

**TUR
1957**

**WE SET
SAIL INTO
THE FUTURE**

GÜNEŞ SİGORTA

ANNUAL REPORT 2018

GÜNEŞ SİGORTA

ANNUAL REPORT 2018

GÜNEŞ SİGORTA
2018 FIGURES

2.6

(TL BILLION)
TOTAL ASSETS

270

(TL MILLION)
PAID-IN CAPITAL

802

(TL MILLION)
EQUITY

1.9

(TL BILLION)
PREMIUM PRODUCTION

10.9

(TL MILLION)
NET PROFIT

183%

CAPITAL ADEQUACY
RATIO

62%

QUICK RATIO

88%

NET LOSS RATIO

GÜNEŞ SİGORTA DEVELOPMENTS IN 2018



Within the scope of the Online Auto Insurance Policy Sales project, **quotes can be submitted for auto insurance products and those offers can be converted into policies online.**



Within the scope of the Completion of the Integration of Foreign Currency Payments into the System project, **domestic and foreign EFT/Money transfers in foreign currencies were collectively transferred to cooperating banks electronically** and the payments made automatically.



With **Güneş Sigorta's main system, Pusula**, collections related to credit card transactions started to be made on the website and mobile application, due to the new infrastructure.



Within the scope of the Turkish Personal Data Protection Law Compliance project, Güneş Sigorta's data inventory was performed and **Turkish Personal Data Protection Law compliance studies** were conducted.



Within the scope of the Fraud Prevention Project, activities for **the identification of fraud in auto insurance and traffic insurance** products have been completed.

GÜNEŞ SİGORTA
2018 FIGURES

1.9

(TL BILLION)
TOTAL PREMIUM PRODUCTION

1.3

(TL BILLION)
ACTUAL CLAIMS PAID

1.5

(MILLION)
ACTIVE CUSTOMERS

362

(TL MILLION)
INVESTMENT INCOME

1.1

(TL BILLION)
AGENCY CHANNEL
PREMIUM PRODUCTION

294

(TL MILLION)
BANCASSURANCE
PREMIUM PRODUCTION

119

(TL MILLION)
BROKER CHANNEL PREMIUM
PRODUCTION

603

NUMBER OF
EMPLOYEES

268

(TL MILLION)
CENTRAL* CHANNEL PREMIUM

134

(TL MILLION)
OTHER** CHANNELS PREMIUM

* Central Channels premium production includes direct sales, customer sales channels and co-insurance production.

** Other Channels premium production includes Tarsim, RHS and Green Card production.

GÜNEŞ SİGORTA DEVELOPMENTS IN 2018



Sarı Panjur (Yellow Shutters) (Residential) and Travel Health products started to be sold through the VakıfBank mobile application and online banking.



The **KOBİdost** policy was launched.



With the Fiat Motor Insurance product, **diversified special insurance** was provided to owners of Fiat-branded vehicles.



Production share of bancassurance channel **expanded to 15.4% from 12.0%.**



All branches except auto **increased by 19%.**



Investment profit increased **by 113%.**



T
91

GÜNEŞ SİGORTA

MAYIS

MARY

Established 61 years ago, Güneş Sigorta puts people at the center. We work unceasingly to develop and deliver light and power to our sector, our economy and our country.

We aim to add value to life, not only in business, but also with our social responsibility projects. An example is our Güneş Sigorta Sailing Team, which has won many championships since its establishment in 2007, and continues to make us proud.

We reflect our progress into the future with the performance of the Sailing Team.

CONTENTS

CORPORATE PROFILE

- 16 About Güneş Sigorta
- 18 Our Vision, Mission and Values
- 20 Our Customer Relations Policy
- 21 Our Fundamental Principles
- 22 Our History
- 26 2018 Highlights
- 28 Financial Indicators
- 30 2019 Strategic Map
- 32 Our Main Objectives, Policies and Projects for 2019
- 33 Capital, Shareholding Structure and Subsidiaries

MANAGEMENT'S EVALUATION

- 34 Message from the Chairman of the Board of Directors
- 36 Message from the General Manager
- 38 Board of Directors
- 46 Senior Management
- 49 President of the Inspection Board and Manager of Internal Control and Risk Management
- 50 Organization Chart

ACTIVITIES IN 2018

- 52 Marketing and Sales
- 54 Distribution Channels
- 56 Digital Transformation and Mobile Insurance
- 58 Product Portfolio
- 60 Strategy and Process Development Practices
- 61 Corporate Communication
- 62 Developments and Amendments in Legislation
- 63 Turkish Insurance Sector Premium Development
- 64 Technical Evaluation
- 76 IT Operations
- 78 Investor Relations and Information for Shareholders

SUSTAINABILITY

- 80 Sustainability Approach
- 81 Contribution to Social Development
- 82 Environmental Responsibility
- 84 Corporate Social Responsibility Projects
- 85 Internal Social Responsibility Activities
- 86 Occupational Health and Safety
- 88 Human Resources
- 95 Quality Management System

CORPORATE GOVERNANCE

- 96 Corporate Governance Principles
- Compliance Report
- 106 Assessment of the Board Committees by Board of Directors
- 107 Assessment of the Board of Directors by the Corporate Governance Committee
- 107 Disclosures Regarding Private and Public Audits
- 108 Inspection Board Assessment for 2018
- 108 Activities of the Internal Audit and Internal Control for 2018
- 109 Legal Information
- 109 Our Main Objectives, Policies and Studies for 2019
- 110 Annual Report Compliance Statement
- 111 Annual Report Compliance Opinion

FINANCIAL INFORMATION AND RISK MANAGEMENT

- 112 Message from the Board of Directors to the Shareholders
- 113 Draft Agenda of the Ordinary General Assembly
- 114 Information Related to Power of Indemnity, Profitability and Financial Situation
- 114 Profit Distribution Policy
- 115 Risk Management Policies
- 117 Unconsolidated Independent Auditor's Report, Financial Statements and Notes for the Accounting Period January 1 - December 31, 2018

- 195 Frequently Used Insurance Terms
- 196 Abbreviations
- 197 Contact

THE WIND THAT CARRIES US INTO THE FUTURE: OUR EXPERIENCE

Since our establishment in 1957 as a subsidiary of VakıfBank that is among the leading banks in Turkey and worldwide, we have gained the experience that gives us the power to advance into the future each passing day.



TUR

1979

TUR
1979

GÜNEŞ
SİGORTA

GÜNEŞ SİGORTA

GÜNEŞ
SİGORTA



MARY
ISTANBUL



60 GÜNEŞ
SİGORTA

60 GÜNEŞ
SİGORTA

60 GÜNEŞ
SİGORTA

60 GÜNEŞ
SİGORTA

60 GÜNEŞ
SİGORTA



WE ARE STRONGER TOGETHER AND WE DEVELOP TOGETHER

We are a team that has been aligned since our founding day. With the ability to rely on our employees and business partners, we do not hesitate to say that “Life is easier” - which is also our motto. Our employees and business partners help us make a difference in the lives of our customers, thanks to their knowledge and expertise.



WE OFFER THE PRODUCTS THAT GUARANTEE YOUR FUTURE

Combining our sense of public responsibility with our strong capital structure and experience, we offer products in non-life insurance that guarantee the future. We are always here to support our customers through these products.





A close-up photograph of a person's hands holding a smartphone. The person is wearing a white t-shirt and a yellow life vest. The background shows the blue water of the sea and the white railing of a boat. The lighting is bright, suggesting a sunny day.

WE KEEP ON RENOVATING AND ADAPTING TO CHANGES

While life is a constant series of changes, we consistently adapt and strengthen our technological infrastructure to achieve our goals and meet our customers' needs. With our online sales services and mobile applications, we ensure that our customers are able to purchase policies easily, whenever they want and wherever they are.

ABOUT GÜNEŞ SİGORTA

The deep-rooted but innovative face of the Turkish insurance sector...

1.5+

MILLION
CUSTOMERS

1,418

AGENCIES

97

BROKERS

1,339

BANK BRANCHES

3,329

CONTRACTED INSTITUTIONS

9

REGIONAL OFFICES

603

EMPLOYEES

Representing the experience and expertise of more than 60 years in the insurance sector, Güneş Sigorta continued to create value for its stakeholders during 2018, armed with its vision of being the pioneer for change in the sector. Steering its activities in line with its responsibility as a subsidiary of VakıfBank, one of Turkey's oldest banks, Güneş Sigorta realized a premium production of TL 1.907 billion as of the end of 2018 and ranked eighth among non-life insurance companies.

Broad Customer Base

Güneş Sigorta was one of the leading players in the insurance sector, with its 603 employees, nine Regional Offices, 1,418 agencies, 1,339 bank branches, 97 brokers and 3,389 contracted institutions, and more than 1.5 million customers across 81 cities. Having completed our 61st year of activity in the insurance sector, Güneş Sigorta carries out its activities within the framework of its customer-oriented service approach and under the Insurance Law, and other regulations issued by the Ministry of Treasury and Finance based on this law. With its vision of being a value-creating company for its stakeholders in the field of non-life insurance, the Company provides assurance relating to financial branches and other branches such as fire and natural disasters; transportation, watercraft and watercraft liability; land transportation vehicles and land transportation vehicles liability; accident, aircraft and aircraft liability; general losses, general liability, legal protection insurance, and credit and health insurance.

Strong Shareholding Structure

Güneş Sigorta continued to provide innovative services to its customers in 2018 thanks to the contribution of its main shareholders: Türkiye Vakıflar Bankası T.A.O (VakıfBank), among our country's most reputable banks; and Groupama Holding Filiales et Participations S.A, one of the leading insurance corporations in France.

Güneş Sigorta utilizes its expertise and knowledge in the insurance sector to meet the specific product and service needs of its customers. As well, the Company builds its sales staff in a way that supports increasing the targets of sales resources from year to year; that adopts customer satisfaction as an indispensable performance criterion; that protects the rights of its investors and provides them with information on every aspect of the Company; and that is the deep-rooted but innovative face of the Turkish Insurance sector. The Company makes a difference in the sector, offering products that meet all needs and budgets, and fast policy processes and damage services prioritizing customer satisfaction. Güneş Sigorta, a pioneer in the insurance sector since its foundation, holds ISO 9001:2015 Quality Management System and ISO 10002 Customer Complaints Management System Certificates.

GÜNEŞ
SİGORTA

60 GÜNEŞ
SİGORTA



OUR VISION

To pioneer change in the insurance industry, 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 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, established through our mission, vision, and core values, we also believe in the tremendous importance of customer satisfaction generated by our products and services. In order to provide the best possible service, Güneş Sigorta has strengthened its commitment to customer satisfaction through comprehensive strategies and efforts that aim to improve customer services processes.

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



OUR FUNDAMENTAL PRINCIPLES

1

Accessibility

Thanks to a range of communication channels provided by our Company, customers can reach us easily in order to share their complaints, information requests, suggestions, or satisfaction levels with us.

2

Availability of Information

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

3

Fast Feedback

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

4

Solution Oriented

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

5

Objectivity

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

6

Confidentiality

The use of any personal information obtained in the course of customer applications is restricted by laws and bound to the principle of confidentiality.

7

Customer Focus

We pursue a customer-oriented policy, to provide our customers with the best service and ensure that customer expectations are fully satisfied.

8

Initiative

Our team members are encouraged to take initiative and make necessary decisions when required, in order to meet customer needs in the shortest time possible and maintain customer satisfaction at its highest level.

9

Customer Engagement

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

10

Accountability

Assessments, solution-seeking efforts, status codes, and the results of customer applications are reported and monitored.

11

Internal Information Exchange

Customer relations activities are shared and monitored within the Company.

12

Continuous Improvement

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

13

Professional Approach

Customer requests receive responses from our qualified team in a professional manner.

OUR HISTORY

To create value for its stakeholders and to become the most preferred company...

Güneş Sigorta pursues sustainable corporate development with the power of its deep-rooted history.

1957

Güneş Sigorta was founded. The Fire, Freight and Accident branches were opened.

1959

The Life Insurances branch was established.

1969

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

1974

The Agricultural Insurances branch was founded.

1986

The Güneş Sigorta Sports Club was founded.

1991

30% of Güneş Sigorta shares were acquired by GAN.

1992

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

1993

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

1994

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

1997

The ISO 9000 Quality Management System was initiated.

1998

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

1999

Güneş Sigorta pioneered the sector by opening the Legal Protection Insurance branch.

2000

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



60 GÜNEŞ
YEL SİGORTA

OUR HISTORY

A structure that provides confidence, powered by its deep-rooted history...

2001

- > The Health (Illness) Insurance branch was opened.
 - > The Agents Council was put into practice for the first time in the sector.
-

2002

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

2003

- > The Motor Vehicles Financial Liability Insurance and Credit 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.
 - > The ISO 9001:2008 Quality Management System was employed.
-

2007

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

2008

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

2009

- > The Life Insurances 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, Güneş Sigorta built a Solar Energy Plant at its Head Office building.
 - > The insurance center sales support team was formed to provide assistance for bank branches.
-

2010

- > The ISO 10002:2004 Customer Complaints Management System Certificate was received.
 - > For the first time in Turkey, the "Early Warning System" was put into service as a precaution for frost risk in greenhouses.
 - > Policies were produced with Pusula, the sector's largest IT project.
 - > The Health Provision Center was founded.
 - > An intranet connection with GüneşNet agents was built.
-

2011

- > The United Nations Global Compact was signed.
 - > GüneşİM, the corporate communication platform for Güneş Sigorta employees, was put into service.
 - > MikroSigorta covered 55 thousand microloan holders in Turkey.
-

2012

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

2013

- > Six new Financial Regional Offices were founded.
 - > The Articles of Association were amended to conform with the new Turkish Commercial Code (TCC).
 - > The e-General Assembly was held for the first time.
 - > Competition Law principles were adopted.
 - > With the “Güneş Sigorta Facebook Application” and “Güneşi Yakala” (Catch the Sun), social media presence and engagement gained momentum.
 - > The MicroHousing Insurance, intended for citizens with low income, was launched as a social responsibility project.
 - > The MicroInsurance product was awarded with the Grand Prize as part of the European Award Program for Corporate Social Responsibility.
 - > Armada, the distinctive business intelligence and data warehouse project, was put into practice.
 - > Güneş Sigorta broke through the TL 1 billion premium threshold.
-

2014

- > The corporate website was renewed so that it could be displayed on all devices with an internet connection.
 - > Opportunities to win a trip abroad were provided to agencies with the Güneş Puan practice.
 - > Health Insurance for Foreign Residents (YBU) policies started to be produced by the e-agency.
-

2015

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

2016

- > The transition of health insurance policies to Pusula, Güneş Sigorta’s main system, was completed.
 - > A policy proposal screen was incorporated in the Company website.
 - > Issued capital increased from TL 150 million to TL 270 million.
-

2017

- > One of the shareholders, Groupama SA, transferred all its shares to Groupama Holding Filiales et Participation as part of the reorganization.
 - > The Health Insurance Pool is a leading player in the sector.
 - > Güneş Sigorta celebrated its 60th year of activity.
 - > Güneş Sigorta Exempt Expanded Auto Insurance and Total Damage Coverage products were offered for sale.
-

2018

- > KOBidost and Fiat Motor Insurance products were offered for sale.
 - > Quotes were submitted via the corporate website for auto and traffic insurance products; sale of the auto insurance product was offered.
 - > The social responsibility project “One Seedling for Each Green Auto Insured” was launched in cooperation with the Çekül Foundation.
 - > Travel Health Insurance and Yellow Shutters (Residential) products started to be sold via VakıfBank mobile and online banking.
-

2018 HIGHLIGHTS

Up-to-date business performance thanks to efficiency-oriented projects...

Within the scope of the Online Policy Sales project, it was ensured that quotes could be submitted on auto insurance products and these offers could be converted into policies online.

Organizational Structuring Projects

- > The Corporate Sales Alternative Distribution Channel Unit was established under the Corporate Sales Directorate, in order to conduct internal and external processes for the development and expansion of digital insurance activities.
- > The Central Anatolia Financial Regional Office was divided as 'Central Anatolia 1 Financial Regional Office' and 'Central Anatolia 2 Financial Regional Office'.
- > In line with Güneş Sigorta's renewed strategic targets and the related aspects, the organizational structure of the Damage, Legal and Health Provision units was revised.

Online Proposal and Policy Project

Within the scope of the Online Policy Sales project, online quotes may be submitted for auto insurance and traffic insurance products via the website, and converted into policies.

The "Seviyorsan Sigortalat Bizce (If You Like It, Insure It)" Advertising Campaign

Continuing its activities to make life easier for the insured and the customers, Güneş Sigorta focused on Auto and Home Insurance in its new advertising campaign.

The campaign, with the slogan, "If You Like It, Insure It," featured people who love their houses and vehicles so much that they hug and kiss them, and explained how they can protect their beloved belongings with the advantages enjoyed by Güneş Sigorta customers.

New Products: KOBİdost and Fiat Motor Insurance

The KOBİdost policy, with favorable premiums and within the limits of certain collateral, is offered exclusively to small and medium-sized enterprises. Thanks to Fiat Motor Insurance, designed specifically for Fiat-branded vehicles, vehicle owners are offered special guarantees related to a wide range of risks. With this Auto Insurance product, created exclusively for Fiat-branded vehicles, Güneş Sigorta guarantees the provision of customized services to its customers alongside the Company's experience and advantageous prices.

Completion of the System Integration of the Foreign Currency Payment Processes Project

Within the scope of this project, domestic and foreign EFT/Money Transfers in foreign currencies were collectively transferred to the cooperating banks in electronic form and the payments were made automatically.

Establishment of a System for Damage Payments in TRNC to be made via Pusula, Güneş Sigorta's main system.

EFT/Money Transfer transactions related to damage payments of the TRNC Regional Office are transferred to the bank electronically in a single batch file.



Within the scope of the **Prevention of Fraud Project**, activities for the identification of fraud in auto insurance and traffic insurance products have been completed.

Prevention of Fraud Project

Within the scope of this project, activities for the identification of fraud in auto insurance and traffic insurance products have been completed.

