical part balance loss of the Company in General Liability has been TRY 200.0 thousand.

Bond Insurances

BOND	2017	2016	INCREASE (%)
Premium Production - Thousand TRY	609	225	171
Conservation Rate (%)	32	29	3
Earned Premiums (net) - Thousand TRY	145	9	1511
Losses Incurred (net) - Thousand TRY	322	(974)	133
Technical Part Balance - Thousand TRY	558	(922)	161
Loss Ratio (net) (%)	-222	10,822	-11044
Technical Balance/Premium (%)	92	-410	502

At the end of 2017 in the branch of Bond Insurances, the premium production has been TRY 609.0 thousand. Conservation rate is 32%.

While the net earned premium amount is TRY 145.0 thousand, net losses as an income is TRY 322.0 thousand. The technical part balance loss of the Company's profit has been TRY 558.0 thousand.

Financial Losses Insurances

FINANCIAL LOSSES	2017	2016	INCREASE (%)
Premium Production - Thousand TRY	2,585	3,453	-25
Conservation Ratio (%)	31	20	11
Earned Premium (net) - Thousand TRY	742	441	68
Losses Incurred (net) - Thousand TRY	(57)	(20)	185
Technical Part Balance - Thousand TRY	(1,711)	(1,316)	30
Loss Ratio (net) (%)	8	5	3
Technical Balance/Premium (%)	-66	-38	-28

At the end of 2017, the premium production in Financial Losses branch totaled TRY 2.6 million, decreasing by 25%. The conservation rate has been 31%.

The net earned premium has been TRY 742.0 thousand, while the net incurred loss has been TRY 57.0 thousand. The technical part balance loss of the Company in Financial Losses has been TRY 1.7 million.

Legal Protection Insurances

LEGAL PROTECTION	2017	2016	INCREASE (%)
Premium Production - Thousand TRY	10,645	20,912	-49
Conservation Ratio (%)	68	63	5
Earned Premium (net) - Thousand TRY	6,024	13,330	-55
Losses Incurred (net) - Thousand TRY	(420)	2	-21100
Technical Part Balance - Thousand TRY	2,875	6,955	-59
Loss Ratio (net) (%)	7	0	7
Technical Balance/Premium (%)	27	33	-6

At the end of 2017, the premium production in Legal Protection branch has reached TRY 10.6 million decreasing by 49%, the conservation ratio has been 68%.

The net earned premium of the company has been TRY 6.0 million, while the net incurred loss has been TRY 420.0 thousand. The technical part balance of the Company in Legal Protection has been TRY 2.9 million.

PREMIUM PRODUCTION

Based on treasury branches, the premium production for 2017 in comparison with the previous year's figures are shown in the table below:

BRANCHES (000 TRY)	2017	SHARE (%)	2016	SHARE (%)	INCREASE (%)
ACCIDENT	47,422	3	30,042	2	58
SICKNESS/HEALTH	142,589	9	118,626	9	20
MOTOR OWN DAMAGE	292,367	18	258,014	19	13
RAILED VEHICLES	-	-	-	-	-
AVIATION	77,072	5	68,709	5	12
SHIPS HULL AND MACHINERY	25,973	2	19,984	1	30
GOODS ON TRANSIT	22,654	1	20,824	2	9
FIRE AND ALLIED PERILS	304,091	18	269,267	20	13
GENERAL DAMAGES	233,724	14	199,334	15	17
MOTOR VEHICLE THIRD PARTY LIABILITY	394,324	24	269,369	20	46
AVIATION LIABILITY	75,514	5	68,184	5	11
SHIPS HULL AND MACHINERY LIABILITY	-	-	-	-	-
GENERAL LIABILITY	31,410	2	26,034	2	21
BOND	609	0.04	225	0.02	171
FINANCIAL LOSSES	2,585	0.2	3,453	0.3	-25
LEGAL PROTECTION	10,645	1	20,912	2	-49
ASSISTANCE	-	-	-	-	-
GENERAL TOTAL	1,660,979	100	1,372,977	100	21

CLAIMS PAID

Based on treasury branches, the claims paid for 2017 in comparison with the previous year's figures are shown in the table below:

BRANCHES (000 TRY)	2017	SHARE (%)	2016	SHARE (%)	INCREASE (%)
ACCIDENT	6,533	1	4,491	1	45
SICKNESS/HEALTH	103,476	12	79,748	11	30
MOTOR OWN DAMAGE	216,691	26	217,367	29	-0,3
RAILED VEHICLES	-	-	-	-	-
AVIATION	77,129	9	30,938	4	149
SHIPS HULL AND MACHINERY	18,725	2	12,691	2	48
GOODS ON TRANSIT	11,166	1	4,342	1	157
FIRE AND ALLIED PERILS	86,880	10	55,604	7	56
GENERAL DAMAGES	74,751	9	104,878	14	-29
MOTOR VEHICLE THIRD PARTY LIABILITY	216,529	26	205,616	27	5
AVIATION LIABILITY	15,813	2	10,234	1	55
SHIPS HULL AND MACHINERY LIABILITY	-	-	-	-	-
GENERAL LIABILITY	10,562	1	11,423	2	-8
BOND	942	0.1	3,335	0.4	-72
FINANCIAL LOSSES	214	0.03	16,412	2	-99
LEGAL PROTECTION	118	0.01	29	0.004	307
ASSISTANCE	-	-	-	-	-
GENERAL TOTAL	839,529	100	757,108	100	11

TECHNICAL BALANCE

Based on the treasury branches, the Technical Balance results for 2017 in comparison with the previous year's figures are shown in the table below:

BRANCHES (000 TRY)	2017	SHARE (%)	2016	SHARE (%)	INCREASE (%)
ACCIDENT	17,115	61	8,856	42	93
SICKNESS/HEALTH	(10,068)	-36	(655)	-3	1437
MOTOR OWN DAMAGE	819	3	10,127	48	-92
RAILED VEHICLES	-	-	-	-	-
AVIATION	(1,102)	-4	(525)	-2	110
SHIPS HULL AND MACHINERY	650	2	(21)	-0.1	3195
GOODS ON TRANSIT	10,152	36	6,653	31	53
FIRE AND ALLIED PERILS	8,732	31	27,887	131	-69
GENERAL DAMAGES	20,816	75	19,045	89	9
MOTOR VEHICLE THIRD PARTY LIABILITY	(19,232)	-69	(49,602)	-233	-61
AVIATION LIABILITY	(1,525)	-5	(1,175)	-6	30
SHIPS HULL AND MACHINERY LIABILITY	-	-	-	-	-
GENERAL LIABILITY	(202)	-1	(4,015)	-19	-95
BOND	557	2	(922)	-4	-160
FINANCIAL LOSSES	(1,711)	-6	(1,316)	-6	30
LEGAL PROTECTION	2,874	10	6,955	33	-59
ASSISTANCE	-	-	-	-	-
GENERAL TOTAL	27,875	100	21,292	100	31

BRANCH-BASED TECHNICAL INCOME TABLE

I-TECHNICAL PART (TRY 000)	ACCIDENT	SICKNESS/ HEALTH	MOTOR OWN DAMAGE	AVIATION	SHIPS HULL AND MACHINERY	GOODS ON TRANSIT	
A- NON-LIFE TECHNICAL REVENUE	33,027	143,168	284,587	-	2,912	16,132	
Written Premiums (Net)	33,209	142,589	284,847	-	2,240	11,545	
Change in Earned Premium Reserves (Net)	(7,871)	(8,678)	(23,326)	-	(15)	(427)	
Unexpired Risk Res.	-	-	-	-	(27)	-	
Investment Income Transf. to Non-Technical Division	7,527	8,927	17,999	-	-	2,199	
Other Technical Revenues	161	-	68	-	604,0	177	
Accrued Recourse & Salvage Revenue (+)	1	330	4,999	-	110	2,638	
B- NON-LIFE TECHNICAL EXPENSES (-)	(15,912)	(153,236)	(283,768)	(1,102)	(2,262)	(5,980)	
Paid Damages (Net)	(3,656)	(103,462)	(205,960)	-	(2,697)	(1,908)	
Change in Outstanding Claims Reserves	1,301	(4,186)	(4,246)	-	(91)	(704)	
Other Technical Reserve Change	(81)	-	(834)	-	-	-	
Operational Expenses (-)	(13,476)	(45,588)	(72,728)	(1,102)	526	(3,368)	
C- TECHNICAL PART BALANCE- NON-I (A-B)	17,115	(10,068)	819	(1,102)	650	10,152	

FIRE AND ALLIED PERILS	GENERAL DAMAGES	MOTOR VEHICLE THIRD PARTY LIABILITY	AVIATION LIABILITY	GENERAL LIABILITY	BOND	FINANCIAL LOSSES	LEGAL PROTECTION	TOTAL
92,373	22,042	316,576	60	5,969	256	754	7,655	925,511
85,828	19,592	291,879	49	4,295	196	794	7,191	884,254
(8,068)	(1,012)	(19,019)	-	(151)	(51)	(52)	(1,167)	(69,837)
-	-	-	-	564	-	-	-	537
10,831	2,326	22,947	11	549	33,0	12,0	1,632	74,993
(11)	1,092	-	-	48,00	-	-	(1)	2,138
3,793	44	20,769	-	664	78	-	-	33,426
(83,641)	(1,226)	(335,808)	(1,585)	(6,171)	301	(2,465)	(4,781)	(897,636)
(39,648)	(9,595)	(192,017)	(1.0)	(2,018)	(50)	(12)	(37)	(561,061)
(5,930)	(2,444)	(86,438)	-	(5,086)	372	(45)	(384)	(107,881)
(3,789)	(460)	-	-	-	-	-	-	(5,164)
(34,274)	11,273	(57,353)	(1,584)	933	(21)	(2,408)	(4,360)	(223,530)
8,732	20,816	(19,232)	(1,525)	(202)	557	(1,711)	2,874	27,875

At the end of 2017, our investment income expanded by 109% and has been TRY 173.1 million. Income achieved from exchange profit have been TRY 81.0 million, constituting biggest part of investment income. Second biggest investment income has been foreign currency gains with TRY 75.3 million, the revenues from real estates, properties and buildings with TRY 1.4 million. The income obtained from participations has been TRY 9.3 million. The income recorded as the result of the valuation of financial investments totaled TRY 2.9 million. Investment income from derivated products has been TRY 3.1 million.

INVESTMENT INCOME (000 TRY)	2017	2016	INCREASE (%)
1- Income Obtained from Financial Investments	81,030	47,253	71
2- Profits Achieved by Liquidation of Financial Investments	-	-	-
3- Valuation of Financial Investments	2,917	(1,470)	-298
4- Exchange Profit	75,306	33,102	127
5- Income from Participations	9,281	492	1786
6- Subsidiaries & Income fr. Inst. Under Customer Man.	-	561	-100
7- Income Obtained from Real Estates and Properties	1,419	2,905	-51
8- Income Obtained from Derivatives	3,109	-	-
9- Other Investments	0	8	100
10- Income Transferred to Life Technical Part	-	-	-
GENERAL TOTAL	173,062	82,850	109

At the end of 2017, our investment expenses expanded by 74% and reached TRY 156.1 million. The income transferred to technical part in income was recorded as TRY 75.0 million, making up the greatest portion of investment expenses. The exchange loss for the term has been TRY 64.0 million. The depreciation expenses have been TRY 7.3 million, investment management expenses of the term totaled TRY 3.8 million, while other investment expenses were recorded as TRY 6,0 thousand.

INVESTMENT EXPENSES (-) (000 TRY)	2017	2016	INCREASE (%)
1- Investment Management Exp. Inc. Interest (-)	(3,768)	(3,771)	-0,1
2- Diminution in Value of Investments (-)	-	-	-
3- Loss Incurred Due to Liquidation of Investments (-)	(6)	0	-100
4- Invt. Income Transf. to Non-life Technical Part. (-)	(74,993)	(40,919)	83
5- Investment Loss Incurred Due to Derivative Prod.(-)	-	-	-
6- Foreign Exchange Losses (-)	(64,023)	(33,211)	93
7- Depreciation Expenses (-)	(7,343)	(7,058)	4
8- Other Investment Expenses (-)	(5,962)	(4,688)	27
GENERAL TOTAL	(156,095)	(89,647)	74

At the end of 2017, our Revenues and Profits from Other Operations and Expenses and Losses from Other Operations has been TRY 18.3 million. The income items were deferred tax assets with TRY 15.3 million and 2,7 million with other revenues and profits, while expense items were provision expenses, which was TRY 33.8 million, rediscount expenses, which was TRY 2.1 million and other expenses and losses, which was TRY 409.0 thousand.

F- REVENUES AND PROFITS AND EXPENSES & LOSSES FROM OTHER OPERATIONS (+/-) (000 TRY)	2017	2016	INCREASE (%)
1- Provisions (+/-)	(33,779)	(59,544)	-43
2- Rediscounts (+/-)	(2,094)	(109)	1821
3- Special Insurance Account (+/-)	-	-	-
4- Inflation Adjustment (+/-)	-	-	-
5- Deferred Tax Assets (+/-)	15,268	(3,626)	-521
6- Deferred Tax Liability Exp. (-)	-	-	-
7- Other Revenues and Profits	2,665	2,564	4
8- Other Expenses and Losses (-)	(409)	(1,846)	-78
9- Prior Year's Revenues and Profits	-	-	-
10- Prior Year's Expenses and Losses (-)	-	-	-
GENERAL TOTAL	(18,349)	(62,561)	-71

Income Table Summary

For January 1-December 31, 2017 period, the technical income obtained has been TRY 925 million 511 thousand, whereas the technical loss reached to TRY 897 million 636 thousand. The technical part balance presented a profit of TRY 27 million 875 thousand.

As a result of the investment income, which has been TRY 173 million 62 thousand, and investment expense, which has been TRY 156 million 95 thousand, included in the technical part balance and the expense generated by other operations, which has been TRY 18 million 349 thousand, the net profit for the period totaled TRY 26 million 493 thousand.

INCOME TABLE SUMMARY (000 TRY)	2017	2016	INCREASE (%)
A- Non-life Technical Income	925,511	827,392	12
B- Non-life Technical Expense (-)	(897,636)	(806,100)	11
C- Technical Part Balance Non-life (A-B)	27,875	21,292	31
D- Investment Income	173,062	82,850	109
E- Investment Expenses (-)	(156,095)	(89,647)	74
F- Expenses & Losses and Revenues & Profits Incur. Due Operations and Extraordinary Operations (+/-)	(18,349)	(62,561)	-71
G- Net Profit / Loss For the Period	26,493	(48,066)	-155

HUMAN RESOURCES POLICY

“TEAM SPIRIT” BEING THE COMMON GROUND OF ITS EMPLOYEES, GÜNEŞ SİGORTA AIMS TO BRING IN SUCCESS-ORIENTED PROFESSIONALS PRONE TO TEAM WORK WHO ARE OPEN FOR PROGRESS AND ABLE TO ADOPT ITS COMMON VALUES, AS ONE OF THE LEADING AND WELL-ESTABLISHED COMPANIES WITHIN THE INSURANCE SECTOR.

Human Resources Policy of Güneş Sigorta: It is to effectively and efficiently manage the human resource in line with the strategic orientation of “sustainable competitive structure” in order to reach the goal of “improving employee satisfaction”.

“Team Spirit” is the common ground of Güneş Sigorta employees. Being one of the leading and well-established companies within the insurance sector, our aim is to bring in success-oriented professionals prone to team work who are open for progress and able to adopt our common values.

Each of the Güneş Sigorta employees have a comprehensive knowledge of the mission, vision and quality policy of our company. All members are conscious of the contribution of their conduct for the organizational activity of Güneş Sigorta. Everyone shares the understanding of working with a team spirit, and the ability to create innovation stands at top-level.

Güneş Sigorta attaches special importance to provide and improve the necessary appointments and disciplined procedures, namely training, for efficient working of employees; Güneş Sigorta perceives employees as its most precious asset.

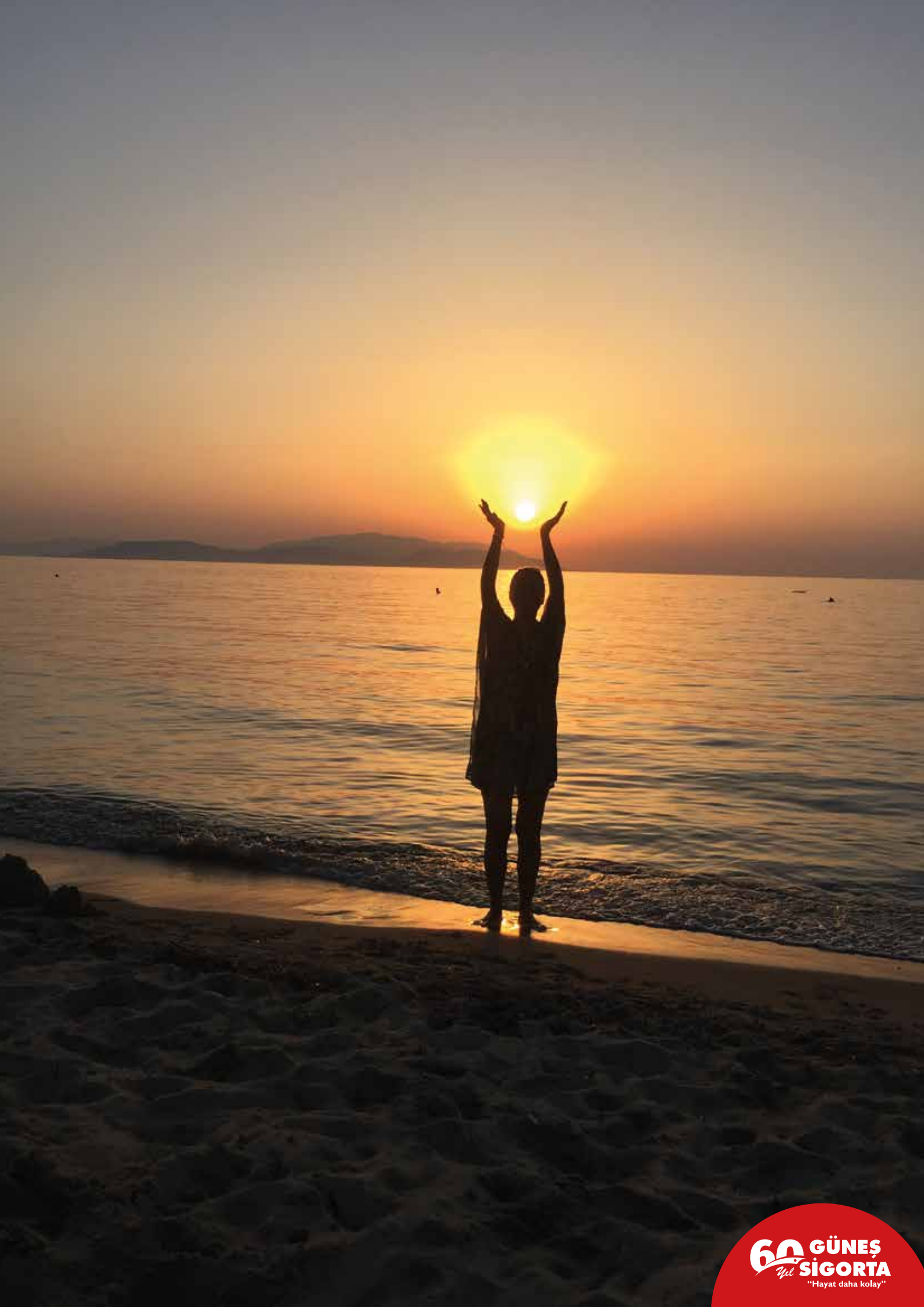
Güneş Sigorta raises its own managers. It bestows formation of insurance business for inquisitive, visionary, creative youth with problem solving skills.

Güneş Sigorta’s Directorate of Human Resources and Training is responsible with all human resources procedures of the employees, namely recruitment, training and development activities, performance assessment, career planning, salary management and implementations alike. Within this scope, Güneş Sigorta executes the recruitment procedure through exams and interviews. This way, applicant’s personal attributes are assessed together with suitability for our company and the duty.

Sharing the understanding that the most important resource are the employees, Güneş Sigorta attaches a great importance to activities of training and development. In this respect, the employees are provided with the opportunity of developing their personal skills by receiving necessary trainings in fields of management, technique and personal development.

Within Güneş Sigorta, the aim in performance assessment is to evaluate the performance of individuals and to ensure that employees work under harmony and the company obtains desired results throughout the context of company strategic goals as well as corporate and individual objectives and abilities.

Güneş Sigorta implements a career development system through enabling the workers to utilize, to the best, their abilities and the knowledge and experience they earned.



60 GÜNEŞ
Yıl SIGORTA
"Hayat daha kolay"

AS THE CAREER STEPS PROCEED, EMPLOYEE SALARIES ARE INCREASED PERIODICALLY IN ACCORDANCE WITH THE CRITERIA DETERMINED UPON A COMPROMISE REACHED WITH THE SYNDICATE AND AS WELL THROUGH PROMOTION.

Through a promotion exam being held once each year, workers obtain an opportunity to proceed within their career route.

All the employee salaries are paid at the end of each month and four bonus payments in addition to a dividend payment are made in a year according to Administrative Board's decision. As the career steps proceed, employee salaries are increased periodically in accordance with the criteria determined upon a compromise reached with the syndicate and as well through promotion. Güneş Sigorta employees are accredited to the Syndicate of Banking, Finance and Insurance Workers, and delegates have been appointed within the Company workers in representation of syndicate accredited workers. Indemnity rights of Güneş Sigorta employees are preserved within the framework of the relevant articles of the Labour Law and the provisions of Collective Labour Agreement (CLA).

STRUCTURE OF HUMAN RESOURCE

Having adopted the principle of a balanced staff allocation, without any discrimination of gender or age, Güneş Sigorta employee's statistical range involving their gender, age and educational status by Dec 31st, 2017 is present below. Being a corporation defending the universal human rights, there are no child employment at Güneş Sigorta. As from Dec 31st, 2017 there 11 handicapped workers and 1 sentenced worker within the Company.

RIGHTS AND BENEFITS

Working Schedule

Working period is 40 hours a week, and the duty begins by 08:30 in the morning and ends by 17:30 in the evening. Lunch break takes place between 12:30 and 13:30 while Saturdays and Sundays are off days in a week. Procedures concerning extra work are pursued in respect to the provisions of the Labour Law and Collective Labour Agreement.

Salary and Benefits

All the employee salaries are paid at the end of each month. For syndicate member workers and Exclusive Primary Staff employees a bonus payment is made four times a year based on their net total wages in accordance with CLA provisions. There is also a dividend payment determined by the Administrative Board. As the career steps proceed, employee salaries are increased periodically in accordance with the criteria determined upon a compromise reached with the syndicate and as well through promotion.

GENDER DISTRIBUTION	MALE	SHARE	FEMALE	SHARE
Number of Employees	308	52%	282	48%

AGE DISTRIBUTION	18-30	30-50	ABOVE 50
Number of Employees	90	486	14
Share	15%	83%	2%

EDUCATIONAL BACKGROUND DISTRIBUTION	HIGH-SCHOOL AND LOWER	COLLEGE	UNIVERSITY	MASTER'S DEGREE AND ABOVE
Number of Employees	87	65	374	64
Share	15%	11%	63%	11%

Our staff workers (deputy managers and lower titles) are accredited to syndicates; their salaries and all social benefits are determined in accordance with the Collective Labour Agreement (CLA) which is conducted between the employer and the syndicate for two years of duration. Besides of net wage, additional payments like fuel, travel, child and day-care allowances as well as title and language indemnities are also projected in determination of the gross salary of syndicate members and exclusive primary staff.

There are also provided shuttle and catering facilities within the company. For those who cannot benefit from company shuttles, a travel allowance is paid. It is essential to define the amount and payment criteria regarding the indemnities and allowances under the scope of Collective Labour Agreement, and the procedures are carried out accordingly with the relevant principles by the Directorate of Human Resources and Training (DHRT). Social Assistance payments titled as birth, death, marriage, home moving and natural disaster allowances are also delivered for the syndicate member and exclusive primary staff workers under the condition that evidences are provided.

A workplace physician is provided for staff of the General Directorate, Western İstanbul Regional Directorate, İstanbul 1st Financial Region Directorate, Aegean Regional Directorate and Aegean-Mediterranean Financial Region Directorate. Occupational Health and Safety attendance is provided for İstanbul, Ankara and İzmir offices, and together with risk analysis, all necessary trainings and surveys are carried out for each regional directorate and duty office by the Company's Occupational Health and Safety Expert. Workers commissioned for Güneş Sigorta Health Services and Private Annuity Insurance are under the security of a comprehensive private health insurance provided that their premiums are covered by our Company. Staff workers and subcontractors (except part-time workers) are secured by Individual Accident Insurance provided that their premiums are covered by Güneş Sigorta. In addition, all staff workers are included in the scope of the Personal Retirement Insurance.

Procedures of Recruitment and Commissioning

Güneş Sigorta executes the recruitment procedure through examinations and/or interviews. Throughout this process, applicant's personal attributes are as-

GÜNEŞ SİGORTA, EXECUTES THE RECRUITMENT PROCEDURE THROUGH EXAMINATIONS AND/OR INTERVIEWS. THROUGHOUT THIS PROCESS, APPLICANT'S PERSONAL ATTRIBUTES ARE ASSESSED TOGETHER WITH SUITABILITY FOR THE COMPANY AND THE DUTY.

sessed together with suitability for the Company and the duty. In 2017 a total of 249 persons have been interviewed and a total of 53 started a duty within Güneş Sigorta.

Performance Management and Career Development

Within Güneş Sigorta, regular performance assessments are made in order to evaluate individuals' performance, ensure that employees work in harmony and the Company obtains the desired results in line with company strategic goals as well as the corporate and individual objectives and capabilities. Employee performances are measured by 'Corporate Grade Report' involving the results of individual, department and unit based evaluations of objectives. Furthermore, in paralel with the 'Corporate Grade Report', an ability based performance evaluation is made once each year and the successful workers are rewarded. Güneş Sigorta aims for its employees to utilize, to the best, their abilities and obtained knowledge and experience. Under this concept, training is planned for workers with high performance or commissioned for critical duties so as to enable the development of their occupational knowledge and capabilities. Through a promotion exam being held once each year, workers obtain an opportunity to proceed within their career route.

SUSTAINABILITY

THE SAME WITH PREVIOUS YEARS GÜNEŞ SİGORTA HAS PAID THE NECESSARY ATTENTION FOR SUSTAINABILITY IN 2017 AND REALIZED THE PROJECTS OF “SOLAR ENERGY PLANT”, “EARTH HOUR ACTION”, “GREEN INSURANCE” AND “THE GREEN TECHNOLOGY (GREEN IT)”.

ENVIRONMENTAL RESPONSIBILITY

Solar Energy Plant

Having dominated the global agenda for the last few years as a universal problem, the global warming and climate change brings along natural disasters such as flood and severe drought causing great damages. On the other hand, the need towards alternative energy sources increase day after another. Having passed its 60th year within the sector, with each innovative step, Güneş Sigorta keeps always prioritizing its responsibilities for the environment that surrounds it besides of those against the sector. With such a consciousness Güneş Sigorta generates its own energy since 2009 by the Solar Energy Plant installed at the General Directorate building. Supplying a part of its own electricity demand through the Solar Energy Plant generating an average 9 MWh of energy per year, Güneş Sigorta avoids the emission of 5.47 tons of yearly carbondioxide with such a project realized under the framework of corporate social responsibility. Such volume of emission equals to a land drive of 9,963 km on fossil based fuel. The same amount of carbondioxide can only be compensated by a year-long absorption of 547 trees.

Having celebrated the 8th anniversary of solar energy utilization in March 2017, Güneş Sigorta has had saved approximately 68,094.00 kWh of energy until today. This way, it avoided a total 54,112.40 kg of carbondioxide emission.

Earth Hour Action

Acting in awareness that each company and foundation has a responsibility, notably against its social stakeholders and thereafter towards the country and even the world it exists on, Güneş Sigorta has supported the 2017 “Earth Hour Action” with the aim to draw attention to climate change and global warming, as it does every year. It joined the Earth Hour Action on March 25th, 2017 by turning off all the lights inside the General Directorate building between 20:30 and 21:30 except those necessary for security reasons.

Green Vehicle Insurance

Güneş Sigorta bestowed to the sector in 2012 its “Green Vehicle Insurance”, a product specially targeted for 100% electric-drive environment-friendly automobiles. Having ensured the sustainability of its environment-friendly approach and pioneered the sector with such a first-ever product, Güneş Sigorta has even broadened its product range with hybrid automobiles. Being able to run either on petrol and electricity engines such hybrid vehicles combine the two mentioned engine types and reduces the disadvantages of both to the minimum. In addition they provide significant advantages to the driver in terms of performance and fuel consumption. Güneş Sigorta clients with Green Vehicle Insurance are able to secure their environment-friendly 100% electric-drive or hybrid cars against all kinds of risks like fire, crash and theft. Besides of this, Güneş Sigorta clients are also able to receive “Vehicle Breakdown Repairment and Expertise Services” in addition to “Vehicle Inspection, Breakdown and Mental Support Services” which Güneş Sigorta delivers for the car insurance policies provided for ‘Passenger and Light Commercial Vehicles’.



With the **Green Car Insurance** your electric and hybrid cars will totally be under warranty!

Green Technology (Green IT)

Yet another environment-friendly initiative aiming to save our world by preventing global warming is the Green Technology (Green IT) Management. "Green Technology Management" is introduced with the objective to support the Company's efficiency and social responsibility strategies. With the help of Güneş Sigorta Family computers and monitors are automatically shut down in the evening; through this, an average 15% reduction in carbondioxide emission caused by PC use and yet 30% average efficiency in energy costs are obtained.

IN-HOUSE SOCIAL RESPONSIBILITY

KAÇUV Moneybox

In the recent year Güneş Sigorta has activated inside the General Directorate building the "Digital Moneybox" application of the Hope Foundation for Children With Cancer (KAÇUV). Thanks to the cooperation of BKM Express and VakıfBank, 1 Turkish Lira can be donated by tapping the contactless credit cards to the digital moneyboxes provided. Amounts collected through this application is utilized for supporting KAÇUV's Second Family Home project. It will remain within Güneş Sigorta's sustainable goals in following years to maintain and improve such a project transferring advantages of the 'digitized world' into social responsibility projects.

Blue Caps Campaign

We support the plastic bottle caps campaign driven successfully by the Spinal Cord Paralytics Association of Turkey (TOFD) since 2011, as Güneş Sigorta Family. Throughout the year, General Directorate building workers joined this action by collecting their plastic bottle caps inside the special boxes provided at their floors whereas regional Office workers did so by sending the collected caps by cargo. Being the Güneş Sigorta Family, we are aiming to ease as much lives as possible by collecting as much bottle caps as we can through "Blue Caps Campaign Support Action" which we seek to stick with in the following years.

EVENTS FOR SUPPORTING THE ART/ ARTS ADVOCACY

Güneş Arts Gallery

Availing of the foyer area inside the General Directorate building Güneş Sigorta has realized the Güneş

Arts Gallery in 2012. An average of six exhibitions are held each year at this gallery which has been utilized for events of arts and culture since its day of foundation. Art enthusiasts are able to visit these exhibitions free of charge.

Photography Contest: Catch Your Sun

Having held special events in 2017 dedicated to its 60th anniversary, Güneş Sigorta has undertaken a new organization which will be kept on in the following years. The photography contest named 'Catch Your Sun' was held between August 1st and September 5th among Güneş Sigorta employees, and opened for competition in two concept categories being 'the Sun' and 'Trust'. The entire attendance and finalization process of the contest was carried out by the Photographic Arts Federation of Turkey (TFSF). Results of the contest was announced on September 18th, 2017 with the inauguration of an exhibition. Besides of those ranked in the top, 30 images which were found worthful for exhibition have been offered to art enthusiasts at the Güneş Arts Gallery between September 18th and September 29th.

Great Art Pieces by Little Painters

Yet another event under the scope of 60th Anniversary celebrations had been the painting contest named "Future Painters Contest-Geleceğin Ressamları Yarışıyor" under which the great art pieces of the little painters were given place to. Throughout the contest which will be resumed in the following years, paintings belonging to Güneş Sigorta employees' children were appraised under two age categories being '6-9 years' and '10-14 years'.





Presentation | Sustainability

Focused on paintings related with 'Family and Home' the contest was held with aims of proving that our children could express themselves in alternative ways within their social lives through adopting a characteristic 'language of painting'.

The results were announced on April 24th, 2017 at Güneş Arts Gallery through an award ceremony. After the inauguration took place, all the art pieces by little painters were offered to art enthusiasts at Güneş Arts Gallery until May 18th, 2017.

SOCIAL SOLIDARITY

Micro Loan

Women with low income, who received loan under the scope of Grameen MicroCredit Loan program that enables them to step into the economic life, were included under the coverage of MicroInsurance developed by Güneş Sigorta at the end of 2011. Being implemented in a total of 175 countries with the purpose of introducing women with low income into the economic life, the MicroCredit Loan program has been applied in Turkey since 2003.

In 2017 it was celebrated the 6th anniversary of the Turkish Grameen MicroCredit Loan Program, which has been aimed to spread across all provinces of Turkey and conducted in partnership with Prof. Muhammed Yunus, the Nobel award winner pioneer of the program.

Within the scope of Micro Insurance, women with low income are also secured against terrorist violence and natural disasters such as earthquakes besides of the coverages provided against accidental death and permanent disability.

This insurance product, which guarantees not only the woman entrepreneurs but also their lives and families, can be acquired by woman MicroCredit loanees at 14 TRY per year.

Güneş Sigorta has, on the other hand, diversified its 'Micro' products with MikroKonut (MicroHouse) in April 2013. While providing the woman entrepreneurs with low income the opportunity to secure their homes against basic risks at 14 TRY per year, it is aimed both to come through the possible risks with least harm and to increase the consciousness within the society toward insurance.

In 2017, 18,919 clients were insured under MicroHouse policy, while an approximate indemnity amount of 86,271.00 TRY have been paid to beneficiaries.

Global Compact

Global Compact Having engaged in United Nations' the Global Compact in 2011, Güneş Sigorta had become the first ever non-life insurance company to be participating the initiative. Güneş Sigorta kept on adhering, with embracement, to the 10 Fundamental Principles found within the covenant related to Human Rights, Labour Standards, Environment and Anti-Corruption, in 2017 as well.

INHOUSE MOTIVATION SEMINARS

Güneş Sigorta has diversified the inhouse motivation seminars, which have been boosted with healthy living seminars in 2016, within the context of anniversary celebration events. First seminar of 2017 has taken place in January with the contribution of musician Murat Evgin. Murat Evgin, who shared to the employees about the influence of music on our lives, cheered the attendees with his songs and stories throughout the event named 'Slowdown the Life'.





Having held a total of 11 seminars under the concept of 60th anniversary inhouse communication activities, Güneş Sigorta's initial event took place in February and titled as "Questions About the Automatic Enrollment to the Individual Retirement System (BES) and the Personal Fund Management". The Company has held another two seminars in April. The first was "Communication and the Awareness Earned from Being a Woman by Murat Proşçiler" which happened with the contribution of Murat Proşçiler, actor and mentor; whereas the second was organized in partnership with Memorial Hospital and focused on the unknown facts about cancer, the illness of the era; the seminar named as "Don't Be Afraid, Be Aware not Late".

Through the first seminar of May titled as "World Tour in 60 Minutes", professional touring guide and tourism advisor Özge Ersu has shared information about historical mysteries, first bankruptcies of the history, countries using currencies made of salt, interesting details of tribal life, world's prohibited subjects and etiquettes and gestures from various cultures. Second seminar of the month was conducted by actress Seren Fosforoğlu under the title "Motivation and Human Relations in Business Life". Ms. Fosforoğlu rendered facts and clues on human relations, difficulties encountered in business life as well on as how to get motivated for business in such circumstances.

In August, Güneş Sigorta welcomed Eda Türetken Özenses at the General Directorate building. Reminding that a healthy life cannot be only obtained by physical good-health, throughout the seminar titled as "Remember Your Worthiness" Ms. Özenses drew attention to the fact that a sound change would be accomplished by personal development.