BKM 3D System Establishment Project

The BKM 3D project ensured that credit card transactions collected via Interbank Card Center (BKM) were compatible with the 3D security system; and a secure payment method was provided for both card holders and the Company.

Credit Card Custody Service

With Güneş Sigorta's main system, Pusula, collections regarding credit card transactions started to be performed on the website and mobile application, thanks to the new infrastructure.

KVKK Compliance Project

Within the scope of this project, Güneş Sigorta's data inventory was structured and Turkish Personal Data Protection Law compliance studies were performed.

The project of Designing the Transition to the Registered Electronic Mail System (REM), and Submission of Agency Account Statements via REM through the System

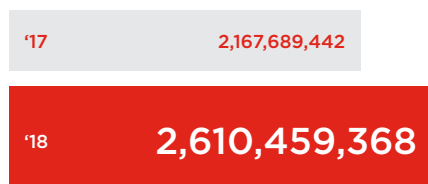
Within the scope of this project, integration works with the REM service provider were completed to ensure that all correspondences identified as legal documents were performed through the REM system. Agency account statements, which previously had been sent and followed up on manually until their return, are now sent through REM system.

FINANCIAL INDICATORS

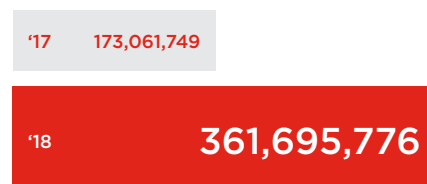
In the 2018 operating period, Güneş Sigorta added value to its shareholders' savings.

| Financial Indicators (TL) | 2017 | 2018 |
|--------------------------------------|---------------|-----------------|
| Total Assets | 2,167,689,442 | 2,610,459,368 |
| Total Liabilities | 1,490,090,283 | 1,808,175,008 |
| Paid-in Capital | 270,000,000 | 270,000,000 |
| Equity | 677,599,159 | 802,284,360 |
| Premium Production | 1,660,979,253 | 1,907,406,583 |
| Gross Claims Paid | (839,528,421) | (1,091,341,380) |
| Operational Expenses | (223,530,094) | (254,995,410) |
| Investment Income | 173,061,749 | 361,695,776 |
| Investment Expenses | (156,094,603) | (325,504,667) |
| Investment Profit | 16,967,146 | 36,191,109 |
| Technical Profit | 27,875,122 | 25,719,071 |
| Net Profit | 26,493,239 | 10,871,374 |
| Required Equity for the Company | 377,063,936 | 450,822,657 |
| Required Equity for Capital Adequacy | 694,849,188 | 824,933,495 |
| Capital Adequacy Result | 317,785,253 | 374,110,838 |

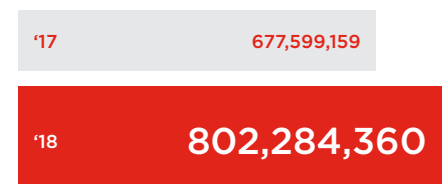
Asset Size (TL)



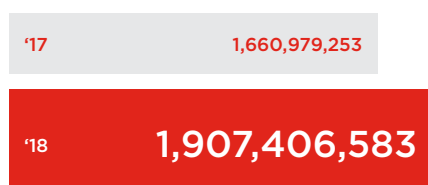
Investment Income (TL)



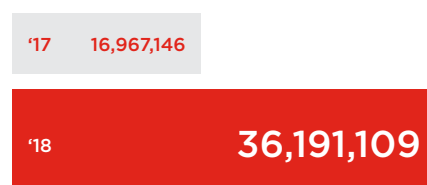
Equity (TL)



Premium Production (TL)



Investment Profit (TL)



FINANCIAL ANALYSIS RATIOS

| Capital Adequacy Ratios | 2017 (%) | 2018 (%) |
|---|----------|----------|
| Capital Adequacy Ratio | 184 | 183 |
| Written Premiums/Shareholder's Equity | 245 | 238 |
| Shareholder's Equity/Total Assets | 31 | 31 |
| Shareholder's Equity/Technical Provisions (Net) | 60 | 59 |

| Ratios Regarding Asset Quality & Liquidity | 2017 (%) | 2018 (%) |
|---|----------|----------|
| Quick Ratio | 60 | 62 |
| Liquidity Ratio | 91 | 93 |
| Current Ratio | 99 | 101 |
| Receivables from Premium and Reinsurance/Total Assets | 21 | 20 |
| Receivables from Agencies/Shareholder's Equity | 33 | 30 |

| Operational Ratios | 2017 (%) | 2018 (%) |
|--|----------|----------|
| Retention Ratio | 53 | 53 |
| Claims Paid/(Claims Paid + Outstanding Claims) | 41 | 40 |

| Profitability Ratios | 2017 (%) | 2018 (%) |
|----------------------|----------|----------|
| Net Loss Ratio | 82 | 88 |
| Net Commission Ratio | 12 | 11 |
| Net Expense Ratio | 16 | 17 |
| Net Compound Ratio | 110 | 116 |
| Asset Profitability | 1 | 0.4 |
| Equity Profitability | 4 | 1 |

2019 STRATEGIC MAP

Strategic decisions that improve Güneş Sigorta's performance...

Güneş Sigorta determined four strategic areas, developed as part of an overall strategy driving activities between 2019-2021. These areas and their focuses include:

Profitability

- > Ensuring Cost Management Effectiveness and Calculating Region/ Department Profitability
- > Increasing Technical and Financial Profitability
- > Increasing Asset and Equity Profitability

Growth

- > Increasing the Share of Banking Insurance
- > Growing with a Balanced Premium Portfolio Distribution
- > Increasing the Share of Digital Channel Sales

Productivity

- > Developing Employees' Target-Oriented and Behavior-Based Competencies
- > Simplifying and Improving Business Processes, and Increasing Work and Transaction Efficiency, via Transferring These Processes to the Digital Platform
- > Developing Effective Risk and Control Mechanisms
- > Increasing Customer-Oriented Marketing and Sales Efficiency

Quality

- > Increasing Employee Engagement, Motivation and Satisfaction
- > Using Integrated Marketing Communication Channels Properly



ES
RTA

X-35

X-35

TUR
1979

TUR
1979

GÜNEŞ SİGORTA

60 GÜNEŞ
SİGORTA

OUR MAIN OBJECTIVES, POLICIES AND PROJECTS FOR 2019

Projects aimed at raising customer satisfaction...

Güneş Sigorta's website is targeted to be updated to provide a simpler and more straightforward and comprehensible experience for the end user. As well, the website will be compatible with online sales, and the Güneş Sigorta Mobile App is also planned to be updated for online sales compatibility.

Reporting Projects Developed with Management Information Systems

Within the scope of the Prevention of Fraud project, the creation of fraud file ratings for all branches will be completed. A rule-based early warning system, supported with statistical models for Production, Damage and Collection, is planned to be established.

Projects for Increasing Operational Efficiency and Customer/Solution Partner Satisfaction, as well as Profitability

The Pusula Mobile Application aims to meet the needs of both agencies and Company personnel on a mobile platform. The CRM Campaign Management project aims to improve segmentation, complaint management, campaign management, customer satisfaction measurement and loyalty management capabilities. Flow Management Projects aim to raise operational efficiency. The VakıfBank Bancassurance Project aims to introduce new products and integration. As well, the Güneş Sigorta website is targeted to be updated to provide for the end user a simpler and more straightforward and comprehensible experience, and compatibility with online sales. The Güneş Sigorta Mobile Application is also planned to be updated for online sales compatibility.

Central Databases Hardware and Version Upgrade Project

The version and hardware of the databases currently used in the infrastructure of the Pusula and Armada systems are planned to be updated and upgraded, in

accordance with technological developments and corporate needs. This investment targets the highest performance and growth capacity in the Pusula and Armada system databases through the latest technological hardware architecture.

Central Backup Infrastructure Renewal Project

Investments are planned to renew the current system with hardware and software that provide sufficient capacity and technology to meet the backup and restoration requirements of the systems and data used in information processing in a reliable, rapid fast manner. This investment aims to establish a technological software/hardware infrastructure that will permit secure and safe storage of an ever-expanding volume of data, and to safely carry out backup/data recovery operations, if necessary, more quickly.

Restructuring of the Emergency Center Project

To maintain business continuity in the case of an emergency, as well as to ensure data security by using up-to-date technologies and to prevent potential data loss, investment and implementation activities were planned to position an Emergency Center in the KKB (Credit Reference Agency) Data Center. With this project, planned together with VakıfBank, the Company aims to ensure that hardware and software components in use are fully backed up and can provide uninterrupted service in the event of an emergency.

CAPITAL, SHAREHOLDING STRUCTURE AND SUBSIDIARIES

Creating value for its stakeholders with a market value of TL 405 million...

| Shareholders | Share Rate (%) | Share Value (TL) |
|--|----------------|-----------------------|
| Türkiye Vakıflar Bankası T.A.O. | 48.02 | 129,642,844.77 |
| Groupama Holding Filiales et Participations | 20.00 | 54,000,000.00 |
| Türkiye Vakıflar Bankası Vakıfbank Personeli Özel Sosyal Güvenlik Hizmetleri Vakfı | 10.00 | 27,000,000.00 |
| Türkiye Vakıflar Bankası Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı | 5.01 | 13,527,000.00 |
| Free Float | 16.97 | 45,830,155.23 |
| Total | 100.00 | 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 largest (20.00%) shareholder is Groupama Holding Filiales et Participations, one of the world's leading insurers. Güneş Sigorta shares are traded on the BIST national market under the ticker GUSGR. As of December 31, 2018, the Company's market value totaled TL 405,000,000.

SUBSIDIARIES

| Our Subsidiaries | Güneş Sigorta's Participation In Capital (TL) | Güneş Sigorta's Share In Capital (%) | Capital of the Subsidiary (TL) |
|--|---|--------------------------------------|--------------------------------|
| Vakıf Emeklilik A.Ş. | 9,831,500 | 37.10 | 26,500,000 |
| Türk P ve I Sigorta A.Ş. | 1,375,000 | 16.67 | 8,250,000 |
| Vakıf Finansal Kiralama A.Ş. * | 21,908,579 | 15.65 | 140,000,000 |
| Vakıf Faktoring Hizmetleri A.Ş. | 9,593,750 | 13.71 | 70,000,000 |
| Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş.* | 2,200,000 | 11.00 | 20,000,000 |
| Vakıf Pazarlama ve Ticaret A.Ş. | 2,951,806 | 9.76 | 30,241,439 |
| Tarım Sigortaları Havuz İşletmesi A.Ş. | 430,032 | 4.17 | 10,320,775 |
| Vakıf İnşaat Restorasyon ve Ticaret A.Ş. | 1,003,770 | 2.92 | 34,330,281 |
| Vakıf Enerji ve Madencilik A.Ş. | 1,503,860 | 1.77 | 85,000,223 |
| Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.* | 3,917,475 | 1.74 | 225,000,000 |
| Taksim Otelcilik A.Ş. | 4,789,898 | 1.43 | 334,256,687 |
| Vakıf Yatırım Menkul Değerler A.Ş. | 87,500 | 0.25 | 35,000,000 |
| Total | 59,593,170 | | |

*Publicly Traded Companies

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

We strive to provide the highest benefit to all of our stakeholders.

The Turkish insurance sector successfully continued to support the real economy, thanks to its robust capital structure and deep-rooted expertise, throughout the highly challenging 2018 operating period.

Dear Stakeholders,

The global economy continued its strong growth trend in 2018, despite geopolitical tensions throughout much of the world. The ongoing trade wars between the US and China pointed to a new era - one in which customs barriers in global trade are again emerging - while, as a result of the Central Bank's (Fed) monetary tightening policy in 2018, interest rate hikes and liquidity shortage emerged in global markets. According to the IMF's 2018 World Economic Outlook Report of October 2018, the global economy is expected to grow by 3.7% in 2018 -similar to 2017 - and such growth is expected to continue along a horizontal trajectory in 2019.

A New Road map for the Turkish Economy: New Economic Program

While the Turkish economy started 2018 with strong growth momentum, exchange rate volatility emerging in the second half of the year precipitated a difficult economic period. The deterioration in pricing in the domestic market caused inflation to rise - after a long period of relative stability - and the Government took quick action, announcing the New Economy Program (NEP) and creating a new road map for all market players. Offering provisions for controlling inflation with savings and export-oriented growth, and the restructuring of the real economy in line with current developments in the global economy, the New Economy Program (NEP) produced significant

progress in the face of economic problems, particularly in the fight against inflation, by creating a new balance in the domestic market. Thanks to its robust capital structure, the Turkish financial sector maintained its strong support for the real economy throughout the year, representing a strong bulwark against the volatility in domestic markets that emerged in 2018. Within the framework of the New Economic Program, Turkey's growth forecast for 2018 was announced as 3.8% and a growth rate of 2.3% is expected for 2019, in light of the balanced growth strategy.

The Global Insurance Sector Grows on Demand from Asia

According to Global Economic and Insurance Outlook 2020 published by the Swiss Re Institute, global insurance sector premium production grew by 1% in 2018 due to the demand predominantly from the Asian market. The insurance sector is expected to grow by 3% in real terms over the next two years, depending on the growth performance of the global economy. Emerging markets, especially the Asian market - which is growing three times faster than the average global growth rate - are expected to be the driving force in growth in the coming period. Financial losses due to natural and human-related disasters decreased from USD 350 billion to USD 155 billion in 2018 compared to the previous year, whereas global insurance losses amounted to around USD 79 billion.



54.7

**BILLION TL
TURKISH INSURANCE SECTOR
PREMIUM PRODUCTION**

1.5+

**MILLION
NUMBER OF GÜNEŞ SİGORTA
CUSTOMERS**

Turkish Insurance Sector Adversely Affected by Shrinking of the Domestic Market

The Turkish insurance sector, which started 2018 with a strong growth performance, was adversely affected by the shrinking of the domestic market in the second half of the year. The Turkish insurance sector which continues to serve its customers in full with its robust capital structure and deep-rooted expertise, achieved a premium production of TL 54.7 billion as of the end of 2018, according to data from the Insurance Association of Turkey (TSB). Güneş Sigorta believes that the Turkish insurance sector will accelerate its growth momentum by setting new targets within the framework of the New Economic Program (NEP). Accordingly, we will continue to pioneer the growth process of our sector with our innovative products and channels.

Representing 61 Years of Experience and Expertise in Turkish Insurance Sector: Güneş Sigorta

With its extensive service network throughout Turkey, Güneş Sigorta, representing experience and expertise of 61 years, continued to offer its 1.5 million customers products that add value to their lives in 2018. Thanks to VakıfBank's robust capital structure and Groupama Holding's international expertise, we continued to increase our service quality while diversifying our products. While reconstructing all our business processes with digital transformation investments, in line

with the continuous development goal, we kept offering training and development opportunities to our employees, who are our most important assurance, and to our agencies, which we see as business partners, for them to prepare in the best way for the digital transformation process.

Our Success Will Continue Through Digital Transformation...

We, as Güneş Sigorta, were proud to take the responsibility of being one of the most deep-rooted and leading actors in the Turkish insurance sector in the 2018 operating period. I would like to express my gratitude to all our stakeholders who supported our endeavor towards digital transformation in addition to the successful financial and operational processes we carried out in 2018 operating period. In the coming period, where the digital transformation process will be at the core, we are determined to continue to add value to our shareholders' savings with our innovative products and services.

Sincerely yours,

Muhammet Lütfü Çelebi
Chairman of the Board of Directors

¹ <https://www.imf.org/external/pubs/ft/weo/2018/02/weodata/index.aspx>

² <https://www.swissre.com/institute/research/sigma-research/sigma-2018-05.html>

MESSAGE FROM THE GENERAL MANAGER

We achieve high target realization rates in the sector.

Güneş Sigorta, the pioneering and deep-rooted company in the insurance sector, achieved financial and operational results that added value to the savings of all its stakeholders in the 2018 operating period.

Dear Stakeholders,

The 2018 operating period was a year of significant developments for the insurance sector in both the global and domestic markets. I am proud to share that, as Güneş Sigorta, we reached financial and operational results that added value to our shareholders' savings in 2018 by combining our 61 years of corporate know-how and experience with the dynamism of the insurance sector. We further strengthened our cooperation with VakıfBank, our main shareholder, in the field of bank insurance in 2018, and we increased our total assets by 20% to TL 2.6 billion compared to the previous year, while our total shareholders' equity reached TL 802 million. Through the channels of our 1,418 agencies, 97 brokers and 1,339 bank branches throughout Turkey, our premium production was increased by 9% compared to the previous year, reaching TL 1.5 billion. While this production accounted for 79% of our total premium production, the number of active customers exceeded 1.5 million.

We Continued to Grow, Thanks to Our Wide Product Range in Main Branches...

In 2018, Güneş Sigorta, which adds value to the lives of its customers with a variety of products in the main branches of the insurance sector, had the highest premium production, respectively, in the Land Vehicles Liability branch with TL 448.0 million, and in the Land Vehicles Treasury branch with TL 304.7 million. Thanks to its qualified human resources that make a difference with their experience

and expertise in the sector, Güneş Sigorta realized the highest premium production in Aircraft Liability, with 50%, and in Aircrafts, with 49%. In terms of agency sales channels, as of the end of 2018, our agency channel produced TL 1,093 million premiums, while financial agencies produced TL 293.8 million, and brokers produced TL 119.0 million. In the 2018 operating period, the ongoing cooperation with VakıfBank Finance Group and the VakıfBank General Directorate, as well as the Bank's regional offices and branches, have contributed significantly to the premium production increases in terms of branches. I would like to inform our stakeholders that we will increasingly benefit from the experience and expertise of our main shareholder VakıfBank in the upcoming period.

Our Main Focus in Digital Transformation

In line with customer needs and expectations, our digital transformation journey continued successfully in 2018 in line with the goal of enhancing our product competence and operational excellence. Having made significant investments for our current product portfolio in the light of current developments in the field of information technology, the Company has made the Digital Transformation process more effective by establishing the Corporate Sales Alternative Distribution Channel Unit under the Corporate Sales Directorate. While our operational costs decreased significantly with projects such as the Online Auto insurance Policy Sales project, the Prevention of



802

TL MILLION
SHAREHOLDER'S EQUITY

2.6

TL BILLION
TOTAL ASSETS

Fraud project, and the BKM 3D System Establishment project, our efficiency and target realization rates continued to develop steadily. Our Company, which has implemented significant innovations in the Güneş Mobile Application and at www.gunessigorta.com.tr, further strengthened our commitment to support our customers at every moment of their lives.

Social Responsibility Projects, from Education to Culture and Art, Continued.

Adopting an exemplary approach from VakıfBank's deep-rooted social responsibility approach, Güneş Sigorta successfully continued to create societal value through corporate social responsibility projects in different areas, from the environment to education, and from sports to culture and art, in the 2018 operating period. We continued to contribute to the environment with our Solar Energy Plant, located on the top floor of our headquarters building, which is a first in our sector. Thanks to the solar energy plant, we have reduced 60,835.40 kilograms of carbon dioxide emission since 2009 and generated 76,599.00 kWh of energy. Thanks to the in-house social responsibility projects that are funded by the voluntary support of our employees, we minimized our environmental impact and provided strong support to reputable non-governmental organizations in our country such as Kanserli Çocuklara Umut Vakfı (The Hope Foundation for Children with Cancer) (KAÇUV) and Lösemili Çocuklar Vakfı (Foundation for Children with

Leukemia) (LÖSEV). In the 2018 operating period, the Güneş Sigorta Sailing Team continued to play a leading role in the promotion of sailing in Turkey, as it has since its establishment.

We Will Continue to be the Sun of the Turkish Insurance Sector.

With the help of our more than 60 years of experience and expertise, we will continue to focus on digital transformation with our innovative products and services, and increase digitalization in our agency, brokerage and banking channel sales networks, and business processes, further strengthening customer loyalty. We will work to maintain the uninterrupted development of our human resources, consisting of specialists in their fields, and our agency and banking sales channels providing service in every region of Turkey. In the upcoming period, we will continue to be the "Sun" of our sector, with the added value we create for our business partners and customers.

I would like to express my gratitude to all our stakeholders who have supported us in the successful operating period of 2018.

Sincerely yours,

Atilla Benli
General Manager

BOARD OF DIRECTORS



Muhammet Lütfü Çelebi Chairman

Muhammet Lütfü Çelebi graduated from Istanbul University, Faculty of Economics, Department of Economics in 1992, and started his career as an Assistant Inspector at VakıfBank in 1995. He served as Inspector from 1998 to 2001 and, later, as an Assistant Manager and Manager at various branches and units of the Bank. He served as the President of VakıfBank Retail Banking from 2011 to 2013, and has served as Executive Vice President at VakıfBank since October 4, 2013. He has been the Chairman of the Board of Directors of Güneş Sigorta since December 17, 2018. He has a good command of English.



Abdi Serdar Üstünsalih Vice Chairman

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. Üstünsalih took office at Türkiye Vakıflar Bankası T.A.O. in 1991 and worked as a Manager and President at the various branches and departments of the Bank between 1999 and 2018. Üstünsalih who worked in many domestic and foreign banks, companies, foundations and associations since the beginning of his career, has been serving as Assistant General Manager in charge of Information Technologies at Türkiye Vakıflar Bankası, Vice Chairman of the Board of Directors at Vakıf Enerji ve Madencilik, Board Member at VakıfBank Employee Private Social Security Services Foundation, and Inspector at Türkiye Vakıflar Bankası T.A.O. Provident Fund for Officers, Servants, Retired and Health Foundation. Having been assigned as a Member of the Board of Directors of Güneş Sigorta as of April 15, 2016, Üstünsalih has served as the Vice Chairman of Güneş Sigorta since January 31, 2019.



Hasan Ecesoy Member

Hasan Ecesoy graduated from Uludağ University Faculty of Engineering, Department of Electronics Engineering. He holds a Master's degree in Business Administration from Istanbul Technical University and a PhD in Economics from Marmara University. He began his career at Ziraat Bank in 1993 and, after serving at a number of banks, he was appointed as Assistant General Manager at VakıfBank in 2010. Since February 1, 2019, he has been serving as a Board Member at Güneş Sigorta. He is fluent in English.



Zülküf Karakuş
Member

Zülküf Karakuş graduated from Ankara University, Faculty of Political Sciences, Department of Finance in 1992, and began his career as an Assistant Inspector at Türkiye Vakıflar Bankası T.A.O in 1993. He worked as an Inspector in 1996 and, between 2000 and 2012, he served as Branch Director, Unit Manager and President within the Türkiye Vakıflar Bankası T.A.O. Organization. Having been serving since 2013 as the Ankara 1st District Regional Director, Karakuş has SMMM and Independent Audit Certificates and is a Member of the Board of Directors at Vakıf Enerji. He has been a Member of the Güneş Sigorta Board of Directors since June 16, 2017. He speaks English.



Hasan Emre
Member

Born in Ayvacık, Çanakkale in 1973, Hasan Emre graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Political Science and Public Administration in 1996. He began his career as a Foreign Exchange Assistant Specialist at Türkiye Vakıflar Bankası T.A.O. Personal Fund Directorate Chairmanship in 1996. Having served between 1999-2005 as a Fund Management Specialist at the Fund Management External Operations Directorate, he was involved in the establishment of the Bahrain Branch of Türkiye Vakıflar Bankası T.A.O.

He continued his career as Assistant Manager at the Bahrain Branch between 2006-2011 and as Assistant Manager at the Commercial Credit Monitoring Department in the Head Office between 2011-2014, and assumed the role of Compliance Officer in the Compliance Department at the Head Office in July 2014. He has been the Chairman of Subsidiaries and Affiliates Department of VakıfBank since July 2017 and was appointed as a Member of the Board of Directors of Güneş Sigorta as of April 2, 2018. He is married with two children, and speaks English and Arabic.

BOARD OF DIRECTORS



Telat Karapınar
Independent Member

Telat Karapınar graduated from Istanbul University Faculty of Law and worked as an attorney from 1994 to 2002. Between 2002-2007, he served as a Member of Parliament. As of 2009, he served as a Member of the Board at Vakıf Realty Expertise, Vakıf Marketing and Vakıf Financial Leasing companies, respectively. Since August 8, 2017, Karapınar has been a Member of the Board of Directors of Güneş Sigorta.



Mehmet Bayram
Independent Member

Mehmet Bayram graduated from Bursa University Faculty of Economics and Social Sciences Politics and Cooperatives Department in 1978 and started his career in 1980 at the Eyüp Branch of Pamukbank T.A.Ş. as an officer. Until 1992, Bayram respectively served as Deputy Chief, Chief, Deputy Manager and Manager. 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; and Halk Bankası Tahtakale Commercial Branch Manager between 2005-2010. He retired in 2014, after having served as Halk Bankası İstanbul 1st Regional Coordinator from 2010. Since June 16, 2017 he has been a Member of the Board at Güneş Sigorta.



Atilla Benli
General Manager

Atilla Benli graduated from Istanbul University, Department of Public Administration, and obtained a Master's degree from Marmara University, Department of Insurance. He began his career as an Auditor at Garanti Bank and served as a Branch and Unit Manager at the same company. Having worked as Unit Manager in charge of various units at Garanti Sigorta Financial Affairs, Operations, Agencies and Brokers Distribution Sales Channel, Benli became Assistant General Manager in charge of Financial Affairs Management, Human Resources, Damage and Legal Affairs at BNP Paribas Cardiff in 2007. He then worked as Assistant General Manager in charge of the Damage Group at Groupama Sigorta ve Groupama Hayat & Emeklilik and served as Assistant General Manager in charge of the Sales, Finance and Financial Affairs, Human Resources, Technical and Actuary units at Vakıf Emeklilik. After joining Zurich Insurance in 2016 as Assistant General Manager in charge of the Damage Group and Member of the Board of Directors, Benli became Assistant General Manager in charge of Sales and Distribution Channels and a Member of the Board of Directors at Zurich Insurance. He took office at Güneş Sigorta as Board Member and General Manager as of January 16, 2019.

Member Changes in the Board of Directors

Faruk Nafiz İmamoğlu, who was appointed as a Member of the Board of Directors on June 16, 2017, retired from this position on April 2, 2018.

Hasan Emre was appointed as a Board Member on April 2, 2018.

Serhat Süreyya Çetin, who was appointed as General Manager and a Board Member at Güneş Sigorta from February 9, 2011, retired from office as of November 26, 2018.

Following the retirement from office of Yakup Şimşek, who was appointed as the Chairman of the Board of Directors of Güneş Sigorta between June 16, 2017 and December 17, 2018, Muhammet Lütfü Çelebi was appointed as the Chairman of the Board of Directors on December 17, 2018.

Atilla Benli was appointed the Board of Directors on January 16, 2019 as a Board Member and General Manager.

Metin Recep Zafer, who was appointed as a Member of the Board of Directors on March 9, 2017 and served as Vice Chairman between April 22, 2016 and January 31, 2019, left his position.

On January 31, 2019, Board Member Abdi Serdar Üstünsalih, was appointed as Vice Chairman of the Board of Directors.

Hasan Ecesoy was appointed as a Board Member on February 1, 2019.

BOARD OF DIRECTORS

| Name Surname | Title | Profession | Educational Background | Experience (Year) | Positions in the Partnership in Last 5 Years |
|------------------------|------------------------------------|------------|------------------------|-------------------|--|
| Muhammet Lütfü ÇELEBİ | Chairman of the Board of Directors | Banker | Bachelor's Degree | 23 | Board Member |
| Abdi Serdar ÜSTÜNSALİH | Vice Chairman | Banker | Master's Degree | 28 | Board Member |
| Hasan ECESOY | Board Member | Banker | PhD | 26 | - |
| Zülküf KARAKUŞ | Board Member | Banker | Bachelor's Degree | 26 | Board Member |
| Hasan EMRE | Board Member | Banker | Bachelor's Degree | 22 | - |
| Telat KARAPINAR | Independent Member of Board | Lawyer | Bachelor's Degree | 25 | Independent Member of Board |
| Mehmet BAYRAM | Independent Member of Board | Banker | Bachelor's Degree | 38 | Independent Member of Board |
| Atilla BENLİ | Board Member & General Manager | Insurer | Master's Degree | 26 | - |

| Current Positions Undertaken Outside the Company | Share in Capital (%) | Share Group Represented | Independent Board Member | Committees and Committees Roles |
|---|----------------------|-------------------------|---------------------------|--|
| T. Vakıflar Bankası T.A.O. Assistant General Manager, VakıfBank Sports Club Board Member | - | - | Not an Independent Member | - |
| T. Vakıflar Bankası T.A.O. Assistant General Manager in charge of Information Technologies at Vakıf Enerji ve Madencilik A.Ş. Vice Chairman of Board of Directors, Member of Board of Directors of VakıfBank Employee Private Social Security Services Foundation and Inspector at the Türkiye Vakıflar Bankası T.A.O. Provident Fund for Officers, Servants, Retired and Health Foundation Inspector of the Provident Fund for Officers, Servants, Retired and Health Foundation | - | - | Not an Independent Member | Corporate Governance Committee Member |
| T. Vakıflar Bankası T.A.O. Assistant General Manager | - | - | - | - |
| T. Vakıflar Bankası T.A.O. Ankara 1 st District Regional Manager, Vakıf Enerji Board Member Regional Manager, Vakıf Enerji Board Member | - | - | Not an Independent Member | - |
| T. Vakıflar Bankası T.A.O. Subsidiaries and Affiliates President | - | - | Not an Independent Member | Member of the Early Detection of Risk Committee |
| - | - | - | Independent Member | Chairman of the Audit Committee and Chairman of the Corporate Governance Committee |
| - | - | - | Independent Member | Chairman of the Early Detection of Risk Committee |
| - | - | - | Not an Independent Member | - |

BOARD OF DIRECTORS

PARTICIPATION OF THE MEMBERS OF THE BOARD OF DIRECTORS IN MEETINGS HELD IN 2018

| 2018 Board of Directors Meeting and Participation List | | | | |
|--|---------------|-----------------------|----------------------------|-------------------|
| Date | Board Members | | | |
| | Yakup ŞİMŞEK | Muhammet Lütfü ÇELEBİ | Serhat S. ÇETİN | Metin Recep ZAFER |
| | Chairman | Chairman | General Manager and Member | Vice Chairman |
| 05.01.2018 | √ | | √ | √ |
| 16.01.2018 | √ | | √ | √ |
| 25.01.2018 | √ | | √ | √ |
| 13.02.2018 | √ | | √ | √ |
| 16.02.2018 | √ | | √ | √ |
| 23.02.2018 | √ | | √ | √ |
| 01.03.2018 | √ | | √ | √ |
| 20.03.2018 | √ | | √ | √ |
| 30.03.2018 | √ | | √ | √ |
| 02.04.2018 | √ | | √ | √ |
| 16.04.2018 | √ | | √ | √ |
| 18.04.2018 | √ | | √ | √ |
| 27.04.2018 | √ | | √ | √ |
| 09.05.2018 | √ | | √ | √ |
| 29.05.2018 | √ | | √ | √ |
| 05.06.2018 | √ | | √ | √ |
| 25.06.2018 | √ | | √ | √ |
| 02.07.2018 | √ | | √ | √ |
| 06.07.2018 | √ | | √ | √ |
| 09.07.2018 | √ | | √ | √ |
| 25.07.2018 | √ | | √ | √ |
| 02.08.2018 | √ | | √ | √ |
| 05.09.2018 | √ | | √ | √ |
| 13.09.2018 | √ | | √ | √ |
| 19.09.2018 | √ | | √ | √ |
| 26.09.2018 | √ | | √ | √ |
| 03.10.2018 | √ | | √ | √ |
| 16.10.2018 | √ | | √ | √ |
| 26.10.2018 | √ | | √ | √ |
| 22.11.2018 | √ | | - | √ |
| 26.11.2018 | √ | | | √ |
| 27.11.2018 | √ | | | √ |
| 04.12.2018 | √ | | | √ |
| 17.12.2018 | √ | | | √ |
| 28.12.2018 | | √ | | √ |

√: Attendance in meetings -: Not attending meetings Grey areas indicate periods when that person was not a Board Member

| Abdi Serdar ÜSTÜNSALİH | Zülfük KARAKUŞ | Hasan EMRE | Faruk Nafiz İMAMOĞLU | Telat KARAPINAR | Mehmet BAYRAM |
|-------------------------------|-----------------------|-------------------|-----------------------------|------------------------|----------------------|
| Member | Member | Member | Member | Independent Member | Independent Member |
| ✓ | ✓ | | ✓ | ✓ | ✓ |
| ✓ | ✓ | | ✓ | ✓ | ✓ |
| ✓ | ✓ | | ✓ | ✓ | ✓ |
| ✓ | ✓ | | ✓ | ✓ | ✓ |
| ✓ | ✓ | | ✓ | ✓ | ✓ |
| ✓ | ✓ | | ✓ | ✓ | ✓ |
| ✓ | ✓ | | ✓ | ✓ | ✓ |
| ✓ | ✓ | | ✓ | ✓ | ✓ |
| ✓ | ✓ | | ✓ | ✓ | ✓ |
| ✓ | ✓ | | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | - | ✓ | | ✓ | ✓ |
| ✓ | - | ✓ | | ✓ | - |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |
| ✓ | ✓ | ✓ | | ✓ | ✓ |

SENIOR MANAGEMENT



Atilla Benli
General Manager

Atilla Benli graduated from Istanbul University, Department of Public Administration, and obtained a Master's degree from Marmara University, Department of Insurance. He began his career as an Auditor at Garanti Bank and served as a Branch and Unit Manager at the same company. Having worked as Unit Manager in charge of various units at Garanti Sigorta Financial Affairs, Operations, Agencies and Brokers Distribution Sales Channel, Benli became Assistant General Manager in charge of Financial Affairs Management, Human Resources, Damage and Legal Affairs at BNP Paribas Cardiff in 2007. He then worked as Assistant General Manager in charge of the Damage Group at Groupama Sigorta ve Groupama Hayat & Emeklilik and served as Assistant General Manager in charge of the Sales, Finance and Financial Affairs, Human Resources, Technical and Actuary units at Vakıf Emeklilik. After joining Zurich Insurance in 2016 as Assistant General Manager in charge of the Damage Group and Member of the Board of Directors, Benli became Assistant General Manager in charge of Sales and Distribution Channels and a Member of the Board of Directors at Zurich Insurance. He took office at Güneş Sigorta as Board Member and General Manager as of January 16, 2019.



Bülent Somuncu
Assistant General Manager

Bülent Somuncu graduated from Kabataş Erkek High School and the Department of Management of the Faculty of Political Sciences at Ankara University, and obtained his Master's degree from the Department of Economics at the Institute of Social Sciences of Marmara University. He served as President of the Insurance Auditing Board at the Undersecretariat of Treasury between 1995-1997 and, carried out his duty in Sofia, the capital of the Republic of Bulgaria, as Economic Councilor of the Undersecretariat of Treasury between 1998-2001. From 2006 to 2008, he worked at Güven Sigorta as General Director, and between 2011-2016 at Halk Sigorta A.S. as General Director. He has lectured on Insurance Law at the Insurance Department of the Vocational College of Istanbul University, and on Insurance Damage Practices at the Faculty of Commercial Sciences of Istanbul University. On December 11, 2017 he was appointed Assistant General Manager in charge of the Damage Management Department at Güneş Sigorta, and was assigned as Technical Unit Assistant General Manager on December 28, 2018. He has served as a Board Member at Türk P&I Sigorta since 2018, and speaks English and Bulgarian.