Following a short break until November, mentor and author Mr. Sinan Ergin, founder of Live Consultancy

and Training company, conducted two different seminars for Güneş Sigorta family. Through the seminars titled "Whom Do You Need to Persuade to Change Your Life?" and "How Can I Do, Instead of Why I Couldn't" Mr. Ergin conveyed to the attendees the awareness ideas which contribute for personal improvement. Held in December, the seminar titled as "Therapy With Music" had been the last seminar of the year within the concept. Attendees were informed with meditation techniques and a mini sample work-out was performed throughout the event, which was aimed to relieve the tiredness of the year.

60th ANNIVERSARY EVENTS AND ACTIVITIES

Güneş Sigorta Family Celebrated Their 60th Year

Having established in 1957, Güneş Sigorta Inc. Has celebrated its anniversary in September. Carrying out the events dedicated to its 60th anniversary throughout the year, Güneş Sigorta went for a night-out with employees at Portaxe on September 15th, 2017.

Güneş Sigorta addressed to their structure which had been developed upon the newly adopted motto of 'An Easier Life', and revised in their 60th anniversary with the same respect to ease the life. 60th Anniversary celebration was participated by all Güneş Sigorta workers notably Serhat Süreyya Çetin the General Director of Güneş Sigorta, and the Deputy General Directors Birgül Denli, Murat Koygun, Tahsin Oral and Tayfun Altıntaş.

Stating in his speech at the event as "Having shone like the Sun (Güneş) into the sector 60 years ago, Güneş Sigorta keeps on illuminating the sector, economy and our country since then, through a constantly improved vision and human oriented approach" Çetin underlined that such a success had not been a coincidence and added as follows: "There is the contribution of all workers who took part in Güneş Sigorta

IN 2017, GÜNEŞ SİGORTA UNDERTOOK INHOUSE SOCIAL RESPONSIBILITY PROJECTS LIKE 'KAÇUV MONEYBOX' AND 'BLUE CAPS CAMPAIGN' WHILE CARRIED OUT ART SUPPORTING ORGANIZATIONS LIKE 'CATCH YOUR SUN' AND 'GREAT ART PIECES BY LITTLE PAINTERS'.

since its foundation and all fellows who are currently employed, in this success. I submit my gratitude towards all the employees who played a role in Güneş Sigorta's success throughout the timeline. We took over this wonderful heritage from our predecessors, and I hope we will be able to leave it successfully to next generations." During the event that is cheered by the songs of Prestij Music Band, a 60th anniversary cake cutting ceremony took place with participation of Güneş Sigorta personnel.

Güneş Sigorta's Day of Fidelity for the Labour

Having submitted its gratitude to both its employees and agents due to its 60th anniversary through the events held within the year, Güneş Sigorta also haven't forgot the retired personnel. Retired personnel and the former employees who have paid efforts in favour of Güneş Sigorta family were entertained through a cocktail event that took place on September 21st, 2017. Following the cocktail, the retired Güneş Sigorta staff were awarded memory plaquets. Guests' awards were presented by Serhat Süreyya Çetin the General Director of Güneş Sigorta, and Deputy General Directors Birgül Denli, Tahsin Oral, Murat Koygun and Tayfun Altıntaş. In his speech at the ceremony Çetin stated as follows: "We thank you a lot, who had great efforts in the current success of Güneş Sigorta. We do our best to successfully hand this wonderful heritage down to the following generations which you've entrusted to us, and shall keep on doing so. I submit gratitude to each of you both on behalf of myself and Güneş Sigorta. You could have been retired or quitted from Güneş Sigorta, however you do always have a special place within Güneş Sigorta family."

Güneş Sigorta's Retired General Director Mehmet Aydoğdu was also ready, to receive his award and give

his contribution, at the organization which was also attended by Ayhan Özersoy the Retired Deputy General Director, Metin Atakan, Servet Sönmez and Süha Akdemir.

In his speech following the presentation of his award Aydoğdu said "I thank you both on behalf of myself and my friends for realizing such an event. Today, I've reunited with some of my friends whom I haven't seen for 15 years. We have had succeeded pretty much with my friends. They also did succeed, our successors, either be it Mr. İlker, Mr. Serhat and all the administrative staff; and they keep on with their achievements. I believe that Güneş Sigorta, which accomplished 60 years, will be preserving its existence to the best for many years more."

HEALTHY LIFE ACTION

Pilates and Yoga

In order to maintain the physical and psychological well being of the workers, by April 2017, Güneş Sigorta has started organizing free pilates and yoga sessions twice a week at the General Directorate building. Delivered free of charge, the pilates program continued until the end of year.

Healthy Nutrition Program

Güneş Sigorta started an initiative against physical problems like obesity and its psychological consequences caused due to inactivity threatening the humanity in the digital era. In this regard, the Güneş Sigorta family has begun with a healthy living program by July 2017. Through the program that lasted until the end of the year, employees have lost a total weight of 340 kg's by the help of a nutrition and diet expert visiting the General Directorate building.



ANNUAL REPORT COMPLIANCE STATEMENT

Regarding our operations for 2017, we hereby present our Annual Report, prepared in compliance with the "Regulation on the Internal System of Insurance, Reinsurance, and Pension Companies" No:26606, published by Republic of Turkey Prime Ministry Undersecretariat of Treasury on the Official Gazette dated August 7, 2007, for your attention and approval.

Respectfully yours,


Yakup ŞİMSEK
Chairman on the Board of Directors


Serhat Süreyya ÇETİN
Board Member,
General Manager


Murat KOYGUN
Assistant General Manager


Uğur SEFİLOĞLU
Group Manager



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ON THE BOARD OF DIRECTORS' ANNUAL REPORT
ORIGINALLY ISSUED IN TURKISH**

To the General Assembly of Güneş Sigorta A.Ş.

1. Opinion

We have audited the annual report of Güneş Sigorta A.Ş. (the "Company") for the 1 January - 31 December 2017 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Company's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSAs") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and the regulations on the principles on auditing as set out in the insurance legislation. Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Our Audit Opinion on the Full Set Financial Statements

We expressed an unqualified opinion in the auditor's report dated 13 February 2018 on the full set financial statements for the 1 January - 31 December 2017 period.

*PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
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T: +90 212 326 6060, F: +90 212 326 6050, www.pwc.com.tr Mersis Numaramız 0-1460-0224-0500015*

4. Board of Director's Responsibility for the Annual Report

Company management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") and "Regulation on Financial Structures of Insurance, Reinsurance and Pension Companies" ("Regulation") published on the 7 August 2007 dated Official Journal No. 26606 are as follows:

- a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- b) to prepare the annual report to reflect the Company's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Company may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
- c) to include the matters below in the annual report:
 - events of particular importance that occurred in the Company after the operating year,
 - the Company's research and development activities,
 - financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

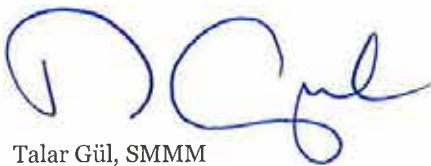
When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Customs and Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC, Communiqué and Regulation provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited financial statements of the Company and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the regulations on the principles on auditing as set out in the insurance legislation and the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited financial statements and with the information obtained in the course of audit.

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



Talar Gül, SMMM
Partner

Istanbul, 1 March 2018

MESSAGE FROM THE BOARD OF DIRECTORS TO SHAREHOLDERS

Dear Shareholders,

2017 will be imprinted on the memories as the year in which the global economy continues its moderate growth with increased production activities and trade volume. The expectation of the developed countries' economic growth rate will be 2.3%, which was 1.7% in 2016, is an indicator that 2017 benefited advanced economies. The growth of Asian countries including China and India by 6.5% is another remarkable development in 2017.

In the first nine months of the year, Turkish economy by having an increase over 7% of GDP has had a strong economic growth.

In this economic table, our company's total assets and resources have increased. In 2017, our asset size has increased by 24% and become 2 billion 167 million 689 thousand TRY, our premium production has increased by 21% and become 1 billion 660 million 979 thousand TRY. The total resources of our company has reached the level of 677 million 599 thousand TRY. As a result of the end of year 2017 activities, our company achieved a net profit of 26 million 493 thousand TRY.

We left behind a year in which we took proactive measures according to the general state of the market and we acted with a productivity-based strategy. The notion "digitalization of knowledge" constituted our main focus. At the present time in which the world is undergoing a serious digital transformation, we entered into a huge structural change and presented our contemporary approach in 2017. In order to get up to date, we have combined our 60 years of experience with flexible and visionary presence.

We hereby submit the 2017 balance sheet and the statement of loss and gains to your examination reflecting the financial situation of our company, which we believe 2018 will be the year that we will grow and strengthen with our experience, innovative approach and customer-focused service concept.

Respectfully Yours,

Board of Directors



60 GÜNEŞ
YIL SIGORTA
"Hayat daha kolay"

BOARD OF DIRECTORS



YAKUP ŞİMŞEK, Chairman

Born in Diyarbakır Kulp in 1970, Yakup Şimşek graduated from Ankara University Faculty of Political Sciences, Department of Business Administration. His banking career began as an Assistant Inspector at Türkiye Vakıflar Bankası T.A.O in 1996 and respectively he worked as Istanbul Regional Commercial Credits Department Director, General Directorate Commercial Credits Director, Inspection Board Chairman, Eastern Anatolia Regional Director, Southeastern Anatolia Regional Director and Cash Management Operation President. Yakup Şimşek continued his career as Vakıf Leasing General Director and Board Member, Vakıf Faktoring and Credit Reference Agency Board Member between 2006 and 2008 and also served as Vakıf Portföy Board Member between March 2015 and August 2016. Appointed as the Assistant General Manager on the August 25, 2018, Yakup Şimşek is the father of two children and speaks English.



METİN RECEP ZAFER, Vice Chairman

Metin Recep Zafer, who graduated from Department of Economics, Faculty of Economics and Administrative Sciences at Marmara University, holds a MA degree on econometrics and doctorate on banking and insurance studies, both received from the same university. Metin Recep Zafer, who has been serving in many positions in the banking sector since 1992, has been working as an Assistant General Manager at VakıfBank since June 13, 2006 and a member of Board of Directors at Güneş Sigorta A.Ş since March 9, 2007. Since April 22, 2016, he has held the position of Vice Chairman of the Güneş Sigorta.



ABDİ SERDAR ÜSTÜNSALİH, Member

Abdi Serdar Üstünsalih graduated from Karadeniz Technical University, Department of Physics and holds a Master's degree in Information Systems from Gazi University and a Master's degree in Public Administration from Selçuk University, Faculty of Social Sciences. Began working at Türkiye Vakıflar Bankası T.A.O. in 1991, Üstünsalih worked as a Manager and President at the various branches and departments of the bank between 1999 and 2010. Üstünsalih has been serving as the President of Banking Operations, Vakıf Enerji A.Ş. Vice President of the Executive Board and Türkiye Vakıflar Bankası T.A.O. Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı (Vakıfbank Pension Fund) since 2010. Since starting his career, he has worked in many banks, companies, foundations and associations both domestic and abroad. Üstünsalih is a Board Member of Güneş Sigorta as of April 15, 2016



ZÜLKÜF KARAKUŞ, Member

Graduated from Ankara University Department of Political Sciences Faculty of Public Finance in 1992, Zülküf Karakuş began his career as an Assistant Inspector in Türkiye Vakıflar Bankası T.A.O in 1993. Thereafter, Karakuş worked as an Inspector in 1996 and between the years 2000 and 2012, he worked as Branch Manager, Unit Manager and President within the Türkiye Vakıflar Bankası T.A.O. organization. Karakuş, who has been working as VakıfBank Ankara Regional Manager of 1st District and has Independent Financial Adviser (SMMM) and Independent Audit Certificate, is still a Vakıf Enerji Member of Board. Zülküf Karakuş, a Member of Board of Güneş Sigorta since June 16, 2017, speaks English.



FARUK NAFİZ İMAMOĞLU, Member

Faruk Nafiz İmamoğlu, who is graduated from Gazi University Faculty of Economics and Administrative Sciences Department of Public Finance, started his career as an assistant specialist in VakıfBank in 1996. Appointed as an Assistant Inspector in 1996, İmamoğlu respectively worked in Commercial Loans Directorate, Performance Evaluation and Career Planning Directorate, Personnel Managements and Discipline Directorate and Directorate of Payment Systems Operations. İmamoğlu, who has been working as the Assistant General Manager in Vakıf Pazarlama San. Tic. A.Ş. since November 2017, has also been a Member of Board of Güneş Sigorta since June 16, 2017.



MEHMET BAYRAM, Independent Member

After graduating from Bursa University Faculty of Economics and Social Sciences Politics and Cooperatives Department in 1978, Mehmet Bayram started his career at Eyüp Branch of Pamukbank T.A.Ş. as an officer in 1980. Respectively, he worked as Chief Assistant, Chief, 2nd Manager and as a Manager until 1992. Thereafter, Bayram worked respectively in the following positions; Pamukbank T.A.Ş Zeytinburnu Branch Manager between 1992-94, Pamukbank T.A.Ş. Fatih Branch Manager between 1994-1997, Pamukbank T.A.Ş. Tahtakale Commercial Branch Manager between 1997-2005, Halk Bankası Tahtakale Commercial Branch Manager between 2005-2010, after being Halk Bankası İstanbul 1st Regional Coordinator between 2010-2014 he retired. He is married and he is a father of two children.



TELAT KARAPINAR, Independent Member

Graduated from Istanbul University Faculty of Law, Telat Karapınar was an attorney at law between the years 1994-2002. Between 2002-2007 he was a Member of Parliament. As of 2009, respectively he worked as a Member of Board in Vakıf Real-Estate Expertise, Vakıf Marketing and Vakıf Financial Leasing companies.

Since August 8, 2017, Karapınar has been a member of the Board of Directors of Güneş Sigorta.



SERHAT SÜREYYA ÇETİN, General Manager & Member

Serhat Süreyya Çetin, who graduated from Ankara University, Department of Sociology, got his master's degree on Business Administration from Istanbul Commerce University and completed his PhD in Management from the Istanbul Aydın University. Çetin, who started his career at Turkish Airlines by working part-time during his student days. Çetin, who worked in Yapı ve Kredi Bankası A.Ş. in the department of Corporate Banking during 1997-2006, was assigned as the Assistant General Manager Responsible for Financial Affairs in Güneş Sigorta A.Ş. between the years of 2006- 2009; and then he served the Company as Assistant General Manager Responsible for Sales and Marketing during 2009-2011. Being a board member for Agricultural Insurance Pool (TARSİM) since 2012, for Türk P&I Sigorta since 2013, for Güvence Hesabı since 2015 and for Assurance Accounts since 2015, Mr. Çetin has undertaken the titles of Güneş Sigorta General Manager and Member of the Board of Güneş Sigorta. Having a fluent possession of English language, Mr. Çetin is married and has two siblings.

MEMBER CHANGES IN THE BOARD OF DIRECTORS

Appointed as the Chairman of Güneş Sigorta in April 9, 2013, **Halil Aydoğan** left his position on June 16, 2017.

Appointed as a Member of Board of Güneş Sigorta in October 31, 2014, **Serdar Tunçbilek** left his position on June 16, 2017.

Appointed as a Member of Board of Güneş Sigorta in March 27, 2015, **Muhammet Lütfü Çelebi** left his position on June 16, 2017.

Appointed as a Member of Board of Güneş Sigorta in April 15, 2016, **Aydın Cem Aslanbay** left his position on June 16, 2017.

Appointed as a Member of Board of Güneş Sigorta in April 15, 2016, **Fatih Küçükcan** left his position on August 8, 2017.

At the General Assembly on June 16, 2017 **Yakup Şimşek** was appointed as the Chairman, Faruk Nafiz İmamoğlu, Zülküf Karakuş and **Mehmet Bayram** was appointed the Board Members for the first time. On August 8, 2017 **Telat Karapınar** was appointed as a Board Member.

FINANCIAL RIGHTS GIVEN TO THE BOARD MEMBERS AND SENIOR EXECUTIVES

In 2017, the total number of attendance fee paid to the Members of Board is TRY 308.370 thousand. The total amount paid to top executives including general manager, assistant general managers and group managers is TRY 3 million 464 thousand. This amount consists of salary, bonus, title bonus payments and language allowances and other expenses such as road fare, food, fuel allowances, group individual retirement contribution margin and other paid benefits.

BOARD MEMBERS' PARTICIPATION TO MEETINGS IN 2017

The total number of meetings held in 2017 are 28, which are held in; 27.01.2017, 13.02.2017, 17.02.2017, 01.03.2017, 07.03.2017, 20.03.2017, 29.03.2017, 31.03.2017, 10.04.2017, 28.04.2017, 05.05.2017, 11.05.2017, 23.05.2017, 06.06.2017, 16.06.2017, 03.07.2017, 31.07.2017, 08.08.2017, 11.08.2017, 23.08.2017, 18.09.2017, 04.10.2017, 18.10.2017, 24.10.2017, 30.10.2017, 10.11.2017, 21.11.2017 and 28.12.2017.

Aydın Cem Aslanbay in March 07, 2017 and in May 11, 2017, Mehmet Lütfü Çelebi in March 07, 2017 and Fatih Küçükcan in May 05, 2017 did not attend the meetings held on mentioned dates.

BRIEF INFO ABOUT CHAIRMAN AND MEMBER OF BOARD AS OF DEC 31, 2017

NAME SURNAME	TITLE	PROFESSION	EDUCATIONAL BACKGROUND	EXPERIENCE (YEAR)	POSITIONS IN THE PARTNERSHIP IN LAST 5 YEARS	CURRENT POSITIONS UNDERTAKEN OUTSIDE THE PARTNERSHIP
Yakup ŞİMŞEK	Chairman	Banker	Bachelor's Degree	22	-	T.Vakıflar Bankası T.A.O. Vice President
Metin Recep ZAFER	Vice Chairman	Banker	PhD	22	Board Member	T.Vakıflar Bankası T.A.O. Vice President
Abdi Serdar ÜSTÜNSALİH	Board Member	Banker	Master's Degree	27	Board Member	T. Vakıflar Bankası T.A.O. Banking Operations President, Vakıf Enerji ve Madencilik A.Ş. Board Member and T. Vakıflar Bankası T.A.O. Retired and Medical Provident Fund Supervisor
Faruk Nafiz İMAMOĞLU	Board Member	Banker	Bachelor's Degree	21	-	Vakıf Pazarlama San. ve Tic. AŞ. Vice President, VakıfBank Employee Private Social Security Services Foundation Supervisor
Zülküf KARAKUŞ	Board Member	Banker	Bachelor's Degree	25	-	T.Vakıflar Bankası T.A.O.Regional Directorate, Vakıf Enerji Board Member
Telat KARAPINAR	Board Member	Lawyer	Bachelor's Degree	24	-	-
Mehmet BAYRAM	Board Member	Banker	Bachelor's Degree	37	-	-
Serhat Süreyya ÇETİN	Board Member & General Manager	Insurer	PhD	24	Board Member & General Manager	Türk P&I Sigorta Board Member, TARSİM Board Member and Güvence Hesabı Board Member

BOARD OF DIRECTORS COMMITTEES

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was established in April 20, 2012, in the framework of the provisions set forth in the Capital Markets Board Communiqué Serial: IV, No: 56 on the “Determination and Implementation of Corporate Governance Principles” effectuated in December 30, 2011. According to Corporate Governance Communiqué principles dated January 3, 2014, Capital Markets Activities Advanced Level Licensed Investor Relations Manager was appointed on June 30, 2014 along with the committee membership duty upon the requirement of the appointment of an Investor Relations Department Manager to the committee. The committee consists of a chairman and 2 members and gathers at least once in three months and every time when required. Chairman of the committee is the independent member of the Board of Directors.

The main duties of the committee are: carrying out the studies needed to ensure compliance with Corporate Governance Principles, making suggestions to the Board of Directors in this context, monitoring whether or not the compliance with Corporate Governance Principles is sustained. Additionally, the Committee fulfills the tasks of Nomination Committee, Early Detection of Risk Committee and Wage Committee.

AUDIT COMMITTEE

The Audit Committee was established as of April 20, 2012, in the framework of the provisions set forth in the Capital Markets Board Communiqué Serial: IV, No: 56 on the “Determination and Implementation of Corporate Governance Principles” effectuated on December 30, 2011. The committee is comprised of at least two members, who are selected among the Independent Members of the Board of Directors of our Company. Except for obligatory cases, the Committee convenes at least quarterly or when deemed necessary.

In line with the capital markets legislation and relevant provisions, the Committee targets to ensure a healthy execution of the Company’s financial and operational activities. The objective of the Committee is to supervise the efficacy and functioning of the independent auditing and internal control systems along with the accounting system of the Company and the efficiency of public disclosure of financial statements. The Committee is also responsible for taking all necessary actions to maintain the sufficiency and transparency of all internal control and/or independent audit activities.

EARLY DETECTION OF RISK COMMITTEE

Early Detection of Risk Committee has been established on October 20, 2012, within the framework of the provisions set forth in Item 1- Article 378 of Turkish Commercial Code No: 6102 effectuated in July 1, 2012. It is also agreed on General Assembly decision dates May, 24 2014 that the committee will act as Early Detection of Risk Committee, which was required by Capital Markets Board Communiqué Serial: IV No: 63. The committee comprised of a chairman and two members. While the chairman is an Independent Member of Board, one of the members is Assistant General Manager responsible for execution.

The Committee is responsible for prudently detecting the risks at an early stage, which may endanger the company’s presence, development and continuation and taking the necessary measures, implementation of solutions and actions towards eliminating the detected risks. It is also responsible for evaluating the condition in reports, which will be submitted to the Board of Directors every two months and to revise risk management systems at least once a year.

COMMITTEE MEMBERS AND THEIR POSITIONS

COMMITTEES	COMMITTEE MEMBERS	POSITION	COMMITTEE ROLE
Corporate Governance Committee	Telat KARAPINAR	Independent Board Member	Committee Chairman
	Abdi Serdar ÜSTÜNSALİH	Board Member	Committee Member
	Fulden PEHLİVAN	Investor Relations Unit Manager	Committee Member
Audit Committee	Telat KARAPINAR	Independent Board Member	Committee Chairman
	Mehmet BAYRAM	Independent Board Member	Committee Member
Early Detection of Risk Committee	Mehmet BAYRAM	Independent Board Member	Committee Chairman
	Faruk Nafiz İMAMOĞLU	Board Member	Committee Member
	Tayfun ALTINTAŞ	Assistant General Manager	Committee Member

EVALUATION OF THE BOARD OF DIRECTORS

At our company "Audit Committee", "Early Detection of Risk Committee" and "Corporate Governance Committee" have been established. Corporate Governance Committee also carries out the duties of "Nomination Committee" and "Remuneration Committee". Committees are able to get all kinds of resources and support from the Board of Directors as they carry out their duties. Committees meet at least as often as it is necessary under the conditions designated in the legislation and they periodically submit the results of their activities to the Board of Directors.

SENIOR MANAGEMENT



SERHAT SÜREYYA ÇETİN, General Manager

Serhat Süreyya Çetin, who graduated from Ankara University, Department of Sociology, got his master's degree on Business Administration from Istanbul Commerce University and completed his PhD in Management from the Istanbul Aydın University. Çetin, who started his career at Turkish Airlines by working part-time during his student days. Çetin, who worked in Yapı ve Kredi Bankası A.Ş. in the department of Corporate Banking during 1997-2006, was assigned as the Assistant General Manager Responsible for Financial Affairs in Güneş Sigorta A.Ş. between the years of 2006- 2009; and then he served the Company as Assistant General Manager Responsible for Sales and Marketing during 2009-2011. Being a board member for Agricultural Insurance Pool (TARSİM) since 2012, for Türk P&I Sigorta since 2013, for Güvence Hesabı since 2015 and for Assurance Accounts since 2015, Mr. Çetin has undertaken the titles of Güneş Sigorta General Manager and Member of the Board of Güneş Sigorta. Having a fluent possession of English language, Mr. Çetin is married and has two siblings.



BİRGÜL DENLİ, Assistant General Manager

Birgül Denli, who graduated from Middle East Technical University, Department of Statistics, received her master's degree from Financial Markets and Derivatives at London Metropolitan University. Having served in various positions in many banks and companies, both in Turkey and abroad, Denli was appointed as the Head of International Finance Department and Correspondent Banking and a member of the board of directors in VakıfBank International AG, Vienna. Having lastly worked in VakıfBank as Vice President Responsible of International Relations and Investor Relations, Birgül Denli was appointed as the Assistant General Manager Responsible for Budget Planning and Investor Relations in Güneş Sigorta, as of July 2, 2012. Denli has undertaken role as Assistant General Manager Responsible for Strategy and System Management by May 21, 2014.



MURAT KOYGUN, Assistant General Manager

Graduated from Uludağ University Faculty of Economic and Administrative Sciences, Department of Economics, Murat Koygun started working as an Assistant Inspector at VakıfBank in 1992. Afterwards, he served as an Inspector in 1995, as the Assistant Branch Manager in Ankara in 1997, Kayseri Branch Manager in 2000, Kolej Branch Manager in 2004, Monitoring and Credit Surveillance Director in 2007 respectively and Koygun was finally appointed as the General Accounting and Financial Affairs Director in 2011. Koygun, being certified with TURMOB Financial Consultancy License and Public Surveillance Independent Auditor certificates, is also a Board of Directors' member of the Turkish P&I. Between 2007-2016, he has served as a Vakıf Enerji ve Madencilik A.Ş. Board of Directors' member and as Cyprus Vakıflar Bankası Board of Directors member between 2012-2016. Murat Koygun was appointed to the position of Güneş Sigorta's Assistant General Manager Responsible for the Management of Financial Affairs on November 9, 2015.



TAHSİN ORAL, Assistant General Manager

Tahsin Oral is graduated from the Department of Public Finance of Faculty of Economics at Istanbul University in 1992 and started his professional career within the Revenue Office of the Ministry of Finance. Shortly afterwards, Tahsin Oral became a member of the VakıfBank Inspection Board. Besides performing his duty at Department of Credit Cards Group Management as Assistant Manager within VakıfBank, Mr. Oral has performed his duties at various branches of the VakıfBank Directorate, Regional Office and Istanbul European and Anatolian Offices as Chief executive. Having participated in 1998 to an Extension Program of the University of California in Berkeley, Mr. Oral has served on the Board of Directors at Vakıf International AG situated in Vienna between 2015-2016. Having certificates of Certified Public accountants and Capital Markets Board (CMB), Mr. Oral, is currently working at Güneş Sigorta as Assistant General Manager charged of Marketing and Sales Management as of December 12, 2016.



TAYFUN ALTINTAŞ, Assistant General Manager

Being graduated from the department of Public Administration of Faculty of economics and administrative sciences at Uludag University, Tayfun Altıntaş, has completed his Master Degree at Institute of social sciences of Istanbul University. He has occupied various positions at Başak Groupama Sigorta inc. and worked at Department of Accident between 1999 -2006. He took up a position at Automobile and Personal accident insurance, Various Accident and Agriculture Insurance Departments as Responsible Group Manager. Between 2011-2017, he worked at Automobile Insurances Technical and Damage Management, Actuary, Law, Recourse, Logistics and Procurement Departments as Responsible Group Manager. Mr. Altıntaş who has been a Board Committee member at Traffic Insurances Information Center (TRAMER) between 2008-2011, is currently carrying out the membership of Accident Research and Investigation Board of Turkish Insurance and Reinsurance Companies as of 1999 and the membership of the Technical Committee of Turkish Greencard Reinsurance Pool since 2003. Tayfun Altıntaş is also working at Institute of Turkish Insurance as of 1999, at Banking and Insurance Department of Marmara University and Institute of Banking and Insurance since 2005 as academician. Mr. Aslantaş who was carrying out its duty at Department of Technical and Damage Management as Assistant General Manager until May 8, 2017, has started to perform his duty as Technical Assistant General Manager since December 11, 2017.



BÜLENT SOMUNCU, Assistant General Manager

After being graduated from Kabataş Erkek High School and the department of management of the Faculty of political sciences at Ankara University, Bülent Somuncu has completed his Master Degree in department of economics at Institute of Social Science of Marmara University. Mr. Somuncu who has rendered service as president of Insurance Auditing Board at the Undersecretariat of Treasury between 1995-1997, has carried out his duty in Sofia, the capital of Republic of Bulgaria as economic Councilor of the Undersecretariat of Treasury between 1998-2001. In 2006 -2008, he has worked at Güven Sigorta as General Director and at Halk Sigorta inc. as General Director between 2011-2016. Mr. Somuncu giving a lecture on Insurance Law at Insurance department of Vocational Collage and on Insurance Damage Practices at Faculty of commercial sciences of Istanbul University, carries out his duty as assistant general manager charged of damage management department at Güneş Sigorta as of December 11, 2017. Bülent Somuncu speaks English and Bulgarian.

CHANGES IN TOP MANAGEMENT

Hasan Altaner who has begun his career in the Treaty Service at Güneş Sigorta and subsequently served as a Reassurance Manager, Reassurance and Transportation Manager and Assistant General Manager charged of Technical Services, has performed his duties between 1 January 2012 and 22 February 2017 as an Assistant General Manager charged of the Technical Services until he passed away.

Tayfun Altıntaş who was performing his duties under the title of Automobile Insurances and Damage Department's Group Manager, has taken up the position of Assistant General Manager charged of Technical and Damage Management on the 8th of May 2017 and been appointed as an Assistant General Manager charged of Technical Services on the 11th of December 2017.

Bülent Somuncu has been appointed on the 11th of December 2017 as an Assistant General Manager charged of Damage Management.



INSPECTION BOARD & INTERNAL CONTROL AND RISK MANAGEMENT

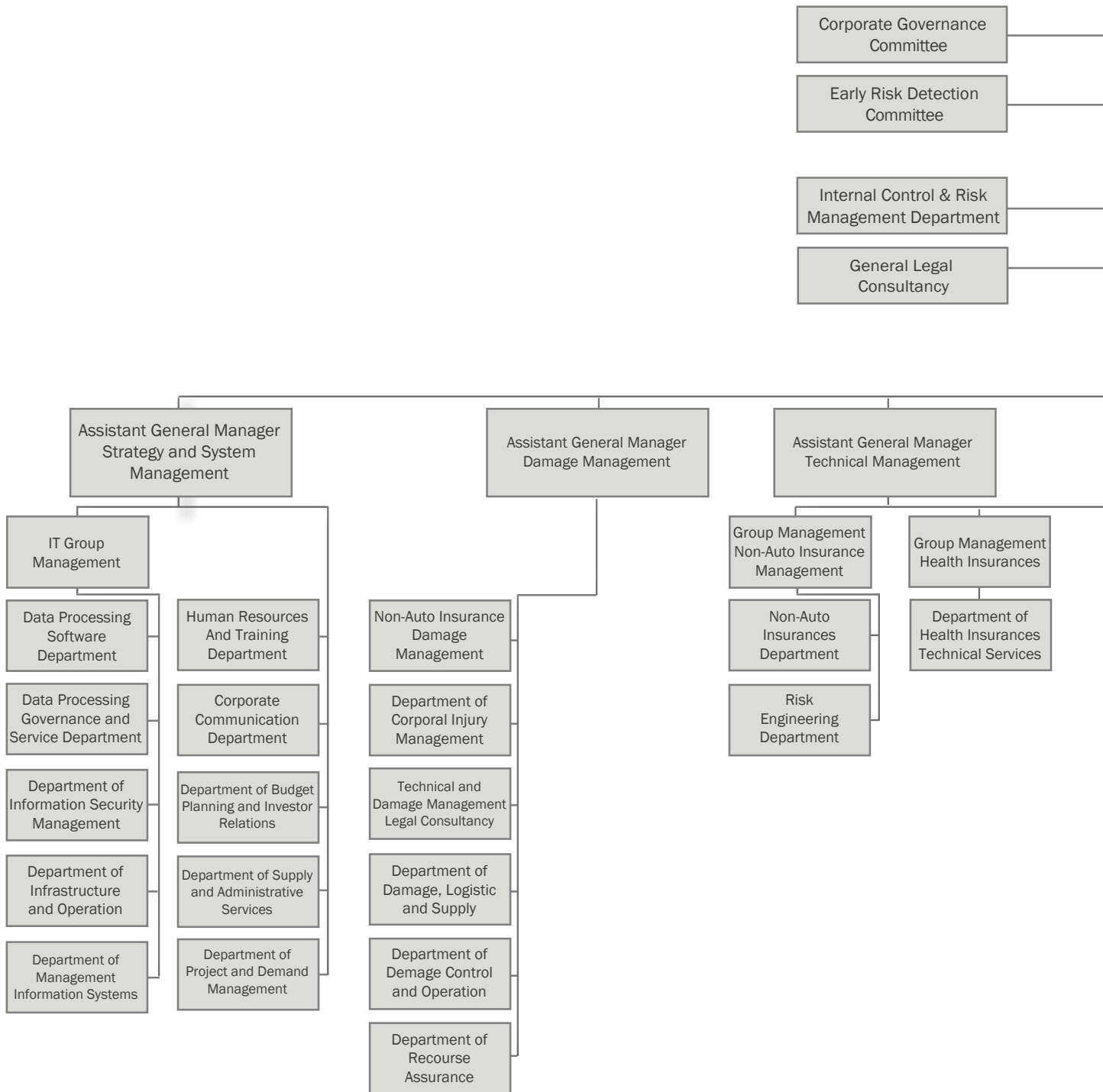
GONCA HAZIR, Chairman of the Inspection Board

Graduated from the Department of Management at the Faculty of Economics and Administrative Sciences at Hacettepe University in 2006, Gonca Hazır still continues her postgraduate education at Marmara University's Banking and Insurance Institute, Insurance Department. She started her career in 2007 as an Assistant Inspector at VakıfBank Inspection Board Chairmanship and she served as an Assistant Inspector and Inspector between 2007 and 2014. On August 18, 2014, she was assigned as the Chief Inspector of Güneş Sigorta Inspection Board Chairmanship. Hazır who has previously been certified with Certified Internal Auditor (CIA), Capital Markets Activities Level 3, Credit Rating and Derivatives Certificates, continues to serve as Güneş Sigorta Inspection Board Chairman since May 13, 2015.

İBRAHİM EROL, Internal Control and Risk Management Manager

İbrahim Erol who graduated from the Department of Management at METU in 2006, started his career in 2006 as the Assistant Inspector at Fortis Bank Inspection Board. Between 2006-2011, he worked as an Assistant Inspector and Inspector respectively and between 2011-2012, he served as a Senior Inspector at Türk Ekonomi Bankası Inspection Board. Finally, he worked as an Internal Control and Risk Management Assistant Manager at Güneş Sigorta. Certified with CIA (Certified Internal Auditor), CISA (Certified Information Systems Auditor), CFSA (Certified Financial Services Auditor), CFE (Certified Fraud Examiner), Capital Markets Activities Level 3, Credit Rating and Derivatives Certificates and METU Distinction Honor Student Certificates, Erol has been serving as Güneş Sigorta Internal Control and Risk Management Branch Manager since November 6, 2015.

ORGANIZATION CHART



CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

It is issued considering the Corporate Governance Statement of the Capital Markets Board (SPK) Published by the Commercial Registry Journal of Turkey No. 28871 and dated January 3, 2014. The Güneş Sigorta makes an effort in maximum to follow the four principles of the Corporate Governance Statement prepared by the Capital Markets Board and which are based on transparency, honesty, reliability and fairness.

In 2009, it has been established the Investor Relations Department in order to enable the share & stakeholders to updated information about the Company in the easiest and safest manner, to ensure regular information Exchange and build relations based on trust between the company and existing potential investors. A Corporate Management Committee has been created as of the date of April 20, 2012 and this mentioned committee is charged with the tasks of following the Company's activities performed related to transparency, disclosure of public and the investors, compliance with the Corporate Management Principles and so on. As required by the Corporate Governance Communique, as of June 25th, 2014 the Company has begun with appointing an Investor Relations Unit Manager in possession of either the High Level or Corporate Governance Rating Surveyor licences of

the Capital Markets Board (CMB), and the mentioned manager has also been appointed for membership of the Committee of Corporate Governance. The Company announces through the Corporate Governance Compliance Report the works carried out in respect of the orderly publication of information, facilitation of communication and simplifying the use of rights by shareholders. In addition, it declares through the same report, the policies developed and studies conducted in order to regulate the relations with stakeholders. Structure of the Board of Directors that undertakes the administrative responsibility of the Company, its meeting format, duties and the committees formed under its body are presented in the report.