İlhan Şahin
Assistant General Manager

İlhan Şahin graduated from Boğaziçi University, Department of Economics, joining VakıfBank in 2006 as Assistant Inspector. Thereafter, he served as Commercial Marketing Assistant Manager in 2012, Retail Banking Marketing Manager in 2013, Individual Customer Relationship Management (CRM) Manager in 2016, and as Retail Banking Marketing Services President in 2017. He was appointed as Assistant General Manager in charge of Strategy and System Management at Güneş Sigorta on September 19, 2018, and as Marketing and Sales Assistant General Manager on December 28, 2018. He holds SPK, SMMM, SEGEM, BEAS (Individual Pension Intermediaries) licenses and certificates.



Saltuk Buğra Sürüel
Assistant General Manager

Saltuk Buğra Sürüel graduated from Istanbul University, Faculty of Science, Department of Mathematics in 2000 and received an MBA degree in English from Yeditepe University in 2002. He began his professional career in 1999 at the İşbank Credit Cards Department and joined VakıfBank in 1999 as Assistant Inspector. After that, he served as Financial Reporting Assistant Manager of the VakıfBank General Accounting and Financial Affairs Directorate and as Manager at the Legal Reporting Directorate between 2007-2018. Sürüel joined Güneş Sigorta on January 2, 2019 as Assistant General Manager in charge of Financial Affairs Management. He has a good command of English and intermediate knowledge of German.



Mahmut Emre Bayram
Assistant General Manager

Mahmut Emre Bayram graduated from Istanbul High School and Boğaziçi University Department of Economics. After working in various sectors, Bayram continued his career in the insurance sector in 2010, serving as Damage, Logistics, Administrative Affairs and Procurement Manager at Aviva Sigorta between 2010 and 2013. Subsequently, he worked respectively as Damage and Logistics Department Manager between 2013 and 2016, as Health Insurance Manager between 2016 and 2017 at Aksigorta, and as Damage Coordinator at Sompo Japan Insurance between 2017 and 2019. As of January 10, 2019, Mahmut Emre Bayram has served as Assistant General Manager in charge of Damage Management at Güneş Sigorta. He has a good command of English and German.



Serhad Satoğlu
Assistant General Manager

Serhad Satoğlu graduated from TED Ankara College, and received his Bachelor of Arts degree from Ankara University, Faculty of Political Sciences, Department of Business Administration in 1994. Having obtained a Master's degree from Marmara University Banking Institute in 2010, Satoğlu completed his postgraduate studies at the same institute in 2014. He served as Inspector at VakıfBank between 1995-2004, then serving as Assistant General Manager at VakıfBank New York Branch between 2004-2006, and as General Manager and Board Member at Vakıf Yatırım Ortaklığı between 2006-2018. In addition, he served as a Board Member at Takasbank representing VakıfBank between 2010-2015 and as General Manager and Board Member at Vakıf Portfolio Management in 2018. He joined Güneş Sigorta on February 1, 2019 as Assistant General Manager in charge of Strategy and System Management.

SENIOR MANAGEMENT

Changes in Senior Management

Birgöl Denli, who took office as Assistant General Manager on July 2, 2012, retired from office on July 9, 2018.

Mikail Hıdır, who started working as an Assistant General Manager on July 16, 2018, retired from office on September 19, 2018.

İlhan Şahin was appointed as Assistant General Manager on September 19, 2018.

Serhat Süreyya Çetin, who was appointed as General Manager and as a Board Member at Güneş Sigorta since February 9, 2011, retired from office as of November 26, 2018.

Tayfun Altıntaş began serving as Assistant General Manager on April 10, 2017, and left his position on December 31, 2018.

Murat Koygun began serving as Assistant General Manager on November 12, 2015, and left his position on December 31, 2018.

Tahsin Oral began serving as Assistant General Manager on December 12, 2015, and left his position on December 31, 2018.

Saltuk Buğra Sürüel was appointed as Assistant General Manager on January 2, 2019.

Atilla Benli joined the Board of Directors on January 16, 2019, as a Board Member and as General Manager.

Mahmut Emre Bayram was appointed as Assistant General Manager on January 10, 2019.

Serhad Satoğlu took office as Assistant General Manager on February 1, 2019.

PRESIDENT OF INSPECTION BOARD AND MANAGER OF INTERNAL CONTROL AND RISK MANAGEMENT

Kürşat Yapıcı

President of the Inspection Board

Kürşat Yapıcı graduated from Istanbul University, Faculty of Economics, Department of Economics in 2009, and began his professional career in 2011 as an Assistant Inspector at the Inspection Board of VakıfBank. He served as Assistant Auditor and Inspector between 2011-2018, and holds Capital Market Activities Level 3 and Credit Rating Licenses. He has served as the President of the Inspection Board of Güneş Sigorta since November 1, 2018. He has a good command of English.

Ferşat Balcı

Manager of Internal Control and Risk Management

Ferşat Balcı obtained a Bachelor of Arts Degree from the Department of Economics, Faculty of Economics at Karadeniz Technical University in 2005, and a Master of Science Degree on Insurance from Istanbul Commerce University in 2015. He started his career in 2009 at Güneş Sigorta as Assistant Auditor at the Internal Audit Directorate. After working as Inspector between 2012-2017, he was appointed Chief Inspector at the Inspection Board in 2017. Since June 1, 2018, Balcı has served as the Internal Control and Risk Management Branch Manager at Güneş Sigorta. He speaks English.

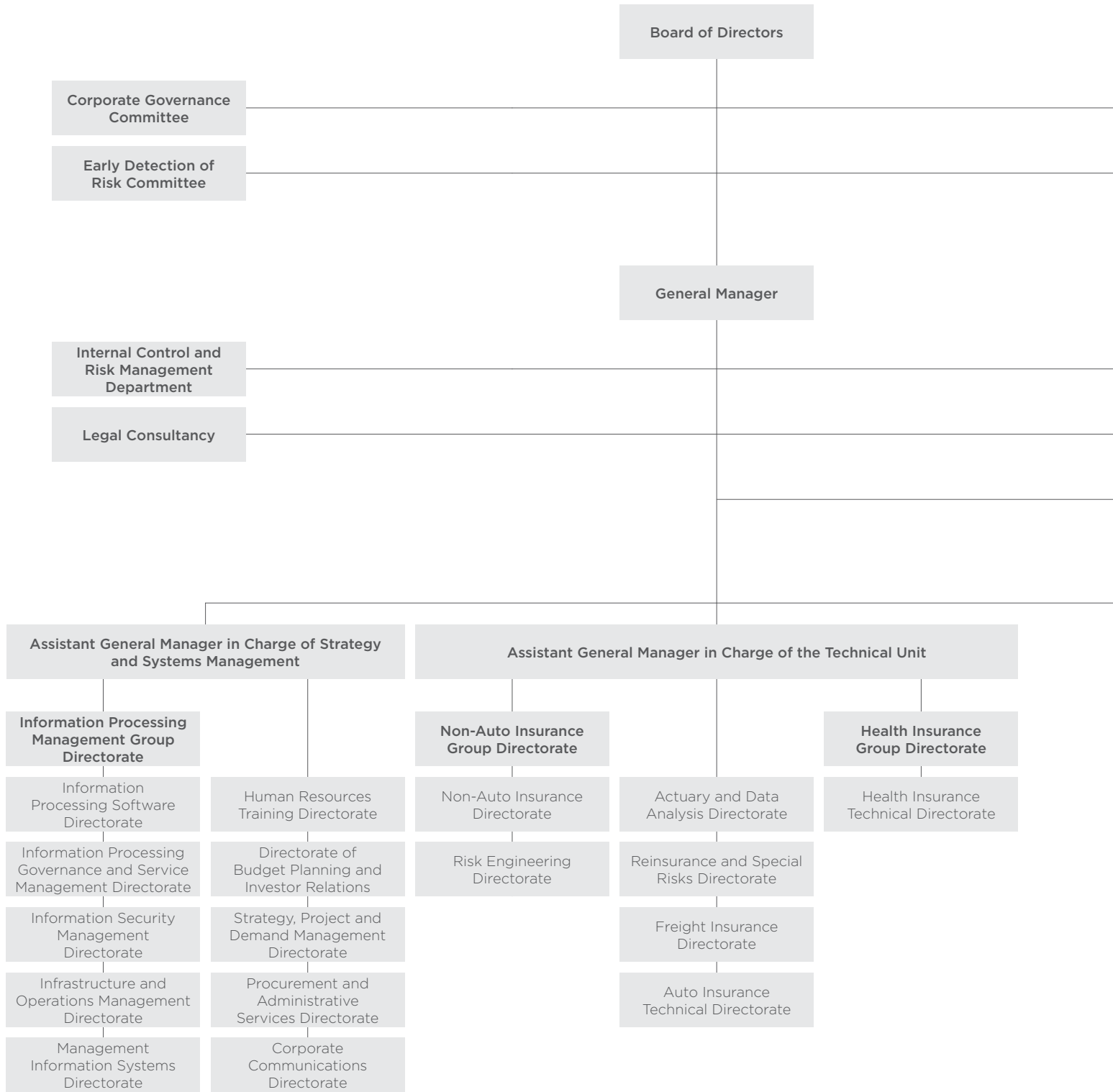
Changes in Positions

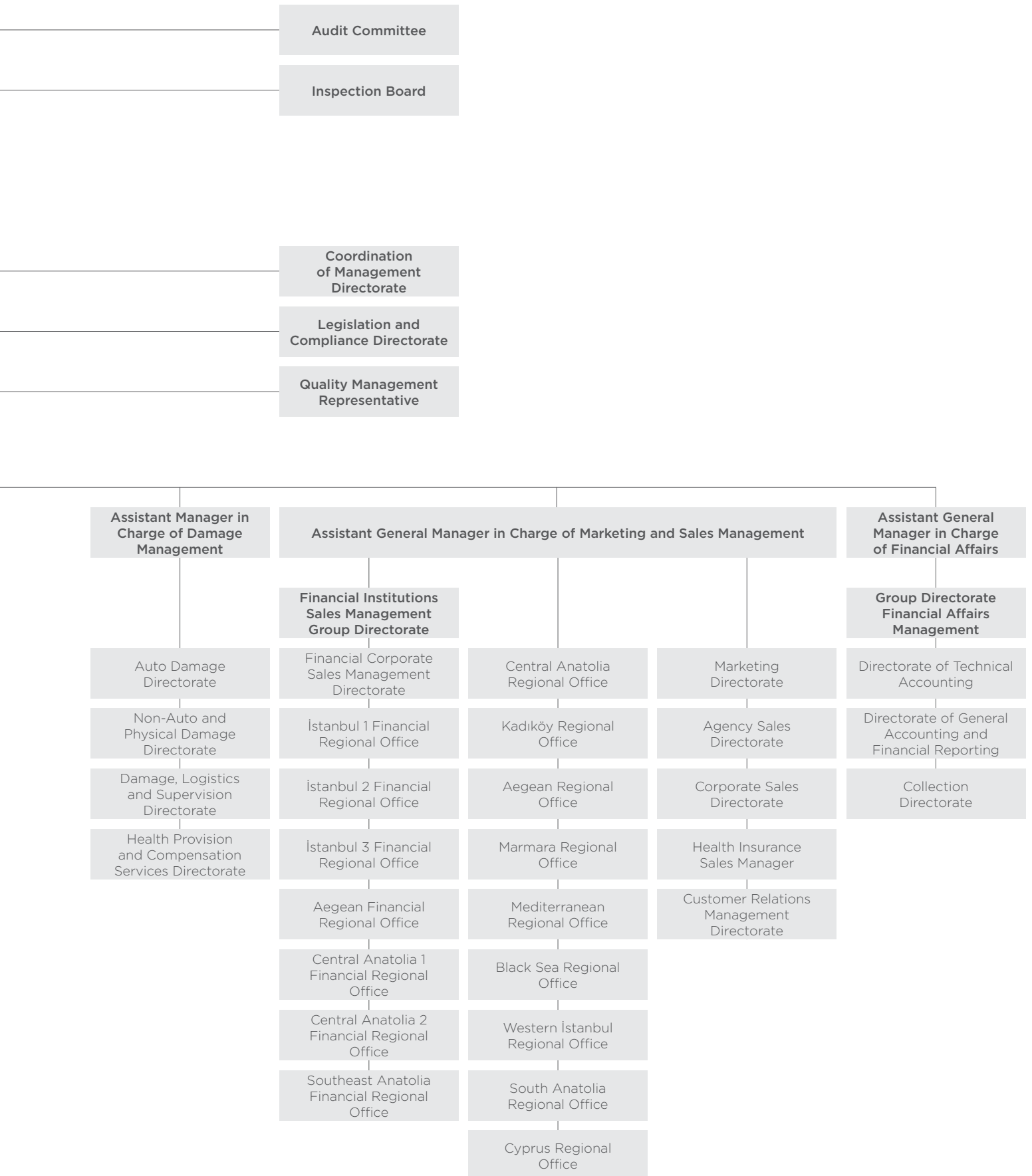
İbrahim Erol, who had serving as Internal Control and Risk Management Manager since November 6, 2015, retired from office on April 18, 2018.

Ferşat Balcı, who had been serving as Chief Inspector, was appointed as Internal Control and Risk Management Manager as of June 1, 2018.

As of November 1, 2018 Kürşat Yapıcı became the President of the Inspection Board following the retirement on October 31, 2018 of Gonca Hazır, who had served as the President of the Inspection Board since May 13, 2015.

ORGANIZATION CHART





MARKETING AND SALES

An effective marketing strategy executed in campaigns and applications...

Güneş Sigorta continued to expand its customer base in 2018 through its strong campaign management approach.

Thanks to its 61 years of experience in the insurance sector, Güneş Sigorta holds comprehensive expertise in the sales and marketing field across Turkey. Within the scope of a growth strategy implemented in profitable branches and products in 2018, both the distribution channels and the campaigns and applications for sales teams in target products have been effectively managed.

In the 2018 operating period, Güneş Sigorta successfully managed the Commercial Fire Application, Home Campaigns, Personal Accident Campaigns, Auto insurance Campaigns, KOBİdost Campaign, Lifesaver Emergency Health Insurance Campaigns and Supplementary Health Insurance Campaigns. The agencies that succeeded in the campaigns carried out throughout the year were awarded with international travel. In this context, Sarajevo (Bosnia and Herzegovina) tour was organized in November for the agencies reaching the target productions in personal accident insurance.

Strong Campaign Management Approach

In 2017, full integration of the Travel Health, Traffic, Home and DASK policies was completed within the scope of the Bank Insurance project, carried out together with VakıfBank. In 2018, full integration of the Auto Insurance, KOBİdost, Lifesaver Emergency Health Insurance and Supplementary Health Insurance Campaigns was achieved. As part of the integration of non-package products, information provided by the Bank's personnel to create proposals was submitted to Güneş Sigorta and the relevant proposals were made available on the banking system and customized as policies. Also, in 2018, all VakıfBank field sales employees received product and awareness training.

In addition, work was successfully completed in 2018 to enable customers to obtain quotes, and purchase auto and traffic insurance policies, via Güneş Sigorta corporate web page (www.gunessigorta.com.tr).



DISTRIBUTION CHANNELS

Our strong sales network continues to develop with our agents, banks and brokers...

Güneş Sigorta diversifies its distribution channels through the cooperation with its main shareholder VakıfBank.

Within Güneş Sigorta sales channels, agencies continued to have the highest share in terms of both quantity and production in 2018. While the share of agency channel production was 57% as of the end of the year, campaigns to increase income and various motivational activities were organized to increase agencies' commitment to the Company. In order to raise agency efficiency, protocols were signed with agencies having insufficient production in non-auto branches. In line with the principle of customer satisfaction - the Company's driving philosophy - developing the perspectives and competencies of agencies will contribute to this objective.

Efficient Cooperation with VakıfBank

In 2017, full integration of the Travel Health, Traffic, Home and DASK policies into the banking screens was completed within the scope of the Bancassurance project carried out with VakıfBank and, in 2018, full integration of the Auto Insurance, KOBİdost, Lifesaver Emergency Health Insurance and Supplementary Health Insurance Campaigns into the banking screen was achieved. Regarding the issuance of non-package products through the banking screen system, also established was the infrastructure enabling the transmission to Güneş Sigorta of the information provided by Bank personnel within the

framework of the project via the established system, as well as the listing of proposals prepared by the Company in the banking system, and the customization of policies by bank users. As well, DASK, Home and Auto Insurance product renewals were made available in the banking system. In 2018, all VakıfBank Field Sales Employees received product and awareness training. An insurance survey was conducted to increase product ownership among Bank personnel. In accordance with information provided by users who participated in the survey, auto insurance proposals were offered. The Company also aims to offer Home and DASK proposals in the near future.

Trainings to Increase Sales Performance

With the Bancassurance Project launched in 2017, the Bank successfully continued its joint efforts with VakıfBank to fully integrate the system across all internal and external domains. Within this scope, projects aiming to make product sales faster and easier through digital channels, the Call Center and Bank Branches continued to be implemented. Furthermore, as a result of joint training programs organized to raise insurance awareness among the Bank's sales staff and ensure product familiarity, in 2018, a total of 6,196 individuals - including 4,939 people from across Turkey - as well as the participants of the VakıfBank Fundamental Training Program, received in-class trainings.



57%

**AGENCY CHANNEL
PRODUCTION SHARE**

6,196

**NUMBER OF INDIVIDUALS
WHO RECEIVED IN-CLASS
TRAININGS**

Home and Travel Health products were made available for sale online and on mobile banking channels. In both channels, activities continued for the inclusion of new products in the system.

In 2019, the Company plans to complete the full integration of the Bancassurance Project, on which works and improvements are currently ongoing. In addition, the Company aims to enable policy renewals to be carried out via the Call Center, to put into service the new products developed according to Digital Channels, and to launch new and profitable products that can be used by customers. In parallel with the launch of new products, product promotion trainings and general sales trainings are planned to continue.

Strong Broker Network

In the brokerage sales channel, Güneş Sigorta carried out its activities within the framework of its service-oriented approach to its customers and achieved sustainable profitability by working with the distinguished brokerage firms of our country. Güneş Sigorta identified and managed the risks faced by policyholders through the sales channel and continued to offer unique solutions to its policyholders with strategic recommendations designed to minimize the threats they may face in today's conditions.

DIGITAL TRANSFORMATION AND MOBILE INSURANCE

Following up technological advances closely...

In 2018, Güneş Sigorta successfully continued its investments in the fields of digital and mobile insurance.

Closely following the digital transformation process in the financial sector, Güneş Sigorta successfully continued its investments in the fields of digital and mobile insurance in 2018.

In 2018, our Company successfully completed the integration process with companies selling online insurance. Within this scope, apart from motor and traffic insurance products, home insurance and supplementary health insurance products were offered to customers seeking to purchase policies on digital platforms. Thanks to the importance the Company accords to digital transformation, the integration of the DASK, Practical Home, Travel Health and health insurance for non-Turkish citizens products was achieved, and the number of insurance products offered to customers on digital platforms expanded.

In 2018, Güneş Sigorta's strong infrastructure drove a significant increase in the number of resources in the auto insurance branch, with collective contributions aimed to reduce the operational costs for our business partners working within traditional sales methods.

The Company conducted activities to make quotes and policy sales available on the website and mobile application of VakıfBank, our main shareholder, for the Travel Health, Health, Yellow Shutters and Home products. Studies are ongoing regarding offering insurance product quotes and policy sales through the portable smart devices of VakıfBank retail banking portfolio managers: To enable sales managers to present products to customers in a digital environment without being dependent on the branches, the Auto Insurance, Traffic Insurance, DASK, My Passwords Are Safe, Credit Card Assurance, TSS (Supplementary Health Insurance), Lifesaver Insurance and Unemployment Insurance products are also targeted to be sold via a mobile platform.

With the redesigned website to be launched in 2019, customers will be able to log into the website, with their own accounts, to access information about their policies, collections and damage processes. Following the completion of the approval process, quotes and proposals could be offered for the DASK, Travel Health, Health, Home, Auto and Traffic Insurance products, and policies purchased.



TUR
TUR
1979
1979

GÜNEŞ SİGORTA
GÜNEŞ SİGORTA

GÜNEŞ
SİGORTA

TUR
TUR
222
SSA

60
GÜNEŞ SİGORTA

PRODUCT PORTFOLIO

A diverse product range meeting every need...

Fiat Motor Insurance, designed specifically for Fiat-branded vehicles, vehicle owners are offered special guarantees related to many risks.

New Product and Tariff Development Studies

KOBİdost Insurance

Offered exclusively for small- and medium-size enterprises, KOBİdost Insurance contains favorable premiums within the limits of certain collaterals. Featuring four limit options, this product enables customers in the Small Medium Enterprise segment to select their preferred limit option, guaranteeing the many risks they will encounter in the future with a single policy.

Fiat Motor Insurance

Fiat Motor Insurance, designed specifically for Fiat-branded vehicles, vehicle owners are offered special guarantees related to many risks. Via the Fiat-branded product, Güneş Sigorta guarantees the provision of customized services to customers accompanied by the Company's experience and advantageous prices. In addition, for repairs below a certain amount, policyholders can enjoy speedier service at an authorized Fiat service center, with original spare parts installed by expert service personnel, without requiring an expert assignment.

Products in 2019

In 2019, Güneş Sigorta aims to continue to offer new products and services to meet customer needs and create a difference among its competitors and the sector. In this context, the Company plans to carry out activities for Commercial Receivables Subsidized by Government Insurance, which was published in the Official Gazette at the end of 2018 and which will potentially be available for sale in 2019. This product insures the risk of non-payment of debts arising from non-collateralized forward sales. Moreover, it also contributes to the Company's risk management and protects the business against unforeseen collection problems, as it provides policyholders with the opportunity to monitor their financial position by analyzing their own customers. Thanks to this product, companies can raise their credibility with banks and financial institutions by raising the asset quality of their balance sheets. It also helps managers at these companies to focus on the core business, by alleviating issues related to receivables.

Güneş Sigorta aims to continue providing additional benefits and maintaining product development activities in its products offered in the banking distribution channel. One objective is to expand the scope of KOBİdost Insurance, available for sale in the bancassurance channel after its 2018 launch, so that it includes Directors & Officers Insurance. With this insurance,



Güneş Sigorta plans to offer private health insurance to the younger demographic through “New Generation Health Insurance.”

private sector organizations are provided with the opportunity to insure the compensation claims arising from errors or omissions potentially incurred by management boards, board members or executives in the course of exercising their duties, as well as defense expenses related to the relevant case.

As well, the Company plans to offer private health insurance to the younger demographic via “New Generation Health Insurance.” With this product, customers aged 6 to 17 will be able to acquire their own health insurance, without family members. Customers who seek insurance under this product will be able to select from policies that include In-patient-only or In-patient plus Out-patient Plans.

Hybrid Product in Health Insurance

Güneş Sigorta aims to expand its share in the health insurance market by offering more economical solutions to individual and corporate policyholders with its hybrid product. In its operations, the Company considers that a major reason behind the increase in supplementary health insurance in 2018-2019 is rising demand, in line with increased public awareness of derivative products such as Supplementary Health Insurance (TSS).

Private health policyholders who have purchased hybrid products may avail of Social Security Institution (SSI) in the first place in SSI contracted doctors and branches, and the remaining amount will be paid fully within the limits of collaterals following the examination in accordance with the policy's special and general conditions.

STRATEGY AND PROCESS DEVELOPMENT PRACTICES

Process development practices that improve workflow...



To advance the digitalization process, department meetings and activities were launched in order to execute the necessary systematic improvements in 2019.

Güneş Sigorta carried out process-mapping activities to manage operations and procedures with a systematic approach and to adopt a holistic perspective with regard to process interactions, while identifying areas of risk and improvement in the processes.

Within the scope of digitalization activities, interviews were conducted with all departments. In this process, the Company identified approval mechanisms that are currently form-based and could be moved to the system, and activities were launched to implement the necessary systematic improvements in 2019.

The Quality Document Management System (QDMS) program, purchased for the purpose of moving the Quality Management System Documentation Process onto a digital platform, is expected to be capable of interacting with the process maps and monitoring documents through the system; it is planned to come into effect in January 2019, following the completion of infrastructure works.

CORPORATE COMMUNICATION

Corporate communication activities increasing brand value...

Reflecting its innovative marketing communications approach, Güneş Sigorta reaches current and potential policyholders via digital channels, including Facebook, Twitter, Instagram, YouTube and LinkedIn.

As one of the insurance sector's most pioneering and deep-rooted companies, Güneş Sigorta continued in 2018 to successfully conduct corporate communication activities directed towards becoming the preferred brand among its stakeholders, as well as increasing the number of its policyholders. The Company also strived to raise awareness of insurance in our country and to further boost the brand value. Corporate communication activities carried out in 2018 are explained in detail, as follows.

“Seviyorsan Sigortalat Bizce (If You Love It, Insure It)”

To raise awareness and the value of the Güneş Sigorta brand, the “Seviyorsan Sigortalat Bizce (If You Love It, Insure It)” advertising campaign was launched in 2018. As in all of its activities, Güneş Sigorta adopted the principle of making the lives of its policyholders and target groups easier, thanks to its customer-centric approach in communication activities. The Company distributed this campaign mainly via newspapers, magazines, radio and digital channels, with the slogan “Seviyorsan Sigortalat Bizce (If You Love It, Insure It).”

Digital Transformation in Güneş Sigorta

Güneş Sigorta, taking a customer-centric approach in digital media, began a redesign of its website and mobile application integrating additional user-friendly features in line with emerging digital trends and customer needs. These activities included renewing the contents of the corporate and product pages.

Güneş Sigorta in Social Media

Staying abreast of developing communication trends, Güneş Sigorta reaches current and potential policyholders via digital channels, including Facebook, Twitter, Instagram, YouTube and LinkedIn.

In line with the less formal nature of social media communications, Güneş Sigorta uses intimate language in its social media channels, as well as reaching current and potential customers with special competitions and creative posts.

DEVELOPMENTS AND AMENDMENTS IN LEGISLATION

Engaging the State Supported Receivables Insurance

The Ministry of Treasury and Finance planned to provide the SME's with State Supported Receivables Insurance in order to compensate for the damage stemming from the SMEs' inability to indemnify their receivables. The "Decree on the Functioning of the State Supported System Including the Provision of Commercial Receivables Insurance for Small and Medium-Sized Enterprises" of the Council of Ministers no. 2018/11892 dated June 4, 2018 entered into force. The relevant communiqués were published in the Official Gazette no. 30635 dated December 24, 2018 by the Ministry of Treasury and Finance.

Accordingly, Güneş Sigorta included the State Supported Receivables Insurance product among its premium target in 2019.

Turkish Personal Data Protection Law

Various important provisions of the Turkish Personal Data Protection Law (Law no. 6698) on the Protection of Personal Data ("KVKK"), which was published in the Official Gazette no. 29677 dated April 7, 2016, entered into force as of October 7, 2016. This law aims to protect the fundamental rights and freedoms of individuals, especially the right to private life, and to regulate the obligations, procedures and principles to be followed by the natural and legal persons who process personal data.

Paragraph 3 of Provisional Article 1 of this Law provides for that the personal data processed before the date of publication of this Law shall be made compliant with the provisions of the Law within two years from the date of publication (April 7, 2018), that the personal data deemed to be contrary to the provisions of this Law shall be deleted, destroyed or anonymized, that however, the consents received in accordance with the law before the date of publication of this Law, shall be considered to be compliant with this Law unless a declaration indicating otherwise is submitted within one year from the entry into force of this Law (April 7, 2017).

Accordingly, in 2018, Güneş Sigorta created a data inventory under the "KVKK Compliance Project" and carried out its KVKK compliance works.

TURKISH INSURANCE SECTOR PREMIUM DEVELOPMENT

Non-Life Total (TL)

'17 39,710,606,624

'18 47,733,462,289

Life Total (TL)

'17 6,844,082,921

'18 6,920,771,569

The total insurance premium production increased by 17.4% compared to the previous year and amounted to TL 54.7 billion in 2018. Of the total premium production, TL 47.7 billion was generated from non-life branches and TL 6.7 billion from life insurance. Increment in non-life and life branches actualized as 20% and 1.1% respectively. When the real exchange is calculated by subtracting the inflation, it is revealed that the sector's premium production contracted by 2.4%. Non-life shrank 15.9% in real and the life branch did not grow.

In terms of the non-life sector production by branch, the compulsory Land Vehicles Liability branch, which has the largest production in the sector, increased by 22% compared to 2017 and grew by 1% in real terms to TL 15.9 billion. In the Auto insurance sector,

the second largest branch of the sector, whereas production in 2018 was TL 7.8 billion, the production increased by 13.4% compared to 2017. Production in the Fire and Natural Disasters branch, the third largest branch, increased by 21%, reaching TL 7.0 billion in 2018 compared to 2017. The Health branch is 13% of the sector production; while the premium production was TL 6.2 billion in 2018, this figure increased by 24% compared to 2017. In the General Damages branch, production was TL 5.2 billion; in the Accident branch, TL 1.8 billion; and in the General Liability branch, the premium production was TL 1.4 billion in 2018. The total 2018 production of Freight, Financial Losses, Legal Protection, Watercraft, Credit, Aircraft Liability, Aircraft, Indemnity, Watercraft Liability, Support and Rail Vehicles branches is TL 2.4 billion.

| Branches (TL) | 2017 | 2018 | Share (%) | Increase (%) | Real Increase (%) |
|-----------------------------|-----------------------|-----------------------|-------------|--------------|-------------------|
| Accident | 1,682,318,452 | 1,812,335,726 | 4% | 8% | -10% |
| Illness-Health | 5,026,464,106 | 6,244,295,477 | 13% | 24% | 3% |
| Land Vehicles | 6,916,180,532 | 7,842,907,976 | 16% | 13% | -6% |
| Rail Vehicles | 11,068 | 0 | 0% | -100% | -100% |
| Aircraft | 114,153,481 | 179,857,508 | 0.4% | 58% | 31% |
| Watercraft | 218,148,439 | 300,257,211 | 1% | 38% | 14% |
| Freight | 651,957,892 | 829,833,718 | 2% | 27% | 5.8% |
| Fire and Natural Disasters | 5,745,990,852 | 6,972,578,509 | 15% | 21% | 1% |
| General Damages | 4,355,445,077 | 5,247,013,900 | 11% | 20% | 0% |
| Land Vehicles Liability | 13,042,053,210 | 15,853,718,170 | 33% | 22% | 1.0% |
| Aircraft Liability | 131,775,217 | 194,377,729 | 0.4% | 48% | 23% |
| Watercraft Liability | 26,402,168 | 31,336,619 | 0.1% | 19% | -1% |
| General Liability | 1,023,855,057 | 1,390,943,646 | 3% | 36% | 13% |
| Credit | 173,718,087 | 248,338,460 | 1% | 43% | 19% |
| Indemnity | 50,021,130 | 71,788,694 | 0.2% | 44% | 19.3% |
| Financial Losses | 325,760,102 | 345,630,885 | 1% | 6% | -12% |
| Legal Protection | 225,033,131 | 168,125,712 | 0.4% | -25% | -38% |
| Support | 1,318,624 | 122,350 | 0.0003% | -91% | -92% |
| Non-Life Total | 39,710,606,624 | 47,733,462,289 | 87% | 20% | 0% |
| Life Insurance Total | 6,844,082,921 | 6,920,771,569 | 13% | 1% | -16% |
| Grand Total | 46,554,689,545 | 54,654,233,858 | 100% | 17% | -2% |

TECHNICAL EVALUATION

Success in premium production with diversified product portfolio...

Premium Production

Based on treasury branches, the gross premium production for 2018 in comparison with the previous year's figures are shown in the table below:

| TL | 2017 | 2018 | Share (%) | Increase (%) |
|-------------------------------------|----------------------|----------------------|-------------|--------------|
| Accident | 47,421,686 | 50,164,872 | 3% | 6% |
| Illness/Health | 142,589,314 | 153,221,918 | 8% | 7% |
| Motor Own Damage | 292,366,866 | 304,735,377 | 16% | 4% |
| Rail Vehicles | - | - | - | - |
| Aircraft | 77,071,773 | 114,993,174 | 6% | 49% |
| Watercraft | 25,973,156 | 28,529,253 | 1% | 10% |
| Goods on Transit | 22,654,144 | 27,223,017 | 1% | 20% |
| Fire and Natural Disasters | 304,091,433 | 343,455,592 | 18% | 13% |
| General Damages | 233,724,285 | 271,861,955 | 14% | 16% |
| Motor Vehicle Third Party Liability | 394,323,582 | 447,952,398 | 23% | 14% |
| Aircraft Liability | 75,514,397 | 113,545,970 | 6% | 50% |
| Watercraft Liability | - | - | - | - |
| General Liability | 31,409,640 | 41,699,278 | 2% | 33% |
| Credit | - | - | - | - |
| Indemnity | 608,836 | 656,275 | 0.03% | 8% |
| Financial Losses | 2,584,966 | 2,699,778 | 0.14% | 4% |
| Legal Protection | 10,645,175 | 6,667,726 | 0.35% | -37% |
| Support | - | - | - | - |
| Grand Total | 1,660,979,253 | 1,907,406,583 | 100% | 15% |

Gross Claims Paid

The gross claims paid for 2018 in treasury branches in comparison with the previous year's figures are shown in the table below:

| TL | 2017 | 2018 | Share (%) | Increase (%) |
|-------------------------------------|--------------------|----------------------|-------------|--------------|
| Accident | 6,532,845 | 11,048,630 | 1% | 69% |
| Illness/Health | 103,475,593 | 116,056,079 | 11% | 12% |
| Motor Own Damage | 216,691,209 | 269,835,680 | 25% | 25% |
| Rail Vehicles | - | - | - | - |
| Aircraft | 77,128,720 | 150,360,030 | 14% | 95% |
| Watercraft | 18,724,883 | 16,306,706 | 1% | -13% |
| Goods on Transit | 11,165,590 | 6,812,368 | 0.6% | -39% |
| Fire and Natural Disasters | 86,880,275 | 86,272,339 | 8% | -1% |
| General Damages | 74,751,302 | 108,630,397 | 10% | 45% |
| Motor Vehicle Third Party Liability | 216,529,049 | 283,208,670 | 26% | 31% |
| Aircraft Liability | 15,812,933 | 17,636,165 | 2% | 12% |
| Watercraft Liability | - | - | - | - |
| General Liability | 10,561,845 | 20,363,563 | 2% | 93% |
| Credit | - | - | - | - |
| Indemnity | 941,900 | 3,166,295 | 0.29% | 236% |
| Financial Losses | 214,255 | 1,575,139 | 0.14% | 635% |
| Legal Protection | 118,022 | 69,319 | 0.01% | -41% |
| Support | - | - | - | - |
| Grand Total | 839,528,421 | 1,091,341,380 | 100% | 30% |

Technical Balance

Based on the treasury branches, the Technical Balance results for 2018 in comparison with the previous year's figures are shown in the table below:

| TL | 2017 | 2018 | Share (%) | Increase (%) |
|-------------------------------------|-------------------|-------------------|-------------|--------------|
| Accident | 17,114,470 | 31,185,690 | 121% | 82% |
| Illness/Health | (10,067,001) | (2,009,686) | -8% | -80% |
| Motor Own Damage | 818,443 | (33,808,268) | -131% | -4.231% |
| Rail Vehicles | - | - | - | - |
| Aircraft | (1,102,146) | (2,042,163) | -8% | 85% |
| Watercraft | 650,646 | (842,533) | -3.3% | -229% |
| Goods on Transit | 10,152,435 | 12,298,028 | 48% | 21% |
| Fire and Natural Disasters | 8,732,558 | 46,748,132 | 182% | 435% |
| General Damages | 20,814,708 | 20,563,458 | 80% | -1% |
| Motor Vehicle Third Party Liability | (19,232,733) | (36,694,564) | -143% | 91% |
| Aircraft Liability | (1,525,342) | (1,918,973) | -7.5% | 26% |
| Watercraft Liability | - | - | - | - |
| General Liability | (200,096) | (8,815,617) | -34% | 4.306% |
| Credit | 16.00 | - | 0 | -100% |
| Indemnity | 557,570 | (353,501) | -1.4% | -163% |
| Financial Losses | (1,713,126) | (2,014,507) | -7.8% | 18% |
| Legal Protection | 2,874,720 | 3,423,575 | 13% | 19% |
| Support | - | - | - | - |
| Grand Total | 27,875,122 | 25,719,071 | 100% | -8% |