While spending efforts to refrain, during its operations, from decisions and practices which might impact the compliance with Corporate Governance Principles, the Company pays utmost attention and care to take positive steps in respect of maintaining the compliance with such principles. It adheres strictly to the mandated obligatory principles. Until today, currently the Company has not caused any conflicts of interest among stakeholders due to the principles not yet fully complied with. Explanation about the conformed and not yet conformed principles are provided in the related chapter of the Report.

CORPORAL GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2017

SECTION 1- SHAREHOLDERS

1.1. Facilitation of Exercising of Shareholder Rights

Rights of shareholders have been determined as debriefing, profit share, new share acquisition, liquidation account joining, company management joining and right to vote. Protection of shareholder rights, providing facilitation for shareholders within partnership to get debriefing and establishing communication between partnership and investors are among the basic duties of Investor Relations Department, which was founded at the end of 2009 for these purposes, and Corporate Governance Committee, which was founded on April 20, 2012. Information and explana-

tions that may affect shareholder rights usage are presented on the corporate webpage of the company in updated form.

Foundation of Investor Relations department since 2009 and the company showing improvement in terms of corporate management, making the company to have more transparent structure in accordance with to Capital Markets Board legislation and Corporate Governance Principle are being targeted. Offering most updated and correct information to to Capital Markets Board legislation and Corporate Governance Principle and accordingly earning trust of investors in order to establish a long-term relation with investors.

Capital structure of the company is being published on the webpage in annual reports and relevant documents. There are no ultimate controlling shareholders within the partnership structure of the company.

1.1.1. Investor Relations Unit and Communication

An investor relations Unit Manager, who is directly under Birgöl Denli, and two other members who are responsible for investor relations unit runs investor relations department. Related with the studies of the unit, briefing is made to corporate governance com-

mittee, a report is prepared to the Board of Directors each year and studies of the unit are controlled by the committee. Unit Manager is a full-time worker of the company and s/he has licenses of Capital Markets Activities Level 3 and Corporate Governance Rating Specialist. Unit Manager is also appointed as Corporate governance committee member. Communication with investor relations unit can be made through yatirimci.iliskileri@guinessigorta.com.tr e-mail address along with the direct contract to the following officials.

INVESTOR RELATIONS UNIT MEMBERS

NAME	RESPONSIBILITIES	LICENSE INFORMATION	TELEPHONE
Birgöl DENLİ	Deputy General Manager	-	(0212) 355 6960
Fulden PEHLİVAN	Investor Relations Unit Manager Corporate Governance Committee Member Budget Planning and Investor Relations Manager	Corporate Governance Activities Level 3 License Corporate Governance Rating Specialist License	(0212) 355 6820
Emre ŞAHİN	Investor Relations Unit Member Budget Planning and Investor Relations Specialist	-	(0212) 355 6822

1.1.2 Duties of Investor Relations Unit

Duties of Investor Relations Unit are summarized below;

- Providing the communication of shareholders with the Board of Directors,
- Helping to answer the questions asked by the shareholders and investors provided that not to reveal any commercial secrets,
- Ensuring the healthy, secure and updated storage of reports related to the documents,
- Ensuring that General Assembly Meeting is conducted in accordance with the Principle Agreement,
- Submitting the General Assemblies of Trimester Activity Report and Independent Assembly announcement, agenda and meeting report to the information of shareholders and investors,
- Ensuring e-General Assembly management,
- Publishing on the website the responses of the questions asked during the General Assembly,
- Ensuring the distribution of dividend and bonus share related to shareholders,
- Making the Public Disclosure Platform announcement Audit Report,
- Supervising and monitoring the obligations related to the Capital Markets Board legislation, including every subject related to corporate governance and public disclosure along with the publication of special condition announcements in KAP (Public Disclosure Platform),
- Periodically updating the information related to the General Assembly, Financial Charts, Board of Direc-

tors etc. on the e-company portal of Central Registry Agency (MKG),

- Taking the necessary actions such as Access List of Internal Information and Silent Partner List over the MKS application of Central Registry Agency,
- Keeping "investor relations" section of the website updated,
- Preparing the Annual Activity Report in compliance with TTK, Undersecretariat of treasury and Capital Markets Board (SPK) and ensuring its publication on time in order for shareholders to examine,
- Ensuring updates of Corporate Governance Principles Compliance Report and submit it to the approval of Corporate Governance Committee,
- Leading to the Corporate Governance Principles Compliance studies and informing the Corporate Governance Committee about the studies,
- Preparing a report to the Board of Directors related to the activities at least once a year,
- Helping adaptation to new regulations published through official statement and legislations.

1.2 Right to Obtain and Examine Information

Company's publicly disclosed three-month financial tables are sent to the shareholders Türkiye Vakıflar Bankası T.A.O. and Groupama S.A. Moreover, a BDDK package prepared with the financial tables in the format that is compatible with the banking legislation procedures are sent to Türkiye Vakıflar Bankası T.A.O. on a monthly basis. All other requests for information about the Company are answered in order of urgency as quickly as possible.

In compliance with the provisions set forth in the communiqué (II-15.1) issued by Capital Markets Board regarding the Principles on Special Cases, all announcements and notices have been submitted to the Public Disclosure Platform (KAP), and thus were shared with shareholders.

No special auditor appointment was requested during the period. Information is provided to the shareholders by investor meetings, telephone and electronic mail.

1.3 General Assembly

1.3.1 General Assembly Declaration and Briefing

In line with the decision taken by the Board of Directors, the announcement of General Assembly Meeting and all the document to be submitted to shareholders' examination will be put on the corporate website of the company, on KAP and MKK at least three weeks before the General Assembly date.

Internal Guideline Regarding Work Procedures and Principles of General Assembly in Güneş Sigorta Anonim Şirketi" was prepared and approved in the General Assembly on March 25, 2013.

Information regarding partnership structure of the company and total number of shares, changes in administration and activities that may affect planned partnership activities within the financial year, and reasons for these changes are presented among the information declared for the General Assembly. If present, dismissals and change reasons of the Board of Directors, resumes of people presented to partnership for Board Membership along with the work experience and reasons of leaving, quality of his/her relationship with related parties and level of importance, whether he/she has independence quality are also given as an information.

Price policy is also included for the members of Board of Directors and directors with administrative responsibilities. In the event that the change of the principle agreement is on the agenda, the meeting agenda by the decision of Board of Directors, the former and new condition of the principle agreement will be announced to the investors. It is located in the General Assembly section as "General Assembly Announcement" report as a whole on the website. E-GKS is also informed with the announcement made via KAP.

The sample of "For Voting by Proxy Form", which substitutes the shareholders to be represented in the General Assembly meeting, to vote, to make offer and to sign the necessary document, is on the website under the section of General Assembly, Annual report is published on the website at least three weeks in advance for the shareholders to examine. Also the copies are stocked at the Head Office.

Within the period, on June 16, 2017, with 83,22% quorum Ordinary Meeting of the General Assembly was held. The announcements related to the meeting are published in Turkish Trade Registry Gazette, KAP and on the website of the company.

1.3.2 General Assembly Agenda

Each article is prepared in a way that it can include a single offer. If any, agenda item related to the change of principle agreement is added. If dismissal, change or election of the Board of Directors members at issue, resumes of the people presented to partnership for board members along with their work experience and the reasons of leaving and the tasks they have carried out in the last 10 years, the quality of his/her relationship with related parties and the importance level, whether s/he hasan independency qualification are also presented as information.

Annual report, reading the independent audit report and reading and approval of the financial charts, decision about dividend payment are among the agenda. Also, the approval of Board of Directors decision related to independent audit corporation selection and determination of the payments made to Board of Directors members are also present within the agenda. Information related to pricing principles of the Board of Directors and senior level directors are also among the articles of the agenda.

The policy on donations and relief has not yet been formed and submitted to the General Assembly for approval. At the General Assembly meeting, the list of beneficiaries, the amount of donations and reliefs made during the period are given.

In case of important transactions of Board of Directors members, senior administration and up to second-degree blood relatives and kinships by marriage that may create conflict of interest with partnerships and affiliates; it is taken into hand as a separate agen-

da article in the General Assembly and written into the minutes in the meeting.

Written requests of shareholders about adding an article to the agenda and recommendations of Board of Directors and partners are added as agenda articles. If agenda article recommendations are not accepted, rejected recommendations and reasons for rejecting are submitted to shareholders by Investor Relations Unit.

If any, dissenting opinion is written in the meeting minutes.

1.3.3 General Assembly Meeting

The Company's General Assembly Meetings are held at the Company's Head Office and at a venue that facilitates the participation of all shareholders. Simultaneously, the General Assemblies are held online, using the e-General Assembly System. Beforehand, the Moderator makes preparations about the execution of General Assembly and submits the required information like meeting order, agenda articles and participation to the president. The officials and auditors of the Company who are in charge of preparing financial charts for the General Meetings are enlisted to be present at the meetings to answer the questions.

E-General Assembly's System Installation is made prior to the meeting along with the controls regarding its operation. Measures are taken against the uninterrupted working of the installation and against problems that may arise during the operation. The meeting in physical environment and online media start simultaneously, agenda articles are read simultaneously and offered to voting process. The votes of e-participant partners are automatically processed in the e-general assembly. Only the dissentive votes casted by the partners who physically present at the meeting are entered to deduct the dissentive votes from the total number of votes and thereby only the affirmative votes are entered into the system. If any, comments made upon agenda articles at e-General Assembly are read in the physical meeting and the responses are given if necessary.

There is no obligation to make General Assembly meetings open to public including voiceless stakeholders and media. There is no article on the principle agreement on this subject and general assembly meetings are not made open to the public.

1.3.4 Notifications After the General Assembly Meeting

Questions addressed by shareholders to the Board of Directors or the Auditors are answered on condition that the question is necessary for the shareholder's exercise of his/ her shareholders' rights and that it does not included in the scope of any commercial secrets. General Assembly Meeting records are given right after the meeting to those who require. The records are sent to shareholders and relevant authority via mail. Moreover, they are kept open all the time for the shareholders' use at the Company's Head Office.

The records of the General Assembly Meeting are also submitted to the Public Disclosure Platform (KAP) and E-GKS. The records of the General Assembly Meeting and the List of Attendants are published on the Company's website, www.gunessigorta.com.tr under the Investor Relations section. Moreover, the decisions of the General Assembly Meetings of last five years are also published under the Investor Relations section on the Company's website. General Assembly records are added to MKK system and the Company's application simultaneously.

1.4 Right to Vote

The company does not engage in transactions that make the usage of right to vote difficult. Right to vote via e-General Assembly is given to all shareholders who are not able to attend to the meeting physically. Shareholders have only one right to vote regardless of their share amount. Shareholders use their vote right reasonably according to their total shares in the General Assembly.

Shareholders of the company do not have any royalty. There are no companies that have a mutual participation.

1.5 Minority Rights

Our company is extremely attentive to the usage of the minority rights. The legislation in force for the use of all minority rights that must be legally recognized is observed, and there is no provision in the Company's principle agreement that broadens the scope of minority rights.

1.6 Dividend Right

In the Article 21 of the principle agreement of the

company, the dividend policy is indicated. The dividend policy is explained in the Annual Report.

According to main agreement, dividend payment is made by the Board of Directors, considering the condition of the Company, investment needs and financial structure within legal terms after the approval of dividend payment offer in General Assembly meeting that doesn't disrupt the balance between expectations of partners and growth need of the Company.

There are no special rights for the participation to the company's profit.

The decision taken in the General Assembly Meeting regarding the dividend distribution is announced to public on KAP and on the webpage of the company as special circumstances disclosure.

1.7 Transfer of Shares

There are no provisions that restrict the transfer of shares. The shares that represent the capital stock are monitored within the scope of dematerialization principles. According to the Article 10 of Insurance Law No: 5684 and Article 10 of the Regulations on the Foundation and Operation Principles of Insurance and Reinsurance Companies, share transfers are subject to the written consent of the Undersecretariat of Treasury Directorate General of Insurance.

In 2017, the approval of Undersecretariat of Treasury was obtained on December 3, 2017 regarding the transfer of shares belonging to Groupama S.A. In order to separate the reinsurance activities and holding activities under two different institutions to simplify its group structure, Groupama S.A. transferred its all subsidiaries that provide insurance activities and insurance services to Groupama Holding Filiales et Participations, which is controlled by Groupama S.A. and under this scope, the approval of Undersecretariat is taken to transfer the shares rated 20% and the right to vote in Güneş Sigorta to GHFP and the conveyancing process completed on December 19, 2017.

SECTION 2 – PUBLIC DISCLOSURE AND TRANSPARENCY

2.1 Corporate Website

Güneş Sigorta's web address is www.gunessigorta.com.tr. The company is responsible for publishing up-

dated information that is required to be announced according to the legislation. Website is actively used for briefing and public disclosure topics. General information about the company, products, agencies, online transactions, investor relations, human resources and contact links are also presented on the page.

On the website; trade registry information, partnership structure, administration structure and organization, main agreement, Corporate Governance Principles Compliance Report and vision and mission, Material Event Disclosures, annual reports, financial tables and footnotes, independent Audit Reports, General Assembly Information (agenda, list of participants, procurement sample, General Assembly Meeting Records) of last five years are also available.

In addition to the current news, press releases, agency addresses, contacted services and support services contact information, general insurance information and insurance branch information are also available on the website.

There is also a menu in the communication forms section where customers opinions and suggestions can be presented in order to provide communication with the customers via Internet address. The relevant directorate answers mails related to the customer opinions under the "Your Opinions and Suggestions" title on the website.

Telephone numbers and mail addresses of the Company's headquarters, regional directorates financial regional directorates and representatives are located in the "contact information" section. Through "850 222 1957" Customer Satisfaction Care, different fax numbers for policy, offer, damage, collection and health insurance operations have been put into service of the customers and information is done on the website.

According to Article No. 1524 of Turkish Commercial Law, the content that will be declared on company webpage has to be uploaded with safe electronic signature and time stamp to unique pages and uploaded content has to be kept in secure environment and made available to access and archived safely.

All shareholders are informed by providing access to information related to our company (e-company) in Central Securities Depository (MCK) with "Information Society Services" topic under Shareholder Relations

section. In order to receive any questions or views of the investors or to contact easily with the investors, email address of “yatirimci.iliskileri@gunessigorta.com.tr” is provided under the section of investor relations.

Also information related to the company structure, Board of Directors and Senior Management along with Corporate Governance Principles Compliance Report and information related to insurance sector are also presented in the page, which is prepared in English for foreign investors to reach the company information. Financial charts and annual reports belonging to last 5 years can also be examined.

2.2 Disclosure Policy

Depending on the SPK Corporate Governance Principles, the Company’s “Disclosure Policy” has been prepared and announced to shareholders, stakeholders and to the public.

2.3 Special Circumstances Disclosure

Public disclosure of information, incident and developments that may effect the value, price of capital market tools or investment decisions of investors in order to provide operation of capital market in a secure, transparent, efficient, sustainable, just and competitive environment by notifying investors fully and correctly in a timely manner are conducted according to the announcements made in Special Circumstances Disclosure Communiqué (II-15.1).

Information related to the Company is announced to public within the knowledge and under the responsibility of Birgül Denli, Strategy and System Management Assistant General Manager and Murat Koygun, Financial Affairs Management. In accordance with the SPK regulations, the Company made 10 Special Circumstances Disclosure in 2017. There are no Special Circumstances Disclosures that have not been made on time related to the activities of Güneş Sigorta.

The Company’s shares are only traded in the domestic stock exchanges.

2.4 Annual Report

End of the year Corporate Governance Principles Compliance Report is added to annual report in order to give information about corporate governance principles practices in annual reports of companies. Important changes happened during the year are added to mid-term report.

Annual report is prepared in the requested format, in full and suitable manner according to regulation regarding financial structures of insurance and reinsurance companies along with pension companies, regulation regarding determination of minimum content of annual reports of companies, Notice of Undersecretariat of Treasury for insurance companies No. 2011/8 and Corporate Governance Communiqué of CMB.

2.5 Public Disclosure of Those Who May Have Access to Insider Information and the Protection of Insider Information

The follow-up of people who may have access to insider information is handled by the Capital Markets Board through the Central Registry System provided by Central Securities Depository (MKK). In compliance with Article 7 of the Public Disclosure of Material Circumstances (II-15.1), the list of people who may have access to insider information and any changes on this list must be submitted to the MKK. Some of the executives on the list, who work under the employer, are listed below;

NAME	DUTY
Serhat Süreyya ÇETİN	General Manager
Birgül DENLİ	Assistant General Manager
Murat KOYGUN	Assistant General Manager
Tahsin ORAL	Assistant General Manager
Tayfun ALTINTAŞ	Assistant General Manager
Bülent SOMUNCU	Assistant General Manager
Elvan ATALAY	Group Director
Uğur SEFİLOĞLU	Group Director
Olca ŞAHİN	Group Director
Yurdakan TARHAN	Group Director
Muhassin Bahadır TAMKAN	Technical Accounting Manager
Murat SÜZER	General Accounting and Financial Reporting Manager
Çağlar GÜÇLÜ	General Accounting and Financial Reporting Assistant Manager
Fulden PEHLİVAN	Budget Planning and Investor Relations Manager / Investor Relations Unit Manager

SECTION 3 – STAKEHOLDERS

3.1 Company Policy Concerning the Stakeholders

Stakeholders of the Company are provided with every kind of information in their areas of interest. Stakeholders are presented with all of the information that has been publicly disclosed by both the Company’s internal meetings and through the bulletins published

by the Company. Intranet, which came into operation at the end of 2011 and various telecommunication tools also inform the stakeholders. The disclosures of the public are made by the MKK and through press conferences, statements, Public Disclosure Platform (special circumstances disclosures) and briefing made through the website.

Güneşim, the corporate communication platform of Güneş Sigorta employees, has been put into service on September, 2011, with the aim of sharing the corporate and social information, riveting the communication and collaboration and efficiently informing all colleagues from a single source. Performance management and target management and permission management are offered to the use of employees through Personelim platform. Jira application is used for general claim management, meeting management, requests to be made to Management Information System Directorate, Podit-Pusula application requests, administrative services management and authorization requests. BİM help application is used for requests regarding hardware and software data processing problems while the Pusula application is used for reporting data base, Armada application is used for process management system, KYS application is presented to the service as a payroll application to examine payroll. Several meetings, organizations, e-bulletins are provided through Personelim and Güneşim intranets along with the company's e-mail as well.

Special attention is paid to the privacy of information regarding employees, customers, brokers, suppliers and all stakeholders. Ethical principles to be followed in relationship with customers, suppliers, employees, brokers, public institutions are defined as "Insurance Ethical Principles" published by Association of Turkish Insurance and Reinsurance Companies. These principles encourages general ethics like honesty, objectivity, trustworthiness along with looks and acts suitable to the profession like information exchange, briefing of customers, customers' secrets and security, evasion of discrimination and service quality, employment, career development, representation principles and providing suitable working environment.

Within the framework of these principles, increment of the existing public trust to the sector is provided. All newly hired employees and consultants of Güneş Sigorta sign ethical principles adapted by our company and announcements are made to all Güneş Sigorta employees. The commitment letter related to Insur-

ance Information Center - Sigorta Bilgi Merkezi (SBM) information exchange protocol is also adapted and signed by the employees.

In addition, our Company also adopts the Competition Law Compliance Program, which was published by Competition Authority, and the Competition Law Compliance Policy of Güneş Sigorta has been prepared. It is aimed to inform all of our employees about the Competition Law with related documents, prevent the insurance business companies from competition violation or before a violation emerges, to inform company managers and employees about the competition rules and avoidance of improper actions and practices that are against the competition.

Related with Information Systems/Internet accession and security, as a part of Güneş Sigorta Information Security Policy, Güneş Sigorta network explains common rules and conditions valid for all users working with Information Systems. All employees and consultants sign this document before being employed.

The company develops several policies, procedures, processes and practices within the framework of quality management system to protect stakeholders' rights and ensure sustainability. It can be summarized with the examples like human resources policy, customer relations' policy, briefing policy, supplier evaluation and contract preparation processes and customer satisfaction care.

3.2 Supporting the Participation of Stakeholders in Company Management

The Company has constituted different models to provide stakeholders' participation in management. General Agencies Meeting: In Agencies Meeting, which is organized once a year, general condition of the company and targets are evaluated with the company management in order to share future ideas and reinforce the relation of company - business partners. Güneş-net portal, which was put into service in 2010, provides information to agencies on matters concerning our Company. Additionally, it maintains a direct and fast contact with the Company and facilitates the communication with agencies.

Customer satisfaction survey is used in order to get feedback from the customers on company website and make an evaluation.

Regional Coordination Meetings: At the meetings,

which are held together with Regional Offices and Headquarters employees and senior management, presentation of region demands is made and communication is improved in order to develop the partnership between headquarters and regional offices.

3.3 Human Resources Policy of the Company

Güneş Sigorta Human Resources Policy: In accordance with the strategic tendency of "Sustainable Competitive Structure" to reach the strategic goal of "Enhancement of Customer Satisfaction" it is the productive and effective way to manage the human resource.

"Team spirit" is the common denominator of Güneş Sigorta employees. As a leading and well-established company of the insurance sector, Güneş Sigorta contains goal-oriented employees, who sincerely embrace the company's mutual values and who enjoy teamwork and who are open to personal development.

All of the employees of Güneş Sigorta have a comprehensive knowledge of our company's mission, vision and quality policy. They are all conscious of their works' contribution to Güneş Sigorta's organizational effectiveness. Everyone has a sense of work with team spirit and the power to create innovation is on top.

Güneş Sigorta gives particular importance to offer its employees all the equipment and disciplined procedures, particularly the trainings that needed for higher productivity and Güneş Sigorta considers its employees as its most valuable asset. Güneş Sigorta raises its executives from its own talent pool. Güneş Sigorta provides insurance formation to visionary young people with problem solving skills.

At Güneş Sigorta, the Human Resources and Training Department is responsible for all human resources procedures of employees such as; the recruitment process, training and development activities, performance evaluation, career planning, wage management etc.

Within this context, Güneş Sigorta recruits its staff members after conducting tests and interviewing the candidates. The suitability of the applicant to the job applied to is determined as a result of the interviews based on competence and personal background.

Embracing the principle that our employees are our most valuable assets, Güneş Sigorta attaches great importance on them and supports their improvement and development. It is aimed to offer the employees

the opportunity to improve themselves through the trainings they need, in the areas such as technical and personal development.

At Güneş Sigorta, under the scope of the strategic targets of the Company, institution and individual goals, the objective for making Performance Evaluation is to measure the performances of individuals, help them work in harmony and attain the pursued results of the company.

With the aim of increasing the professional and corporate efficacy by enabling its team members to use their skills, knowledge and experience in the best possible way, Güneş Sigorta implements the Career Development System. In this context, career development programs and training programs focusing on improving personal skills are offered to those who outperform or hold key positions. With the promotional exam held once a year, our team members are offered the chance to take their careers one step further. The salaries of all employees are paid at the end of each month. In addition to the four bonus payments, dividend payments are made in compliance with the rates settled by the Board of Directors. The wage increases are made upon promotions and with reference to the criteria set collectively with the labor union for the relevant period. Güneş Sigorta employees are members of the Bank and Insurance Employees Representatives through employees are assigned by the Company in order to speak for union members. The relevant article of Labor Law and Collective Labor Agreement (TİS) provisions protects compensation rights of Güneş Sigorta employees, while our compensation policy hasn't been prepared yet.

3.4 Relations with Customers and Suppliers

Since 1997, Güneş Sigorta A.Ş. has uninterruptedly implemented ISO 9001 Quality Management Systems, constantly developing its services to achieve excellence in unconditional customer satisfaction in all aspects of business. Güneş Sigorta A.Ş. documented its new Quality Management System, established on the basis of the ISO 9001:2008 Standard, through a documentation check that was conducted by the ASR (American Systems Registrar) on December 10-11-12, 2003. On March 2, 2010, the certification was extended for another three years following the inspection conducted by ASR. ISO 10002:2004 Customer Complaints Management System certificate was first received on March 2, 2010 from the ASR.

In the scope of the Disclosure Regulation of the Company, the Customer Relations Management Unit responds to all suggestions, feedbacks, complaints or letters of appreciation received in written or orally (via e-mail, website survey/poll forms, phone, fax, complaint boxes) within three business days to offer service to carry the customer satisfaction at the highest level. Our Customer Relations Policy is published on the official website.

The company prioritizes customer needs while developing its products, trying to meet insurance needs in an efficient way. The company makes required regulations in order for its customers to be informed about products. It provides information related to products through website and the call center. Special attention is given to briefing of insurance products during contracting phase. With this purpose, they make sure that policyholders/ customers are informed both in written and verbal form. Explanations are made during briefing about damages included within insurance coverage and exceptions, exemption and non-warranty subjects, premium debt, results of non-payment, the documents that would be required in case of an accident and the movements that needed to be followed. Communication channels including call center and Internet are always kept open where policyholders can get information and directly access in case of an accident. Policyholders are correctly guided in order to end damage processes quickly. Correct and fast payment of damages is targeted.

The company guarantees its relationship with suppliers from where they get goods and services with procedures created based on standards. In order to protect rights of supplier rights are protected in every stages from offer collection to payment of invoice and to taking among approved supplier list, In the contracts made with suppliers, in case of a violation of rights of suppliers, the company provides any kind of convenience to put required mechanisms into service.

3.5 Business Continuity Management

Güneş Sigorta believes that the Business Continuity Management is critical to policyholders, employees, suppliers and it is a part of the liable management mentality. With this point of view, it has accepted the Business Continuity Declaration in 2016. Güneş Sigorta committed to build adequate infrastructure to ensure service quality and continuity in an emergency situation or during the major business interruption and committed to design operational processes.

3.6 Ethical Rules and Social Responsibility

Our Company adapts insurance Ethical Principles, published by Association of Turkish Insurance and Reinsurance Companies. It is ensured that all our employees are aware and informed about these principles. All personnel and consultants before the employment in the company sign "Güneş Sigorta Ethical Principles" document. Güneş Sigorta, having signed the "Global Compact", which is the United Nations Global Principles Agreement in 2011, has once more demonstrated its pioneering stance in the Turkish insurance sector by being the first non- life insurance company to sign this agreement. Güneş Sigorta stipulated its commitment in the Company's 10 basic principles, which are focusing on human rights, working standards, environment and combating with corruption, to harmonize them with its corporate culture and values, adopt these principles through its business processes. The Global Compact Progress Notice Report, which is renewed annually, is sent to Global Compact and presented under the "corporate social responsibility" section on corporate website.

Güneş Sigorta continues its social responsibility projects under the environmental and social solidarity topics by shaping and continuing by focusing on correct usage of the natural resources, protection of environment and providing social developments. The "Güneş Energy Plant", which was constructed at the Headquarters building, has been producing its own electricity and contributing to the environment by using green energy since 2009.

Güneş Sigorta, producing special micro products for women with low income that use credit, has become the guarantee of entrepreneur women with low income with MikroKonut and MikroSigorta products. Social responsibility of projects can be found under "social responsibility project" section on the website in details.

Under the scope of social responsibility projects, Güneş Sigorta carries out a scholarship program for students who are studying at universities. During the spring semester of March 2017 and May 2017, 99 students and during the fall semester of September 2017 and January 2018, 134 students have benefitted from the scholarship program.

SECTION 4 – BOARD OF DIRECTORS

4.1 Structure of the Board of Directors

Business activities and management of the Compa-

ny are handled by the Board of Directors, comprised of eight members who are elected by the General Assembly including the General Director, as stipulated in the Turkish Commercial Code, Capital Markets Board regulations and in laws and regulations on insurance business. Names, duties and appointment dates belonging to the Chairman and members of the Board are presented below as of December 31st, 2017;

NAME	DUTY	DATE OF APPOINTMENT
Yakup ŞİMŞEK	Chairman	June 16th, 2017
Metin Recep ZAFER	Vice Chairman	March 9th, 2007 (Member of Board) April 22nd, 2016 (Vice Chairman)
Abdi Serdar ÜSTÜNSALİH	Member	April 15th, 2016
Faruk Nafiz İMAMOĞLU	Member	June 16th, 2017
Zülküf KARAKUŞ	Member	June 16th, 2017
Telat KARAPINAR	Independent Member	August 8th, 2017
Mehmet BAYRAM	Independent Member	June 16th, 2017
Serhat Süreyya ÇETİN	Member and General Manager	February 9th, 2011

General Director of the Company is a natural member of the Board of Directors and has voting rights. Both of the two independent members of the Board are used to be elected upon the General Assembly held in 2012. Election of independent members depend on the attention given to maximum compliance with the principles of corporate governance statements. Board membership durations of the independent members are limited in order to preserve their independence. In case of an emerging condition that abolishes the independence, the situation shall be reported to the Board of Directors provided that the relevant reason is announced by the independent member on Public Disclosure Platform (KAP); the Board shall be simultaneously notified in written, thus the independent member resigns from duty. For the vacant positions, accordingly with the evaluation results, the Nomination Committee shall present the new candidates to the Board of Directors until the General Assembly elections.

Although there aren't any obligations specified under the Master Agreement toward providing a woman member within the Board of Directors, there also don't exist any regulations for an otherwise election.

Members of the Board are elected for one year; however, they can be re-elected after the expiry of their membership. The amount to be paid to the Board members as honorarium is determined by the General Assembly. The General Assembly shall change the members of the Board of Directors anytime if deemed necessary. In case of a vacancy among the Board members' seats, the Board of Directors shall temporarily elect a nominee offered by the same Shareholders, and in possession of the legal competencies. Such member shall function until the first General Assembly meeting to be held, and accomplishes the remaining duty duration of his/her predecessor, should the election be approved by the General Assembly. Duty duration of the General Director does not depend on that of the Board members.

Members of the Company's Board of Directors shall comply, to the best, with restrictions of inhouse transactions and competition throughout the term of their duty. There shall not exist any debt/loan relation between the members of the Board of Directors and the Company.

4.2 Powers and Responsibilities of the Members of the Board of Directors

Powers and responsibilities of the members of the Board of Directors and company managers are obviously specified under the Master Agreement. According to Article 13 of the Master Agreement, the Board of Directors is authorized to take decisions on all procedures other than the matters left exclusively to the decision of General Assembly.

Members of the Güneş Sigorta Board of Directors are obliged to comply with the qualifications stated at Article 6 of the Regulation on Principles of Foundation and Operation of Insurance and Reassurance Companies. The documentation shall be prepared about the individuals appointed for Board membership, and submitted to the Undersecretariat of Treasury.

Educational status, professional experience and personal histories of the members and auditors of the Board shall be declared at the Company Annual Report. In addition, personal CV's of the Chairman and the Board members are provided on the web site, under Board of Directors tab.

In order to fulfill its responsibilities towards stakeholders and notably the shareholders, the Board controls processes with the help of committees.

In order to minimize the impacts of possible risks, the Board undertakes, to the best, responsibilities toward establishing, duly managing and preserving the internal control system which involves risk management, information systems and processes.

In order to maintain continuation of the effectivity of relations with stakeholders, The Board collaborates with the Committee of Corporate Governance and the Investor Relations Unit. It guides for the resolution of possible disputes and establishing a mutual language of communication.

In order to compensate possible losses that might occur during their duties within the Board, responsibilities of the Board members are secured under a professional liability insurance.

4.3 Format of the Board of Directors Meetings

Agenda of the Board Meetings are determined according to the authorization and matters specified with the Master Agreement. The Board of Directors shall meet upon the call of the Chairman or request of at least two members depending on the requirement of Company affairs and so as not to be less than once a month. The meetings shall be held either at the Company headquarters or another place decided. Each member has a right of one single vote at the Board Meeting. In order for the Board decisions to become valid, one more than a half of the members must attend the Meeting. Decisions are taken upon the majority vote of attendees. This clause is also valid when the Board Meeting is held on-line. In case of an equation of votes, the subject of discussion shall be negotiated again at the following meeting. In a further case of equation in result of the following meeting, the proposal shall be assumed as refused.

4.4 Committees Formed Under the Board of Directors

In 2012, three committees were formed under the Board of Directors; Committee of Corporate Governance, Auditing Committee, Early Detection of Risk Committee. With the General Assembly held on April 30th, 2014, members of the Board of Directors were elected for one year term while the committee members were appointed by the Board Meeting on May

9th, 2014. Members of the committees are listed below as of December 31st, 2017:

COMMITTEE MEMBERS	DUTY WITHIN COMMITTEE
Committee of Corporate Governance	
Telat KARAPINAR	Chairman
Abdi Serdar ÜSTÜNSALIH	Committee Member
Fulden PEHLIVAN	Committee Member /Investor Relations Unit Manager
Auditing Committee	
Telat KARAPINAR	Chairman
Mehmet BAYRAM	Committee Member
Committee on the Early Detection of Risks	
Mehmet BAYRAM	Chairman
Faruk Nafiz İMAMOĞLU	Committee Member
Tayfun ALTINTAŞ	Committee Member

4.4.1 Auditing Committee

Established on April 20th, 2012, the Auditing Committee is responsible for; pursuing the efficacy and sufficiency of Company internal systems; functioning of such systems together with accounting and reporting systems in accordance with the Law No. 5684 on Insurance Business and the related regulations as well as the integrity of the generated information; conducting the necessary pre-study for the assignment of independent auditing corporations as well as companies dealing with rating, evaluation and support services, by the Board of Directors; to regularly supervise the activities of such companies which are decided by the Board and concluded a contract with; maintain that the internal auditing activities of partnerships subject to consolidation, according to the prevailing regulations with regard to Law No. 5684 on Insurance Business, are carried out in consolidated manner and to ensure the coordination.

The Committee submits to the Board its assessments on the authenticity and accuracy of the annual and mid-term financial charts announced to the public. Information about the Committee activities, meetings held and outcomes thereof are provided at the Annual Report. The Auditing Committee consists of a minimum two members, and the members are elected among the independent board members of the Company.

As a principle, the Auditing Committee shall meet at the Company headquarters, at least four times a year so as to be at least once in three months, and on any case upon the call of the Committee Chairman, except obligatory circumstances.

4.4.2 Committee of Corporate Governance

Established on April 20th, 2012, the Committee of Corporate Governance determines whether or not the Company complies with the Corporate Governance Principles; and if not, defines the reasons for non-compliance and detects the conflict of interest arising from such non-compliance, and provides recommendations to the Board of Directors for improving the adoption of Corporate Governance Principles. Activities of the Investor Relations Unit shall be reported to the Committee and the Committee opinion about the conducted works shall be consulted. Additionally, within the scope of the Communique on Corporate Governance Principles, the Committee undertakes the tasks of Nomination and Wage Determination committees.

Investor Relations Unit Manager has been commissioned for the first time on June 30th, 2014 and the Manager was also appointed for Committee membership. As a principle, the Committee shall meet at the Company headquarters, at least four times a year so as to be at least once in three months, and on any case upon the call of the Committee Chairman, except obligatory circumstances.

4.4.3 Committee on the Early Detection of Risks

The Committee on the Early Detection of Risks has been established on October 20th, 2012 within the framework of the provisions set forth in Item 1 Article 378 of the Turkish Commercial Code No. 6102, enacted on July 1st, 2012. It is further agreed through the General Assembly decision dated on May 24th, 2013 that the committee shall act as the Committee on the Early Detection of Risks, which has been required by the Capital Markets Board Communique. The Committee is comprised of a Chairman and two members; the Chairman is an independent member of the Board of Directors while one of the members are a Deputy General Director responsible for execution.

The Committee is responsible with; early detecting the risks which may endanger the existence, improvement and continuity of the Company, and to carry out studies with the aim to implement the necessary measures and remedies against the detected risks as well as to manage the risk. It provides for the Board of Directors, a status evaluation through the report it shall submit once in every two months, and revises the risk management systems at least once in a year.