TECHNICAL EVALUATION

TECHNICAL INCOME TABLE ON BRANCH BASIS

| I-Technical Part | Accident | Illness/ Health | Motor Own Damage | Aircraft | Watercraft | Goods on Transit | Fire and Natural Disasters |
|--|--------------|--------------------|---------------------|-------------|-------------|---------------------|----------------------------------|
| A- Non-Life Technical Income | 54,139,096 | 163,606,792 | 320,019,090 | - | 2,043,229 | 18,907,043 | 132,046,463 |
| Written Premiums (Net) | 39,698,727 | 153,221,918 | 298,658,673 | - | 2,559,883 | 13,218,720 | 106,269,972 |
| Change in Earned Premium Reserves (Net) | (2,051,103) | (5,810,418) | (4,705,755) | - | (299,268) | 156,912 | (8,512,965) |
| Change in Unexpired Risk Res. | - | - | - | - | (585,967) | - | - |
| Investment Income Transf. to Non- Technical Division | 16,481,609 | 16,093,681 | 16,568,026 | - | 141,190 | 4,882,006 | 29,759,650 |
| Other Technical Income | - | - | 1,189,281 | - | - | - | 3 |
| Accrued Recourse & Salvage Income (+) | 9,863 | 101,611 | 8,308,865 | - | 227,391 | 649,405 | 4,529,803 |
| B- Non-Life Technical Expenses(-) | (22,953,406) | (165,616,478) | (353,827,358) | (2,042,163) | (2,885,762) | (6,609,015) | (85,298,331) |
| Paid Damages (Net) | (2,965,788) | (116,055,415) | (260,396,725) | - | (2,233,821) | (1,944,291) | (37,575,311) |
| Change in Outstanding Claims Reserves | (900,476) | 2,248,113 | (8,611,723) | 59 | (1,490,079) | (1,203,775) | (99,387) |
| Change in Other Technical Reserves | (70,771) | - | (999,846) | - | - | - | (4,257,593) |
| Operational Expenses (-) | (19,016,371) | (51,809,176) | (83,819,064) | (2,042,222) | 838,138 | (3,460,949) | (43,366,040) |
| C- Technical Part Balance- Non-Life (A-B) | 31,185,690 | (2,009,686) | (33,808,268) | (2,042,163) | (842,533) | 12,298,028 | 46,748,132 |

| General Damages | Motor Vehicle Third Party Liability | Aircraft Liability | General Liability | Indemnity | Financial Losses | Legal Protection | Total |
|-----------------|-------------------------------------|--------------------|-------------------|-----------|------------------|------------------|-----------------|
| 25,311,261 | 362,391,779 | 58,257 | 5,008,387 | 209,852 | 818,772 | 8,439,699 | 1,092,999,720 |
| 24,213,570 | 354,212,017 | - | 4,804,369 | 191,459 | 982,779 | 4,784,035 | 1,002,816,122 |
| (4,747,530) | (42,066,595) | - | (446,540) | 8,651 | (165,526) | 1,594,084 | (67,046,053) |
| - | (14,789,491) | - | (1,279,473) | (160,035) | - | - | (16,814,966) |
| 5,813,798 | 47,826,242 | 58,257 | 1,067,567 | 22,282 | 1,519 | 2,061,580 | 140,777,407 |
| 15,372 | - | - | 806,863 | - | - | - | 2,011,519 |
| 16,051 | 17,209,606 | - | 55,601 | 147,495 | - | - | 31,255,691 |
| (4,747,803) | (399,086,343) | (1,977,230) | (13,824,004) | (563,353) | (2,833,279) | (5,016,124) | (1,067,280,649) |
| (10,899,986) | (244,212,921) | 134,538 | (2,409,652) | (140,000) | (45,788) | (23,052) | (678,768,212) |
| (2,513,905) | (102,222,174) | - | (12,839,098) | (377,613) | 8,249 | 258,888 | (127,742,921) |
| (445,896) | - | - | - | - | - | - | (5,774,106) |
| 9,111,984 | (52,651,248) | (2,111,768) | 1,424,746 | (45,740) | (2,795,740) | (5,251,960) | (254,995,410) |
| 20,563,458 | (36,694,564) | (1,918,973) | (8,815,617) | (353,501) | (2,014,507) | 3,423,575 | 25,719,071 |

TECHNICAL EVALUATION

At the end of 2018, our investment income increased by 109% and amounted to TL 361.696 million. Income obtained from foreign exchange profit has been TL 184.655 million, constituting the biggest part of investment income. Second largest investment income earned was the income from financial investments with TL 144.920 million. An income of TL 20.569 from the subsidiaries, TL 6.400 million from the plots, lands and buildings, and TL 5.151 million from the valuation of financial assets were obtained.

| Investment Income (TL) | 2017 | 2018 | Increase (%) |
|---|--------------------|--------------------|--------------|
| 1- Income Obtained from Financial Investments | 81,030,027 | 144,919,637 | 79% |
| 2- Profits Earned by Liquidation of Financial Investments | - | - | - |
| 3- Valuation of Financial Investments | 2,916,540 | 5,150,960 | 77% |
| 4- Foreign Exchange Profit | 75,305,738 | 184,655,484 | 145 |
| 5- Income from Participations | 9,280,957 | 20,569,367 | 122% |
| 6- Subsidiaries & Income fr. Inst. Under Customer Man. | - | - | - |
| 7- Income Obtained from Real Estate and Properties | 1,419,487 | 6,400,328 | 351% |
| 8- Income Obtained from Derivatives | 3,109,000 | - | -100% |
| 9- Other Investments | - | - | - |
| 10- Inv. Income Transferred to Life Technical Part | - | - | - |
| Grand Total | 173,061,749 | 361,695,776 | 109% |

At the end of 2018, our investment expenses increased by 109% and amounted to TL 325.505 million. Foreign exchange losses constitute the largest account of investment expenditures of TL 158 million 725 thousand. The investment income transferred to the technical part was TL 140 million 777 thousand. Other investment expenses amounted to TL 10 million 140 thousand, depreciation expenses amounted to TL 6 million 861 thousand, whereas investment management expenses were incurred as TL 5 million 636 thousand in the same period. The loss incurred due to derivatives amounted to TL 2 million 648 thousand and the investment impairment was realized as TL 718 thousand.

| Investment Expenses (-) (TL) | 2017 | 2018 | Increase (%) |
|--|----------------------|----------------------|--------------|
| 1- Investment Management Exp.- Inc. Interest (-) | (3,767,707) | (5,635,884) | 50% |
| 2- Impairment in Value of Investments (-) | - | (717,603) | - |
| 3- Loss Incurred Due to Liquidation of Investments (-) | (5,578) | - | -100% |
| 4- Inv. Income Transf. to Non-Life Technical Part. (-) | (74,992,877) | (140,777,407) | 88% |
| 5- Loss Incurred Due to Derivative Prod. (-) | - | (2,647,500) | - |
| 6- Foreign Exchange Losses (-) | (64,023,399) | (158,725,233) | 148% |
| 7- Depreciation Expenses (-) | (7,343,000) | (6,861,268) | -7% |
| 8- Other Investment Expenses (-) | (5,962,042) | (10,139,772) | 70% |
| Grand Total | (156,094,603) | (325,504,667) | 109% |

At the end of 2018, our Revenues and Profits from Other Operations and Expenses and Losses from Other Operations amounted to TL 51.039. The income items were Other Revenues and Profits with TL 1.593 million and deferred tax assets with TL 1.513 million, while expense items were provision expenses with TL 50.680 million, re-discount expenses with TL 3.108 million and other expenses and losses with TL 357 thousand.

| F- Revenues and Profits and Expenses & Losses from Other Operations (+/-) (TL Thousand) | 2017 | 2018 | Increase (%) |
|--|---------------------|---------------------|---------------------|
| 1- Provisions (+/-) | (33,778,937) | (50,679,556) | 50% |
| 2- Rediscount (+/-) | (2,093,518) | (3,108,264) | 48% |
| 3- Special Insurance Account (+/-) | - | - | - |
| 4- Inflation Adjustment (+/-) | - | - | - |
| 5- Deferred Tax Assets (+/-) | 15,267,885 | 1,512,840 | -90% |
| 6- Deferred Tax Liability Exp. (-) | - | - | - |
| 7- Other Revenues and Profits | 2,664,965 | 1,593,129 | -40% |
| 8- Other Expenses and Losses (-) | (409,424) | (356,955) | -13% |
| 9- Previous Year's Revenues and Profits | - | - | - |
| 10- Previous Year's Expenses and Losses (-) | - | - | - |
| Grand Total | (18,349,029) | (51,038,806) | 178% |

Income Statement Summary

For January 1-December 31, 2018 operating period, the technical income obtained has been TL 1.093 billion, whereas the technical loss amounted to TL 1.067.281 billion. The technical part balance presented a profit of TL 25.719 million.

As a result of the investment income, which has been TL 361.696 million, and investment expense, which has been TL 325.505 million, included in the technical part balance and the expense generated by other operations, which has been TL 51.039 million, the net profit for the period totaled TL 10.871 million.

| Income Statement Summary (TRY) | 2017 | 2018 | Increase (%) |
|---|---------------|-----------------|---------------------|
| A- Non-Life Technical Income | 925,510,784 | 1,092,999,720 | 18% |
| B- Non-Life Technical Expense (-) | (897,635,662) | (1,067,280,649) | 19% |
| C- Technical Part Balance- Non-Life (A-B) | 27,875,122 | 25,719,071 | -8% |
| D- Investment Income | 173,061,749 | 361,695,776 | 109% |
| E- Investment Expenses (-) | (156,094,603) | (325,504,667) | 109% |
| F- Revenues and Profits and Expenses & Losses from Other Operations (+/-) | (18,349,029) | (51,038,806) | 178% |
| G- Net Profit/Loss For the Period | 26,493,239 | 10,871,374 | -59% |

TECHNICAL EVALUATION

50

(TL MILLION)
**ACCIDENT PREMIUM
PRODUCTION**

79%

RETENTION RATE

153

(TL MILLION)
**ILLNESS/HEALTH
INSURANCES PREMIUM
PRODUCTION**

100%

RETENTION RATE

305

(TL MILLION)
**MOTOR OWN DAMAGE
PREMIUM PRODUCTION**

98%

RETENTION RATE

Accident Insurances

| Accident | 2017 | 2018 | Increase (%) |
|-----------------------------|-------------|-------------|--------------|
| Premium Production - TL | 47,421,686 | 50,164,872 | 6% |
| Retention Ratio % | 70% | 79% | 9% |
| Earned Premium (net) - TL | 25,337,414 | 37,647,624 | 49% |
| Losses Incurred (net) - TL | (2,354,545) | (3,866,264) | 64% |
| Technical Part Balance - TL | 17,114,470 | 31,185,690 | 82% |
| Loss/Premium (net) % | 9% | 10% | 1% |
| Technical Balance/Premium % | 36% | 62% | 26% |

At the end of 2018, the premium production in accident branch totaled TL 50.165 million increasing by 6%. The retention ratio was 79%. At the end of 2018, net loss/premium ratio in the accident branch was 10%. While the net earned premium was TL 37.648 million, the net incurred loss amounted to TL 3.866 million. The technical part balance of the Company in accident increased by 82%, totaling TL 31.186 million as profit.

Illness/Health Insurances

| Illness/Health | 2017 | 2018 | Increase (%) |
|-----------------------------|---------------|---------------|--------------|
| Premium Production - TL | 142,589,314 | 153,221,918 | 7% |
| Retention Ratio % | 100% | 100% | 0% |
| Earned Premium (net) - TL | 133,911,607 | 147,411,500 | 10% |
| Losses Incurred (net) - TL | (107,648,161) | (113,807,302) | 6% |
| Technical Part Balance - TL | (10,067,001) | (2,009,686) | -80% |
| Loss/Premium (net) % | 80% | 77% | -3% |
| Technical Balance/Premium % | -7% | -1% | 6% |

At the end of 2018, the premium production in illness/health branch totaled TL 153.222 million with an increase of 7%. The retention ratio was 100%. At the end of 2018, net loss/premium ratio of this branch has been 77%. While the net earned premium was TL 147.412 million, the net incurred loss amounted to TL 113.807 million. illness/health technical branch balance had a loss amounting to TL 2.010 million.

Motor Own Damage Insurances

| Motor Own Damage | 2017 | 2018 | Increase (%) |
|-----------------------------|---------------|---------------|--------------|
| Premium Production - TL | 292,366,866 | 304,735,377 | 4% |
| Retention Ratio % | 97% | 98% | 1% |
| Earned Premium (net) - TL | 261,520,799 | 293,952,918 | 12% |
| Losses Incurred (net) - TL | (210,205,749) | (269,008,448) | 28% |
| Technical Part Balance - TL | 818,443 | (33,808,268) | -4,231% |
| Loss/Premium (net) % | 80% | 92% | 12% |
| Technical Balance/Premium % | 0.3% | -11% | -11% |

At the end of 2018, the premium production in motor own damage branch totaled TL 304.735 million increasing by 4%. The retention ratio was 98%. At the end of 2018, net loss/premium ratio was 92% in this branch. While the net earned premium was TL 293.953 million, the net incurred loss amounted to TL 269.008 million. The technical part balance of the Company in Motor Own Damage resulted with a loss of TL 33.808 million.

115

(TL MILLION)
**AIRCRAFT PREMIUM
PRODUCTION**

0%

RETENTION RATE

29

(TL MILLION)
**WATERCRAFT PREMIUM
PRODUCTION**

9%

RETENTION RATE

27

(TL MILLION)
**GOODS ON TRANSIT
PREMIUM PRODUCTION**

49%

RETENTION RATE

Aircraft Insurances

| Aircraft | 2017 | 2018 | Increase (%) |
|-----------------------------|-------------|-------------|--------------|
| Premium Production - TL | 77,071,773 | 114,993,174 | 49% |
| Retention Ratio % | 0% | 0% | 0% |
| Earned Premium (net) - TL | - | - | - |
| Losses Incurred (net) - TL | (14) | 59 | -521% |
| Technical Part Balance - TL | (1,102,146) | (2,042,163) | 85% |
| Loss/Premium (net) % | - | - | - |
| Technical Balance/Premium % | -1% | -2% | -1% |

At the end of 2018, the premium production in aircraft branch turned out to be TL 114.993 million presenting an increase of 49%. In the aircraft branch no production was retained. The technical loss of the Company in aircrafts has been TL 2.042 million.

Watercraft Insurances

| Watercraft | 2017 | 2018 | Increase (%) |
|-----------------------------|-------------|-------------|--------------|
| Premium Production - TL | 25,973,156 | 28,529,253 | 10% |
| Retention Ratio % | 9% | 9% | 0% |
| Earned Premium (net) - TL | 2,225,126 | 2,260,615 | 2% |
| Losses Incurred (net) - TL | (2,787,882) | (3,723,900) | 34% |
| Technical Part Balance - TL | 650,646 | (842,533) | -229% |
| Loss/Premium (net) % | 125% | 165% | 40% |
| Technical Balance/Premium % | 3% | -3% | -6% |

At the end of 2018, the premium production in watercraft branch totaled TL 28.529 million with an increase of 10%. At the end of 2018, the net earned premium in this branch was TL 2.261 million, while the net incurred loss amounted to TL 3.724 million. The technical loss of the Company in watercraft has been TL 843 thousand.

Goods on Transit Insurances

| Goods on Transit | 2017 | 2018 | Increase (%) |
|-----------------------------|-------------|-------------|--------------|
| Premium Production - TL | 22,654,144 | 27,223,017 | 20% |
| Retention Ratio % | 51% | 49% | -2% |
| Earned Premium (net) - TL | 11,117,850 | 13,375,632 | 20% |
| Losses Incurred (net) - TL | (2,611,380) | (3,148,066) | 21% |
| Technical Part Balance - TL | 10,152,435 | 12,298,028 | 21% |
| Loss/Premium (net) % | 23% | 24% | 1% |
| Technical Balance/Premium % | 45% | 45% | 0% |

At the end of 2017, the premium production in Goods On Transit branch increased by 20% and reached TL 27.223 million. The retention ratio was 49%. At the end of 2018, the net earned premium in this branch was TL 13.376 million and the net loss incurred amounted to TL 3.148 million. The technical part balance of the Company in goods on transit branch has been TL 12.298 million by an increase of 21% compared to previous year.

TECHNICAL EVALUATION

343

(TL MILLION)
**FIRE AND NATURAL
DISASTERS PREMIUM
PRODUCTION**

31%

RETENTION RATE

272

(TL MILLION)
**GENERAL DAMAGES PREMIUM
PRODUCTION**

9%

RETENTION RATE

448

(TL MILLION)
**MOTOR VEHICLE THIRD
PARTY LIABILITY PREMIUM
PRODUCTION**

79%

RETENTION RATE

Fire and Natural Disasters Insurances

| Fire and Natural Disasters | 2017 | 2018 | Increase (%) |
|-----------------------------|--------------|--------------|--------------|
| Premium Production - TL | 304,091,433 | 343,455,592 | 13% |
| Retention Ratio % | 28% | 31% | 3% |
| Earned Premium (net) - TL | 77,760,239 | 97,757,007 | 26% |
| Losses Incurred (net) - TL | (45,577,909) | (37,674,698) | -17% |
| Technical Part Balance - TL | 8,732,558 | 46,748,132 | 435% |
| Loss/Premium (net) % | 59% | 39% | -20% |
| Technical Balance/Premium % | 3% | 14% | 11% |

At the end of 2018, the premium production in fire & natural disasters branch increased by 13% and reached TL 343,456 million. The retention ratio was 31%. At the end of 2018, the net loss/premium ratio in this branch was 39%. While the net earned premium was TL 97.757 million, the net incurred loss amounted to TL 37.675 million. In the technical part balance of the Company in fire & natural disasters, the profit has been TL 46.748 million.

General Damages Insurances

| General Damages | 2017 | 2018 | Increase (%) |
|-----------------------------|--------------|--------------|--------------|
| Premium Production - TL | 233,724,285 | 271,861,955 | 16% |
| Retention Ratio % | 8% | 9% | 1% |
| Earned Premium (net) - TL | 18,579,136 | 19,466,040 | 5% |
| Losses Incurred (net) - TL | (12,039,312) | (13,413,891) | 11% |
| Technical Part Balance - TL | 20,814,708 | 20,563,458 | -1% |
| Loss/Premium (net) % | 65% | 69% | 4% |
| Technical Balance/Premium % | 9% | 8% | -1% |

At the end of 2018, the premium production in general damages branch totaled TL 271.862 million by increasing 16%. The retention ratio was 9%. At the end of 2018, net loss/premium ratio was 69% in this branch. While the net earned premium was TL 19.466 million, the net incurred loss amounted to TL 13.414 million. The technical part balance of the Company in general damages has been recorded as TL 20.563 million profit with a decrease of 1%.

Motor Vehicle Third Party Liability Insurances

| Motor Vehicle Third Party Liability | 2017 | 2018 | Increase (%) |
|-------------------------------------|---------------|---------------|--------------|
| Premium Production - TL | 394,323,582 | 447,952,398 | 14% |
| Retention Ratio % | 74% | 79% | 5% |
| Earned Premium (net) - TL | 272,859,468 | 312,145,422 | 14% |
| Losses Incurred (net) - TL | (278,455,419) | (346,435,095) | 24% |
| Technical Part Balance - TL | (19,232,733) | (36,694,564) | 91% |
| Loss/Premium (net) % | 102% | 111% | 9% |
| Technical Balance/Premium % | -5% | -8% | -3% |

At the end of 2018, the premium production in motor vehicle third party liability branch totaled TL 477.952 million, presenting an increase of 14%. The retention ratio was 79%. At the end of 2018, net loss/premium ratio of this branch was 111%. While the net earned premium was TL 312.145 million, the net incurred loss amounted to TL 346.435 million. The technical part balance of the Company in motor vehicle third party liability was recorded as TL 36.695 million loss with an increase of 91% compared to the previous year.

114

(TL MILLION)
**AIRCRAFT LIABILITY
PREMIUM PRODUCTION**

0%

RETENTION RATE

42

(TL MILLION)
**GENERAL LIABILITY PREMIUM
PRODUCTION**

12%

RETENTION RATE

656

(TL THOUSAND)
**INDEMNITY PREMIUM
PRODUCTION**

29%

RETENTION RATE

Aircraft Liability Insurances

| Aircraft Liability | 2017 | 2018 | Increase (%) |
|-----------------------------|-------------|-------------|--------------|
| Premium Production - TL | 75,514,397 | 113,545,970 | 50% |
| Retention Ratio % | 0% | 0% | 0% |
| Earned Premium (net) - TL | 48,560 | - | -100% |
| Losses Incurred (net) - TL | (474) | 134,538 | 28,484% |
| Technical Part Balance - TL | (1,525,342) | (1,918,973) | 26% |
| Loss/Premium (net) % | 1% | - | - |
| Technical Balance/Premium % | -2% | -2% | 0% |

At the end of 2018, the premium production in aircraft liability branch reached TL 113.546 million by increasing 50%. In the aircraft liability branch no production was retained. The loss in the technical part balance of the Company in aircraft liability has been TL 1.919 million.

General Liability Insurances

| General Liability | 2017/12 | 2018/12 | Increase (%) |
|-----------------------------|-------------|--------------|--------------|
| Premium Production - TL | 31,409,640 | 41,699,278 | 33% |
| Retention Ratio % | 14% | 12% | -2% |
| Earned Premium (net) - TL | 4,144,858 | 4,357,829 | 5% |
| Losses Incurred (net) - TL | (7,104,123) | (15,248,750) | 115% |
| Technical Part Balance - TL | (200,096) | (8,815,617) | 4,306% |
| Loss/Premium (net) % | 171% | 350% | 179% |
| Technical Balance/Premium % | -1% | -21% | -20% |

At the end of 2018, the premium production in general liability branch has increased by 33% and totaled TL 41.699 million. The retention ratio was 12%. While the net earned premium was TL 4.358 million, the net incurred loss amounted to TL 15.249 million. Thus, net loss/premium ratio in this branch was 350%. The loss of the technical part balance of the Company in general liability has been TL 8.816 million.

Indemnity Insurances

| Indemnity | 2017/12 | 2018/12 | Increase (%) |
|-----------------------------|---------|-----------|--------------|
| Premium Production - TL | 608,836 | 656,275 | 8% |
| Retention Ratio % | 32% | 29% | -3% |
| Earned Premium (net) - TL | 144,981 | 200,110 | 38% |
| Losses Incurred (net) - TL | 322,156 | (517,613) | -261% |
| Technical Part Balance - TL | 557,570 | (353,501) | -163% |
| Loss/Premium (net) % | -222% | 259% | 481% |
| Technical Balance/Premium % | 92% | -48% | -140% |

At the end of 2018, in the branch of indemnity, the premium production has been TL 656 thousand. The retention ratio was 29%. The net earned premium was TL 200 thousand, while the net incurred loss amounted to TL 518 thousand. The technical loss of the indemnity branch was TL 354 thousand.

TECHNICAL EVALUATION

2.7

(TL MILLION)
**FINANCIAL LOSSES
PREMIUM PRODUCTION**

36%

RETENTION RATE

6.7

(TL MILLION)
**LEGAL PROTECTION
PREMIUM PRODUCTION**

72%

RETENTION RATE

Financial Losses Insurances

| Financial Losses | 2017/12 | 2018/12 | Increase (%) |
|-----------------------------|-------------|-------------|--------------|
| Premium Production - TL | 2,584,966 | 2,699,778 | 4% |
| Retention Ratio % | 31% | 36% | 6% |
| Earned Premium (net) - TL | 742,291 | 817,253 | 10% |
| Losses Incurred (net) - TL | (58,619) | (37,539) | -36% |
| Technical Part Balance - TL | (1,713,126) | (2,014,507) | 18% |
| Loss/Premium (net) % | 8% | 5% | -3% |
| Technical Balance/Premium % | -66% | -75% | -9% |

At the end of 2018, the premium production in financial losses branch totaled TL 2.700 million, increasing by 4%. The retention rate was 36%. The net earned premium was TL 817 thousand, while the net incurred loss has amounted to TL 38 thousand. The technical loss of the Company in Financial Losses was TL 2.015 million.

Legal Protection Insurances

| Legal Protection | 2017/12 | 2018/12 | Increase (%) |
|---|------------|-----------|--------------|
| Premium Production - TL | 10,645,175 | 6,667,726 | -37% |
| Retention Ratio % | 68% | 72% | 4% |
| Earned Premium (net) - TL Thousand | 6,024,144 | 6,378,119 | 6% |
| Losses Incurred (net) - TL Thousand | (420,366) | 235,836 | 156% |
| Technical Part Balance - TL Thousand | 2,874,720 | 3,423,575 | 19% |
| Loss/Premium (net) % | 7% | -4% | -11% |
| Technical Balance/Premium % | 27% | 51% | 24% |

At the end of 2018, the premium production in legal protection branch has reached TL 6.668 million decreasing by 37%. Retention rate is 72%. The net earned premium of the company was TL 6.378 million, while the net incurred loss amounted to TL 236 thousand. The technical profit of the Company in legal protection was TL 3.424 million.



60 GÜNEŞ
Yel **SIGORTA**

IT OPERATIONS

Product infrastructure developed to keep up with the changing world...

Güneş Sigorta continues to continuously improve its service infrastructure by closely following up the digital transformation process in the finance sector.

Conducting its operations in line with its goal of continuous development, Güneş Sigorta consistently improves its service infrastructure by closely following up digital transformation processes in the finance sector. The Company also develops its product infrastructure in line with its stable service infrastructure, also under continuous development.

The following applications were completed in 2018:

Vakıf Emeklilik TSS Project

The Vakıf Emeklilik TSS (Supplementary Health Insurance) project was implemented. After Vakıf Emeklilik obtained a health production license, within the framework of the contract between Güneş Sigorta and Vakıf Emeklilik, an infrastructure was created by Vakıf Emeklilik to monitor all processes of the Supplementary Health Insurance (TSS) product and prepare the relevant reports. Thereafter, the Supplementary Health Insurance (TSS) products were sold using this infrastructure.

VakıfBank Bancassurance Project

New products and integrations were put into operation via the VakıfBank Bancassurance project. Thanks to developments in Güneş Sigorta and VakıfBank within the scope of the Bancassurance project, the data flow between VakıfBank and Güneş Sigorta was rearranged, and the policy production, renewal and cancellation procedures were made available on the Bancassurance Branch Screens designed on the VakıfBank VIT. In addition, insurance products sold through banking channels were diversified and it was ensured that policy procedures could also be carried out through the Bank's alternative distribution channels.

Reporting Projects Developed with Management Information Systems

Armada, the business intelligence reporting platform, was expanded to include the Vakıf Emeklilik TSS project. The project on the distribution of the technical loss/profit and general expenses was performed and the monitoring of the regions as the profit loss centers was completed. Within the scope of the Prevention of Fraud project, fraud ratings for the damage files in the Auto and Traffic Insurance branches started to be created.



INVESTOR RELATIONS AND INFORMATION FOR SHAREHOLDERS

Efficient and effective informing to stakeholder...

While shareholders and investors get direct information from the Investors Relations Unit, they may also access information related to periodic developments, financial reports, financial statements and material disclosures via the Central Registry Agency (CRA) or the Güneş Sigorta website.

At Güneş Sigorta, shareholder and investor relations are under the responsibility of the Corporate Governance Committee, as well as the Budget Planning and Investor Relations Unit affiliated with the Strategy and System Management. The respective shareholders and investors may be informed by means of written or verbal communication.

While shareholders and investors get direct information from the Investors Relations Unit, they may also access information related to periodic developments, financial reports, financial statements and material disclosures via the Central Registry Agency (CRA) or the Company's website. All information related to the Company can be found at the corporate website under the Investors Relations section with the heading "Information Society Services" and on the companies' information portal (e-company) of the Central Registry Agency (CRA). Moreover, since 2013, the Company's General Meetings were participated in by electronic means.

Turkey's Seventh Largest Bank: VakıfBank

Founded in 1954 and Güneş Sigorta's largest shareholder, VakıfBank offers to its corporate and retail customers corporate banking, commercial, SME and agricultural banking services, as well as modern banking products and services in retail and private banking, through its more than 900 branches and alternative distribution channels, which are spread across the country. Internationally engaged in investment banking and capital market activities, VakıfBank has one branch in New York, USA; one branch in Erbil, Northern Iraq;

and one offshore banking branch in Bahrain. VakıfBank also has three international subsidiaries, namely VakıfBank International AG in Austria, which has branches in Vienna and Cologne; as well as World Vakıf UBB. Ltd. which is currently in liquidation; and Kıbrıs Vakıflar Bank. Ltd., in the Turkish Republic of Northern Cyprus.

Taking into consideration the consolidated balance sheets published as of September 30, 2018, VakıfBank is the seventh largest bank in Turkey with an asset size of TL 366,8 billion. The VakıfBank Group has a range of activities focused on investment banking services, portfolio management, individual banking, life and elementary insurance, commercial and corporate banking, factoring and financial leasing services, as well as real estate investment.

An International Insurance Giant: Groupama Group

Thanks to its multi-channel distribution network, the second main shareholder, Groupama Holding Filiales et Participations, provides banking and finance services to 12.5 million members and customers. Groupama Group operates in 11 countries in the insurance market and is the ninth largest insurance company in France. Groupama is a leading company in the field of agriculture and individual health insurance, ranks second in property insurance and legal protection insurance, and takes the fourth place among auto accident insurance companies.



366.8

(TL BILLION)
TOTAL ASSETS OF
VAKIFBANK
(AS OF SEPTEMBER 30, 2018)

900+

NUMBER OF VAKIFBANK
BRANCHES

By the end of 2017, Groupama Group had a total income of EUR 13.8 billion, a net profit of EUR 292 million and a capital adequacy ratio of 315%. While non-life insurance constitute 53% of its total income, life insurance has a share of 46% and financial operations represent 1%. While France has a large market share, with revenue amounting to EUR 11.1 billion, the Group had a revenue of EUR 2.6 billion from the international insurance activities and EUR 147 million from financial and banking activities. The net compound ratio of the Groupama Group is 98.9%; the total size of its assets is EUR 99.0 billion and total shareholders' equity is EUR 8.9 billion.

Trade Registry Information

Trade Name
GÜNEŞ SİGORTA ANONİM ŞİRKETİ

Trade Registration Number
66019

Registration Date
17/09/1957

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

Central Registration System Number
0434005698400014

SUSTAINABILITY APPROACH

Güneş Sigorta, which has utilized a significant portion of its economic value for the benefit of society and environment since its establishment, carries out projects that focus on effective use of natural resources, environmental protection and social development, and sets an example for its stakeholders.

Performing activities with the mission of leaving a livable world to future generations, Güneş Sigorta adopted the principle of being an exemplary actor, demonstrating for its shareholders its support of the sustainable development goals of Turkey.



CONTRIBUTION TO SOCIAL DEVELOPMENT

Supporting individuals with low income via MicroInsurance...

In 2018, Güneş Sigorta continued to uphold the 10 basic principles described in the United Nations Global Compact on Human Rights, including in the areas of Labor Standards, the Environment and Anti-Corruption.

MicroInsurance/MikroHousing
Implemented in a total of 175 countries with the purpose of introducing women with low income to economic life, the Micro-Credit program has been applied in Turkey since 2003. The Grameen Micro-Credit program, aiming to spread the Micro-Credit Program in all provinces of Turkey, is being implemented in cooperation with its pioneer, Nobel prize winner Prof. Dr. Muhammed Yunus; the Program celebrated its seventh year in 2018. Women with low incomes, who received loans under the scope of the Grameen Micro-Credit Loan program, were included under the coverage of Micro Insurance developed by Güneş Sigorta at the end of 2011. Within the scope of the Micro Insurance, the women are provided with accidental death and permanent disability insurance, as well as the insurance against terror and natural disasters such as earthquakes. Female entrepreneurs who use Micro-Credit can have this exclusive insurance with an annual payment of TL 14 and, by doing so, they can guarantee not only their lives but also the lives of their families.

In April 2013, Güneş Sigorta added MikroHousing to its micro product range. Aiming both to eliminate possible risks with the least harm, and to increase consciousness toward insurance in society, the MikroHousing product provides low-income female entrepreneurs the opportunity to secure their homes against basic risks, at TL 14 per year. In 2018, 16,574 clients were insured under a MikroHousing Policy, while an approximate indemnity amount of TL 153 thousand has been paid to beneficiaries.

The Global Principles Initiative (Global Compact)

As a signatory in 2011 to the Global Compact, the United Nations Global Principles Agreement, Güneş Sigorta once more demonstrated its pioneering stance in the Turkish insurance sector by being the first non-life insurance company to sign this agreement. In 2018, Güneş Sigorta continued to adapt the 10 basic principles outlined in the United Nations Global Compact on Human Rights, Labor Standards, Environment and Anti-Corruption to the values and culture of the Company as well as to its business processes.

ENVIRONMENTAL RESPONSIBILITY

Savings with energy generated from the sun...

Güneş Sigorta pays utmost attention to the protection of natural resources by performing activities in consideration of their environmental impact.

Solar Energy Plant

Dominating the global agenda for the last few years - as well as constituting a universal threat - global warming and climate change have increased the occurrence of natural disasters such as floods and severe droughts. The need to move to alternative energy sources becomes more urgent with each passing day. Güneş Sigorta always prioritizes its environmental responsibilities, in addition to its sectoral responsibilities, with innovative steps.

In line with an environmental consciousness that is taken as a reference in the sector, Güneş Sigorta has produced its own electricity since 2009, with a Solar Energy Plant established at its Head Office. Supplying a portion of its own electricity demand through the Plant, which generates an average 9 MWh of energy per year, Güneş Sigorta reduces its potential carbon dioxide emissions by 5.47 tons annually. This figure is equivalent to driving 9,963 km using fossil-based fuels. The same amount of carbon dioxide can only be compensated by a year-long absorption of 547 trees. Having celebrated the ninth anniversary of its solar energy utilization in March 2018, Güneş Sigorta has saved approximately 76,620.00 kWh of energy and reduced its carbon dioxide emissions by 60,850 kg.

Earth Hour Action

Acting in awareness that each company and foundation has a responsibility, notably towards its social stakeholders and thereafter towards the country and the world, Güneş Sigorta supported the 2018 Earth Hour Action, as it does every year, with the aim of drawing attention to climate change and global warming. The Company joined the Earth Hour Action on March 24, 2018, by turning off all the lights inside the Head Office building between 20:30 and 21:30, except those required for security reasons.

One Seedling for Each Green Vehicle Insured

In 2012, Güneş Sigorta introduced to the sector its "Green Insurance," a product specifically targeted for 100% electric-driven environment-friendly automobiles. Having ensured the sustainability of its environment-friendly approach and pioneered the sector with this first-ever product, Güneş Sigorta has further broadened its product range with hybrid automobiles. With the ability to run on petrol or electricity, hybrid vehicles combine the two engine types and reduce the disadvantages of both to a minimum. In addition, hybrid vehicles provide significant advantages to the driver in terms of performance and fuel consumption.