As of February 1st, 2009, the Internal Auditing and Risk Management Unit has been established in accordance with the provisions of 'Regulation on the Internal Systems of Insurance, Reassurance and Retirement Companies' published in the Official Gazette of number 26913 dated on June 21st, 2008. Main risks that the Company is most likely to be exposed to are tracked under five main categories as insurance risk, credit loan risk, market risk, liquidity risk and the operational risks. The Risk Management Policy is present both at the relevant chapter of the Annual Report and on the Company web site. Activities of the Unit Management shall be reported to the Committee and the Committee opinion on the conducted works shall be consulted.

4.5 Remuneration Granted to Members of the Board of Directors and Those Under Administrative Responsibilities

There are no remunerations granted to Company Board members except the honorarium determined by the decision of shareholders at the General Assembly. Payments made to the independent board members are not at a level that might influence their independencies, furthermore, such payments do not include dividend shares, share options or performance based payment types.

Policies regarding the honorarium which is determined, during the General Assembly Meeting held each year, for the members of the Board and the paid amount are disclosed to investors through the General Assembly Minutes published. Information on the remunerations granted to members of the Board and Top Managers is stated at the Annual Report.

FINANCIAL DATA AND RISK MANAGEMENT

INSPECTION BOARD ASSESSMENT FOR THE YEAR OF ACTIVITY 2017

Total assets of Güneş Sigorta has increased in 2017 by 25% to TRY 2 billion 167 million 689 thousand when compared to previous year and its premium production has increased by 21% to 1 billion 660 million 979 thousand. Our company carries out its activities in adapting quickly to new conditions, co-operating with its stakeholders in an environment of confidence and raising consciousness about the insurance in a nationwide. Our company has established its warrant to meet its existing and potential obligations by the Treasury in accordance with the

subjected regulations of the insurance reinsurance and retirement insurance companies. Güneş Sigorta has fulfilled its legal and commercial responsibilities punctually without experiencing any financial trouble due to the strength of its liquid assets and its appropriate maturity distribution for its assets turning into investments. Moreover, the Company has been protected against currency risk by carrying out derivative transactions. The last 5-year summary of financial information including the reported period are provided in the table below:

THOUSAND TRY	2017	2016	2015	2014	2013
Total Assets	2,167,689	1,739,462	1,536,797	1,360,678	1,212,682
Equity	677,599	499,494	369,704	386,504	334,569
Paid Capital	270,000	270,000	150,000	150,000	150,000
Written Gross Premium	1,660,979	1,372,978	1,288,379	1,212,631	1,076,727
Gross Paid Claims	(839,528)	(757,106)	(696,391)	(595,834)	(513,493)
Gross Outstanding	(1,201,951)	(942,208)	(921,746)	(660,430)	(553,032)
Premium Conservation Contribution	884,254	750,809	724,034	644,470	596,863
Operational Expenses	(223,530)	(205,556)	(213,563)	(169,437)	(153,343)
Technical Profit	27,875	21,292	(142,886)	31,756	(30,786)
Conservation Rate (%)	53	55	56	53	55
Net Loss Ratio (%)	82	82	98	79	84
Financial Income	173,062	82,850	100,242	64,078	55,941
Financial Expenses	(156,095)	(89,647)	(91,510)	(60,455)	(56,727)
Financial Profit	16,967	(6,797)	8,731	3,623	(786)
Net Profit or Loss for Financial Year	26,493	(48,066)	(162,569)	13,440	(53,692)
Return on Equity (%)	4	-12	-44	3	-16
Return on Assets (%)	1	-3	-11	1	-4
Technical Profit/Written Premiums (%)	2	1	-11	3	-3
Net Profit/Written Premiums (%)	2	-4	-13	1	-5

INFORMATION ON THE FINANCIAL STATUS; DEBT AFFORDING, CAPITAL SUFFICIENCY, FINANCIAL STRENGTHENING STUDIES

Güneş Sigorta equity capital has further strengthened in 2017 especially with effect of the increase in financial asset (participations) values. Within this period, the amount of 'Required Equity Capital' of our Company has been determined as 377,063,936 TRY

in accordance with the related regulation. As of the same date, the amount of 'Considered Equity Capital' of our Company accrues as 694,849,188 TRY, and it has been calculated at 317,785,253 TRY above the value of 'Required Equity Capital'.

DIVIDEND POLICY

Article 24 of the Company's Articles of Association describes how the profit to be distributed. The profit distribution is determined by the Board of Directors taking into consideration the financial situation, investment needs and the financial structure of the Company. The proposal for profit distribution which

envisages to maintain the delicate balance between the shareholder's expectations and business growth need, is realized within the legal period by approval of the Board of Directors. There is no privilege in sharing of company profit.

INSPECTION BOARD ASSESSMENT FOR THE YEAR OF ACTIVITY 2017

Internal audit activity of Güneş Sigorta is conducted by Chairmanship of Inspection Board affiliated with the Board of Directors in accordance with the provisions of "Regulation related to Internal Insurance Systems and Reinsurance and Retirement Insurance companies. As of the end of 2017, the number of board members will be 9 comprised by 1 chairman, 1 chief inspector and 7 inspectors. The Inspection Board carries out its inspections within the framework of the relevant legislation of the individuals and organizations providing a support service with the inspection of Company's Headquarters' units, regional offices and representatives to control whether their activities are compatible with the Insurance Law and other relevant legislations, as well as in-house strategies, policies, principles and objectives, the accuracy of the financial data, sufficiency of the practices with regard to the protection of the assets, efficiency of internal control and risk management systems. The Inspection Board also conducts investigations related to activities undertaken by the staff which are irregular and against to legislation as well as the acts of cheat, fraud or deceive happened against the company by third persons.

The inspection activities are performed in accordance with the Company's goals and strategies within the scope of an annual inspection plan prepared taking into consideration the resources available of the Inspection Board. The processes are closely followed to confirm whether the performed inspection and post-inspection reports are conformed with the "International Internal Auditing Standards", are prepared according to risk-based inspections and providing added-value to the Company and the necessary arrangements and updates are made accordingly.

As a result of the inspections, observations and investigations performed by the Inspection Board, some suggestions are made for improving the identified issues during the inspections, taking necessary precautions to avoid facing the same situations, improving processes and the internal auditing system. Internal and external training opportunities provided by the Inspection Board contribute to the professional development of the inspectors and support them to obtain the necessary certificates as well as allocating a well-qualified and educated human resources to the company by this means.

RISK MANAGEMENT POLICY

Policies established for the risks to which the company exposed, are reviewed regularly in parallel with the changes taking place in the market.

Risk assessments performed during the risk management process are listed below:

Insurance Risk

As there are risks arising from signed insurance contracts, the said risks may be exemplified as a risk concentration arising from not selecting the insured risks properly, not determining the level of insurance pre-

miums at which potential damages are covered in the future and non-diversifiable risks.

While establishing the tariffs and applying an individual pricing policy, the market conditions, reinsurance agreements, Company's revenue, profitability ration and sustainable growth objectives must be handled entirely.

It is determined and updated each year in Güneş Sigorta by technical service managements that which risks shall be covered under which conditions at

Implementation fundamentals booklet, in which it is represented whether the insurance products can be sold or not under which conditions to whom and how including risk acceptance principles, is distributed to sales channels each year for informative purposes.

Considering customer portfolio of the company, its past claim statistics, volume of business planned to be realized for the next year, equity structure and current market conditions; branch-based retentions and treaty conditions to be purchased are determined by Reinsurance, Special Risks Management and Senior Management. Risks, which are not under the scope of reinsurance agreements, exceeding the treaty conditions and capacities or able to disrupt the treaty balance of the company, are guaranteed by domestic and foreign voluntary reinsurance support.

Credit Risk

Credit risk is defined as the probability of the parties, which have material relationship with the Company, not fulfilling the obligations to the company. Reinsurance transactions and premium receivables generated from agencies are the major areas that pose a credit risk for the Company. Company follows the receivables generated from the insurance activities within the scope of collection policies and limits them through guarantee policies it has constituted. Credit notes are taken into consideration while selecting the reinsurer by the list of "Reinsurance Companies That Meet the Financial and Technical Criteria" issued by the Undersecretaries of Treasury of Turkish Republic, and the effects of changes in market conditions on credit notes are followed.

COMBATING LAUNDERING PROCEEDS OF CRIME AND FINANCING OF TERRORISM

A Directorate of Legislation and Compliance has been established in order to perform activities in the framework of "Regulation regarding the prevention of laundering of crime revenues and financing of Terrorism" and a compliance officer has been appointed to this Directorate in 2008. Prevention of Laundering of Proceeds of Crime, financing of Terrorism and Suspicious Transaction Monitoring announcement policies have been established and transmitted to the Turkish Financial Intelligence Unit (MASAK) after having an approval of the Board of Directors. Our Corporate

Market Risk

Potential losses to be occurred in the values of instruments that take part in the company portfolio as a result of changes occurred in interest rates and exchanges are considered within the scope market risk. Aforementioned risks are monitored through the reports prepared for foreign exchange position and stock and shares.

Liquidity Risk

Liquidity risk is the risk of not meeting the due obligations of company. Aforementioned risk is especially occurred as a result of not being able to sell assets or liquidate assets in the periods that cash money is needed. If the maturity of assets is longer than maturity of obligations, liquidity risk increases. Cash flow of the company is monitored daily, weekly and monthly; following maturity mismatches and foreign currency positions through balance sheet makes asset-liability management.

Operational Risks

It is the direct or indirect damage risk, which results from the insufficient or unsuccessful internal processes, from the staff and systems or external events.

The practices to be carried out during the activities conducted company wide and processes implemented were turned into written materials with the prepared procedures and job descriptions of the employees taking part in the processes were determined formally. Authorities of the internal units, the users and approval mechanisms that need to be applied during the processes are determined by the Board of Directors, General Manager and Assistant General Managers, and defined within the scope of written regulations and procedures.

policy has been communicated with our agencies and employees. Also, we have started to provide e-training and face to face trainings to our agencies and employees as of the 2009 and these trainings are provided each year for beginner employees and agency personnel. Our Regional Directors and Regional Sales Assistant Managers as well as our sale channels have also received these face to face trainings. Manuals and porters have been prepared and distributed to our employees and agencies in order to raise awareness.

A meeting of "Prevention of Money Laundering and Financing of Terrorism" has been held on the October 13, 2016 in cooperation with the Turkish Intelligence Unit of the Republic of Turkey Ministry of Finance and National Crime Agency of United Kingdom and our compliance officer has participated this meeting on behalf of our company, and also necessary information related to European Union practices, evaluated issues which govern Turkey have been provided to our Senior Management members.

A workshop has been organized on the November 23, 2017 in İstanbul with the participation of authorities of the Turkish Intelligence Unit (MASAK) and insurance companies' compliance officers and our compliance officer has participated this workshop on behalf of our company, and in the end of this Workshop, it has been required by the MASAK from the company employees, sales channels and sales resource staff to pay attention to take some precautions such as notification of suspicious transactions, completing the training activities and identifications.

According to decision of the Cabinet decision no 2013/5428 date 20/09/2013 to freeze the assets being at disposal of individuals, institutions and organizations listed in accordance with the decision no 1267 (1999), 1988 (2011) and 1989 (2011) of the United Nations Security Council, the list of individuals and institutions prepared by MASAK has been compared with our company's policyholder lists and results have been provided to MASAK.

INFORMATION FOR SHAREHOLDERS

Shareholders and the investors are under responsibility of the Corporate Governance Committee as well as the System Management Department allied to the Directorate of Budget planning and Investor Relations. The respective shareholders and investors may be informed by means of written or verbal communication. All the written information is recorded, and the Corporate Governance Committee is kept informed about the subjects to be talked, questions to be posed and the answers.

As the shareholders and investors get direct information for the Investors Relations Unit, they can also have information about the matters such as periodic

According to Law no. 4358 obliged to submit, detect and state the Tax Identification Numbers, it is obligated to not issue any policy to policyholders who don't submit their ID numbers. The Revenue Administration has provided an opportunity for receiving collectively a tax identity number to foreign nationals who cannot submit any tax identity number to make issue a policy. In the framework of the Law, all necessary studies have been done and a tax identification number may be requested by the registered tax Office for the foreign individuals and institutions.

Each year, necessary identification Works are performed for new production in the framework of customer identification. In this scope, MASAK Authorization Project has been completed and started as of June 27, 2016. As of June 27, 2016, the authorization rules are taken into consideration before processing any policy request that needs to be identified and the policy request is not approved if the necessary documents are not procured as required by the legislation.

All information related training and audit activities of each year are reported to MASAK. Any suspicious transaction files sent to SISBIS (Insurance Information and Monitoring Center) in 2017 have been transmitted to MASAK. Risk policy has been defined by the Directorate of Internal Control and Risk Management and the Directorate of Legislation and Compliance, and internal control, reporting and communication systems have been set up.

developments, financial reports, financial statements and exceptional circumstances disclosures via Central Registry Agency (CRA) or by using the company website. All information related to our Company can be found on our website under the link Investors Relations Unit "Data Collection Services" and on the companies' information portal (e-company) of the Central Registry Agency (CRA); thus, all stakeholders are informed. Moreover, since 2013, our Company's General meetings may be held by electronic means.

Founded in 1954, VakıfBank, the biggest shareholder, is reaching out its 19,6 million individual and corporate customers through its internet and telephone banking

Financial Data and Risk Management

services. As of September 30, 2017, VakıfBank undertakes a leading role in the financing of domestic and foreign trade through 926 branches, 4,021 ATMs and 213,536 units of POS that constitute its alternative distribution channels.

Internationally, VakıfBank has one branch in New York City, one branch in Arbil, North Iraq and one offshore banking branch in Bahrain. VakıfBank also has its subsidiary in Austria known as: VakıfBank International AG which has branches in Vienna, Cologne and Frankfurt and conducts also its international operations through Cyprus VakıfBank Ltd.

Taking into consideration the nonconsolidated balance sheets published as of September 30, 2017, VakıfBank is the seventh (7th) largest bank in Turkey with an asset size reached TRY 246.8 billion. The VakıfBank Group has a range of activities focused on investment banking services, portfolio management, individual banking, life and elementary insurances, commercial and corporate banking, factoring and financial leasing services as well as real estate investment.

Groupama S.A, the second-biggest shareholder, has transferred on the December 19, 2017, all its subsidiaries providing insurance services and performing insurance activities to Groupama Holding Filiales et Participation supervised by the Groupama S.A in order to simplify its group structure and undertake its

reinsurance and holding activities through two separate corporations.

As an insurance, banking and financial service provider, Groupama Group, provide services to 13 million member and customers with its multi-channel distribution network. Groupama Group is the eighth (8th) largest insurance company in the French market. Groupama is a leading company in the field of agriculture and individual health insurance, takes the second place among property insurance companies, and takes the fourth place among automobile accident insurance companies.

In the end of 2016, Groupama Group has generated a revenue of 13.6 billion Euro and made a net profit of 322 million Euro. While France has a large market share with a revenue amounted to 10.8 billion Euro, the company had a revenue of 2.7 billion Euro from the international insurance activities and 133 million Euro from financial and banking activities. Company's net combined ratio is 100.3%. Total size of its assets is 98.1 billion Euro and the total shareholders' equity is 8.8 billion Euro.

Being active in 11 countries outside France mainly Italy, Turkey, Hungary, Romania, Greece, Portugal, Bulgaria, Slovakia, Tunisia, China and Vietnam, Groupama Group has a total of 32,600 employees among which 7,800 are located outside France.

COMMERCIAL REGISTER INFORMATION

Trade Name: GÜNEŞ SİGORTA ANONİM ŞİRKETİ

Trade Registration Number: 66019

Registry Date: 17/09/1957

Company Address: Büyükdere Cad. Güneş Plaza No: 110 Esentepe-Şişli/İSTANBUL

Central Registration System Number: 0434005698400014

**UNCONSOLIDATED FINANCIAL
STATEMENTS AND INDEPENDENT
AUDIT REPORT FOR THE FISCAL
PERIOD WHICH ENDED ON THE DATE
OF DECEMBER 31ST, 2017**

GÜNEŞ SİGORTA ANONİM ŞİRKETİ

**CONVENIENCE TRANSLATION OF
STATUTORY FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017 AND
THE INDEPENDENT AUDITOR'S REPORT
(ORIGINALLY ISSUED IN TURKISH)**



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Güneş Sigorta A.Ş.

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Güneş Sigorta A.Ş. (the "Company") which comprise the balance sheet as at 31 December 2017 and the income statement, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements and a summary of significant accounting policies and financial statement notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with accounting and financial reporting regulations enforced by insurance legislation and Turkish Accounting Standards ("TAS") for the matters not regulated by insurance legislation "Regulation on Insurance Accounting and Financial Reporting Principles".

2. Basis for Opinion

Our audit was conducted in accordance with the regulations on the principles on auditing as set out in the insurance legislation and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

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

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3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p>Estimation of claims incurred but not reported</p> <p>As explained in Notes 2 and 17, the Company has accounted for the net incurred but not reported claims provision amounting to TL 239,822,053 as of 31 December 2017.</p> <p>Abovementioned provision is calculated according to the best estimation methods determined within the opinion of the Company's actuary in accordance with "Circular on Outstanding Claim Provisions" dated 5 December 2014 and numbered 2014/16 published by the Undersecretariat of the Treasury. The reasons we focus on this area during our audit are the significance of the incurred but not reported claims provision for the financial statements and the significant actuarial judgments and estimates required by the nature of provision in the financial statements.</p>	<p>We tested the design and operational effectiveness of the key controls implemented by the Company's management in relation to the ultimate claims used in the calculation of incurred but not reported claims provision. We tested the mathematical accuracy of the calculation of incurred but not reported claims for selected branches. We assessed the methods and assumptions used by branch in association with our own actuary experts by inquiring with the Company's management and internal and external actuary of the Company. In addition, for selected branches, we made an independent evaluation of the reasonable ranges for the incurred but not reported claims provision and compared them with the Company's records.</p> <p>We checked the adequacy and accuracy of the disclosures in the financial statements related to such provisions.</p>



Key audit matter	How our audit addressed the matter
<p><i>Discounting of Net Cash Flows Arising From Outstanding Claims Provision and Restatement of Prior Period Financial Statements prepared as of 31 December 2016</i></p> <p>As explained in Note 2, The Company has rediscounted the cash flows arising from outstanding claims provision as of 31 December 2017 and 2016 that are calculated and accounted according to insurance legislation for the general liability and motor third party liability branches by calculating them in accordance with Communiqué No. 2017/7 amending Communiqué on Deducting Net Cash Flows Arising from Outstanding Claims No. 2016/22 dated 10 June 2016, published by the Undersecretariat of the Treasury on 15 September 2017.</p> <p>The Company recognized TRY 88,104,234 as of 31 December 2017 and TRY 82,817,231 as of 31 December 2016 and considered the discounting of outstanding claims provision as an accounting policy change as stated in the related communiqué.</p> <p>The reason why we are particularly focused on this subject is that the financial statements as of 31 December 2016, which constitute the opening balances of the financial statements for period 1 January - 31 December 2017 in our independent audit, have been restated because the transaction is considered as accounting policy change and the significance of the amount of discounting for the financial statements.</p>	<p>We tested the discounting calculations made by the Company for the general liability and motor third party liability branches on 31 December 2016 and 31 December 2017 by using the recalculation method. We checked the adjustment entries that the Company reflected to its financial statements to restate the prior period financial statements as of 31 December 2016 due to the discounting.</p> <p>We checked the adequacy and accuracy of the disclosures related to the restatement of the financial statements and the restatement of the Company's notes in the accompanying restated financial statements.</p>



4. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulation on Insurance Accounting and Financial Reporting Principles and TAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

5. Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with the regulations on the principles on auditing as set out in the insurance legislation and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an independent audit conducted in accordance with the regulations on the principles on auditing as set out in the insurance legislation and SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Company’s bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor’s report on the early risk identification system and committee was submitted to the Company’s Board of Directors on 13 February 2018.

Additional Paragraph for Convenience Translation into English

As discussed in Note 2.31 to the accompanying financial statements, the effects of differences between the accounting principles as set out by the related insurance laws and accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations and changes in financial position and cash flows in accordance with accounting principles generally accepted in such countries and IFRS.

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

Talar Gül, SMMM
Partner

Istanbul, 13 February 2018

UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

We confirm that the unconsolidated financial statements, related disclosures and footnotes as at 31 December 2017 which were prepared in accordance with the accounting principles and standards in force as per the regulations of Republic of Turkey Prime Ministry of Treasury are in compliance with the "Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies" and the financial records of our Company.

Güneş Sigorta A.Ş.

13 February 2018

Serhat Süreyya ÇETİN
Member of Board of Directors
General Manager

Murat KOYGUN
Assistant General
Manager

Uğur SEFİLOĞLU
Financial Affairs
Group Manager

M. Bahadır TAMKAN
Technical Accounting
Manager

Murat SÜZER
General Accounting &
Financial Reporting Manager

Orhun Emre ÇELİK
Actuary
Register No: 40

GÜNEŞ SİGORTA ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION OF THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY- DECEMBER 31 2017

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GÜNEŞ SİGORTA ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS ON 31 DECEMBER 2017 AND 2016

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

ASSETS

	Notes	Audited Current period 31 December 2017	Restated (*) Audited Prior Period 31 December 2016
I- Current Assets			
A- Cash and Cash Equivalents	14	864,526,361	665,210,904
1- Cash	14	2,291	1,186
2- Cheques Received		-	-
3- Cash at Banks	14	739,177,481	556,902,445
4- Cheques Given and Payment Orders		-	-
5- Bank Warrantied and Shorter than 3 months credit card receivables	14	125,333,334	108,299,498
6- Other Cash and Cash Equivalents	14	13,255	7,775
B- Financial Assets and Financial Investments with Risks on Policyholders			
1- Available-for-Sale Financial Asset		-	-
2- Held to Maturity Investments		-	-
3- Financial Assets Held for Trading		-	-
4- Loans and Receivables		-	-
5- Provision for Loans and Receivables		-	-
6- Financial Investments with Risks on Saving Life Policyholders		-	-
7- Company's Own Equity Shares		-	-
8- Diminution in Value of Financial Investments		-	-
C- Receivables from Main Operations	4,2, 12	449,611,942	395,166,808
1- Receivables from Insurance Operations	12	451,780,574	399,041,568
2- Provision for Receivables from Insurance Operations (-)	4,2, 12	(5,080,848)	(8,062,991)
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations (-)		-	-
5- Cash Deposited to Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders (Advance loan)		-	-
7- Loans to the Policyholders (-) (Advance loan) Provisions (-)		-	-
8- Receivables from Individual Pension Operations		-	-
9- Doubtful Receivables from Main Operations	12	165,728,014	135,285,580
10- Provision for Doubtful Receivables from Main Operations	4,2, 12	(162,815,798)	(131,097,349)
D- Due from Related Parties		14,447	
1- Due from Shareholders		-	-
2- Due from Associates		14,447	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
E- Other Receivables	4,2, 12, 47	3,203,065	3,708,745
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables	4,2, 12, 47	3,203,065	3,708,745
5- Rediscount on Other Miscellaneous Receivables (-)		-	-
6- Other Doubtful Receivables		403,151	403,151
7- Provision for Other Doubtful Receivables (-)		(403,151)	(403,151)
F- Prepaid Expenses and Income Accruals	17	108,981,755	99,188,353
1- Deferred Acquisition Costs	17	97,786,422	91,138,398
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Prepaid Expenses	17	11,195,333	8,049,955
G- Other Current Assets		12,641,452	8,631,893
1- Stocks to be used in the Following Months		-	-
2- Prepaid Taxes and Funds	4,2, 12	12,243,662	7,209,385
3- Deferred Tax Assets		-	-
4- Job Advances		-	-
5- Advances Given to Personnel	4,2	37,238	58,822
6- Inventory Count Differences		-	-
7- Other Miscellaneous Current Assets	47	360,552	1,363,686
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		1,438,979,022	1,171,906,703

(*) Restated as presented in Note 2.1.6.

The accompanying notes are an integral part of these financial statements.

GÜNEŞ SİGORTA ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS

ON 31 DECEMBER 2017 AND 2016

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

ASSETS

	Notes	Audited Current period 31 December 2017	Restated (*) Audited Prior period 31 December 2016
II- Non-Current Assets			
A- Receivables from Main Operations		-	-
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations (-)		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations (-)		-	-
5- Cash Deposited for Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders (-)		-	-
8- Receivables from Individual Pension Business		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations (-)		-	-
B- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
C- Other Receivables	4.2, 12, 47	175,465	166,047
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income (-)		-	-
3- Deposits and Guarantees Given	4.2, 12, 47	175,465	166,047
4- Other Miscellaneous Receivables		-	-
5- Rediscount on Other Miscellaneous Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
D- Financial Assets	9	503,114,597	356,886,871
1- Investments in Equity Shares	9	521,742,644	374,603,827
2- Investments in Associates		-	-
3- Capital Commitments to Associates (-)		-	-
4- Investments in Subsidiaries		-	-
5- Capital Commitments to Subsidiaries (-)		-	-
6- Investments in Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Financial Investments with Risks on Policyholders		-	-
9- Other Financial Assets		-	-
10- Impairment in Value of Financial Assets (-)	9	(18,628,047)	(17,716,956)
E- Tangible Assets		208,534,572	198,655,368
1- Investment Property	7	14,866,000	15,205,000
2- Impairment on Investment Property (-)		-	-
3- Property Held for Own Use	6	188,775,000	176,095,000
4- Machinery and Equipment	6	6,346,054	7,299,635
5- Furniture and Fixtures	6	6,242,902	5,776,796
6- Motor Vehicles	6	414,561	418,444
7- Other Tangible Assets (Including Leasehold Improvements)	6	1,535,635	1,535,635
8- Tangible Assets Acquired Through Finance Leases	6	8,840,627	8,840,627
9- Accumulated Depreciation	6	(18,486,207)	(16,515,769)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
F- Intangible Assets		7,219,852	9,707,669
1- Rights	8	8,862,556	8,530,812
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
5- Other Intangible Assets	8	16,507,653	16,507,653
6- Accumulated Amortization (-)	8	(18,246,823)	(15,427,262)
7- Advances Paid for Intangible Assets		96,466	96,466
G- Prepaid Expenses and Income Accruals		-	-
1- Deferred Acquisition Expenses		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses and Income Accruals		-	-
H- Other Non-Current Assets	21	9,665,934	2,139,035
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Stocks to be Used in the Following Years		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	9,665,934	2,139,035
6- Other Miscellaneous Non-Current Assets		-	-
7- Amortization on Other Non-Current Assets (-)		-	-
8- Provision for Other Non-Current Assets (-)		-	-
II- Total Non-Current Assets		728,710,420	567,554,990
TOTAL ASSETS		2,167,689,442	1,739,461,693

(*) Restated as presented in Note 2.1.6.

The accompanying notes are an integral part of these financial statements.

GÜNEŞ SİGORTA ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS ON 31 DECEMBER 2017 AND 2016

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

LIABILITIES

	Notes	Audited Current period 31 December 2017	Restated (*) Audited Prior period 31 December 2016
III- Short-Term Liabilities			
A- Financial Liabilities	4,2, 20	-	1,658,420
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables	4,2, 20	-	1,739,714
3- Deferred Leasing Costs (-)	4,2, 20	-	(81,294)
4- Current Portion of Long-Term Debts		-	-
5- Principal Instalments and Interests on Bonds Issued		-	-
6- Other Financial Assets Issued		-	-
7- Valuation Differences of Other Financial Assets Issued		-	-
8- Other Financial Liabilities		-	-
B- Payables Arising from Main Operations	4,2, 19	223,087,097	176,526,366
1- Payables Arising from Insurance Operations	4,2, 19	223,087,097	176,526,366
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business		-	-
5- Payables Arising from Other Main Operations		-	-
6- Discount on Payables from Other Main Operations (-)		-	-
C- Due to Related Parties	4,2, 45	60,461	12,105
1- Due to Shareholders	4,2, 45	-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel	4,2, 45	60,461	12,105
6- Due to Other Related Parties		-	-
D- Other Payables	4,2, 19	22,768,552	20,339,837
1- Deposits and Guarantees Received		-	-
2- Debts to SSI for treatment expenses	19	4,969,138	4,790,622
3- Other Miscellaneous Payables	19	17,914,046	15,633,863
4- Discount on Other Miscellaneous Payables (-)	19	(114,632)	(84,648)
E- Insurance Technical Provisions	17	1,103,754,961	922,879,137
1- Reserve for Unearned Premiums - Net	17	447,462,845	377,625,836
2- Reserve for Unexpired Risks- Net	2,24, 17	1,184,660	1,722,175
3- Life Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net	4,2, 17	629,914,752	522,034,004
5- Provision for Bonus and Discounts – Net		-	-
6- Other Technical Provisions – Net	10, 17	25,192,704	21,497,122
F- Provisions for Taxes and Other Similar Obligations	4,2	24,851,642	22,672,388
1- Taxes and Funds Payable	4,2	22,943,620	21,071,396
2- Social Security Premiums Payable	4,2	1,908,022	1,600,992
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Similar Payables		-	-
5- Corporate Tax Provision and Other Fiscal Liabilities		-	-
6- Prepaid Taxes and Other Liabilities Regarding Current Period Profit (-)		-	-
7- Provisions for Other Taxes and Similar Liabilities		-	-
G- Provisions for Other Risks	23	3,907,790	3,763,879
1- Provision for Termination Indemnities		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs	23	3,907,790	3,763,879
H- Deferred Income and Expense Accruals	10, 19	68,769,403	55,594,535
1- Deferred Commission Income	10, 19	68,769,403	55,594,535
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Short-Term Liabilities			
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		-	-
3- Other Various Short Term Liabilities		-	-
III - Total Short-Term Liabilities		1,447,199,906	1,203,446,667

(*) Restated as presented in Note 2.1.6.

The accompanying notes are an integral part of these financial statements.

GÜNEŞ SİGORTA ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS ON 31 DECEMBER 2017 AND 2016

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

LIABILITIES

	Notes	Audited Current period 31 December 2017	Restated (*) Audited Prior period 31 December 2016
IV- Long-Term Liabilities			
A- Financial Liabilities			
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Leasing Costs (-)		-	-
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assets Issued (-)		-	-
7- Other Financial Liabilities		-	-
B- Payables Arising from Main Operations			
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business		-	-
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other Operations (-)		-	-
C- Due to Related Parties			
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables			
1- Deposits and Guarantees Received	4.2	2,555,551	3,050,696
2- Debts to SSI for treatment expenses	4.2	2,555,551	3,050,696
3- Other Miscellaneous Payables		-	-
4- Discount on Other Miscellaneous Payables (-)		-	-
E- Insurance Technical Provisions	2.26, 17	28,081,528	22,917,755
1- Reserve for Unearned Premiums – Net		-	-
2- Reserve for Unexpired Risks - Net		-	-
3- Life Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts – Net		-	-
6- Other Technical Provisions – Net	2.26, 17	28,081,528	22,917,755
F- Other Liabilities and Relevant Accruals			
1- Other Liabilities		-	-
2- Overdue, Deferred or By Instalment		-	-
Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks	23	12,253,298	10,552,843
1- Provisions for Severance Pay	23	12,253,298	10,552,843
2- Provisions for Employee Pension Funds Deficits		-	-
H- Deferred Income and Expense Accruals			
1- Deferred Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Long-Term Liabilities			
1- Deferred Tax Liabilities		-	-
2- Other Long-Term Liabilities		-	-
IV- Total Long-Term Liabilities		42,890,377	36,521,294

(*) Restated as presented in Note 2.1.6.

The accompanying notes are an integral part of these financial statements.

GÜNEŞ SİGORTA ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS ON 31 DECEMBER 2017 AND 2016

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

SHAREHOLDERS' EQUITY

	Notes	Audited Current period 31 December 2017	Restated (*) Audited Prior period 31 December 2016
V- Shareholders' Equity			
A- Paid in Capital	2.13, 15	270,000,000	270,000,000
1- (Nominal) Capital	2.13, 15	270,000,000	270,000,000
2- Unpaid Capital (-)		-	-
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences (-)		-	-
5- Capital To Be Registered		-	-
B- Capital Reserves	15	79,059,074	78,403,322
1- Share Premium	15	654,992	654,992
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Asset Sales That Will Be Transferred to Capital		-	-
4- Currency Translation Adjustments		-	-
5- Other Capital Reserves	15	78,404,082	77,748,330
C- Profit Reserves	15	584,770,615	433,790,832
1- Legal Reserves	15	4,949,441	4,949,441
2- Statutory Reserves		-	-
3- Extraordinary Reserves		-	-
4- Special Funds (Reserves)		-	-
5- Revaluation of Financial Assets	15	425,220,441	286,146,708
6- Other Profit Reserves	15	154,600,733	142,694,683
D- Retained Earnings		-	-
1- Retained Earnings		-	-
E- Accumulated Losses (-)		(282,723,769)	(234,634,715)
1- Accumulated Losses (-)		(282,723,769)	(234,634,715)
F- Net Profit/(Loss) for the Period	37	26,493,239	(48,065,707)
1- Net Profit for the Year		26,141,019	-
2- Net Loss for the Year (-)		-	(48,721,459)
3- Net Profit That Is Not Subject To Distribution	15	352,220	655,752
Total Equity		677,599,159	499,493,732
TOTAL EQUITY AND LIABILITIES		2,167,689,442	1,739,461,693

(*) Restated as presented in Note 2.1.6.

The accompanying notes are an integral part of these financial statements.

GÜNEŞ SİGORTA ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

I- TECHNICAL PART

	Notes	Audited 1 January - 31 December 2017	Restated (*) Audited 1 January - 31 December 2016
A- Non-Life Technical Income		925,510,784	827,392,289
1- Earned Premiums (Net of Reinsurer Share)		814,954,013	755,576,671
1.1- Written Premiums (Net of Reinsurer Share)	17	884,253,507	750,809,359
1.1.1- Written Premiums, gross	17	1,660,979,253	1,372,978,363
1.1.2- Written Premiums, ceded	10, 17	(744,904,463)	(597,714,030)
1.1.3- Premiums transferred to SSI	4, 10, 17	(31,821,283)	(24,454,974)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17, 24	(69,837,009)	(27,652,038)
1.2.1- Reserve for Unearned Premiums, gross	17, 24	(144,596,196)	(50,379,548)
1.2.2- Reserve for Unearned Premiums, ceded	10, 17, 24	73,430,702	19,272,219
1.2.3- SSI Share of Reserve for Unearned Premium	10, 17, 24	1,328,485	3,455,291
1.3 Changes in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	17	537,515	32,419,350
1.3.1- Reserve for Unexpired Risks, gross	17	2,824,147	28,953,015
1.3.2- Reserve for Unexpired Risks, ceded	10, 17	(2,286,632)	3,466,335
2- Investment Income - Transferred from Non-Technical Section		74,992,877	40,918,811
3- Other Technical Income (Net of Reinsurer Share)		2,138,201	3,100,841
3.1- Other Technical Income, gross		2,138,201	3,100,841
3.2- Other Technical Income, ceded		-	-
4- Accrued salvage and subrogation income		33,425,693	27,795,966
B- Non-Life Technical Expense		(897,635,662)	(806,099,808)
1- Incurred Losses (Net of Reinsurer Share)		(668,941,795)	(596,104,399)
1.1- Claims Paid (Net of Reinsurer Share)		(561,061,047)	(527,528,439)
1.1.1- Claims Paid, gross		(839,528,421)	(757,106,144)
1.1.2- Claims Paid, ceded	10	278,467,374	229,577,705
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17	(107,880,748)	(68,575,960)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(259,743,372)	(124,406,704)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10, 17	151,862,624	55,830,744
Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts, gross		-	-
2.2- Provision for Bonus and Discounts, ceded		-	-
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	17	(5,163,773)	(4,438,471)
4- Operating Expenses	32	(223,530,094)	(205,556,938)
5- Change in mathematical provisions (net off circulating part) (Net off Circulating Part)		-	-
5.1- Mathematical Provisions		-	-
5.2- Mathematical Provisions, ceded		-	-
6- Other Technical Expenses		-	-
6.1- Other Technical Expenses, gross		-	-
6.2- Gross Other Technical Expenses, ceded		-	-
C- Net Technical Income-Non-Life (A – B)		27,875,122	21,292,481
D- Life Technical Income		-	-
1- Earned Premiums (Net of Reinsurer Share)		-	-
1.1- Written Premiums (Net of Reinsurer Share)		-	-
1.1.1- Written Premiums, gross		-	-
1.1.2- Written Premiums, ceded		-	-
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)		-	-
1.2.1- Reserve for Unearned Premiums, gross		-	-
1.2.2- Reserve for Unearned Premiums, ceded		-	-
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.3.1- Reserve for Unexpired Risks, gross		-	-
1.3.2- Reserve for Unexpired Risks, ceded		-	-
2- Investment Income		-	-
3- Unrealized Gains on Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		-	-
4.1- Other Technical Expenses, gross		-	-
4.2- Gross Other Technical Expenses, reinsurer share		-	-
5- Accrued subrogation income		-	-

(*) Restated as presented in Note 2.1.6.

The accompanying notes are an integral part of these financial statements.

GÜNEŞ SİGORTA ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

I- TECHNICAL PART

	Notes	Audited 1 January - 31 December 2017	Restated (*) Audited 1 January - 31 December 2016
E- Life Technical Expense		-	-
1- Incurred Losses (Net of Reinsurer Share)		-	-
1.1- Claims Paid (Net of Reinsurer Share)		-	-
1.1.1- Claims Paid, gross		-	-
1.1.2- Claims Paid, ceded		-	-
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.2.1- Change in Provisions for Outstanding Claims, gross		-	-
1.2.2- Change in Provisions for Outstanding Claims, ceded		-	-
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts, gross		-	-
2.2- Provision for Bonus and Discounts, ceded		-	-
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
3.1- Mathematical Reserves (-)		-	-
3.1.1- Actuarial Mathematical Reserves (+/-)		-	-
3.1.2- Profit Share Reserve (For Permanent Life Insurance Policies)		-	-
3.2- Reinsurers' Share of Mathematical Reserves (+)		-	-
3.2.1- Reinsurer's Share of Actuarial Mathematical Reserves (+)		-	-
3.2.2- Reinsurer's Share of Profit Share Reserve- (for Permanent Life Insurance Policies) (+)		-	-
4- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
5- Operating Expenses		-	-
6- Investment Expenses		-	-
7- Unrealized Losses on Investments		-	-
8- Investment Income Transferred to the Non-Life Technical Section		-	-
F- Net Technical Income- Life (D – E)		-	-
G- Pension Business Technical Income		-	-
1- Fund Management Income		-	-
2- Management Fee		-	-
3- Entrance Fee Income		-	-
4- Management Expense Charge in case of Suspension		-	-
5- Income from Individual Service Charges		-	-
6- Increase in Value of Capital Allowances Given as Advance		-	-
7- Other Technical Expense		-	-
H- Pension Business Technical Expense		-	-
1- Fund Management Expense		-	-
2- Decrease in Value of Capital Allowances Given as Advance		-	-
3- Operating Expenses		-	-
4- Other Technical Expenses		-	-
I- Net Technical Income - Pension Business (G - H)		-	-

(*) Restated as presented in Note 2.1.6.

The accompanying notes are an integral part of these financial statements.

GÜNEŞ SİGORTA ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

II - NON-TECHNICAL PART

	Notes	Audited 1 January - 31 December 2017	Restated (*) Audited 1 January - 31 December 2016
C- Net Technical Income – Non-Life (A-B)		27,875,122	21,292,481
F- Net Technical Income – Life (D-E)		-	-
I - Net Technical Income – Pension Business (G-H)		-	-
J- Total Net Technical Income (C+F+I)		27,875,122	21,292,481
K- Investment Income		173,061,749	82,849,995
1- Income from Financial Assets	26	81,030,027	47,253,274
2- Income from Disposal of Financial Assets		-	-
3- Valuation of Financial Assets	26	2,916,540	(1,470,343)
4- Foreign Exchange Gains	26	75,305,738	33,102,066
5- Income from Associates	26	9,280,957	491,575
6- Income from Subsidiaries and Joint Ventures	26	-	561,013
7- Income from Property, Plant and Equipment	26	1,419,487	2,904,823
8- Income from Derivative Transactions		3,109,000	-
9- Other Investments	26	-	7,587
10- Income Transferred from Life Section		-	-
L- Investment Expense		(156,094,603)	(89,647,014)
1- Investment Management Expenses (Inc. interest)	4.2	(3,767,707)	(3,771,294)
2- Diminution in Value of Investments		-	-
3- Loss from Disposal of Financial Assets		(5,578)	(222)
4- Investment Income Transferred to Non-Life Technical Section	4.2	(74,992,877)	(40,918,811)
5- Loss from Derivative Transactions		-	-
6- Foreign Exchange Losses	4.2	(64,023,399)	(33,211,246)
7- Depreciation and Amortization Expenses	4.2, 6, 8	(7,343,000)	(7,057,503)
8- Other Investment Expenses	4.2	(5,962,042)	(4,687,938)
M- Income and Expenses From Other and Extraordinary Operations		(18,349,029)	(62,561,169)
1- Provisions	47	(33,778,937)	(59,543,634)
2- Rediscouts		(2,093,518)	(109,318)
3- Specified Insurance Accounts		-	-
4- Monetary Gains and Losses		-	-
5- Deferred Taxation (Deferred Tax Assets)	21, 35	15,267,885	(3,625,643)
6- Deferred Taxation (Deferred Tax Liabilities)		-	-
7- Other Income		2,664,965	2,563,615
8- Other Expenses and Losses		(409,424)	(1,846,189)
9- Prior Year's Income		-	-
10- Prior Year's Expenses and Losses		-	-
N- Net Profit for the Year		26,493,239	(48,065,707)
1- Profit for the Year	37	26,493,239	(48,065,707)
2- Corporate Tax Provision and Other Fiscal Liabilities		-	-
3- Net Profit for the Year	37	26,493,239	(48,065,707)
4- Monetary Gains and Losses		-	-

(*) Restated as presented in Note 2.1.6.

The accompanying notes are an integral part of these financial statements.

GÜNEŞ SİGORTA ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION OF THE STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

	Notes	Audited Current period 31 December 2017	Audited Prior period 31 December 2016
A. CASH GENERATED FROM MAIN OPERATIONS			
1. Cash provided from insurance activities		2,035,444,956	1,651,409,844
2. Cash provided from reinsurance activities		-	-
3. Cash provided from pension business		-	-
4. Cash used in insurance activities		(1,927,636,626)	(1,627,697,014)
5. Cash used in reinsurance activities		-	-
6. Cash used in pension business		-	-
7. Cash Provided From Operating Activities		107,808,330	23,712,830
8. Interest paid		-	-
9. Income taxes paid		(12,154,504)	(7,087,991)
10. Other cash inflows		14,191,612	2,563,615
11. Other cash outflows		(2,720,435)	(13,801,829)
12. Net Cash Provided From Operating Activities		107,125,003	5,386,625
B. CASH FLOWS FROM INVESTING OPERATIONS			
1. Disposal of tangible and intangible assets		926,867	1,897,903
2. Acquisition of tangible and intangible assets	6, 8	(836,551)	(4,613,011)
3. Acquisition of financial assets		-	-
4. Disposal of financial assets		3,109,000	182,095
5. Interests received		81,030,027	47,253,273
6. Dividends received		9,266,510	491,575
7. Other cash inflows		1,479,549	553,534
8. Other cash outflows		(3,767,707)	(3,771,294)
9. Net Cash Provided by Investing Activities		91,207,695	41,994,075
C. CASH FLOWS FROM FINANCING OPERATIONS			
1. Equity shares issued	2.13, 15	-	120,654,992
2. Cash provided from loans and borrowings		-	-
3. Finance lease payments		(1,658,420)	(3,052,258)
4. Dividends paid		-	-
5. Other cash inflows		-	-
6. Other cash outflows		-	-
7. Net Cash Used In Financing Activities		(1,658,420)	117,602,734
D. EFFECT OF EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS			
		12,859,506	(5,695,470)
E. Net increase/ (decrease) in cash and cash equivalents		209,533,784	159,287,964
F. Cash and cash equivalents at the beginning of the period	14	520,155,818	360,867,854
G. Cash and cash equivalents at the end of the period	14	729,689,602	520,155,818

(*) Restated as presented in Note 2.1.6.

The accompanying notes are an integral part of these financial statements.

GÜNEŞ SİGORTA ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

	Statements of Changes in Equity - Audited (*), Restated (**)										
	Share Capital	Own Shares of the Company (-)	Value Increase/(Decrease) In Assets	Inflation Adjustment Differences In Shareholders	Currency Translation Adjustments	Legal Reserves	Statutory Reserve	Other Reserves and Retained Profit	Net Profit/(Loss) For the Period	Retained Earnings	Total
I - Balance at the Prior Period End - 31 December 2015	150,000,000	-	239,953,208	-	-	4,949,441	-	149,955,723	(162,568,880)	(76,187,078)	306,102,414
II - Change in accounting standards (Note:2.1) (**)	-	-	-	-	-	-	-	-	-	63,601,930	63,601,930
III - New balances - 31 December 2015	150,000,000	-	239,953,208	-	-	4,949,441	-	149,955,723	(162,568,880)	(12,585,148)	369,704,344
A - Capital increase	120,000,000	-	-	-	-	-	-	654,992	-	-	120,654,992
1 - Cash	120,000,000	-	-	-	-	-	-	654,992	-	-	120,654,992
2 - Internal Resources	-	-	-	-	-	-	-	-	-	-	-
B - Own Shares of the Company	-	-	-	-	-	-	-	-	-	-	-
C - Gain and losses not recognized in the statement of income (Note 15)	-	-	46,193,500	-	-	-	-	(578,815)	-	-	45,614,685
D - Change in the value of financial assets	-	-	-	-	-	-	-	11,524,727	-	-	11,524,727
E - Currency translation adjustments	-	-	-	-	-	-	-	-	-	-	-
F - Other gains or losses (Note 6)	-	-	-	-	-	-	-	(384,384)	-	445,075	60,691
G - Inflation adjustment differences	-	-	-	-	-	-	-	-	(48,065,707)	-	(48,065,707)
H - Net profit for the period	-	-	-	-	-	-	-	-	-	-	-
I - Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J - Transfer	-	-	-	-	-	-	-	59,925,762	162,568,880	(222,494,642)	-
II - Balance at - 31 December 2016	270,000,000	-	286,146,708	-	-	4,949,441	-	221,098,005	(48,065,707)	(48,065,707)	499,493,732
I - Balance at the Prior Period End - 31 December 2016	270,000,000	-	286,146,708	-	-	4,949,441	-	221,098,005	(50,762,448)	(298,236,645)	433,195,061
II - Change in accounting standards (Note:2.1) (**)	-	-	-	-	-	-	-	-	2,696,741	63,601,930	66,298,671
III - New balances - 31 December 2016	270,000,000	-	286,146,708	-	-	4,949,441	-	221,098,005	(48,065,707)	(234,634,715)	499,493,732
A - Capital increase	-	-	-	-	-	-	-	-	-	-	-
1 - Cash	-	-	-	-	-	-	-	-	-	-	-
2 - Internal Resources	-	-	-	-	-	-	-	-	-	-	-
B - Own Shares of the Company	-	-	-	-	-	-	-	-	-	-	-
C - Gain and losses not recognized in the statement of income (Note 15)	-	-	139,073,733	-	-	-	-	(900,650)	-	-	138,173,083
D - Change in the value of financial assets	-	-	-	-	-	-	-	13,604,430	-	-	13,604,430
E - Currency translation adjustments	-	-	-	-	-	-	-	(797,730)	-	632,405	(165,325)
F - Other gains or losses (Note 6)	-	-	-	-	-	-	-	-	-	-	-
G - Inflation adjustment differences	-	-	-	-	-	-	-	-	26,493,239	-	26,493,239
H - Net profit for the period	-	-	-	-	-	-	-	-	-	-	-
I - Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J - Transfer	-	-	-	-	-	-	-	655,752	48,065,707	(48,721,459)	-
II - Balance at - 31 December 2017	270,000,000	-	425,220,441	-	-	4,949,441	-	233,659,807	26,493,239	(282,723,769)	677,599,159

(*) Detailed explanations for the shareholders' equity items are disclosed in Note 15.
(**) Restated as presented in Note 2.1.6.

The accompanying notes are an integral part of these financial statements.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

1. GENERAL INFORMATION

1.1 Name of the Company and the ultimate parent of the group

As at 31 December 2017, the major shareholders of Güneş Sigorta Anonim Şirketi (the “Company”) are Türkiye Vakıflar Bankası TAO (“Vakıflar Bankası”) and Groupama SA (Note 2.13).

1.2 Location and the legal structure of the Company, country and the address of the registered office (address of the operating center if it is different from the registered office)

The Company has been registered in Istanbul, Turkey in 1957 and operates as a joint stock company in accordance with Turkish Commercial Code (“TCC”). The Headquarter of the Company is located in “Güneş Plaza, Büyükdere Cad. No: 110 Esentepe Şişli 34394”.

Excepting Istanbul - Headquarter office, the Company has regional offices, Istanbul - Centre, Istanbul - Kadıköy, Istanbul - West, Middle Anatolia, Aegean, South Anatolia, Blacksea, Mediterranean, The Marmara, East Anatolia, and Turkish Republic of Northern Cyprus, as the current year the İstanbul 1.Region, İstanbul 2.Region, İstanbul 3.Region, Middle Anatolia, Aegean -Mediterranean, South Anatolia financial region offices are opened. The Company has also representative offices in Erzurum, Kayseri and Samsun.

1.3 Nature of operations

The Company operates in non-life insurance branches consisting of automotive and non-automotive accident, fire, transportation, engineering, health, agriculture and legal protection.

1.4 Description of the main operations of the Company

The Company conducts its operations as stated in Note 1.3 above in accordance with the Insurance Law No.5684 issued in the Official Gazette dated 14 June 2007 and numbered 26552 (“the Insurance Law”) and the communiqués and other regulations in effect issued by Treasury. As at 31 December 2017, the Company has 1,554 agencies (31 December 2016: 1,546 authorized agencies).

1.5 The average number of the personnel during the period in consideration of their categories

The average number of the personnel during the period was as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Senior Management (*)	17	17
Other Personnel	586	593
Total	603	610

(*) The chairman and members of the board of directors, general manager, assistant general managers, group managers and the chairman of the inspection board are grouped in the senior management class.

1.6 The total amount of the salaries and similar benefits provided to the senior management including Chairman, Member of the Board of Directors, General Manager, General Coordinator, and Assistant General Managers:

	1 January - 31 December 2017	1 January - 31 December 2016
Salaries	2,342,170	2,513,646
Bonuses	581,074	779,411
Title and license claims	416,762	330,051
Group and individual pension contributions	51,743	59,242
Transportation, food and fuel contributions	15,840	18,056
Other paid benefits	56,486	39,352
Total benefits provided to senior management	3,464,075	3,739,758
Provision for employment termination benefits	214,557	213,282

GÜNEŞ SİGORTA ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

1. GENERAL INFORMATION (Continued)

1.7 Criteria set for the allocation of investment income and operating expenses (personnel, management, research and development, marketing and sales, outsourcing utilities and services and other operating expenses) in the financial statements

Procedures and principles related to keys used in the distribution of investment income and operating expenses in the financial statements are determined in accordance with “Communiqué on the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In accordance with Insurance Accounting Plan” dated 4 January 2008 and numbered 2008/1 issued Prime Ministry Undersecretariat of Treasury of the Turkish Republic (“the Turkish Treasury”).

In accordance with the related communiqué, all income that is generated by the Company assets invested for non-life technical provisions is transferred from non-technical to technical part. The other investment income is classified under non-technical part. The Company allocates general expenses transferred to technical part to branches based on the weighted average of the number of policies, amount of premium production and number of claim notifications in last three years.

1.8 Information on the financial statements as to whether they comprise an individual company or a group of companies

The financial statements include only one company (Güneş Sigorta Anonim Şirketi).

1.9 Name or other identity information about the reporting entity and the changes in this information after previous reporting date

Name of the Company	:	Güneş Sigorta Anonim Şirketi
Registered address of the head office	:	Güneş Plaza, Büyükdere Cad. No: 110 Esentepe Şişli 34394 İstanbul
The website of the Company	:	www.gunessigorta.com.tr

1.10 Subsequent Events

Explanations related to subsequent events are disclosed in detail in Note 46.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

2.1.1 Information about the principles and the special accounting policies used in the preparation of the financial statements

The Company prepares its financial statements in accordance with the Insurance Law numbered 5684 and the regulations issued for insurance and reinsurance companies by the Undersecretariat of Treasury (the “Treasury”).

The financial statements are prepared in accordance with the Insurance Chart of Accounts included in the communiqué issued by the Treasury regarding the Insurance Chart of Accounts and Prospects, published in the Official Gazette (No: 25686) dated 30 December 2004 (Insurance Accounting System Communiqué No.1) and 27 December 2011 dated and 2011/14 numbered Notice regarding to the Opening of New Account Codes In Insurance Account Plan. Content and the format of the financial statements prepared and explanations and notes thereof are determined in accordance with the Communiqué on Presentation of Financial Statements published in the Official Gazette numbered 26851 dated 18 April 2008 and numbered 2012/7 and dated 31 May 2012 Notice regarding to the Presentation of the New Account Codes and Financial Statements.

GÜNEŞ SİGORTA ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1.1 Information about the principles and the special accounting policies used in the preparation of the financial statements (Continued)

The financial statements were prepared as in a TRY and historical cost basis, being adjusted for inflation until 31 December 2004, except for the financial assets and investment properties and properties held for use measured at their fair value.

In accordance with the "Regulation on Financial Reporting of Insurance and Reinsurance Companies and Pension Companies" issued on 14 July 2007 and effective from 1 January 2008, and also in accordance with the communiqués which may be issued by the Treasury, operations of insurance companies shall be accounted for in accordance with the Turkish Accounting Standards ("TAS") and the Turkish Financial Reporting Standards ("TFRS") as issued by the Turkish Accounting Standards Board ("TASK") and other regulations, communiqués and explanations issued by the Treasury regarding accounting and financial reporting issues. With reference to the notice of the Treasury No. 9 dated 18 February 2008, "TAS 1- Financial Statements and Presentation", "TAS 27- Consolidated and Unconsolidated Financial Statements", "TFRS 1 - Transition to TFRS" and "TFRS 4- Insurance Contracts" have been scoped out of this application. In addition, insurance companies are not required to prepare consolidated financial statements pursuant to the official statement on Regulation of Consolidated Financial Statements of Insurance and Reinsurance Companies and Pension Companies issued in the Official Gazette, dated on 31 December 2008 and numbered 27097. As at 31 December 2017, The Company does not have any subsidiaries to be consolidated on its financial statements.

The Company accounts and recognizes its insurance technical reserves in its financial statements as of 31 December 2017 in accordance with the "Regulation on Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested" ("Regulation on Technical Reserves") dated 28 July 2010 published in official gazette numbered 27655 and changes on this regulation on 17 July 2012 and numbered 28356 and other regulations issued for insurance and reinsurance companies by the Treasury (Note 2.23, 2.24, 2.25 and 2.26).

2.1.2 Other accounting policies appropriate for the understanding of the financial statements

Accounting in hyperinflationary countries

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the Turkish Lira based on "TAS 29 – Financial Reporting in Hyperinflationary Economies" as at 31 December 2004. TAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous years be restated in the same terms.

It was announced with the article of the Treasury numbered 19387, dated 4 April 2005, insurance companies are required to restate their financial statements as of 31 December 2004 in accordance with "Financial Reporting in Hyperinflationary Economies" included in the regulations of Capital Markets Board ("CMB") Communiqué XI No.25 (which came into force as published in the Official Gazette No: 25290 dated 15 January 2003). In line with the decree of CMB dated 17 March 2005, Treasury also announced that inflation accounting is not required effective from 1 January 2005. Based on the above mentioned notification of the Treasury, the Company has restated its financial statements as of 31 December 2004 in accordance with the regulations on "Financial Reporting in Hyperinflationary Economies" and not continued to apply TAS 29 "Financial Reporting in Hyperinflationary Economies".

GÜNEŞ SİGORTA ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1.3 Functional and presentation currency

The accompanying financial statements are presented in TRY, which is the Company's functional currency.

2.1.4 Rounding of the amounts presented in the financial statements

The financial information presented in TRY has been rounded to the nearest TRY values.

2.1.5 Basis of measurement used in the preparation of the financial statements

The accompanying financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2004, except for the financial assets held for trading, available for sale financial assets, investment property, owner occupied property of the Company and investments in associates which are stated at their fair values.

2.1.6 Accounting policies, changes in accounting estimates and errors

In accordance with the Decree No 2017/7 on the Reduction of Outstanding Net Cash Flows from the Compensation of Treasury, published by the Undersecretariat of Treasury on September 15, 2017, in accordance with the Circular on the Amendment of the General Communiqué No: 2016/22 and for the branches of General Liability and Land Vehicles, in accordance with the principles set out in the Circular on Reducing Net Cash Flows from Outstanding Claims, issued by the Undersecretariat of Treasury on June 10, 2016, numbered 2016/22. As stated in the Circular No. 2016/22, the Company has considered the discounting of the provision for outstanding claims as a change in accounting policy.

The effects on the financial statements prepared as of 31 December 2016 and 2015 of the amendments to the accounting policies for discounting the outstanding claims reserve are shown in the following tables.

31 December 2016	Reported Previously	The Effect of Restatement	Reported Restated
Assets			
Outstanding claim provision - Net	(604,851,235)	82,817,231	(522,034,004)
Unexpired risk reserve - Net	(1,778,282)	56,107	(1,722,175)
Deferred tax asset	18,713,702	(16,574,667)	2,139,035
Retained earnings	(298,236,645)	63,601,930	(234,634,715)
Net loss for the period	(50,762,448)	2,696,741	(48,065,707)
Income Statement			
Change in outstanding claims provision (reinsurer share and carryforward deducted)	(86,258,710)	17,682,750	(68,575,960)
Change in the provision for unexpired risk reserve (reinsurer share and carryforward deducted)	46,731,174	(14,311,824)	32,419,350
Deferred tax asset income	(2,951,458)	(674,185)	(3,625,643)
31 December 2015			
Outstanding claim provision - Net	(518,592,525)	65,134,481	(453,458,044)
Unexpired risk reserve - Net	(48,509,456)	14,367,933	(34,141,523)
Deferred taxes asset	25,030,858	(15,900,482)	9,130,376
Retained earnings	(76,187,078)	63,601,930	(12,585,148)

Explanations on accounting estimates are given in Note 3.

GÜNEŞ SİGORTA ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1.7 Comparative information

Where necessary, comparative information has been reclassified so that provide the compatibility to the presentation of financial statements for the current period.

2.2 Consolidation

"Circular on the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Individual Pension Companies" issued by Treasury in the Official Gazette dated 31 December 2008 and numbered 27097 ("the Circular for Consolidation") requires that insurance, reinsurance and individual pension companies issue consolidated financial statements starting from 31 March 2009. The processes for liquidation of Güneş Turizm End. ve Ticaret A.Ş., the subsidiary of the Company, has been completed upon being registered through the Trade Registry Gazette on 21 October 2016. As a result of this liquidation process, the Company does not have any subsidiary that is required to be consolidated starting from 31 December 2017. Vakıf Emeklilik A.Ş., that was accounted based on the equity method in the consolidated financial statements in prior periods, has been maintained as available for sale financial asset on these financial statements considering that there is no significant influence.

2.3 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Since the main economic environment, where the Company operates, is Turkey, a geographical segment reporting has not been presented.

Information about the Company's business reports regarding all branches are explained in the context of TFRS 8 - Business segments in Note 5.

2.4 Foreign currency transactions

Transactions are recorded in TRY, which is the Company's functional currency. Transactions in foreign currencies are recorded at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date and all exchange differences, except for those arising on the translation of the fair value change of available-for-sale financial assets, are offset and are recognized as foreign exchange gains or losses.

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

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

GÜNEŞ SİGORTA ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Tangible assets

All tangible assets except for buildings for operational use are carried at cost by deducting accumulated depreciation. Properties for operational use are recorded at their fair value on the basis of a valuation made by an independent valuation expert less subsequent accumulated depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net carrying amount is restated to the revalued amount.

Increases in the carrying amounts arising on revaluation of property, net of tax effects, are credited to "Other Capital Reserves" under shareholders' equity. Any subsequent decrease in value offsetting previous increases in the carrying amount of the same asset is charged against the funds in the equity; and all other decreases are charged to profit or loss. At each reporting date, the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's original cost is transferred from "Other Capital reserves" to retained earnings.

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net book value and the net sales price and reflected to the statement of income of the related period. Maintenance and repair costs incurred in the ordinary course of the business are recorded as expense.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the costs or revalued amounts of tangible assets. Depreciation rates and estimated useful lives are below.

	Estimated Useful Lives (years)	Depreciation Rates (%)
Properties for operational use (Buildings)	50	2
Furniture and fixtures	4-50	25-2
Motor vehicles	4-5	25-20
Other tangible assets (including leasehold improvements)	3-5	33-2

An investigation is to be performed to determine the possible impairment in case of there are existing conditions which point out impairment of tangible assets except properties for operational use and as a result of that investigation; accrual is to be booked to reduce net book value of tangible assets in case of recoverable value amount is less than net book value of related tangible asset. Profits and losses arising from disposal of tangible assets will be kept in "Other income and expense" account. In case of disposal of revalued assets; amount on "Other Capital Reserves" account related to that assets is to be transferred to retained earnings account (Note 6).

2.6 Investment property

The lands and buildings, which are obtained either to earn income or for capital appreciation or for both, instead of either for the Company's operations or for management purposes or for sale during the regular operations, are classified under investment properties. Investment properties are reflected in the financial statement at fair value. Changes in fair values of investment properties are recognized in the income statement under investment income (Note 7).

2.7 Intangible assets

The Company's intangible assets consist of rights and computer software. Intangible assets are accounted at cost accounting for intangible assets.

The Company, record the amortization amount for intangible assets on a straight-line basis over their estimated useful lives. The useful lives of intangible assets vary between 5 and 10 years (Note 8).

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CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets

Classification and measurement

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity. Financial assets are classified in two categories; as, available-for-sale financial assets and loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables those are not interest earning are measured by discounting of future cash flows less impairment losses, and interest earning loans and receivables are measured at amortized cost less impairment losses.

Available-for-sale financial assets are the financial assets other than loans and receivables. Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. However, assets that are not traded in an active market are measured by using valuation techniques, including recent market transactions in similar financial instruments, adjusted for factors unique to the instrument being valued; or discounted cash flow techniques for the assets which do not have a fixed maturity. Unrecognized gains or losses derived from the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in "Revaluation of financial assets" under shareholders' equity. Upon disposal, the realized gain or losses are recognized directly in the profit or loss. During the available-for-sale asset is first recognized, additional costs of recognition will be added to fair value.

Derecognition

A financial asset is derecognized when the control over the contractual rights that comprise that asset is lost. This occurs when the rights are realized, expire or are surrendered.

2.9 Impairment of assets

Impairment of financial assets

Financial assets or group of financial assets are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, the Company estimates the amount of impairment. A financial asset is impaired; if and only, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) ("loss event(s)") incurred subsequent to recognition. The losses expected to be incurred due to future events are not recognized even if the probability of loss is high.

Receivables are presented net of specific allowances for uncollectibility. Specific allowances are made against the carrying amounts of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and receivable to their recoverable amounts.

The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments and purchased loans measured to fair value is calculated as the present value of the expected future cash flows discounted at the current market rate of interest.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible assets

On each reporting date the Company evaluates whether there is an indication of impairment of tangible and intangible assets. If there is an objective evidence of impairment, the asset's recoverable amount is estimated and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

Discount and provision expenses of the period are detailed in Note 47.

2.10 Derivative financial instruments

As at the reporting date, the Company does not have any derivative financial instruments (31 December 2016: None).

2.11 Offsetting of financial assets

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the Turkish Financial Reporting Standards, or for gains and losses arising from a group of similar transactions included in the Company's trading activities.

2.12 Cash and cash equivalents

Cash and cash equivalents, which is the basis for preparation of the statement of cash flows includes cash on hand, cheques received, other cash and cash equivalents, demand deposits and time deposits at banks having an original maturity less than three months and readily to be used by the Company or not blocked for any other purpose (Note 14).

2.13 Share capital

As of 31 December 2017 and 2016, the share capital and ownership structure of the Company is as follows:

Name of Shareholders	31 December 2017		31 December 2016	
	Share amount (TRY)	Share (%)	Share amount (TRY)	Share (%)
Vakıflar Bankası T.A.O.	130,142,843	48.20	130,142,843	48.20
Groupama S.A.	54,000,000	20.00	54,000,000	20.00
Halka açık hisseler	45,330,157	16.79	45,330,157	16.79
Güvenlik Hizmetleri Vakfı	27,000,000	10.00	27,000,000	10.00
Türkiye Vakıflar Bankası T.A.O. Memur ve Hiz. Emekli ve Sağlık Yardım Sandığı Vak.	13,527,000	5.01	13,527,000	5.01
Paid-in Capital	270,000,000	100.00	270,000,000	100.00

Privileges to the different class of shares

None (31 December 2016: None).

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Share capital (Continued)

The Company's registered share capital

The registered capital ceiling of TL 300,000,000 was permitted by the Capital Markets Board of the Company, has expired on 31 December 2016. In accordance with the meeting minutes of the board of directors; dated 1 March 2017, The Company applied to The Capital Market Boards and got the approval for permission in order to increase the registered capital ceiling from TRY 300,000,000 to TRY 540,000,000 for the period between 2017 and 2021 and to convert 3,000,000,000 shares each with a nominal value of TRY 0.1 each into 540,000,000 shares with TRY 1 nominal value. The amendment of the Articles of Association; approved at the Ordinary General Assembly held on 16 June 2017, was registered on the Trade Register Gazette at Ordinary General Assembly meeting on 28 June 2017. Even if it cannot be reached to permissible written ceiling capital amount by the end of 2021 it is still mandatory to take permission from general board to let the board of directors give the decision of capital increase for either renewing previous ceiling price or setting a new ceiling amount within the permission of Capital Market Boards. In the case of the not taking the authority mentioned above the Company is considered as out of the registered share capital system. As at 31 December 2017, the paid in share capital of the Company consists of 270,000,000 issued shares with the total amount of TRY 270,000,000 (31 December 2016: 2,700,000,000 shares).

2.14 Insurance and investments contracts - classification

An insurance contract is a contract under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk covers all risk except for financial risks. All premiums have been received within the coverage of insurance contracts recognized as revenue under the account caption "written premiums".

Investment contracts are those contracts which transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided, that it is not specific to a party to the contract, in the case of a non-financial variable.

As of reporting date, the Company does not have a predetermined risk guaranteeing contract which is classified as an investment contract.

2.15 Insurance contracts and investment contracts with discretionary participation feature

Discretionary participation feature ("DPF") within insurance contracts and investment contracts is the right to have following benefits in addition to the guaranteed benefits.

- (i) Those are likely to comprise a significant portion of the total contractual benefits;
- (ii) Whose amount or timing is contractually at the discretion of the Issuer; and
- (iii) Those are contractually based on
 - (1) The performance of a specified pool of contracts or a specified type of contract;
 - (2) Realized and/or unrealized investments returns on a specified pool of assets held by the Issuer; or
 - (3) The profit or loss of the Company, Fund or other entity that issues the contract.

As at the reporting date, the Company does not have any insurance or investment contracts that contain a DPF.

Investment contracts without DPF

As at the reporting date, the Company does not have any insurance contracts and investment contracts without DPF.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Liabilities

Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities of the Company are measured at their discounted values. A financial liability is derecognized when it is extinguished.

2.17 Taxes

Corporate tax

Statutory income is subject to corporate tax at a rate of 20% (2016: %20). Corporate tax rate is applied on tax base which the net income for the periods, that is modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

Within the scope of the "Law on Amendments to Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated December 5, 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. Under the said law, deferred tax assets and liabilities are recognized on the financial statements as of 31 December 2017 with a tax rate of 22% for the portion of temporary differences that will have tax effect in the years 2018, 2019 and 2020, 20% for temporary differences and 20% respectively.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

Prepaid taxes are calculated and paid at the rates valid for the earnings of the related quarterly periods. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. However carry forward tax losses cannot be deducted from retained earnings. Tax losses cannot be carried back to offset profits from previous periods. As at 31 December 2017 the Company has deductible tax losses amounting to TRY 109,539,535 (31 December 2016: TRY 203,311,427) (Note 21).

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. In accordance with the regulation "Statute for Restructuring of Certain Receivables" numbered 6736 which was published in Trade Registry Gazette dated 19 August 2016 and numbered 29806, the Company has been exempted from tax investigation of the relevant year's income items as a result of increase in the tax bases for the years 2011, 2012, 2013, 2014 and 2015 by considering the minimum tax bases. However, based on the article 5, paragraph 1 and section (ğ) of the regulation numbered 6736, the Company will not be able to offset the carry forward tax losses of the years for which the tax base is increased, against future taxable profits.

Deferred income taxes

Deferred income tax assets and liabilities are recognized according to using the balance sheet method, on all taxable temporary differences arising between the tax bases and carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred income taxes (Continued)

Deferred income tax assets and liabilities are reported as net in the financial statements if, and only if, the Company has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity.

If transactions and events are recorded in the statement of income, then the related tax effects are also recognized in the statement of income. However, if transactions and events are recorded directly in the shareholders' equity, the related tax effects are also recognized directly in the shareholders' equity (Note 21).

Transfer pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

2.18 Employee benefits

Reserve for severance indemnity:

In accordance with existing Turkish Labor Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2017 TRY 4,732.48 (31 December 2016: TRY 4,297.21).

The fundamental assumption is that maximum ceiling for the yearly services increases in line with the inflation; therefore, the discount rate reflects the real rate after netting of the effects of inflation. The provision for termination benefits and severance payment has been calculated by using the ceiling amounting to 5.001,76 which is applicable starting from 1 January 2018, as it is adjusted yearly (1 January 2017: TRY 4,426.16)

The Company are calculated provision for employee severance indemnities using actuarial methods. The major statistical assumptions used in the calculation of the total liability as at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Discount Rate	%3.94	%3.94
Expected Rate of Salary/Limit Increase	%6.50	%6.50
Estimated Employee Turnover Rate	%5.33	%4.87

The specified expected rate of salary/limit increase is defined according to inflation estimation of Central Bank of Turkey.

Other employee benefits

The Company has provided for undiscounted short-term employee benefits earned during the financial period as per services in the accompanying financial statements (Note 23).

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Provisions

A provision is allocated for an existing obligation resulting from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the reporting date and, if material, such expenses are discounted to their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Company to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

A contingent asset is a possible asset 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 Company. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Company discloses the contingent asset (Note 23).

2.20 Revenue recognition

Written premiums

Written premiums represent premiums on policies written during the year net of taxes, premiums of the cancelled policies which were produced in prior years and premiums ceded to reinsurance companies. Premiums ceded to reinsurance companies on gross premiums are booked in "premiums ceded to reinsurance companies" account of statement of income (Note 24).

Claim recovery and salvage income and related receivables

In the calculations related to provisions for outstanding claims accrued and identified, accrued or collected subrogation, salvage or similar income items cannot be deducted. However, accrued subrogation, salvage, and similar income items can be recognized in the assets section of the balance sheet and income statement.

In order to accrue receivable or income of subrogation, salvage; acquisition of the right of subrogation, determination of the amount certainly, and must not have been charged by the end of the period are needed. In accordance with Turkish Commercial Code, the compensation must be paid for getting the right of subrogation.

In accordance with the Circular 2010/13 dated 20 September 2010; the Company can account for income accrual for subrogation receivables up to the guarantee limit of insurance companies without any voucher for insurance companies after the completion of the claim payments made to the insuree and receipt of voucher (bank statement related to the claim payment) from third parties other than insurance companies and notice of the insurance companies or third part parties. If the amount cannot be collected from the counterparty insurance company, the Company provides provision for uncollected amounts due for six months. If the counter party is not an insurance company, the provision is provided after four months.

On the other hand, if there is an agreement with the insurance company or third parties; where there is a payment plan up to one year, or receipt of cheques, bills or similar documents, the Company is not required to provide provision for subrogation receivables that overdue six months from insurance and four months from other counterparties are under the instalment plan.

At the reporting date, in accordance with the related circular, the Company recognised TRY 10,939,603 (31 December 2016: TRY 10,974,009) net salvage and subrogation receivables in the receivables from main operations and provided TRY 176,156 (31 December 2016: TRY 235,527 allowance for salvage and subrogation receivables that are overdue as described in the related circular (Note 12).

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition (Continued)

When the subrogation is subject to a court case, the amount is recorded on the date of the transaction and the same amount of provision is provided on the same day.

The Company provided a provision for net subrogation receivables under legal follow up and TRY 148,310,199 (31 December 2016: TRY 114,671,330) that is presented under doubtful receivables under main operations (Note 4.2 and 12).

In order to account for salvage income expected from the sale of the assets, the claim amount should be paid to the insuree and the ownership of the related assets should be transferred to the Company. When the assets are transferred to the insuree, sold to third parties by the Company or by an intermediary; salvage income is recorded and should not be recorded as a deduction from provisions for outstanding claims and paid claims.

For the years ended 31 December 2017 and 2016, accrued salvage and subrogation income per branches is as follows:

	31 December 2017	31 December 2016
Motor own damage	8,762,758	9,886,678
Fire and natural disasters	1,055,720	206,667
Motor third party liability	889,514	838,650
Commodity	227,039	37,154
Other	4,572	4,860
Total	10,939,603	10,974,009

For the period 1 January - 31 December 2017 and 2016, salvage and subrogation collections are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Motor own damage	118,543,106	129,989,540
Motor third party liability	5,432,884	4,143,501
Fire and natural disasters	1,373,675	1,202,796
Marine	778,293	1,213,101
Other	76,840	155,078
Total	126,204,798	136,704,016

Commission income and expense

As further detailed in Note 2.23, commissions paid to the agencies related to the production of the policies and the commissions received from the reinsurance firms related to the premiums ceded are recognised over the life of the contract by deferring commission income and expenses within the calculation of reserve for unearned premiums and they are recognised in "Deferred commission income" and "Deferred commission expense".

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition (Continued)

Interest income and expense

Interest income and expense are recognised using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Dividend

Dividend income is accounted when related dividend right arises.

2.21 Leasing transactions

Tangible assets acquired through of finance leases are recorded in tangible assets and the obligations under finance leases arising from the lease contracts are presented under "Finance Lease Payables" account in the balance sheet. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expense in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through finance lease and in the expected future benefits, the leased assets are measured at net realizable value. Depreciation for assets obtained through financial lease is calculated in the same manner as respective class at tangible assets.

Payments made under operational leases are recognised in the statement of income on a straight-line basis over the term of the lease.

2.22 Dividend distribution

As of reporting date, no dividend distribution is declared by the Company.

2.23 Reserve for unearned premiums

Reserve for unearned premiums, effective insurance contracts premiums occur from gross amounts without any commission or other discount and based on daily premium calculations for the following period or periods. For the goods transportation insurance contracts without a specific expire date, the premiums accrued from the last three months, 50% of the remaining amount is allocated as reserve for unearned premium.

The reserve for unearned premiums during the day basis evaluation while following sections of the extended periods are being evaluated it is assumed that in general implementation, the policy starts at noon 12:00 and ends again at noon 12:00.

Unearned portion of the commissions paid to the intermediaries for written premiums and commissions received from reinsurers for the premiums ceded are recognised in short term Prepaid Expenses and Income Accruals and Deferred Income and Expense Accruals respectively in the balance sheet. They are also recognised in the operating expenses after netting off.

In accordance with the Communiqué on Technical Reserves, for the calculation of reserve for unearned premium of foreign currency indexed insurance agreements, foreign currency selling exchange rates announced by Turkish Central Bank are used, unless there is a specified exchange rate in the agreement (Note 17).

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Reserve for unexpired risks

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected loss ratios. Expected loss ratio is calculated by dividing the incurred losses to earned premiums, above the mentioned expected loss ratio is calculated on the basis of main branches as of 31 December 2017 and 2016, in accordance with the "Regulation regarding the Changes in the Calculation of Unexpired Risk Reserve" dated 13 December 2012 and numbered 2012/15 published by the Treasury. In case where the expected loss ratio is higher than 95% net unexpired risks reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch and gross unexpired risks reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross amount and net amount is recognized as reinsurers' share.

Besides, in accordance with "the Circular on Unexpired Risk Reserve Provision" no. 2016/37 dated 11 November 2016 published by the Undersecretary of Treasury ("sectoral announcement no. 2016/37"), the amount of the gross loss ratio to be used in the calculation of unexpired risk reserve in the Land Vehicles, Land Vehicles, Compulsory, Financial Liability and General Liability branches to the insurance companies shall be calculated on the basis of the accident year and the amount of the final damage, including the indirect works, for every three months period of the last year including the current period, it is possible to calculate it by dividing the obtained prime. In accordance with the circular no 2016/37, if the gross loss ratio is over 90% for the year 2017, the gross loss ratio of the Company will be multiplied by gross unearned premiums against the gross unearned premiums. As a result of the multiplication of net unearned premiums provision, net contingent risks have been calculated.

Within the framework of "the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" numbered 2016/22 and dated June 10, 2016 and within the framework of "the amendment to the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" numbered 2017/7 and dated September 15, 2017 published by Treasury, The Company has revised retrospectively the calculation of outstanding claims provision and ongoing risk provision that it has applied after discounting (Note 2.1).

The Company has calculated and accounted for net unexpired risk reserve amounting to TRY 1,184,660 as at 31 December 2017 (31 December 2016: TRY 1,722,175) (Note 17).

2.25 Provision for outstanding claims

The Company accounts for outstanding claim provision for ultimate cost of the claims incurred, but not paid in the current or previous periods or, for the estimated ultimate cost if the cost is not certain yet, and for the incurred but not reported claims. Claim provisions are accounted for based on reports of experts or initial assessments of policyholders and experts, and in the calculations related to the claim provisions, claim recoveries, salvage and similar gains are not deducted.

In accordance with the Communiqué on Technical Reserves and 2011/1 and dated 14 January 2011, starting from 1 July 2012, the Company provided provision for the files that there is uncertainty about their amount and/or which are defined as pilot case based on the average amounts of which the calculation procedure and methods defined by the Treasury and updated the provision based on the further court decision and the expert reports.

As of 31 December 2017, the difference between the provision for outstanding claim that is accrued and the amount that is calculated by using the actuarial chain ladder method, of which the content and implementation fundamentals are determined on the Legislation for Technical Provision and the "Circular on Provision for Outstanding Claim" numbered. 2014/16 and dated 5 December 2014 and is effective from 1 January 2015, is accounted for as incurred but not reported claims provision.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Provision for outstanding claims (Continued)

In accordance with "the Circular on Provision for Outstanding Claim" dated 5 December 2014 and numbered 2014/16 published by the Undersecretariat of Treasury, since 1 January 2015, the calculation of incurred but not reported claim provision for outstanding claim considering that best estimations of the Company's actuary has been adjudicated. Based on mentioned circular letter, the data selection on incurred but not reported claim provision calculations, the amendments and adjustments and the selection of the best method and interference with development factor are done by the Company's actuaries based on actuarial methods. In this related circular letter, on the calculation of incurred but not reported provision for outstanding claim amount, the Company has been given the right to choose Actuarial Chain Ladder Methods (ACLM) for each branch of Chain Ladder Method, Loss Ratio, Cape Cod, Frequency-Severity Techniques, Munich Chain Ladder Method and Bornhuetter-Ferguson. The Company has chosen Chain Ladder Method for incurred but not reported claim provisions for outstanding claims of all branches except for the general liability, air vehicle and air vehicle liability. It has been chosen Loss Ratio Method for general liability and air vehicle branches and Cape Cod as for air vehicle liability in compliance with the Company's actuary. The large claim limits and the files over the limits of these large claims on the basis of branches are determined by statistical analysis of Company's actuary; the data set used to ACLM calculations are considered without these files. The actuarial methods that has been used to calculate ACLM and large claims on the basis of branches are presented in Note 17.

The data related accrued claim recoveries, salvage and equivalent income in the balance sheet are taken into consideration in the ACLM calculations with collections. In addition, for the branches with a negative ACLM result, the incurred but not reported claim provision was calculated considering the total amount of the negative ACLM result. The ACLM calculations are performed on a gross basis and the net amounts are determined in accordance with in-forced reinsurance agreements of the Company. The gross and net incurred but not reported claim provision to be added or to be deducted for each branch and the calculation methodology as at 31 December 2017 and 2016 are explained in the Note 17.

In accordance with the Circular numbered 2011/18, paid claims, outstanding claims, claim recovery, salvage and similar incomes related to treatment expense within the scope of the law, are excluded from the previous year's statistics for the "Compulsory Transportation", "Compulsory motor third part liability", "Compulsory Motor Personal Accident" branches, in the calculations related to ACLM development triangles prepared to determine the incurred but not reported claim provision as of 31 December 2017.

In accordance with the circular of "Regulation on the Changes in the Regulation of Provision for Outstanding Claim (2014/16)" numbered 2015/7 - 2015/28 and 2016/11 issued by Undersecretariat of Treasury dated 17 March 2015, 27 July 2015 and 29 February 2016 respectively, companies are allowed to account the effects of the changes in the calculation of claim provision gradually by each trimester during the years 2015, 2016, 2017, 2018 and 2019. In this context, the Company has calculated the incurred but not reported claim provision for Compulsory Traffic branch as of 31 December 2017 by applying the gradual accounting rates of 25%, 2.5%, 5% and 10% respectively for quarterly increases in 2015; 7.5%, 7.5%, 10% and 10% quarterly increases for 2016 and also 2.5% for the first two quarter, 15% last two quarter of 2017 in accordance with the related regulation. As of 31 December 2017, as a result of ACLM calculations; the Company has allocated a net provision for incurred but not reported claims amounting to TRY 239,822,053 (31 December 2016: TRY 209,660,454). If the Company did not choose the mentioned gradual accounting application, net incurred but not reported claim provision would be TRY 37,029,494 more as of 31 December 2017. (Note 17)

Within the framework of "the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" numbered 2016/22 and dated June 10, 2016 and within the framework of "the amendment to the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" numbered 2017/7 and dated 15 September 2017 published by Treasury, as of 31 December 2017, the Company has calculated a net discount to the outstanding claims provision for TRY 88,104,234 (31 December 2016: TRY 82,817,231) as of 31 December 2017 for the liability branches of General Liability and Motor Third Party Liability.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Provision for outstanding claims (Continued)

As of 31 December 2017, the net outstanding claims provisions of the Company in the branches are presented below before and after the discounts.

Branch	Net Outstanding Claim Provision Before Discount	Discount Amount	Net Discounted Outstanding Claim Provision
Motor Third Party Liability	(582,355,750)	81,550,149	(500,805,601)
General Liability	(40,557,462)	6,554,085	(34,003,377)
Total	(622,913,212)	88,104,234	(534,808,978)

The methods applied to estimate the net cash flows of the Company as at 31 December 2017 and 2016 and the estimated net cash flows for each major branch are as follows:

Branch	Methods Applied	2018	2019	2020	2021	2022	2023	2024	Total
Motor Third Party Liability	Table 57	202,996,255	131,713,487	95,343,341	65,862,847	35,617,326	16,453,191	3,253,815	551,240,262
General Liability	Table 57	67,053,048	58,353,929	48,679,983	32,487,782	21,890,618	10,603,032	747,638	239,816,030

In accordance with "The Communiqué on the Calculation of Provision for Incurred But Not Reported Claims" dated 26 December 2011 and numbered 2011/23 (the "Communiqué numbered 2011/23"), insurance companies are allowed to calculate a winning ratio over the amounts of legal cases opened against the Company which are closed in the past 5 years on a sub-branch basis and to reduce a certain portion of the outstanding claim files under legal follow-up using the calculated winning ratio as of 31 December 2017 and 2016. The Company has calculated the winning ratio on a sub-branch basis by dividing the amount of the cases closed in favor of the Company to the total amount of the legal cases of which legal processes have been completed in the past 5 years' time as of 31 December 2017 and 2016. The principal amounts have been taken into consideration and interest and other charges have been excluded from winning ratio calculations. In accordance with the Communiqué numbered 2011/23, the deduction from the outstanding claims under legal follow-up has been made using the ratio 25% for the branches with winning ratios over 25%. The Company has calculated win ratio over gross amounts and has determined reinsurance share of discount amount considering reinsurance share of related files. The net deduction amount from outstanding claim files using the winning ratios calculated on a sub-branch basis is TRY 39,908,852 (31 December 2016: TRY 29,301,809) (Note 17). The calculated and used winning ratios as at 31 December 2017 and 2016 are as follows:

Branch	31 December 2017		31 December 2016	
	Calculated Winning Ratio (%)	Used Winning Ratio (%)	Calculated Winning Ratio (%)	Used Winning Ratio (%)
Occupational responsibility	100	25	100	25
Flood	71	25	57	25
Fire	56	25	46	25
Construction	40	25	43	25
Motor vehicles - own damage	37	25	31	25
Third party financial liability	33	25	23	23
Boat	31	25	65	25
MTPL - facultative	25	25	33	25
Personnel accident	22	22	17	17
Health	21	21	84	25
Compulsory transportation financial liability	18	18	15	15
Commodity	17	17	15	15
Hazardous materials liability	16	16	9	9
Compulsory personal accident for bus transportation	14	14	17	17
Employer financial liability	13	13	8	8
Electronic device	12	12	12	12
Motor third party liability	9	9	8	8
Machinery breakdown	8	8	5	5
Bottled gas liability	6	6	3	3

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Equalization provision

In accordance with the Communiqué on Technical Reserves, the Insurance Companies should provide equalization provision in credit insurance and earthquake branches to equalize the fluctuations in future possible claims and for catastrophic risks. Provision is calculated as 12% of net premiums written in credit insurance and earthquake branches. In the calculation of net premiums, fees paid for un-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms.

The insurance companies are allowed to deduct claim payments and outstanding claims evidenced by expertise reports or official documents received from public institutions due to earthquake losses from the equalization reserve, provided that no deduction has been made from current year charge to the reserve.

As of 31 December 2017 equalization provision amounting to TRY 28,081,528 (31 December 2016: TRY 22,917,755) is presented under "Other Technical Reserves" under the long term-liabilities in the accompanying financial statements (Note 17).

2.27 Related parties

For the purpose of the accompanying financial statements, shareholders, key management and members of board of directors together with their families and companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties (Note 45).

2.28 Earnings per share

Earnings per share are determined by dividing the net income by the weighted average number of shares outstanding during the year attributable to the shareholders of the Company. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus shares issued are regarded as issued shares (Note 37).

2.29 Subsequent events

Post-balance sheet events that provide additional information about the Company's position at the reporting dates (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material (Note 46).

2.30 New standards and interpretations not yet adopted

The Company applied new standards and amendments related with its operations published by International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") which are effective date is 1 January 2017.

a) *Standards, amendments and interpretations applicable as at 31 December 2017:*

- Amendments to IAS 7 'Statement of cash flows' on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- Amendments IAS 12 'Income Taxes', effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.
- Annual improvements from 2014 to 2016;

IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. This amendment clarifies that, apart from the condensed financial information, the disclosure requirements of IFRS 12 apply to the shares in the businesses classified as available for sale. The internal control related to the audit is evaluated.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards, amendments and interpretations effective after 31 December 2017:

- 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 licenses 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.
- 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:
 - All companies issuing insurance contracts will have the option to account for the volatility that may arise when IFRS 9 is applied, in the other comprehensive income statement, rather than accounting for profit or loss, before the new insurance contract 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;
 - 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 effective 1 January 2018.
 - IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- IFRS 22, 'Foreign currency transactions and advance consideration', effective from annual periods beginning on or after 1 January 2018. This IFRS 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Standards, amendments and interpretations effective after 31 December 2017 (Continued):

- IFRS 9, "Changes in financial instruments"; Effective for annual reporting periods beginning on or after January 1, 2019. This amendment confirms that if a financial liability measured at amortized cost is changed without resulting in a recognition, the resulting gain or loss is recognized directly in profit or loss. Gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted from the original effective interest rate. This means that, unlike IAS 39, it is not possible to recognize the difference over the remaining life of the instrument.
- IAS 28, "Changes in investments in associates and joint ventures"; Effective for annual reporting periods beginning on or after January 1, 2019. We have clarified that companies will account for long term participations or jointly controlled investments that are not applied by the equity method 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 far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- IFRS 23, 'Uncertainty over income tax treatments', effective from annual periods beginning on or after 1 January 2019. This IFRS 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. IFRS 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRS 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" is effective for annual reporting periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which allows for a wide range of applications. IFRS 17 will change the basis of insurance contracts and the accounts of all entities that issue investment contracts with voluntary participation features.

2.31 Convenience translation into English

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

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The notes given in this section are provided to addition/supplement the commentary on the management of insurance risk (Note 4.1) and management of financial risk (Note 4.2).

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 balance sheet 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 the one of the most critical accounting estimates. Estimation of the insurance liabilities, by nature, includes the evaluation of several uncertainties (Note 17).

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas at estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 4.1 - Management of insurance risk
- Note 4.2 - Management of financial risk
- Note 6 - Tangible assets
- Note 7 - Investment properties
- Note 8 - Intangible assets
- Note 9 - Investments in associates
- Note 10 - Reinsurance assets and liabilities
- Note 11 - Financial assets
- Note 12 - Loans and receivables
- Note 21 - Deferred taxes
- Note 42 - Risks

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

4.1 Management of insurance risk

The risk under an insurance contract is the probability of an insured event's occurring including the uncertainty of the amount of any resulting claim. This risk is impossible to estimate because of its structure. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities.

In accordance with Code of Risk Acceptance of the Company, risks are allocated in terms of their branches and potential effects. The main part of this risk management is the evaluation of all possibilities to eliminate, control or reinsure the risk by defining in all parts of the insurance operations.

According to risk types, the Company makes some analysis to decide about which branches it can operate in which city or region by using the analysis of district-city actuarial methods.

These analyses are updated about the new information received and so that policies will change about the priorities of the operations.

With the risk policies developed by these methods, it is aimed to increase the Company's profitability on the basis of branches, cities, and regions.

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

4.1 Management of insurance risk (Continued)

Risks are divided into branches and sizes in terms of the Company’s Risk Acceptance Regulations. Acceptance or rejection according to the result of risk examination’s evaluations is decided by the Company’s Risk Engineers, Related Branch Managers, and Vice Technical Manager after evaluation.

The Company determines annual “risk acceptance policies” regarding the products of the Company and revise these policies during the year, if necessary. Based on the mentioned risk acceptance policies, the maximum and minimum limits for risk analysis during the period from order process to the issuance of the policy and the risks which will be excluded are determined for each product. Furthermore, the Company, by considering its financial structure, obtains coverage for the significant risks and catastrophic losses through the use of reinsurance agreements.

The most common method to manage insurance risk is to arrange reinsurance agreements. But the transfer of insurance risk through reinsurance agreements is not eliminating the liability of the Company as the first one made the insurance. If reinsurance company does not pay the loss, Company’s liability towards the policyholder continues. The company evaluates the reliability of reinsurance company by analyzing the financial condition before annual contract.

The Company not only creates new policies within the context of risk evaluation as mentioned above, also transfers the risks to reinsurer companies with reinsurance agreements. The Company transfers the risks with special acceptance of excess loss insurance and quota surplus reinsurance within the context of the agreements.

Reinsurance agreements contains claim excess (quota surplus reinsurance, excess loss insurance) catastrophic guarantee (provision). In addition, at the jobs, excess of special acceptance capacity which are at different levels for branches, arbitrary reinsurance are done by related technical departments.

Generally, the Company has agreements of fire and natural disasters, transportation, accident, transportation vehicles (land), transportation vehicles (air), transportation vehicles (sea), general losses, transportation vehicles (land) liability, transportation vehicles (sea) liability, general liability, financial losses, legal protection and health branches. Insurance guarantee amounts are also explained in Note 17.

Reinsurance agreements are the agreements signed, paid by the company and are also carried out by the both The Company and Reinsurance Company. These agreements have the sufficient conditions to be able to classify as insurance agreements which are used in purpose of losses result from one or more insurance agreements.

As of 31 December 2017, Everest Reinsurance (“Everest Re”) is the leader reinsurer of the Company in branches such as fire, assorted accident, transportation and machinery breakings with quota-shared, excess loss-shared and catastrophe-cover agreements. Other following reinsurers are Milli Re, QBE; Hannover Re.

As of 31 December 2017, the Company have annual surplus agreements in fire, machinery breakdown and accident branches, and annual quota-share agreement in motor hull and MTPL branches.

The last credit-scaling notes as follows in the table;

Reinsurer	Standard & Poors			AM Best		
	Scale	Outlook	Date	Scale	Outlook	Date
Everest RE	A+	Stationary	13 March 2009	A+	Stationary	10 February 2017
Milli RE	AA-	Stationary	1 February 2017	B+	Negative	14 July 2017
Munich RE	AA-	Stationary	23 March 2009	A+	Stationary	7 December 2017
Swiss RE	AA-	Stationary	29 December 2011	A+	Stationary	7 December 2017
QBE	A+	Stationary	29 May 2017	A	Stationary	13 July 2017
Hannover RE	AA-	Stationary	21 May 2010	A+	Stationary	7 December 2017

The company has annual excess treaty in fire, machinery breakdown, diverse accident, and branches, as for quota share agreements for motor insurance and compulsory traffic insurance branches as of the date 31 December 2017.

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

4.1 Management of insurance risk (Continued)

Premiums transferred to the 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 published in the Official Gazette dated 25 February 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 15 September 2011 and numbered 2011/17 (the "Communiqué numbered 2011/17") and "The Communiqué on the Accounting of Payments to Social Security Institution ("SSI") with respect to Treatment Expenses and Introduction of New Account Codes to Insurance Account Chart" dated 17 October 2011 (the "Communiqué numbered 2011/18"), the regulation ("2012/3 numbered notice) making changes in "The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated 16 March 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 30 April 2012 and numbered 2012/6.(the "Communiqué numbered 2012/6"). Within this framework, the Company 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 25 February 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 aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI in 1 January - 31 December 2017 account period as TRY 31,821,283 under the account of "premiums transferred to SSI" during the accounting period 1 January - 31 December 2016 (1 January - 31 December 2016: TRY 24,454,974).

Premiums and claims transferred to the Risky Insured Pool

12 April 2017 for high level of damage frequency and / or vehicle groups as determined by the "Regulation on the Amendment of the Regulation on Tariff Implementation Principles in the Compulsory Financial Liability Insurance for Motor Vehicles", published by the Undersecretariat of Treasury in the Official Gazette dated 11 July 2017 and numbered 30121 The "Risk Insured Pool" ("Pool") was established to be valid for the traffic insurance policies written since 12 April 2017. According to the risk insured Pool Work Essentials enacted with the regulation in question, the premium for the pool covered by traffic insurance policy and damage Turkey Motor Vehicle Bureau ("TMTB") to be calculated in two stages. Accordingly, 50% of the premiums and damages are shared equally among the insurance companies; while the remaining 50% is distributed considering the share of insurance companies in the last 3 years of traffic insurance premiums.

The Company has recorded the premiums, indemnities and commission amounts transferred from the Pool within the scope of the Company's share within the scope of the regulation, taking into consideration the estimated amounts of the unreported periods at the closing date of the accounts and the monthly receipts finalized by TMTB. As of 31 December 2017, the Company has transferred TRY 62,320,321 premium and TRY 12,360,307 paid compensation and TRY 224,378 recovery income to the Pool. TRY 40,805,895 premium, TRY 10,150,439 commission, TRY 4,123,274 paid as compensation and TRY 45,608 recovery income from Pool to the Company were recognized in accordance with the relevant legislation.

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

Premiums and claims transferred to the Risky Insured Pool (Continued)

The "Compulsory Medical Malpractice Law" which is annexed to the "Procedures and Principles Regarding the Contribution of the Institution in the Compulsory Financial Liability Insurance for Medical Malpractice" (2010/1) published by the Under secretariat of Treasury in the Official Gazette dated 7 October 2017 and numbered 30203 Liability Insurance Tariff and Instruction "B. INCIDENT ", the Premiums and Claims Sharing Basis for the Medical Malpractice Insurance Liability Insurance, the premiums and damages related to the financial liability policies in the application are calculated in two stages by the company appointed by the Evaluation Committee. Accordingly, 50% of the premiums and damages are shared equally among the insurance companies; and the remaining 50% is distributed considering the share of insurance companies' medical liability insurance premiums in the last three years.

The Company has accounted the amounts of premiums, claims and commissions that are taken over from the Pool within the scope of the Company's market share and ceded to the Pool within the scope of the regulation, considering the amounts in the monthly statements that is finalized by other insurance companies. As of 31 December 2017, The Company has ceded TRY 838,458 premium to the Pool and accounted TRY 77,143 premium, TRY 1,489 paid claim and TRY 99,105 commission income; based on its share which are reported by the Pool, on the financial statements in accordance with the legislation.

4.2 Management of financial risk

Introduction and overview

This note presents information about the Company's exposure to each of the below risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors monitors the effectiveness of the risk management system through the internal audit department.

The Company's risk management policies are established to identify and analysed the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Credit risk

Credit risk is basically defined as the possibility that counterparty will fail to meet its obligations in accordance under agreed terms of a contract. The balance sheet items that the Company is exposed to credit risk are as follows:

- banks
- other cash and cash equivalents (excluding cash on hand)
- available for sale financial assets
- premium receivables from policyholders
- receivables from intermediaries (agencies)
- receivables from reinsurance companies related to commissions and claims paid
- reinsurance shares of insurance liability
- other receivable

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

4.2 Management of financial risk (Continued)

Financial assets of the Company, subject to credit risk are mainly demand and time deposits held at banks in Turkey and other financial intermediaries, and credit card receivables. All these receivables are assumed that they do not have a high credit risk.

Net carrying value of the assets that are exposed to credit risk is shown in the table below.

	31 December 2017	31 December 2016
Cash equivalents (Note 14)	864,524,070	665,209,718
Reinsurer's share in provision for outstanding claims (Note 10)	572,033,973	420,171,349
Receivables from operating activities (Note 12)	449,611,942	395,166,808
Prepaid taxes and funds (Note 12)	12,243,662	7,209,385
Other receivables (Note 12 and 47)	3,378,530	3,874,792
Advances given to personnel	37,238	58,822
Total	1,901,829,415	1,491,690,874

Details of guarantees and securities taken for the receivables are as follows:

	31 December 2017	31 December 2016
Notes received	53,118,621	57,692,246
Letter of guarantee	32,480,577	34,005,577
Cash guarantees	2,469,605	3,009,973
Other guarantee and commitments	1,770,430	1,461,430
Treasury and government bonds taken as guarantee	316,701	325,948
Total	90,155,934	96,495,174

As at 31 December 2017 and 2016, the aging of the receivables from operating activities and related provisions are as follows:

	31 December 2017		31 December 2016	
	Gross amount	Provision	Gross amount	Provision
Undue receivables	425,830,404	-	366,328,421	-
Past due 0-30 days	2,249,349	-	2,479,774	-
Past due 31-60 days	1,433,359	-	1,810,120	-
Past due 61-180 days	1,669,727	-	3,963,205	-
Past due 181-365 days	1,941,834	(940,066)	3,793,130	(1,500,264)
More than one year receivables	7,716,298	(3,964,626)	9,692,909	(6,327,200)
Doubtful receivables under legal follow-up	17,417,815	(14,505,599)	20,614,250	(16,426,019)
	458,258,786	(19,410,291)	408,681,809	(24,253,483)
Subrogation and salvage receivables	10,939,603	(176,156)	10,974,009	(235,527)
Doubtful receivables from main operations				
Subrogation under legal follow up (Note 12)	148,310,199	(148,310,199)	114,671,330	(114,671,330)
Total	617,508,588	(167,896,646)	534,327,148	(139,160,340)

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CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

4.2 Management of financial risk (Continued)

The movement in the allowance for impairment in respect of premium receivables during the period is as follows:

	2017	2016
Beginning of the period - January 1	(139,160,340)	(101,106,419)
Change in provision for recovery receivables under legal follow-up (Note 47)	(33,638,870)	(29,752,485)
Change in provision for premium receivables Doubtful receivables under legal follow-up	(210,093)	(2,887,280)
Collections in the period (Note 47)	372,976	153,792
Change in provision from premium Receivables under management bias (Note 47)	2,922,773	(5,615,273)
Change in provision from recovery Receivables under management bias (Note 4.2)	59,370	47,325
Other	1,757,538	-
Period ending - December 31	(167,896,646)	(139,160,340)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments.

Managing Liquidity Risk

The Company considers the maturity match between assets and liabilities for the purpose of avoiding liquidity risk and ensures that it will always have sufficient liquidity to meet its liabilities when due.

Monetary asset and liabilities' remaining periods to maturity:

31 December 2017	Book value	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years
Assets					
Cash and cash equivalents	864,524,070	134,654,656	729,869,414	-	-
Receivables from operating activities	449,611,942	78,014,980	147,509,750	219,275,076	4,812,136
Receivables from affiliates	14,447	14,447	-	-	-
Other receivables	3,378,530	3,203,065	-	-	175,465
Total monetary assets	1,317,528,989	215,887,148	877,379,164	219,275,076	4,987,601
Liabilities					
Financial liabilities	223,087,097	21,951,973	151,406,085	49,729,039	-
Payables from operating activities	-	-	-	-	-
Due to related parties	60,461	60,461	-	-	-
Other payables	25,324,103	7,314,319	15,454,233	-	2,555,551
Provision for outstanding claims, net	629,914,752	94,487,212	327,555,671	138,581,246	69,290,623
Provision for tax and Other similar liabilities	24,851,642	22,943,620	1,908,022	-	-
Total monetary liabilities	903,238,055	146,757,585	496,324,011	188,310,285	71,846,174
31 December 2016	Book value	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years
Assets					
Cash and cash equivalents	665,210,904	239,065,522	426,145,382	-	-
Receivables from operating activities	395,166,808	79,997,766	108,056,788	201,143,897	5,968,357
Other receivables	3,874,792	3,708,745	-	-	166,047
Total monetary assets	1,064,252,504	322,772,033	534,202,170	201,143,897	6,134,404
Liabilities					
Financial liabilities	1,658,420	230,754	469,282	958,384	-
Payables from operating activities	176,526,366	20,818,917	112,225,706	43,481,743	-
Due to related parties	12,105	12,105	-	-	-
Other payables	23,390,533	6,160,343	14,179,493	-	3,050,697
Provision for outstanding claims, net	522,034,004	78,305,100	271,457,682	114,847,481	57,423,741
Provision for tax and Other similar liabilities	22,672,388	21,071,396	1,600,992	-	-
Total monetary liabilities	746,293,816	126,598,615	399,933,156	159,287,608	60,474,437

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

4.2 Management of financial risk (Continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads will affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Currency risk

The Company is exposed to currency risk through insurance and reinsurance transactions in foreign currencies.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated by the Central Bank of the Republic of Turkey’s spot purchase rates and the differences arising from foreign currency rates are recorded as foreign exchange gain or loss in the statement of income.

The Company’s exposure to foreign currency risk is as follows:

31 December 2017	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	62,093,876	7,059,800	699,331	69,853,007
Receivables from operating activities	170,011,950	33,785,648	505,270	204,302,868
Total foreign currency assets	232,105,826	40,845,448	1,204,601	274,155,875
Liabilities:				
Payables arising from operating activities	(145,415,458)	(5,409,137)	(1,120,022)	(151,944,617)
Provision for outstanding claims	(4,093,031)	(1,320,858)	(127,029)	(5,540,918)
Deposits and collaterals received	(634,708)	(164,688)	-	(799,396)
Total foreign currency liabilities	(150,143,197)	(6,894,683)	(1,247,051)	(158,284,931)
Balance sheet position	81,962,629	33,950,765	(42,450)	115,870,944
31 December 2016	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	18,828,222	5,338,278	559,478	24,725,978
Receivables from operating activities	166,356,859	25,266,418	451,946	192,075,223
Total foreign currency assets	185,185,081	30,604,696	1,011,424	216,801,201
Liabilities:				
Payables arising from operating activities	(105,687,435)	(9,904,313)	(182,191)	(115,773,939)
Provision for outstanding claims	(3,171,058)	(2,396,796)	(36,910)	(5,604,764)
Deposits and collaterals received	(820,909)	(219,611)	-	(1,040,520)
Total foreign currency liabilities	(109,679,402)	(12,520,720)	(219,101)	(122,419,223)
Balance sheet position	75,505,679	18,083,976	792,323	94,381,978

TRY equivalents of the related monetary amounts denominated in foreign currencies are presented above.

Foreign currency rates used for the translation of foreign currency denominated monetary assets and liabilities as at 31 December 2017 and 2016 are as follows:

	USD	Euro
31 December 2017	3.7719	4.5155
31 December 2016	3.5192	3.7099

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

4.2 Management of financial risk (Continued)

Exposure to currency risk

10 percent devaluation of the TRY against the following currencies as at 31 December 2017 and 2016 would have increased equity and profit or loss (excluding tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. A 10 percent appreciation of the TRY against the following currencies' effect will be in opposite direction.

	1 January - 31 December 2017		1 January - 31 December 2016	
	Profit or loss	Equity	Profit or loss	Equity
US Dollar	8,196,263	8,196,263	7,550,568	7,550,568
Euro	3,395,077	3,395,077	1,808,398	1,808,398
Other currencies	(4,245)	(4,245)	79,232	79,232
Total, net	11,587,095	11,587,095	9,438,198	9,438,198

Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands.

As at 31 December 2017 and 2016; the interest rate profile of the Company's interest earning financial assets and interest bearing financial liabilities are detailed below:

	31 December 2017	31 December 2016
Financial assets with fixed interest rate:		
Deposits in banks (Note 14)	729,196,633	545,474,173
Financial liabilities with fixed interest rate:		
Financial lease payables (Note 20)	-	1,658,420

Interest rate sensitivity of the financial instruments

The Company does not have any interest sensitive financial instrument as of 31 December 2017.

Fair value information

The estimated fair values of financial instruments have been determined using available market information, and where it exists, appropriate valuation methodologies.

Available-for-sale financial assets are measured at their fair values based on their quoted prices in the accompanying financial statement. To measure the fair values of the debt securities which has no quoted prices in the financial markets, a valuation technique is applied, which all inputs are based on the observable information.

Management estimates that the fair value of other financial assets and liabilities are not materially different than their carrying amounts.

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

4.2 Management of financial risk (Continued)

Classification of fair value measurement

"IFRS 7 - Financial Instruments: Disclosures requires the measurements of fair value of financial instruments to be classified in a hierarchy that reflects the significance of the valuation inputs used. This classification priorities observable data, using market data obtained from independent sources, in preference to unobservable data that relies, for example on the use of predictions and assumptions about market prices by the Company. This sort of categorization generally results in the classifications below.

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

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

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

Classification requires the utilization of observable market data, if available.

Classification of financial assets and liabilities' fair values is as follows:

31 December 2017	Level 1	Level 2	Level 3	Total
<i>Financial Assets:</i>				
Associates (Note 9)	40,889,384	-	460,879,004	501,768,388
Properties held for use (Note 6)	-	188,775,000	-	188,775,000
Investment Properties (Note 7)	-	14,866,000	-	14,866,000
Total Financial Assets	40,889,384	203,641,000	460,879,004	705,409,388
31 December 2016	Level 1	Level 2	Level 3	Total
<i>Financial Assets:</i>				
Associates (Note 9)	31,960,158	-	323,706,588	355,666,746
Properties held for use (Note 6)	-	176,095,000	-	176,095,000
Investment Properties (Note 7)	-	15,205,000	-	15,205,000
Total Financial Assets	31,960,158	191,300,000	323,706,588	546,966,746

The reconciliation of the balance at the beginning and balance at the ending for Level 3 in terms of fair value measurements are presented in the table below.

	2017	2016
Beginning - January 1	323,706,588	284,474,148
<i>Total gains and loss</i>		
- Recognized in other comprehensive income	137,172,416	38,522,139
- Purchases	-	710,301
Period ending - December 31	460,879,004	323,706,588

Fair values of affiliates and subsidiaries are determined in accordance with discounted cash flow and comparative value method in valuation reports prepared by independent valuation companies.

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

4.2 Management of financial risk (Continued)

Sensitivity of fair value of equity shares

Equity share price risk is defined as the risk of decreasing the market price of equity shares as a result of a change in index.

Borsa Istanbul (the "BIST") is traded in the financial statements term securities shown between the market value and the measured stocks, indexes of possible fluctuations due to fair value changes in (all other variables held constant with) the Company's equity the effect on (excluding tax effects) is as follows:

	Change in Index	31 December 2017 Equity	31 December 2016 Equity
BIST - 100	%10	4,089,103	2,635,925

Capital management

The Company's major capital management policies include the following:

- To comply with the insurance capital requirements required by Treasury
- To safeguard the Company's ability to continue as going concern
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk assumed

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy of Insurance, Reinsurance and Individual Pension Companies" dated 19 January 2008 and numbered 26761 issued by Treasury; as of 31 December 2017, the Company measured its minimum capital requirement as TRY 377,063,936 (31 December 2016: TRY 357,390,026). As of 31 December 2017, the Company's total equity calculated in accordance with the related communiqué is equal to TRY 694,849,188 which is more than the minimum capital requirement by TRY 317,785,253 (31 December 2016: TRY 87,891,288 more).

The Company has taken following actions to increase profitability and sustain a structure;

- The company makes production and risk selection in accordance with the new legal regulations in traffic insurances.
- The actuarial schedules related to motor vehicles and traffic branches are regularly reviewed and revised. The company intends to increase its profitability and production in the motor vehicles and to reduce the harm caused by balanced production in the traffic branch.
- In order to set an individual profitable portfolio, the Company operates by adopting adequate price and accurate conditions policy.
- The Company has adopted the policy of increasing the treaty capacity in Fire and Construction branches to constitute a profitable portfolio.

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (Continued)

4.2 Management of financial risk (Continued)

Information about earnings from financial assets is indicated in note 26. The details of financial expenses are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Investment income transferred to non-life technical section	(74,992,877)	(40,918,811)
Foreign exchange losses	(64,023,399)	(33,211,246)
<i>Fx losses from current account transactions</i>	(45,661,422)	(25,655,114)
<i>Fx losses from cash and cash equivalent transactions</i>	(18,361,977)	(7,556,132)
Amortization expenses	(7,343,000)	(7,057,503)
Investment management expenses - including interest	(3,767,707)	(3,771,294)
Other	(5,967,620)	(4,688,160)
Financial expenses	(156,094,603)	(89,647,014)

The details of financial gains and losses recognized in equity are as follows:

Changes in fair value of Investments at associates (Note 9 and 15)	139,073,733	46,156,054
Total	139,073,733	46,156,054

5. SEGMENT REPORTING

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Business segments

Information about the Company's segment reporting is explained in this section within the context of TFRS 8 - Business Segments Standards.

Not only reports given to upper level management to give a decision about reporting sub-operating segments, also numerical sub limits within the context of TFRS 8 – Business Segments Standards are taken into consideration and premium production, and technical profitability are evaluated as a different business segments.

Fire Insurance

With this insurance; damages on the insured goods as a result of fire, lightning, blast, fume, steam, and fever are insured up to the insurance coverage.

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5. SEGMENT REPORTING (Continued)

Other Accident Insurance

This section contains insurance in branches Motor own damage, personal accident insurance and broken glass. The company provide physical damage thereby danger and invasion by motor own damage policyholder motor can be used in road, from non-motorized vehicles , and the trailer or caravan with backhoe, advantage arising from the tractor wheel; can be used in highway motor vehicle, struggle with non-motorized transport, on the move or pause position involuntarily policyholder or user of the car, strike of an object which was moving or the car striking to object tipping, falling, rolling, such as accidents, or movements with bad faith by third party, vehicle's combustion, be stealing of car or attempt to steal.

Motor Vehicles (Land) Liability Insurance

The Company described the policy that if the mentioned motor vehicle, during the operation, will cause a person's death or injury or damage a thing, in accordance with No. 2918 Road Traffic Act, the operator's legal responsibility will be provided up to insurance limits.

The damages occurred by trailers, or semi-trailers (including light trailers) will be covered by the trailer's insurance policy. Trailers to carry people will be covered if there is an additional liability insurance, specified the special conditions

In order to prevent or minimize the damage after an accident, the Insuree's reasonable and necessary expenses will be covered by the Company. This insurance is the operator (the Insuree) to ensure the defence against unjustified claims.

Health Insurance

Health insurance; during the period of insurance, provides the treatment costs if the insuree got illness, accident, if also there is, daily paid claims up to written amounts in the insurance policy. The policy's geographical borders are mentioned in the policy.

Geographical Reporting

The main geographical segment the Company operates is in Turkey, so the Company does not disclose geographical segment reporting.

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5. SEGMENT REPORTING (Continued)

As of 1 January - 31 December 2017 segment results are as follows:

	Fire	Various Accident	Motor Third Party Liability	Health	Other	Undistributed	Total
Technical Income	92,373,525	284,586,323	316,575,320	143,169,145	88,806,471	-	925,510,784
1 - Earned premiums (net)	77,760,239	261,520,809	272,859,468	133,911,607	68,901,890	-	814,954,013
1.1 - Written premiums (net)	85,828,475	284,846,842	291,878,610	142,589,314	79,110,266	-	884,253,507
1.2 - Change in reserve for unearned premiums	(8,068,236)	(23,326,033)	(19,019,142)	(8,677,707)	(10,745,891)	-	(69,837,009)
1.3 - Change in reserve for unexpired risks	-	-	-	-	537,515	-	537,515
2 - Other technical incomes and accrued salvage and subrogation receivables (net)	3,782,612	5,066,443	20,769,063	330,130	5,615,646	-	35,563,894
3 - Investment Income Transferred from Non-Technical Part	10,830,674	17,999,071	22,946,789	8,927,408	14,288,935	-	74,992,877
Technical Expense	83,640,967	283,767,871	335,808,060	153,236,147	41,182,617	-	897,635,662
1 - Damages occurred (net off reinsurers' share)	45,577,909	210,205,749	278,455,418	107,648,161	27,054,558	-	668,941,795
1.1 - Claims paid (net off reinsurers' share)	39,647,918	205,959,567	192,017,209	103,461,800	19,974,553	-	561,061,047
1.2 - Change in provision for outstanding claims (net off reinsurers' share and deferred part) (+/-)	5,929,991	4,246,182	86,438,209	4,186,361	7,080,005	-	107,880,748
2 - Change in other technical provisions	3,789,105	834,143	-	-	540,525	-	5,163,773
3 - Operating expenses	34,273,953	72,727,979	57,352,642	45,587,986	13,587,534	-	223,530,094
Profit/(loss)	8,732,558	818,452	(19,232,740)	(10,067,002)	47,623,854	-	27,875,122
Investment income						173,062,314	173,062,314
Investment expenses						(156,095,169)	(156,095,169)
Other operating expenses						(18,349,028)	(18,349,028)
Net period profit							26,493,239

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5. SEGMENT REPORTING (Continued)

As of 1 January - 31 December 2016, segment results are as follows:

	Fire	Various Accident	Motor Third Party Liability	Health	Other	Undistributed	Total
Technical Income	84,638,933	267,921,321	271,629,768	128,199,005	75,003,262	-	827,392,289
1 - Earned premiums (net)	67,136,399	254,752,070	245,756,434	121,127,188	66,804,580	-	755,576,671
1.1 - Written premiums (net)	73,292,803	252,762,268	238,544,931	118,609,831	67,599,526	-	750,809,359
1.2 - Change in reserve for unearned premiums	(6,156,404)	1,989,802	(26,591,777)	2,517,357	588,984	-	(27,652,038)
1.3 - Change in reserve for unexpired risks	-	-	33,803,280	-	(1,383,930)	-	32,419,350
2 - Other technical incomes and accrued salvage and subrogation receivables (net)	8,164,051	6,221,190	17,709,573	-	(1,198,007)	-	30,896,807
3 - Investment Income Transferred from Non-Technical Part	9,338,483	6,948,061	8,163,761	7,071,817	9,396,689	-	40,918,811
Technical Expense	56,751,465	257,794,082	321,231,966	128,853,612	41,468,683	-	806,099,808
1 - Damages occurred (net off reinsurers' share)	26,003,813	192,447,325	265,177,089	86,858,871	25,617,301	-	596,104,399
1.1 - Claims paid (net off reinsurers' share)	21,974,792	214,580,404	194,410,971	79,747,887	16,814,385	-	527,528,439
1.2 - Change in provision for outstanding claims (net off reinsurers' share and deferred part) (+/-)	4,029,021	(22,133,079)	70,766,118	7,110,984	8,802,916	-	68,575,960
2 - Change in other technical provisions	3,110,892	906,677	-	-	420,902	-	4,438,471
3 - Operating expenses	27,636,760	64,440,080	56,054,877	41,994,741	15,430,480	-	205,556,938
Profit/(loss)	27,887,468	10,127,239	(49,602,198)	(654,607)	33,534,579	-	21,292,481
Investment income	-	-	-	-	-	82,849,996	82,849,996
Investment expenses	-	-	-	-	-	(89,647,014)	(89,647,014)
Other operating expenses	-	-	-	-	-	(62,561,170)	(62,561,170)
Net period profit							(48,065,707)

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CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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6. TANGIBLE ASSETS

Movements of tangible assets in the period from 1 January to 31 December 2017 and 2016 are presented below:

	1 January 2017	Additions	Disposals	Valuation Increase	31 December 2017
Cost:					
Real estate property held for use	176,095,000	14,444	-	12,665,556	188,775,000
Machinery and equipment	7,299,635	842	(954,423)	-	6,346,054
Furniture and fixtures	5,776,796	489,521	(23,415)	-	6,242,902
Motor vehicles	418,444	-	(3,883)	-	414,561
Other tangibles (include leasehold improvements)	1,535,635	-	-	-	1,535,635
Leased assets	8,840,627	-	-	-	8,840,627
	199,966,137	504,807	(981,721)	12,665,556	212,154,779
Accumulated depreciation:					
Real estate property held for use	-	(1,571,280)	1,571,280	-	-
Machinery and equipment	(4,970,419)	(808,535)	954,423	-	(4,824,531)
Furniture and fixtures	(5,510,065)	(152,903)	23,415	-	(5,639,553)
Motor vehicles	(362,723)	(33,661)	3,883	-	(392,501)
Other tangibles (include leasehold improvements)	(1,472,498)	(37,977)	-	-	(1,510,475)
Leased assets	(4,200,064)	(1,919,083)	-	-	(6,119,147)
	(16,515,769)	(4,523,439)	2,553,001	-	(18,486,207)
Net book value	183,450,368				193,668,572
	1 January 2016	Additions	Disposals	Valuation Increase	31 December 2016
Cost:					
Real estate property held for use	164,680,000	-	-	11,415,000	176,095,000
Machinery and equipment	9,532,061	1,386,884	(3,619,310)	-	7,299,635
Furniture and fixtures	5,731,758	47,595	(2,557)	-	5,776,796
Motor vehicles	586,107	8,560	(176,223)	-	418,444
Other tangibles (include leasehold improvements)	1,528,427	10,443	(3,235)	-	1,535,635
Leased assets	6,092,141	2,748,486	-	-	8,840,627
	188,150,494	4,201,968	(3,801,325)	11,415,000	199,966,137
Accumulated depreciation:					
Real estate property held for use	-	(1,388,293)	-	1,388,293	-
Machinery and equipment	(7,887,503)	(702,004)	3,619,088	-	(4,970,419)
Furniture and fixtures	(5,363,108)	(149,514)	2,557	-	(5,510,065)
Motor vehicles	(476,922)	(62,024)	176,223	-	(362,723)
Other tangibles (include leasehold improvements)	(1,434,706)	(41,027)	3,235	-	(1,472,498)
Leased assets	(2,778,686)	(1,421,378)	-	-	(4,200,064)
	(17,940,925)	(3,764,240)	3,801,103	1,388,293	(16,515,769)
Net book value	170,209,569				183,450,368

The Company's properties held for use is recognised at fair value. As of 31 December 2017, the properties are carried at their fair values identified by the peer comparison method as stated in the appraisal reports prepared by CMB certified independent expertise companies:

	Appraisal Company	31 December 2017	31 December 2016
Güneş Plaza	Avrupa Gayrimenkul Değ. ve Dan. A.Ş.	177,165,000	165,000,000
Ankara Building	Avrupa Gayrimenkul Değ. ve Dan. A.Ş.	3,750,000	3,600,000
Kabataş Building	Avrupa Gayrimenkul Değ. ve Dan. A.Ş.	3,700,000	3,500,000
Antalya Building	Avrupa Gayrimenkul Değ. ve Dan. A.Ş.	1,645,000	1,620,000
Trabzon Building	Avrupa Gayrimenkul Değ. ve Dan. A.Ş.	1,000,000	950,000
Adana Building	Avrupa Gayrimenkul Değ. ve Dan. A.Ş.	950,000	895,000
Erzurum Building	Avrupa Gayrimenkul Değ. ve Dan. A.Ş.	275,000	255,000
Samsun Building	Avrupa Gayrimenkul Değ. ve Dan. A.Ş.	290,000	275,000
Total		188,775,000	176,095,000

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6. TANGIBLE ASSETS (Continued)

Revaluation increases arising from valuation of land and buildings, net of deferred tax effects, are credited to “Other Profit Reserves” under shareholders’ equity. Revaluation decreases arising from valuation of land and buildings are charged against “Other Profit Reserves” for the corresponding asset under shareholders’ equity. Fair value decreases per revaluation fund recorded in “Other Profit Reserves” are charged to the income statement.

The movements of the revaluation increases for the land and buildings accounted for using revaluation model is below:

	2017	2016
Beginning - 1 January	126,790,558	115,650,215
Increase in value arising from revaluation	14,236,834	12,803,293
Depreciation differences recognized in retained earnings net	(632,405)	(445,075)
Increase in value arising from revaluation		
Deferred tax effect (Note 21)	(797,729)	(1,217,875)
Period ending - 31 December (Note 15)	139,597,258	126,790,558

Cost and accumulated depreciations of the buildings as at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Cost	55,943,389	55,928,944
Accumulated depreciation	(16,319,453)	(15,380,579)
Net book value	39,623,936	40,548,365

As of 31 December 2017 and 2016, reconciliation between net book value, calculated by costs of properties held for own use and revalued amounts are as follows:

	31 December 2017	31 December 2016
Revalued amount	188,775,000	176,095,000
Revalued amount (net of accumulated depreciation)	188,775,000	176,095,000
Net book value, calculated over cost amount	(39,623,936)	(40,548,365)
Revaluation fund before tax	149,151,064	135,546,635
Calculated deferred tax liability (Note 21)	(9,553,806)	(8,756,077)
Revaluation fund, (net) (Note 15)	139,597,258	126,790,558

There is no commitment on the properties held for use (31 December 2016: None).

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7. INVESTMENT PROPERTY

As at 31 December 2017 and 2016, movements of the investment properties are as follows:

	1 January 2017	Additions	Disposals	Valuation Increase	31 December 2017
Investment properties	15,205,000	43,000	(677,000)	295,000	14,866,000
	15,205,000	43,000	(677,000)	295,000	14,866,000

	1 January 2016	Additions	Disposals	Valuation Increase	31 December 2016
Investment properties	14,924,000	64,000	(1,674,000)	1,891,000	15,205,000
	14,924,000	64,000	(1,674,000)	1,891,000	15,205,000

The lands and buildings for getting rental income, or holding for appreciation or for both instead of using in the operations of the Company, administrative purposes or sailing in the ordinary course of business, are classified as investment properties.

As of 31 December 2017 and 2016, investment properties are reflected into the financial statements at their fair values obtained from appraisal reports prepared by independent professional valuation experts.

	31 December 2017	31 December 2016
İzmir Konak Land (*)	9,300,000	9,300,000
Tekirdağ Farm (*)	4,240,000	4,100,000
Other land and buildings (*)	1,326,000	1,805,000
Total	14,866,000	15,205,000

(*) The value of these properties as at 31 December 2017 has been determined by the peer comparison method, specified in appraisal report dated 27 November 2017

Costs and accumulated depreciation of investment properties as at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Cost	10,776,658	11,138,398
Accumulated depreciation	(6,576,899)	(6,388,621)
Net book value	4,199,759	4,749,777

There is no rental income from investment properties (31 December 2016: None).

There are no pledges on the investment properties (31 December 2016: None).

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8. INTANGIBLE ASSETS

Movements in intangible assets in the period from 1 January to 31 December 2017 and 2016 are as follows:

	1 January 2017	Additions	Disposals	31 December 2017
Cost:				
Rights	8,530,812	331,744	-	8,862,556
Computer software	16,507,653	-	-	16,507,653
	25,038,465	331,744	-	25,370,209
Accumulated amortization:				
Rights	(6,898,309)	(1,168,796)	-	(8,067,105)
Computer software	(8,528,953)	(1,650,765)	-	(10,179,718)
	(15,427,262)	(2,819,561)	-	(18,246,823)
Net book value	9,611,203			7,123,386
	1 January 2016	Additions	Disposals	31 December 2016
Cost:				
Rights	8,119,769	411,043	-	8,530,812
Computer software	16,507,653	-	-	16,507,653
	24,627,422	411,043	-	25,038,465
Accumulated amortization:				
Rights	(5,255,811)	(1,642,498)	-	(6,898,309)
Computer software	(6,878,188)	(1,650,765)	-	(8,528,953)
	(12,133,999)	(3,293,263)	-	(15,427,262)
Net book value	12,493,423			9,611,203

9. INVESTMENT IN EQUITY SHARES

	Participation Rate (%)	31 December 2017		31 December 2016	
		Cost	Carrying Value	Cost	Carrying Value
Vakıf Finansal Kiralama A.Ş.	15.65	13,614,690	28,182,257	13,614,690	20,966,510
Vakıf Gayrimenkul Yatı. Ort. A.Ş.	1.74	8,060,517	9,605,125	8,060,517	8,529,648
Vakıf Menk. Kıy Yat. Ort. A.Ş.	11.00	2,200,000	3,102,000	2,200,000	2,464,000
Publicly traded investment in equity shares		23,875,207	40,889,382	23,875,207	31,960,158
Vakıf Emeklilik A.Ş. ⁽¹⁾	37.10	27,260,175	426,351,465	27,260,175	297,081,611
Vakıf Finans Faktoring A.Ş. ⁽²⁾	13.71	7,229,553	21,601,204	7,229,553	13,024,841
Taksim Otelcilik A.Ş. ⁽²⁾	1.43	5,628,206	6,474,468	5,628,206	6,438,607
Vakıf Pazarlama Sanayi ve Ticaret A.Ş. ⁽²⁾	9.76	13,989,682	4,827,447	13,989,682	5,739,048
Türk P ve I Sigorta A.Ş. ⁽⁴⁾	16.67	1,000,000	1,000,000	1,000,000	1,000,000
Vakıf İnşaat Restorasyon Tic. A.Ş. ⁽³⁾	3.00	5,919,832	900,801	5,919,832	900,801
Vakıf Yatırım Menkul Değerler A.Ş. ⁽²⁾	0.25	130,801	467,176	130,801	265,747
Tarım Sigortaları Havuz İşl. A.Ş. ⁽⁴⁾	4.17	346,211	346,211	220,125	220,125
Vakıf Enerji ve Madencilik A.Ş. ⁽²⁾	1.77	4,703,224	256,443	4,703,224	255,933
Other non-marketable securities		66,207,684	462,225,215	66,081,598	324,926,713
Financial assets total		90,082,891	503,114,597	89,956,805	356,886,871

- (1) Vakıf Emeklilik A.Ş., %37.10 of its shares owned by the Company, is classified as securities and carried at its fair value considering that there is no significant influence of the Company in accordance with "TAS 28 – Investments in Associates and Joint Ventures". As of 31 December 2017 and 2016, its fair value was determined based on valuation report dated 16 January 2018 prepared by a CMB licensed company.
- (2) As at 31 December 2017 and 2016 the fair value determined based on valuation reports held.
- (3) As at 31 December 2017 and 2016 the fair value determined based on valuation report prepared by a CMB licensed appraisal Company in 2008.
- (4) The financial assets recognized with cost, due to lack of market price of the financial asset or valuation report.

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9. INVESTMENT IN EQUITY SHARES (Continued)

Movements of financial assets during the period as follows:

	2017	2016
Beginning of the period - 1 January	356,886,871	307,690,542
Purchases	-	710,301
Fair value increases, recognised in equity (Note 15)	146,101,640	48,448,582
Disposal	(14,425)	-
Other	140,511	37,446
Period ending - 31 December	503,114,597	356,886,871

The movement of financial assets impairment during the period is as follows:

	2017	2016
Beginning of the period - 1 January	(17,716,956)	(19,356,521)
Fair value impairment	(911,091)	-
Fair value increases	-	562,852
Disposal	-	1,076,713
Period ending - 31 December	(18,628,047)	17,716,956

As of 31 December 2017 and 2016, there are no financial assets given as a guarantee.

The table within the company’s equity share and associates as it is below:

Thousand TRY	Total Assets	Total Equity	Current year Profit	Prior year Profit	Audited/ Unaudited	Period
Vakıf Emeklilik A.Ş.	7,129,237	346,466	111,255	61,404	Audited	31 December 2017
Vakıf Finans Factoring Hizmetleri A.Ş.	2,246,286	145,045	23,194	16,098	Audited	31 December 2017
Vakıf Finansal Kiralama A.Ş.	2,095,389	204,642	33,664	23,510	Audited	31 December 2017
Vakıf Gayrimenkul Yat. Ort. A.Ş.	976,667	947,966	78,189	47,238	Audited	31 December 2017
Vakıf Yatırım Menkul Değerler A.Ş.	493,702	164,268	19,623	8,568	Audited	31 December 2017
Vakıf Menk. Kıy. Yat. Ort. A.Ş.	18,021	17,434	(18)	(237)	Audited	31 December 2017
Taksim Otelcilik A.Ş.	367,983	351,186	(4,067)	(2,648)	Unaudited	31 December 2017
Vakıf Paz. Sanayi ve Ticaret A.Ş.	78,703	56,899	5,205	5,904	Unaudited	31 December 2017
Tarım Sigortaları Havuz İşl. A.Ş.	18,493	10,284	1,753	1,122	Unaudited	31 December 2017
Türk P ve I Sigorta A.Ş.	24,646	6,319	1,779	(610)	Unaudited	31 December 2017
Vakıf Enerji ve Madencilik A.Ş.	31,558	3,035	(2,602)	(2,266)	Unaudited	31 December 2016

10. REINSURANCE ASSETS AND LIABILITIES

As a ceding company, outstanding reinsurance assets and liabilities of the Company shown in details as follows:

	31 December 2017	31 December 2016
Reinsurance Assets /(Liabilities)		
Provision for outstanding claims, ceded (Note 17)	572,033,973	420,171,349
Reserve for unearned premiums, ceded (Note 17)	414,840,059	341,409,357
Equalization provision reinsurance share (Note 17)	61,517,506	47,294,485
Unearned premiums SSI share	14,656,166	13,327,681
Reserve for unexpired risks reinsurance share (Note 17)	7,560,519	9,847,151
Deferred commission income (Note 17)	(68,769,403)	(55,594,535)
Current account net debts of reinsurance companies (Note 19)	(158,337,605)	(144,504,322)

As of 31 December 2017, the Company accounted for a provision amounting to TRY 25,192,704 in short term “other technical provisions” for the claim receivables from several reinsurance companies and reinsurance share of certain outstanding claim files considering that they are under arbitration process or impaired (31 December 2016: TRY 21,497,122) (Note17).

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10. REINSURANCE ASSETS AND LIABILITIES (Continued)

	1 January - 31 December 2017	1 January - 31 December 2016
Reinsurance Income/(Expenses)		
Paid Claims - Reinsurer Share	278,467,374	229,577,705
Commissions received from reinsurers (net)	115,700,456	99,307,685
Outstanding claim provision- Reinsurer Share	151,862,624	55,830,744
Change in Unearned premium reserve- Reinsurer Share	73,430,702	19,272,219
Equalization provision - Reinsurer Share	14,223,021	12,461,104
Change in Unearned premium reserve SSI Share	1,328,485	3,455,291
Unexpired risk Reserve - Reinsurer Share	(2,286,632)	3,466,335
Ceded premiums to SSI	(31,821,283)	(24,454,974)
Ceded premiums to reinsurers	(744,904,463)	(597,714,030)

Detailed explanations about reinsurance agreements are disclosed in Note 2.14.

11. FINANCIAL ASSETS

The Company does not have any financial assets as of December 31, 2017 and 2016

12. LOANS AND RECEIVABLES

	31 December 2017	31 December 2016
Receivables from operating activities	449,611,942	395,166,808
Prepaid taxes and funds	12,243,662	7,209,385
Other receivables	3,378,530	3,874,792
Total	465,234,134	406,250,985
Short-term receivables	465,058,669	406,084,938
Medium and long term receivables	175,465	166,047
Total	465,234,134	406,250,985

As at 31 December 2017 and 2016, receivables from operating activities are detailed as follows:

	31 December 2017	31 December 2016
Receivables from agencies, brokers and intermediaries	331,702,651	287,615,482
Receivables from policyholders	109,138,320	100,452,077
Salvage and subrogation (Note 2.20)	10,939,603	10,974,009
Receivables from main insurance operations	451,780,574	399,041,568
Provision for salvage and subrogation receivables (Note 2.20)	(176,156)	(235,527)
Provision for premium receivables	(4,904,692)	(7,827,464)
Provisions for receivables from insurance operations	(5,080,848)	(8,062,991)
Total receivables from main insurance operations -net	446,699,726	390,978,577
Salvage and subrogation receivables under administrative and legal follow up - gross	148,310,199	114,671,330
Doubtful receivables from main operations	17,417,815	20,614,250
Doubtful receivables from main operations	165,728,014	135,285,580
Receivables from main operations-gross	612,427,740	526,264,157
Provisions for salvage and subrogation receivables under administrative and legal follow up	(148,310,199)	(114,671,330)
Provisions for doubtful receivables from main operations	(14,505,599)	(16,426,019)
Allowances for doubtful receivables from main operating activities	(162,815,798)	(131,097,349)
Receivables from main operations	449,611,942	395,166,808

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12. LOANS AND RECEIVABLES (Continued)

Details of salvage and subrogation receivables are as follows:

	31 December 2017	31 December 2016
Salvage and subrogation receivables - gross	274,431,090	213,927,465
Salvage and subrogation receivables – reinsurance share	(115,181,288)	(88,282,126)
Salvage and subrogation	159,249,802	125,645,339
Provisions for salvage and subrogation receivables under administrative and legal follow up	(148,310,199)	(114,671,330)
Provision of salvage and subrogation receivables	(176,156)	(235,527)
Accruals of net salvage and subrogation receivables	10,763,447	10,738,482

The related party transactions of the Company are presented in Note 45 in detail.

The receivables and payables denominated in foreign currencies and detailed analyses of foreign currency balances are presented in Note 4.2.

13. DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2017 and 2016, the Company does not have any derivative financial instruments.

14. CASH AND CASH EQUIVALENT ASSETS

As of 31 December 2017 and 2016, cash and cash equivalents are as follows:

	31 December 2017		31 December 2016	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	2,291	1,186	1,186	13,193
Banks	739,177,481	556,902,445	556,902,445	408,230,506
Receivables from Credit Cards	125,333,334	108,299,498	108,299,498	92,621,611
Mail Cheque	13,255	7,775	7,775	2,204
	864,526,361	665,210,904	665,210,904	500,867,514
Blocked amounts	(130,089,149)	(143,224,016)	(143,224,016)	(139,049,639)
Accrued interest on bank deposits	(4,747,610)	(1,831,070)	(1,831,070)	(950,021)
Cash and cash equivalents in the statement of cash flows	729,689,602	520,155,818	520,155,818	360,867,854

As at 31 December 2017 and 2016, bank balances are detailed as follows:

	31 December 2017	31 December 2016
Foreign currency denominated bank deposit		
- Time deposit	67,676,436	20,837,597
- Demand deposit	2,176,570	3,888,381
Bank deposits in Turkish Lira		
- Time deposits	661,520,197	524,636,576
- Demand deposits	7,804,278	7,539,891
Banks	739,177,481	556,902,445

As of 31 December 2017, the Company has blocked bank deposits in favor of Treasury in the amount of TRY 121,512,885 (31 December 2016: TRY 133,387,620), Tarım Sigortaları Havuz İşletmeleri A.Ş.'s (TARSİM) the amount of TRY 7,326,264 Tarım Sigortaları Havuz İşletmeleri AŞ ("TARSİM") (31 December 2016: TRY 8,586,397) and Central Bank of Turkish Republic of Northern Cyprus in the amount of TRY 1,250,000 (31 December 2016: TRY 1,250,000).

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15. SHAREHOLDER'S EQUITY

Paid in capital

As of 31 December 2017, the Company has TRY 270,000,000 of the capital which is totally paid and that comprises of issued shares of 270,000,000 nominal (31 December 2016: 2,700,000,000 issued shares, TRY 270,000,000 paid capital).

There are no privileges to any class of shares.

As at 31 December 2017, the shareholders which have direct or indirect control over the shares of the Company are Vakıflar Bankası with 48.20% of shares (31 December 2016: 36.35%) and Groupama S.A. with 20% of shares (31 December 2016: 20%).

There is no treasury shares held by the Company itself or by its subsidiaries or associates.

There is no shares issued which will be subject to sale in accordance with forward transactions and contracts.

Other capital reserves

As at 31 December 2017 and 2016, the detail of other capital reserves in accompanying the financial statements are as follows:

	31 December 2017	31 December 2016
Funds of profit from sale of properties	78,404,082	77,748,330
Premium on issued shares	654,992	654,992
Capital Reserves	79,059,074	78,403,322

In accordance with tax legislation, 75% of profits from sales of land and buildings and participation shares included in the assets of companies is exempted from corporate tax on a condition that it is classified under a special fund for five years. The exempted gains cannot be transferred to another account except for capital expenditure or cannot be paid as dividend for five years. In accordance with the 27 October 2008 dated and 2008/41 numbered sector announcement by Treasury, 75% of TRY 97,185,410 sales gain amounting to TRY 77,748,328 arising from sales of the other investment properties in 2010, 2014 and 2015, are recognised under "other capital reserve" account.

In accordance with the statements above, the Company has classified 75% of TRY 469,627 sales gain amounting to TRY 352,220 arising from sale of investment property that is held on its assets at least 3 years as "Profit for the Year Not Subject to Dividend" in shareholders' equity. The total of the sales gain amounting to TRY which calculated based the book value in accordance with TMS is recognised in the "Investment Income" account in income statement (31 December 2016: TRY 222,903) (Note 26).

Legal reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the TCC. The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5%, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

The movement of legal reserves in the period is as follows:

	31 December 2017	31 December 2016
Legal reserves	4,949,441	4,949,441
Legal reserves	4,949,441	4,949,441

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15. SHAREHOLDER'S EQUITY (Continued)

Valuation of financial assets

As at 31 December 2017 and 2016, financial assets classified as available for sale securities, investments and equity securities resulting from changes in the fair value of the details are as follows:

	31 December 2017	31 December 2016
Investment in equity shares	425,220,441	286,146,708
Valuation of financial assets	425,220,441	286,146,708

The movements of change in fair value of investment in equity shares are given below:

	2017	2016
Beginning of the period - 1 January	286,146,708	239,953,208
Fair value increase (Note 9)	146,101,640	48,448,582
Tax effect on fair value increase (Note 21)	(7,168,418)	(2,292,528)
Other	140,511	37,446
Period ending - 31 December	425,220,441	286,146,708

The value increase in financial assets in last 3 years (with the effect of related tax effect) is as follows:

Year	Change in Fair Value	Total Increase in fair value
2017	139,073,733	425,220,441
2016	46,193,500	286,146,708
2015	53,110,482	239,953,208

Other profit reserves

In accordance with the 4 July 2007 dated and 2007/3 numbered Compliance Circular issued by Treasury, it was stated that the companies would not further provide earthquake provision for the year 2007. However, it was also stated that earthquake provisions provided in previous periods (earthquake provision in the financial statements as at 31 December 2006) should be transferred to the reserve accounts under equity in accordance with the 5th Temporary Article of the Insurance Law. The companies had to transfer total amount of provisions, including earthquake provisions reserved as at 31 December 2006 and related gains obtained from investment of these amounts, to the account called as "549.01 - transferred earthquake provisions" which would be opened as at 1 September 2007 within Uniform Chart of Account and the reserves amount should not be subject to dividend distribution or should not be transferred to other accounts. In accordance with the related laws and regulations as of 30 June 2007 TRY 12,464,935 amount of earthquake provisions has been transferred to other profit reserves under equity accounts at 3 September 2007.

Details of other profit reserves are as follows:

	31 December 2017	31 December 2016
Revaluation fund (Note 6)	139,597,258	126,790,558
Earthquake claim fund transferred to shareholder's equity	12,464,935	12,464,935
Transferred reserves from profits of prior years	6,592,946	6,592,946
Actuarial gain and (loss)	(4,054,406)	(3,153,756)
Other profit reserves	154,600,733	142,694,683

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15. SHAREHOLDER'S EQUITY (Continued)

The movement of the revaluation funds is as follows:

	2017	2016
Beginning of the period - January 1	126,790,558	115,650,215
Increase/(decrease) in the revaluation fund, net	12,806,700	11,140,343
End of the period - December 31 (Note 6)	139,597,258	126,790,558

In accordance with "TMS 16 - Tangible Assets", the Company accounts for property (land and buildings) using the revaluation model. Increases in the carrying amounts arising on revaluation of land and buildings, net of tax, are accounted for in "Other capital reserves" under shareholders' equity. At each accounting period, the difference between depreciation based on the revalued carrying amount of the asset (charged to the statement of income) and the depreciation based on the asset's original cost is transferred from "Other Capital reserves" to retained earnings. In accordance with the current regulation, revaluation increases arising from the revaluation of property held for use are not allowed to be used in capital increases. The movements in the current period related to revaluation increases are disclosed in Note 6.

16. OTHER RESERVES AND EQUITY COMPONENT OF DISCRETIONARY PARTICIPATION FEATURE

The information about other reserves which are within the share holders' equity is at Note 15.

17. INSURANCE LIABILITIES AND REINSURANCE ASSETS

As of 31 December 2017 and 2016, details of technical provisions are as follows:

	31 December 2017	31 December 2016
Reserve for unearned premiums, gross	876,959,070	732,362,874
Reserve for unearned premiums, ceded (Note 10)	(414,840,059)	(341,409,357)
Reserve for unearned premiums, SSI ceded (Note 10)	(14,656,166)	(13,327,681)
Reserve for unearned premiums, net	447,462,845	377,625,836
Provision for outstanding claims, gross	1,201,948,725	942,205,353
Provision for outstanding claims, ceded (Note 10)	(572,033,973)	(420,171,349)
Provision for outstanding claims, net (*)	629,914,752	522,034,004
Reserve for unexpired risks gross	8,745,179	11,569,326
Reserve for unexpired risks, ceded (Note 10)	(7,560,519)	(9,847,151)
Reserve for unexpired risks, net	1,184,660	1,722,175
Equalization provision, gross	89,599,034	70,212,240
Equalization provision, ceded (Note 10)	(61,517,506)	(47,294,485)
Equalization provision, net	28,081,528	22,917,755
Other technical provisions, net (Note 10)	25,192,704	21,497,122
Total technical provisions, net	1,131,836,489	945,796,892

(*) Restated as presented in Note 2.1

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17. INSURANCE LIABILITIES AND REINSURANCE ASSETS (Continued)

In accordance with the 5 December 2014 dated and 2014/16 numbered "Circular on Provision for Outstanding Claim" by Treasury, the Company decided ACLM methods for each branch depending on the actuary's recommendation. Same methods implemented along with previous periods for ACML calculations of all branches except Air Vehicle and Air Vehicle Liability branches. The development factors used on Compulsory Traffic was calculated by considering on incurred claim triangles that was excluded large claims to remove the misleading effect of them and those development factors was applied to the incurred claim triangles which include all claims. In addition, development and tail factors has been determined by using statistical methods and implemented to ACLM triangles in accordance with actuary's opinion. Loss ratio method implemented to ACLM triangles for General Liability branch as a result of large claim elimination pursuant to actuary's opinion. The ACLM calculations are performed on a gross basis and the net amounts are determined in accordance with the methods presented below. As of 31 December 2017 and 2016, ACLM calculation methods for branches and as a result of these calculations, additional gross or net reserves that will be reserved or that will be reduced from reserves are described below:

Branch	31 December 2017			31 December 2016		
	Method Used	Provision Gross Add	Provision Net, Add	Method Used	Provision Gross Add	Provision Net Add
Compulsory traffic	Standard	240,224,798	235,035,943	Standard	210,263,748	202,547,069
General liability	Claim/Premium	120,195,763	17,680,797	Claim/Premium	127,925,665	17,730,497
Facultative financial liability	Standard	7,010,345	6,855,416	Standard	3,488,269	3,420,946
Accident	Standard	2,105,160	1,295,516	Standard	3,382,655	2,261,643
General losses	Standard	7,663,552	651,402	Standard	4,453,804	356,304
Legal protection	Standard	692,008	288,913	Standard	(3,262)	(1,179)
Health	Standard	102,524	102,452	Standard	975,911	975,911
Breach of trust	Standard	1,059,207	58,256	Standard	6,814,614	392,522
Financial losses	Standard	163,528	10,483	Standard	84,391	4,160
Air vehicles	Claim/Premium	60,438,445	-	Claim/Premium	28,241,939	-
Air vehicles liability	CapeCod	17,389,005	-	CapeCod	12,118,885	-
Water vehicles	Standard	(3,049,847)	(345,548)	Standard	(4,131,762)	(390,865)
Marine	Standard	(3,763,128)	(1,429,989)	Standard	(3,102,174)	(1,301,982)
Fire and natural disasters	Standard	(4,149,021)	(2,269,099)	Standard	(4,777,697)	(2,579,957)
Land vehicles	Standard	(18,343,618)	(18,112,489)	Standard	(14,005,310)	(13,754,615)
Total		427,738,721	239,822,053		371,729,676	209,660,454

Below are the details of methods used to calculate net amount of provisions with additional gross, as a result of ACLM calculations for branches:

Branch	Used net off method
Compulsory Traffic	Conservation rate of related reinsurance agreement
General Liability	Conservation rate of last period outstanding claim (after large claim elimination)
Facultative Financial Liability	Conservation rate of related reinsurance agreement
Air vehicles Liability	Conservation rate of incurred claims in ACLM table (after large claim elimination)
General Losses	Conservation rate of incurred claims in ACLM table (after large claim elimination)
Accident	Conservation rate of incurred claims in ACLM table (after large claim)
Health	Conservation rate of related reinsurance agreement
Fire and Natural Disasters	Conservation rate of incurred claims in ACLM table (after large claim elimination)
Breach of Trust	Conservation rate of incurred claims in ACLM table (after large claim elimination)
Marine	Conservation rate of incurred claims in ACLM table (after large claim elimination)
Air Vehicles	Conservation rate of incurred claims in ACLM table (after large claim elimination)
Legal Protection	Conservation rate of incurred claims in ACLM table (after large claim elimination)
Motor Own Damage	Conservation rate of related reinsurance agreement
Water Vehicles	Conservation rate of incurred claims in ACLM table (after large claim elimination)
Financial Losses	Conservation rate of incurred claims in ACLM table (after large claim elimination)

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17. INSURANCE LIABILITIES AND REINSURANCE ASSETS (Continued)

The Company, while doing the ACLM calculations, eliminated the major 3 claims in a separate file to have a more homogeneous data set of calculations with the statistical methods, accepted by circular. The major claim limits to extract the major claims for branches which are as a result of the calculations are described below:

Branch	31 December 2017	31 December 2016
Air vehicles	4,411,293,673	1,362,080,795
General liability	2,216,028,630	382,161,054
Breach of trust	340,785,571	338,597,068
Marine	162,980,118	90,414,330
Accident	160,000,000	66,329,507
Water vehicles	138,454,708	184,225,652
Air vehicle liability	68,058,992	26,981,086
General losses	14,182,101	10,193,105
Facultative financial liability	2,342,837	1,906,350
Land vehicles	737,771	703,828
Financial losses	538,009	366,067
Compulsory traffic	434,500	350,750
Fire and natural disasters	362,405	324,923
Legal protection	55,278	53,063
Health	51,222	68,898

As of 31 December 2017 and 2016, movements of insurance liabilities and reinsurance assets are as follows:

Reserve for unearned premiums:

	2017		
	Gross	Reinsurer's share	Net
Beginning of the period - January 1	732,362,874	(354,737,038)	377,625,836
Written premium during the period	1,660,979,253	(776,725,746)	884,253,507
Earned premiums during the period	(1,516,383,057)	701,966,559	(814,416,498)
Period ending - December 31	876,959,070	(429,496,225)	447,462,845

Reserve for unearned premiums:

	2016		
	Gross	Reinsurer's share	Net
Beginning of the period - January 1	681,983,326	(332,009,528)	349,973,798
Written premium during the period	1,372,978,363	(622,169,004)	750,809,359
Earned premiums during the period	(1,322,598,815)	599,441,494	(723,157,321)
Period ending - December 31	732,362,874	(354,737,038)	377,625,836

Provision for Outstanding Claim:

	2017		
	Gross	Reinsurer's share	Net
Beginning of the period - 1 January	764,530,868	(340,038,278)	424,492,590
Claims paid during the period	(72,742,937)	50,068,395	(22,674,542)
Change			
- Indirect claims	3,747,944	(4,975,855)	(1,227,911)
- Current period outstanding claims	462,402,289	(197,572,990)	264,829,299
- Prior years outstanding claims	(156,763,774)	9,450,123	(147,313,651)
Total reported claims end of the period	1,001,174,390	(483,068,605)	518,105,785
Deduction amount calculated in accordance with winning ratio	(90,961,096)	51,052,244	(39,908,852)
Incurred but not reported claims	427,738,721	(187,916,668)	239,822,053
Discount adjustment for outstanding claim reserve (*)	(136,003,290)	47,899,056	(88,104,234)
Period ending - December 31	1,201,948,725	(572,033,973)	629,914,753

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17. INSURANCE LIABILITIES AND REINSURANCE ASSETS (Continued)

	2016		Net
	Gross	Reinsurer's share	
Beginning of the period - 1 January	690,151,064	(316,896,482)	373,254,582
Claims paid during the period	(236,278,466)	152,950,116	(83,328,350)
Change			
- Indirect claims	1,433,080	(10,106,250)	(8,673,170)
- Current period outstanding claims	270,478,956	(97,261,892)	173,217,064
- Prior years outstanding claims	38,746,234	(68,723,770)	(29,977,536)
Total reported claims end of the period	764,530,868	(340,038,278)	424,492,590
Deduction amount calculated in			
Accordance with winning ratio	(63,988,665)	34,686,856	(29,301,809)
Incurred but not reported claims	371,729,674	(162,069,220)	209,660,454
Discount adjustment for outstanding claim reserve (*)	(130,066,523)	47,249,292	(82,817,231)
Period ending - December 31	942,205,354	(420,171,350)	522,034,004

(*) Restated as mentioned in Note 2.1.6.

Claim development tables

The basic assumption used in estimation of the provision for outstanding claims is the Company's past experience of claims development. In determining the effect of external factors like court decisions and legal changes provision for outstanding claims; The Company management uses its own judgments. Sensitivity of estimations caused by legal changes and other ambiguities in the process of estimation is not measurable. Also the long intervals between the time claim happens and the payment time prevent the provision for outstanding claims to be determined clearly. Consequently, total liabilities can change according to subsequent events and differences occurred by this re-estimation of the total liabilities are booked in financial statements in succeeding periods

Development of insurance liabilities allows measuring the performance of the Company in estimating the total claims liability. The amounts in the upper part of the tables below show the changes in the Company's estimations of aggregate claims from the time that claims happened, whereas the amounts in the lower part of the table gives the reconciliation of the total liabilities with the provision for outstanding claim that is presented on the financial statements.

31 December 2017

Claim year	1 January - 31 December 2010	1 January - 31 December 2011	1 January - 31 December 2012	1 January - 31 December 2013	1 January - 31 December 2014	1 January - 31 December 2016	1 January - 31 December 2017	Total
Claim year								
1 year letter	374,134,420	378,393,217	423,277,415	509,115,044	606,718,411	526,960,758	606,981,566	3,425,580,831
2 year letter	137,043,773	150,237,505	158,456,469	219,233,882	263,840,578	254,601,829	-	1,183,414,036
3 year letter	70,465,636	75,852,192	89,645,515	136,949,006	163,381,855	-	-	536,294,204
4 year letter	54,607,657	77,183,218	90,551,245	129,874,896	-	-	-	352,217,016
5 year letter	55,155,333	81,657,182	95,477,925	-	-	-	-	232,290,440
6 year letter	53,187,635	80,265,255	-	-	-	-	-	133,452,890
7 year letter	57,176,709	-	-	-	-	-	-	57,176,709
Total incurred loss - Gross	801,771,163	843,588,569	857,408,569	995,172,828	1,033,940,844	781,562,587	606,981,566	5,920,426,126

31 December 2016

Claim year	1 January - 31 December 2010	1 January - 31 December 2011	1 January - 31 December 2012	1 January - 31 December 2013	1 January - 31 December 2014	1 January - 31 December 2016	1 January - 31 December 2017	Total
Claim year								
1 year later	375,594,438	373,965,937	378,335,577	434,488,656	522,612,270	617,841,990	581,818,123	3,284,656,991
2 year later	146,380,337	149,761,538	162,245,521	175,515,268	238,855,994	298,041,643	-	1,170,800,301
3 year later	60,795,670	70,538,943	75,378,104	87,960,008	134,183,048	-	-	428,855,773
4 year later	56,839,849	54,536,823	76,622,029	88,872,279	-	-	-	276,870,980
5 year later	60,199,520	55,280,589	81,360,544	-	-	-	-	196,840,653
6 year later	64,835,894	53,295,959	-	-	-	-	-	118,131,853
7 year later	66,942,698	-	-	-	-	-	-	66,942,698
Total incurred loss - Gross	831,588,406	757,379,789	773,941,775	786,836,211	895,651,312	915,883,633	581,818,123	5,543,099,249

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17. INSURANCE LIABILITIES AND REINSURANCE ASSETS (Continued)

Total amount of guarantee that should be placed by the Company for life and non-life branches and guarantees placed for the life and non-life branches in respect of related assets

	31 December 2017		31 December 2016	
	Should be Placed (*)	Placed	Should be Placed (*)	Placed
Non-life:				
Bank deposits (Note 14)	-	122,762,885	-	134,637,620
Total	125,687,979	122,762,885	119,130,009	134,637,620

(*) Under the article 4 of the "The Communiqué on the Financial Structure of Insurance, Reinsurance and Pension Companies", published in accordance with the Insurance Law, in the Official Gazette dated 7 August 2007 and numbered 26606, the insurance companies and private pension companies operating in life and personal accident branches are required to provide guarantees that equal to one third of required capital amount as determined by capital adequacy calculation, as Minimum Guarantee Fund, in each capital adequacy calculation period.

Total amount of insurance risk on a branch basis

	31 December 2017	31 December 2016
Motor third party liability	1,812,885,442,980	1,326,934,873,950
Fire and nature disasters	232,847,525,080	206,317,243,277
Health	139,298,954,049	134,641,198,284
General losses	82,558,813,168	114,290,337,146
Air vehicles liability	37,071,825,255	20,367,470,806
General liability	27,319,281,429	20,377,285,167
Land vehicles	16,236,708,092	17,517,160,168
Accident	10,972,926,966	9,728,588,241
Financial losses	7,397,006,727	11,535,981,440
Water vehicles	5,944,670,682	4,354,332,051
Marine	3,819,428,733	4,097,954,311
Air vehicles	4,238,876,143	2,728,649,060
Legal protection	1,365,429,438	1,240,238,216
Total	2,381,956,888,742	1,874,131,312,117

Company's number of life insurance policies, additions, disposals during the year and the related mathematical reserves

None (31 December 2016: None).

Distribution of new life insurance policyholders in terms of numbers and gross and net premiums as individual or group during the period

None (31 December 2016: None).

Distribution of mathematical reserves for life insurance policyholders who left the Company's portfolio as individual or group during the period

None (31 December 2016: None).

Deferred commission expenses

Deferred portion of commissions paid to the intermediaries in relation to the policy production are capitalized under the account of "short-term prepaid expenses" in the accompanying financial statements. Total prepaid expenses amounting to TRY 108,981,755 (31 December 2016: TRY 99,188,353) is composed of deferred commission expenses amounting to TRY 97,786,422 (31 December 2016: TRY 91,138,398) and other prepaid expenses amounting to TRY 11,195,333 (31 December 2016: TRY 8,049,955)

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17. INSURANCE LIABILITIES AND REINSURANCE ASSETS (Continued)

As at 31 December 2017 and 2016, the movements of deferred commission expenses are presented below:

	2017	2016
Deferred commission expenses at the beginning of the period	91,138,398	83,866,181
Commissions accrued during the period	218,898,434	197,239,863
Commissions expensed during the period (Note 32)	(212,250,410)	(189,967,646)
Deferred commission expenses at the end of the period	97,786,422	91,138,398

Individual pension funds

None (31 December 2016: None).

18. INVESTMENT CONTRACT LIABILITIES

None (31 December 2016: None).

19. TRADE AND OTHER PAYABLES DEFERRED INCOME

	31 December 2017	31 December 2016
Payables arising from operating activities	223,087,097	176,526,366
Deferred Commission Incomes (Note 10)	68,769,403	55,594,535
Payables to SSI	4,969,138	4,790,622
Other various payables	17,799,414	15,549,215
Total	314,625,052	252,460,738

As of 31 December 2017 payables arising from operating activities are debts to reinsurance companies amounting to; TRY 158,337,605 (31 December 2016: TRY 144,504,322) (Note 10).

As of 31 December 2017 and 2016, details of other payables are as follows:

	31 December 2017	31 December 2016
Accounts payable	11,261,436	9,662,407
Payables to Turkish Natural Catastrophe Insurance Pool (TCIP)	4,292,798	3,712,853
Payables to contracted repair shops	2,319,272	2,193,868
Other payables	40,540	64,735
Total	17,914,046	15,633,863

Total amount of investment discount for the current and future periods

None (31 December 2016: None).

20. FINANCIAL LIABILITIES

The company does not have any financial debt as of 31 December 2017 (31 December 2016: None).

Details of finance lease liabilities of the Company are as follows:

	31 December 2017		31 December 2016	
	Gross	Net	Gross	Net
Less than 1 year	-	-	1,739,714	1,658,420
Total	-	-	1,739,714	1,658,420

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21. DEFERRED TAXES

The Company calculates deferred income tax assets and liabilities for the temporary differences in the balance sheet items arising due to the measurement in these financial statements and measurement in accordance with Tax Procedure Law. The enacted tax rate used for the calculation of deferred income tax assets and liabilities on temporary differences that are expected to be realized in the following periods under the liability method is 20% and 5% (31 December 2016: %20 or %5). However, as mentioned on the note 2.17, the Company will be responsible for 22%, 5.5% or 11% of the temporary differences that is to be realized in the first 3 years.

As 31 December 2017 and 31 December 2016, the temporary giving rise to deferred income tax assets and liabilities with using enacted tax rates are follows:

	<u>Total temporary differences</u>		<u>Deferred tax assets/(liabilities)</u>	
	<u>31 December 2017</u>	<u>31 December 2016</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Deferred tax assets				
Accumulated tax losses	109,539,535	132,091,552	24,098,698	26,418,310
Impairment provision for associates	20,161,322	20,161,322	4,032,264	4,032,264
Equalization provision	23,832,837	19,453,815	4,766,567	3,890,763
Provision for				
Severance and vacation	13,290,849	11,581,355	2,658,170	2,316,271
Provision for doubtful receivables	5,080,848	8,062,991	1,117,787	1,612,598
Provision for legal cases	2,870,239	2,735,367	631,453	547,073
Reserve for unexpired risks	1,184,660	1,722,175	260,625	344,435
Rediscount payables	197,971	(19,825)	43,553	(3,965)
Other technical provisions	25,192,704	23,254,660	5,542,395	4,650,932
	201,350,965	219,043,412	43,151,512	43,808,681
Deferred tax liabilities				
Fair value differences in associates	(436,662,600)	(290,560,960)	(22,401,916)	(15,233,498)
Revaluation fund of properties				
Held for use	(149,151,065)	(135,546,635)	(9,553,806)	(8,756,077)
Revaluation difference of investment properties	(8,617,655)	(8,697,115)	(947,942)	(434,856)
Fixed assets	(935,022)	(3,461,282)	(187,004)	(692,255)
Rediscounts receivables	(1,795,044)	52,429	(394,910)	10,486
Discount adjustment				
For outstanding claim reserve (*)	-	(82,817,231)	-	(16,563,446)
	(597,161,386)	(521,030,794)	(33,485,578)	(41,669,646)
Deferred tax assets			9,665,934	2,139,035

(*) Restated as mentioned in Note 2.1.6.

The movements of deferred tax during the period are as follows:

	2017	2016
Beginning of the period - 1 January	2,139,035	9,130,376
Deferred tax income	15,267,885	(3,625,643)
Deferred tax, recognised in equity over the revaluation fund of properties held for own use(Note 6)	(797,729)	(1,217,875)
Deferred tax effect of actuarial gain and loss	225,161	144,705
Deferred tax, recognised in equity over the revaluation differences of financial assets (Note 15)	(7,168,418)	(2,292,528)
End of the period - 31 December	9,665,934	2,139,035

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

21. DEFERRED TAXES (Continued)

As of 31 December 2017 and 2016, the remaining periods to maturity of the Company’s accumulated tax losses:

	31 December 2017	31 December 2016
Until 2017 (*)	-	29,983,585
Until 2018 (*)	-	37,965,045
Until 2019 (*)	-	11,630,866
Until 2020 (*)	46,662,578	60,854,974
Until 2021	62,876,957	62,876,957
Total	109,539,535	203,311,427

(*) As indicated in Note 2.17, in accordance with the regulation numbered 6736, the Company will not be able to offset 50% of the carry forward tax losses against future taxable profits for the years those the tax bases have been increased. As of 31 December 2017, these amounts represent 50% of the tax losses of the respective years.

As of 31 December 2017, the Company has accumulated tax losses amounting to TRY 109,539,535 (31 December 2016: TRY 203,311,427). The Management has accounted for deferred income tax asset amounting to TRY 24,098,698 (31 December 2016: TRY 26,418,310) for the accumulated tax losses amounting to TRY 24,098,698 (31 December 2016: TRY 132,091,552) in the accompanying financial statements. The company does not have any carry forward tax losses to allocate a provision for carry forward tax losses amounting to TRY (31 December 2016: TRY 71,219,875) which the Company will not be able to utilize according to the five year projections.

22. RETIREMENT BENEFIT OBLIGATIONS

None (31 December 2016: None).

23. PROVISIONS FOR OTHER LIABILITIES AND EXPENSES

As at 31 December 2017 and 2016, the details of the provisions for other liabilities and expenses are as follows:

	31 December 2017	31 December 2016
Provision for law suit and court expense	2,870,239	2,735,367
Provision for unused vacations	1,037,551	1,028,512
Provision for accrued expenses	3,907,790	3,763,879
Provision for severance pay	12,253,298	10,552,843

Movements of provision for severance pay during the period are presented below:

	2017	2016
At the beginning of the period - 1 January	10,552,843	8,734,945
Interest cost	1,129,154	960,844
Service cost	1,142,484	996,122
Payments during the period	(1,696,996)	(862,587)
Actuarial loss/(gain)	1,125,813	723,519
At the end of the period - December 31	12,253,298	10,552,843

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CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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24. NET INSURANCE PREMIUM INCOME

As of 1 January - 31 December 2017 and 2016 details of written premiums are as follows:

	1 January - 31 December 2017			1 January - 31 December 2016		
	Gross	Re-Share	Net	Gross	Re-Share	Net
Motor third party liability	394,323,581	(70,629,446)	291,878,610	269,368,930	(6,372,516)	238,544,932
Motor own damage	292,366,866	(7,520,024)	284,846,842	258,014,047	(5,251,779)	252,762,268
Health	142,589,314	-	142,589,314	118,626,234	(16,403)	118,609,831
Fire and natural disasters	304,091,431	-	85,828,471	269,267,325	(195,974,523)	73,292,802
Accident	47,421,686	(218,262,960)	33,208,784	30,042,013	(7,933,651)	22,104,870
General losses	233,724,288	(214,132,672)	19,591,616	199,334,404	(183,375,159)	15,959,245
Marine	22,654,144	(11,109,230)	11,544,914	20,824,245	(10,745,357)	10,078,888
Legal protection	10,645,175	(3,453,823)	7,191,352	20,912,142	(7,740,376)	13,171,766
General liability	31,409,640	(27,114,201)	4,295,439	26,033,793	(22,434,431)	3,599,362
Water vehicles	25,973,156	(23,732,739)	2,240,417	19,983,788	(18,157,771)	1,826,017
Financial losses	2,584,966	(1,791,866)	793,100	3,453,371	(2,756,126)	697,245
Breach of trust	608,836	(412,748)	196,088	224,814	(160,684)	64,130
Air vehicles liability	75,514,397	(75,465,837)	48,560	68,183,799	(68,085,796)	98,003
Air vehicles	77,071,773	(77,071,773)	-	68,709,458	(68,709,458)	-
Total	1,660,979,253	(744,904,463)	884,253,507	1,372,978,363	(597,714,030)	750,809,359

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25. SUBSCRIPTION FEE REVENUE

None (31 December 2016: None).

26. INVESTMENT INCOME

	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange gains	75,305,738	33,102,066
<i>Fx gains from current accounts transactions</i>	55,192,174	22,113,334
<i>Fx gains from cash and cash equivalent transactions</i>	20,113,564	10,988,732
Income from financial investment	81,030,027	47,253,274
Acquired incomes		
Land, estate and buildings sales from (Note 15)	249,867	223,903
Income from associates	9,280,957	1,052,588
Income from derivative instruments	3,109,000	-
Valuation of financial investments	2,916,540	(1,470,343)
Valuation of land, estate and buildings (Note 7)	295,000	1,891,000
Rent incomes	874,620	789,920
Other investments	-	7,587
Total	173,061,749	82,849,995

27. NET REALIZED GAINS ON FINANCIAL ASSETS

Net realized gains on financial assets are presented in Note 4.2.

28. NET FAIR VALUE GAINS ON ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS

Net realized gains on financial assets are presented in Note 4.2.

29. INSURANCE RIGHTS AND CLAIMS

Disclosed in Note 17.

30. INVESTMENT CONTRACT BENEFITS

None (31 December 2016: None).

31. OTHER EXPENSES

The allocation of the expenses with respect to their nature or function is presented in Note 32.

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32. EXPENSE BY NATURE

Details of operating expenses included in the income statement are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Commission expenses (Note 17)	212,250,410	189,967,646
Employee benefit expense	75,449,855	68,114,870
Subcontractor service expenses	5,083,689	5,022,691
Information technology expenses	3,835,887	3,157,694
Transportation expenses	3,364,880	2,971,326
Communication expenses	1,900,651	1,739,875
Advertising expenses	1,843,865	1,202,934
Rent expenses	1,016,145	1,119,759
Office equipment expenses	1,327,647	890,591
Light, water, heating costs	822,989	795,768
Insurance procuring expenses	769,832	658,252
Cargo expenses	671,898	626,464
Representation expenses	661,217	674,407
Cleaning expenses	505,330	353,475
Consultancy expenses	408,077	724,992
Subscription expenses	162,313	108,972
Acquired commission incomes from reinsurer (Note 10)	(115,700,456)	(99,307,685)
Other operating expenses	29,155,865	26,734,907
Total	223,530,094	205,556,938

33. EMPLOYEE BENEFIT EXPENSES

The details of employee benefit expenses are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Wages and salaries	57,953,083	51,833,399
Employer's share in social security premiums	8,873,665	8,074,050
Other fringe benefits	5,942,971	5,567,658
Other benefits	2,680,136	2,639,763
Total	75,449,855	68,114,870

34. FINANCE COSTS

Finance costs are presented in Note 4.2 - Financial Risk Management above. There are no finance costs classified in production costs or capitalized on tangible assets.

35. INCOME TAXES

Income tax expense in the accompanying financial statements is as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
<i>Deferred taxes:</i>		
Tax arising from		
Change of deductible temporary differences	31,683,955	(4,016,895)
Tax arising from		
Change of taxable temporary differences	(16,416,070)	391,252
Total income tax expense recognised in statement of income	15,267,885	(3,625,643)

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35. INCOME TAXES (Continued)

A reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for 1 January - 31 December 2017 and 2016 is as follows:

	31 December 2017 Before Tax Profit	31 December 2016 Before Tax Loss
	11,225,354	(44,440,064)
Income Tax Provision at statutory tax rate	(2,245,071)	8,888,013
Disallowable expenses	(90,590)	(369,238)
Effect of changing on tax rate	711,616	-
Deferred tax assets not recognized	18,754,378	(12,575,390)
Income not subject to tax	(1,856,187)	98,315
Other	(6,261)	332,657
Total income tax expense reflected in the statement of income	15,267,885	(3,625,643)

36. NET FOREIGN EXCHANGE GAINS

Net foreign exchange gains are presented in Note 4.2 - Financial Risk Management above.

37. GAIN/(LOSS) PER SHARE)

Earnings(loss) per share are calculated by dividing net profit(loss) for the period into weighted average number of shares of the Company.

	1 January - 31 December 2017	1 January - 31 December 2016
Net income/(loss) for the period	26,493,239	(48,065,707)
Weighted average number of shares	270,000,000	1,516,438,356
Earnings/(loss) per share (TRY)	9.8123	(0.0316)

(*) As mentioned in Note 2.13, nominal capital of the Company; was reduced to 270,000,000 from 2,700,000,000 in accordance with the amendment to the Articles of Association, adopted at the Ordinary General Assembly meeting held on June 16, 2017.

38. DIVIDENDS PER SHARE

None (31 December 2016: None).

39. CASH GENERATED FROM OPERATIONS

The cash flows from operating activities are presented in the accompanying statement of cash flows.

40. CONVERTIBLE BONDS

None (31 December 2016: None).

41. REDEEMABLE PREFERENCE SHARES

None (31 December 2016: None).

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42. CONTINGENCIES

In the normal course of its operations, the Company is exposed to legal disputes, claims and challenges, in which mainly stem from its insurance operations. The necessary income/expense provision for those revocable cases against/on behalf of the Company are provided whether under provision for outstanding claims or provisions for other risks in the accompanying financial statements.

As of 31 December 2017, if all cases in which the Company is defendant, result in against the Company, amount of arising potential liability (including interest and other expenses) is TRY 674,505,064 (31 December 2016: TRY 540,504,687). Provision for all these cases is recognized under provision for outstanding claim account in the related financial statements.

As of 31 December 2017, if all cases which the Company is plaintiff, result in favor of the Company, collection amounting to TRY 260,678,239 gross (31 December 2016: TRY 202,743,205) is expected and also same amount of receivable provision is recorded with respecting to the reinsurer share. At the same time, for the cases which the Company is plaintiff about doubtful receivables of insurance operations, provision is recorded at an amount of TRY 14,505,599 (31 December 2016: TRY 16,426,019).

As a result of the tax inspection performed at the Company by the Ministry of Finance Tax Supervisory Board relating to 2007 and 2008 insurance transactions, the Company was notified of tax principal and penalties equal to TRY 1,343,490 for 2007 and TRY 1,921,964 for 2008 on 20 December 2013. The company was notified of penalties of TRY 2,158,478 for 2009 on 28 November 2014 and TRY 6,334,772 for 2010, 2011, and 2012 on 19 June 2015. No payment was made by the Company with respect to tax principal and penalty amounts and the Company started the judicial process within its legal rights in 2014. Notification of the justified decisions of the tax lawsuits opened by the Company regarding the tax principal and penalties for 2007 and 2008 at Istanbul 1. Tax Council was made on 9 April 2015. The court ruled to cancel the tax and penalty assessment, stating that an appeal can be made to the Council of State within 30 days of the notification of the decision. The Ministry of Finance has appealed the court decisions on the tax principal and penalty amounts for 2007 and 2008. Regarding the tax principal and penalties for 2010, 2011, and 2012, notification of the justified decisions for the tax lawsuits opened at the Istanbul 1. Tax Council was made on 28 January 2016. The court ruled to cancel the tax and penalty assessment, stating that an appeal can be made to the Council of State within 30 days of notification of the decision. The Ministry of Finance has appealed the court decisions on the tax principal and penalty amounts for 2009, 2010, 2011 and 2012. Within this scope, and considering the results of the Company's lawsuits, no provisions were made in the financial statements regarding this issue.

43. COMMITMENTS

The details of the guarantees which are given by the Company in favor or the Treasury for insurance operations are presented in Note 17.

Within the framework of operating lease the sum of the minimum lease payments are as follows for leased properties for the use of head offices and regional offices and rented vehicles for the marketing and sales team:

	31 December 2017	31 December 2016
Less than 1 year	2,044,976	1,532,572
More than 1 year and less than 5 years	1,549,672	2,064,777
Total minimum rent payments	3,594,648	3,597,349

44. BUSINESS COMBINATIONS

None (31 December 2016: None).

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45. RELATED PARTY TRANSACTIONS

The Company’s shareholders, associates, companies of Vakıflar Bankası Groups and companies of Groupama Groups are referred to related parties in the accompanying financial statements.

As at 31 December 2017 and 2016, related party balances are as follows:

	31 December 2017	31 December 2016
Cash and cash equivalents	350,361,084	219,320,212
Receivables from main activities	69,993,408	72,166,416
Other current assets	37,238	58,822
Due to related parties	(60,461)	(12,105)
Financial liabilities	-	(1,658,420)
	420,331,269	289,874,925

There is no guarantee for receivables from related parties.

The operations performed in organizations are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Written premiums	196,807,175	172,620,230
Finance income	26,005,504	20,297,246
Dividend income	9,280,935	491,575
Rent Income	874,620	789,920
Finance expenses	(154,067)	(145,884)
Finance expenses	(367,723)	(290,622)
Leasing expenses	(394,143)	-
Commission Paid	(25,801,972)	(21,712,677)
Other operating expenses	(204,904)	(199,823)
	206,045,425	171,849,965

There are no doubtful receivables from shareholders, associates and subsidiaries and there is no debt for them. There are no responsibilities to give guarantee, security, advance, and endorsement in favor of shareholders, associates, subsidiaries.

46. SUBSEQUENT EVENTS

None.

47. OTHER

Items and amounts classified under the “other” account in financial statements either exceeding 20 % of the total amount of the group to which they relate or 5% of the total assets in the balance sheet

As of 31 December 2017 and 2016, details of other receivables are as follows:

	31 December 2017	31 December 2016
Receivables from DASK insurance agencies	2,321,931	2,410,089
Other various receivables	881,134	1,298,656
Deposits and guarantees given	175,465	166,047
Other receivables (Note 4.2)	3,378,530	3,874,792

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47. OTHER (Continued)

Other current assets

As of 31 December 2017 and 2016, details of other current assets are as follows:

	31 December 2017	31 December 2016
THY baggage claim account	360,552	1,363,686
Other current assets	360,552	1,363,686

“Total amount of each due to/from personnel items classified under “Other Receivables” and “Other Short and Long Term Payables” exceeding one percent of total assets in the balance sheet

None (31 December 2016: None).

Subrogation receivables followed under the off-balance sheet accounts

None (31 December 2016: None).

Description and amount of rights in real on property

None (31 December 2016: None).

Descriptive disclosure in relation to amounts and resources of income, expenses, and losses for the prior periods

None (31 December 2016: None).

For the years ended 31 December 2017 and 2016, details of rediscount and provision expenses are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Provision for premium receivable		
Under legal follow-up (Note 4.2)	2,922,773	(5,615,273)
Premium receivable provision no longer required	372,976	153,792
Recovery receivable provision by the management (Note 4.2)	59,370	47,325
Provision expenses for unused vacations	(9,039)	(93,078)
Provision expenses for employee lawsuits and courts	(134,872)	316,598
Doubtful receivables provision from agencies (Note 4.2)	(210,093)	(2,887,280)
Provision expenses for employment termination benefits	(574,643)	(1,094,378)
Doubtful receivables provision from reinsurance operations	(2,260,779)	(19,411,267)
Provision expense for recovery		
Receivable under legal follow-up (Note 4.2)	(33,638,870)	(29,752,485)
Other provision expenses	(305,760)	(1,207,588)
Provisions	(33,778,937)	(59,543,634)

APPENDIX I - STATEMENTS OF PROFIT DISTRIBUTION

Notes	Current Period	Prior Period
I. DISTRIBUTION OF PROFIT FOR THE PERIOD		
1.1. PROFIT FOR THE PERIOD	-	-
1.2. TAXES PAYABLE AND LEGAL LIABILITIES	-	-
1.2.1. Corporate Tax (Income Tax)	-	-
1.2.2. Income Tax Deduction	-	-
1.2.3. Other Taxes and Legal Liabilities	-	-
A NET PROFIT FOR THE PERIOD (1.1 - 1.2)	-	-
1.3. PREVIOUS YEARS' LOSSES (-)	-	-
1.4. FIRST LEGAL RESERVE	-	-
1.5. LEGAL FUNDS TO BE KEPT IN THE COMPANY (-)	-	-
B NET DISTRIBUTABLE PROFIT FOR THE PERIOD [(A - (1.3 + 1.4 + 1.5)]	-	-
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To common shareholders	-	-
1.6.2 To preferred shareholders	-	-
1.6.3 To owners of participating redeemed shares	-	-
1.6.4 To owners of profit-sharing securities	-	-
1.6.5 To owners of profit and loss sharing securities	-	-
1.7. DIVIDENDS TO PERSONNEL (-)	-	-
1.8. DIVIDENDS TO FOUNDERS (-)	-	-
1.9. DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-	-
1.10. SECOND DIVIDENDS TO SHAREHOLDERS (-)	-	-
1.10.1. To common shareholders	-	-
1.10.2. To preferred shareholders	-	-
1.10.3. To owners of participating redeemed shares	-	-
1.10.4. To owners of profit-sharing securities	-	-
1.10.5. To owners of profit and loss sharing securities	-	-
1.11. SECOND LEGAL RESERVE (-)	-	-
1.12. STATUTORY RESERVES (-)	-	-
1.13. EXTRAORDINARY RESERVES	-	-
1.14. EXTRAORDINARY RESERVES	-	-
1.15. SPECIAL FUNDS	-	-
II. DISTRIBUTION FROM RESERVES		
2.1. DISTRIBUTED RESERVES	-	-
2.2. SECOND LEGAL RESERVE (-)	-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1. To common shareholders	-	-
2.3.2. To preferred shareholders	-	-
2.3.3. To owners of participating redeemed shares	-	-
2.3.4. To owners of profit-sharing securities	-	-
2.3.5. To owners of profit and loss sharing securities	-	-
2.4. DIVIDENDS TO PERSONNEL (-)	-	-
2.5. DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-	-
III. PROFIT PER SHARE		
3.1. TO COMMON SHAREHOLDERS	-	-
3.2. TO COMMON SHAREHOLDERS (%)	-	-
3.3. TO PREFERRED SHAREHOLDERS	-	-
3.4. TO PREFERRED SHAREHOLDERS (%)	-	-
IV. DIVIDENDS PER SHARE		
4.1. TO COMMON SHAREHOLDERS	-	-
4.2. TO COMMON SHAREHOLDERS (%)	-	-
4.3. TO PREFERRED SHAREHOLDERS	-	-
4.4. TO PREFERRED SHAREHOLDERS (%)	-	-

Since there is no profit distribution for the financial period 31 December 2017 and 2016, the- statements of profit distribution have not been prepared.

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