76,620

**KWH
TOTAL ENERGY SAVINGS BY
GÜNEŞ SİGORTA**

60,850

**KG
TOTAL REDUCED CO₂
EMISSIONS**

Güneş Sigorta clients with Green Insurance are able to secure their environment-friendly hybrid or 100% electric-driven cars against all kinds of risks like fire, crash and theft. In addition, Güneş Sigorta clients are also able to receive 'Vehicle Breakdown Repair and Expertise Services' in addition to 'Vehicle Inspection, Breakdown and Mental Support Services' which Güneş Sigorta delivers for auto insurance policies provided for 'Passenger and Light Commercial Vehicles'.

Green Technology (Green IT)

One of the most prominent initiatives launched to prevent global warming is Green IT Management. In order to support the Company's efficiency and social responsibility strategies, Güneş Sigorta has implemented a Green Technology management system.

With the help of the Güneş Sigorta Family, our computers and monitors are automatically shut down in the evening; through this initiative, an average 15% reduction in carbon dioxide emissions caused by PC use and 30% average efficiency in energy costs are achieved.

CORPORATE SOCIAL RESPONSIBILITY PROJECTS

Awareness-raising social responsibility activities...

Güneş Sigorta performs all its social responsibility activities within the framework of the principle of creating long-term value.

Güneş Art Gallery

In 2012, Güneş Sigorta began utilizing the foyer area inside the General Directorate building as the Güneş Art Gallery. The Gallery, which has been used for cultural art activities since the day it was founded, welcomes visitors and art lovers free of charge.

National Photography Contest: Catch Your Sun

Photographs that best reflected the "Sunny Shots" theme were entered in the photography contest held between July 13 and September 30, 2018. A total of 2,000 people from throughout Turkey participated, with 5,327 photos in the contest, which was organized with the Photographic Arts Federation of Turkey. Photos awarded and displayed at the ceremony held on October 22, 2018 were presented to art enthusiasts at the Güneş Art Gallery between October 22 and November 23, 2018.

Great Art Pieces by Little Painters

The opening of the exhibition, "Big Paintings of Small Artists," organized for the second time in 2018, took place on Tuesday, April 24, 2018. In the earlier edition of this photo contest, organized in March, the children of Güneş Sigorta and agency personnel painted the "Future in Their Dreams." The results of that competition, which ended on April 16, were announced at the opening of the exhibition at the Güneş Art Gallery.

Fifty-two paintings competed in the photo contest, organized in two categories covering the ages 5-9 and 10-14. Awarded paintings that were eligible for display were exhibited at Güneş Art Gallery between 10:00-17:00 until May 1, 2018.

INTERNAL SOCIAL RESPONSIBILITY ACTIVITIES

Güneş Sigorta is right beside the public with its campaigns...

At the Hope Shop stand opened in the Güneş Sigorta Head Office building, revenue from the sales of the products contributed to the education and psychological and social development of children and the sustainability of the Second Family Home project.

Blue Caps Campaign

In 2018, Güneş Sigorta, continued to support the Plastic Caps Campaign, launched and pursued with success by the Turkey Spinal Cord Paralytics Association since 2011. Throughout 2018, Head Office building personnel joined this action by collecting their plastic bottle caps inside the special boxes provided at their floors; regional office workers shipped their collected caps to the Head Office.

The Güneş Sigorta Family aims to continue to ease lives as much as possible by collecting bottle caps through the "Blue Caps Campaign Support Action" in the following years.

Hope Foundation for Children with Cancer (KAÇUV) - Hope Shop

At the Hope Shop stand opened in the Güneş Sigorta Head Office building, revenue from the sales of products contributed to the education and psychological and social development of children and the sustainability of the Second Family Home project.

Foundation for Children with Leukemia (LÖSEV) - LSV Shop

Revenue from the sales of products at the LSV Shop stand, opened in the Güneş Sigorta Head Office building, contributed to the treatment of children with leukemia.

Publication Support to the book, "Afet Affetmez (Disasters Do Not Forgive)"

To raise awareness on natural disasters and global climate change - possibly the major issue facing our generation - Güneş Sigorta provided sponsorship support to the book, "Disasters Do Not Forgive," written by Meteorology and Disaster Management Professor Mikdat Kadioğlu and published by Tekin Publishing.

OCCUPATIONAL HEALTH AND SAFETY

Our Occupational Health Policy reflects the value we accord to human beings...

Güneş Sigorta considers the occupational health and safety of its employees among its highest priorities.

Prioritizing respect for the laws and regulations, Güneş Sigorta meets the requirements of the legal provisions in force. The Company's Occupational Health and Safety Policy reflects the value it attaches to its employees and to human beings in general.

Güneş Sigorta strives to protect the physical and mental health of its employees by performing studies to minimize health and safety risks that may arise in the work environment, and by organizing remote and on-site trainings to develop occupational health and safety awareness among its employees. In 2018, the following activities were carried out:

- > Occupational Safety Specialists were appointed to the Head Office, Western İstanbul Regional Office, Kadıköy Regional Office, Aegean Regional Office and Central Anatolia Regional Office and Risk Assessment Reports and Emergency Action Procedures were prepared. Annual Work and Annual Training Plans were drawn up and Employee Representatives were elected.
- > Members of Emergency Teams were selected in all Regional Offices and Representative Offices to prepare Emergency Action Procedures in Other Regional Offices and Representative Offices,.

- > Among the selected staff, 24 personnel who were in the first-aid team completed their training and obtained the required first-aid certificates.
- > Eight people working in the Head Office of Güneş Sigorta received first-aid training again, to maintain their capabilities and update their information.
- > Emergency Action Procedures, valid for six years, were prepared for and sent to each region and Representative Office. The personnel of the Regional Authorities and Emergency Teams were required to approve this procedure.
- > The A3-size Emergency Panels were sent to the regions and Representative Offices to be displayed on the walls.
- > Risk Assessment Reports prepared as a result of the visits made at the end of 2017 were delivered to the Regional Offices and Representative Offices.
- > The appointment of an Employee Representative, which is a legal obligation, was performed in the regions and Representative Offices.
- > Hygiene trainings were provided for food service personnel employed by the Regional Offices and Representative Offices.

In August 2018, 24 people received Basic Occupational Health and Safety Training at the Aegean Regional Office and Aegean Regional Office.

- > First-aid kits were made available in the Regional Offices and Representative Offices.
- > On April 12, 2018, April 26, 2018 and June 26, 2018, 443 employees received Basic Occupational Health and Safety Training at the Head Office Building in Istanbul (including the employees of the Kadıköy Regional Office, İstanbul Western Regional Office, and İstanbul 1-2-3 Financial Regional Offices).
- > Twenty-four people received Basic Occupational Health and Safety Training in August at the Aegean Regional Office and Aegean Regional Financial Office.
- > Twenty-one people received Basic Occupational Health and Safety Training in Central Anatolia Regional Office in June, and 11 people in November 2018.
- > Occupational Health and Safety Board Meetings were held on March 14, 2018, July 10, 2018 and October 25, 2018 in the Head Office, in accordance with regulations requiring such meetings in the case that the number of employees exceeds 50.
- > On July 6, 2018, periodical checks of the equipment at the Head Office Building were carried out.
- > On July 10, 2018, periodical checks of the electrical installation were carried out at the Head Office Building.
- > The Annual Elevator Control was conducted on March 12, 2018 at the Head Office Building by a company commissioned by Şişli Municipality; the elevators were found to be “slightly faulty” in the report.
- > Corrective actions were taken in respect of workplace accidents.
- > Workplace inspections carried out in the İstanbul Head Office, İstanbul Western Regional Office, Kadıköy Regional Office, Aegean Regional Office and Central Anatolia Regional Offices aimed to eliminate the shortcomings. Improvement studies are planned to continue.

HUMAN RESOURCES

Employees meeting on the common ground of “Team Spirit” ...

Promoting its executives from its own talent pool, Güneş Sigorta provides a foundation in insurance to inquisitive, visionary and creative young people with problem-solving skills.

The Human Resources Policy of Güneş Sigorta is defined as effectively and efficiently managing its human resources in line with a sustainable competitive structure to consistently improve employee satisfaction. ‘Team Spirit’ is the common denominator for each Güneş Sigorta employee. As one of the leading and well-established companies within the insurance sector, Güneş Sigorta aims to work with success- and team-oriented professionals who are open to progress and able to adopt our common values. All the Company’s employees are trained to have a comprehensive understanding of Güneş Sigorta’s mission, vision and quality policy. Aware of the contribution of their work to the Company’s organizational effectiveness, employees focus on their jobs with an innovative approach.

Considering its employees its most precious assets, Güneş Sigorta attaches importance to providing and improving its processes, particularly with regard to training, for so that employees may perform their jobs in the most efficient and effective manner. Promoting its executives from its own talent pool, the Company provides a foundation in insurance to inquisitive, visionary and creative young people with problem-solving skills.

Güneş Sigorta Human Resources and Training Directorate

Güneş Sigorta’s Directorate of Human Resources and Training is responsible for all human resources processes, including recruitment, training and development activities; performance assessment, career planning and salary management; and implementations. The recruitment process is conducted by means of exams and interviews. In this way, an applicant’s personal attributes are assessed together with their suitability for the Company and the respective position.

Sharing the understanding that its most important resource is its employees, Güneş Sigorta prioritizes training and development activities. Employees are provided with the opportunity to develop their personal skills with trainings in management, systems and personal development. Within Güneş Sigorta, the aim in each performance assessment is to evaluate individual performance and ensure that employees work in harmony towards the Company’s strategic goals as well as corporate and individual objectives. Güneş Sigorta implements a career development system that allows employees to optimally utilize their abilities, skill sets and acquired knowledge and experience. Through a promotion exam held once a year within the Company, employees are provided with opportunities to advance along their career path.



13

**NUMBER OF DISABLED
EMPLOYEES**

40

**HOURS
WEEKLY WORKING HOURS**

All employee salaries are paid at the end of each month; four bonus payments in addition to a dividend payment are made within the year, according to Administrative Board's decision. As their careers progress, employee salaries are increased periodically in accordance with predetermined criteria and/or promotions.

Employees at Güneş Sigorta who are members of the Banking Finance and Insurance Workers Union are represented in the Union through appointed members. The indemnity rights of Güneş Sigorta employees are preserved within the framework of the relevant articles of the Labor Law and the provisions of Collective Labor Agreement (TİS).

New Employees Sign The Ethical Principles of Insurance

Güneş Sigorta adopts the Ethical Principles of Insurance published by the Association of Turkish Insurance and Reinsurance Companies. We ensure that our employees are aware of and informed on the Ethical Principles. All new employees, consultants and contractors are required to sign the Güneş Sigorta Ethical Principles document prior to being hired.

Our Human Resources profile is in line with the principle of balanced staff distribution, without gender or age discrimination.

As a corporation that is committed to universal human rights, there is no child labor at Güneş Sigorta. As of December 31, 2018, there 13 disabled employees and one former prisoner employed by the Company.

Rights and Benefits

Working Schedule

Working hours at Güneş Sigorta are 40 hours per week. The work day begins at 08.30 and ends at 17:30. A lunch break is provided between 12.30 and 13.30. Saturday and Sunday are weekly holidays. Procedures concerning additional/ overtime work are pursued in respect to the provisions of the Labor Law and Collective Labor Agreement.

HUMAN RESOURCES

Extensive opportunities to raise employee satisfaction...

Occupational Health and Safety services are provided for the Istanbul, Ankara and Izmir offices and, together with risk analysis, all necessary trainings and surveys are carried out for each Regional Office and Duty Office by the Company's Occupational Health and Safety Expert.

Salary and Benefits

The salaries of all employees at Güneş Sigorta are paid on the last day of each month. Union member workers and Exclusive Primary Staff employees receive a bonus payment four times per year based on their net total salaries in accordance with TIS provisions. The Company also pays an amount determined by the Administrative Board as a dividend. As their career proceeds, employee salaries are increased periodically in accordance with the criteria determined upon a compromise reached with the Union, as well as through promotions. All staff workers (deputy managers and below) are accredited to unions; their salaries and all social benefits are determined in accordance with the Collective Labor Agreement (TIS) which is conducted between the employer and the union for two years of duration. In addition to net wage, additional payments such as fuel, travel, child and day-care allowances, as well as title and language indemnities, are also projected in determination of the gross salary of union members and Exclusive Primary Staff.

Shuttle and dining services are available at Güneş Sigorta. A travel allowance is granted to those who cannot benefit from Company shuttles. It is essential to define the amount and payment criteria regarding the indemnities and allowances under the scope of the Collective Labor Agreement, and such procedures are performed accordingly within the framework of the relevant principles by the Directorate of Human Resources and Training (IKEM). Social Assistance payments for events such as birth,

death, marriage, relocation and natural disaster are also paid to union members and Exclusive Primary Staff workers, provided that they are documented.

A workplace physician is provided for staff at the General Directorate, Western İstanbul Regional Office, İstanbul 1st Financial Regional Office, Aegean Regional Office and Aegean-Mediterranean Financial Regional Office.

Occupational Health and Safety service is provided for the Istanbul, Ankara and Izmir offices and, together with risk analysis, all necessary trainings and surveys are carried out for each Regional Office and duty office by the Company's Occupational Health and Safety Expert.

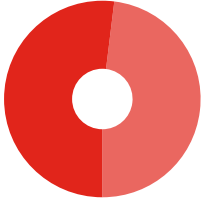
Health Services and Individual Retirement

The premiums of Güneş Sigorta employees are covered by comprehensive private health insurance provided by the Company. Staff workers and sub-contractors (except part-time workers) are secured through 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.

Recruitment and Placement Procedures

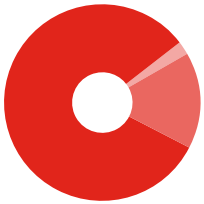
Güneş Sigorta performs its recruitment processes through examinations and/or interviews. In this way, a holistic assessment of each candidate is achieved. In 2018, a total of 179 people were interviewed, and 54 people were employed by Güneş Sigorta.

Gender Distribution



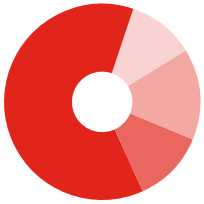
- Male: **316 - 52%**
- Female: **287 - 48%**

Age Distribution



- 30-50: **497 - 82%**
- 18-30: **94 - 16%**
- Over 50 Years: **12 - 2%**

Educational Background Distribution



- BA: **376 - 62%**
- High School and Lower: **89 - 15%**
- Associate Degree: **72 - 12%**
- MA and PhD: **66 - 11%**

Performance Management and Career Development

Within Güneş Sigorta, regular performance assessments are conducted to evaluate individuals' performance, to ensure that employees work in harmony, and to ensure that the Company obtains the desired results in line with its strategic goals, as well as the corporate and individual objectives and capabilities. Employee performances are measured by 'Corporate Grade Report', which includes the results of individual, department and unit assessments. Furthermore, in parallel with the 'Corporate Grade Report', a skill-based performance evaluation is conducted annually, and successful workers are rewarded. Güneş Sigorta aims for its employees to optimally utilize their abilities, skill sets, and acquired knowledge and experience. Trainings are also planned for employees who have demonstrated exemplary performance, or who have been commissioned for critical duties, to further development of their occupational knowledge and capabilities. Through an annual promotion exam, employees are granted an opportunity to advance their career path.

Güneş Sigorta Human Resources Activities

Steps to Maintain Employee Commitment...

In 2018, Güneş Sigorta organized various events and participated in a variety of organizations to increase employee motivation, improve team spirit, and instill a sense of camaraderie in its employees.

"Thank You Practice"

In 2018, the "Thank You" practice continued. This initiative encourages Güneş Sigorta employees to thank each other, via the intranet portal, in the categories of Team Work, Transparency, Effective Communication and Performance each month. As well, the agencies also implemented the "Thank You" practice, via agency intranet portal, in the categories of Customer Focus, Building Positive Working Relationships, and Fast and Active Solution Generation.

Güneş Sigorta Sailing Team

The Güneş Sigorta Sailing team, which was established by Güneş Sigorta employees in 2007, continued its successes in 2018. Having achieved significant rankings in the TAYK Yacht Racing, consisting of five races, the Güneş Sigorta Sailing Team attracted attention with its patience and altruism, as well as a successful performance that highlighted the Team's extraordinary unity, communication and engagement.

Maritime and Sailing Training

In 2018, Maritime and Sailing trainings were organized for employees at the Güneş Sigorta Head Office to develop their team spirit and motivation. The trainings included basic maritime and sailing techniques.

Corporate Games

Güneş Sigorta employees won medals in the Corporate Games, the most comprehensive inter-company sports organization organized for the 16th time in 2018. The Company's Volleyball Team and Sailing Team competed successfully, winning several titles. Other participants in the Games, held from May 4-6, included Pınar Aydal, from Güneş Sigorta Mediterranean Regional Office, who won the Tennis Women's Singles; and Contracted Health Institutions employee Gülşah Bilçin won the Bowling Women's Singles. Hatıra Yılmaz, from the Logistics and Procurement Department, won third place in the Table Tennis Women's Singles; Serap Üsküp, from the Aegean Financial Regional Office, won third place in Bowling Women's Singles. Güneş Sigorta is extremely proud of our employees' performance in these Games and, in particular, the performance of our women participants.

HUMAN RESOURCES

Seminars aimed at employees' development...

In 2018, seminars were organized for employees in order to make lunch breaks more efficient at Güneş Sigorta.

Our Primary Objective is to be an Organization that Consistently Learns and Develops

Seminars Organized for Güneş Sigorta Employees

The Company continued to organize activities in line with its Human Resources principles of contributing to employees' development and motivation. In 2018, seminars continued to be organized to enable employees to spend their lunch breaks more productively.

Seminar on Burnout Syndrome and Increasing Motivation

In this seminar, information regarding burnout syndrome was provided, while methods of raising motivation were discussed.

Trainings on Continuous Improvement of Employees

In line with the Company's needs, as well as employees' potential and preferences, various training and development programs are implemented, with equal and enriched career opportunities offered to all employees.

Güneş Sigorta's annual training programs are as follows: New Employee Orientation/On-the-job training; Basic Insurance; Technical Branch (Fire, Freight, Health, Car Accident, Non-Auto, Technical Accounting, Collection, Risk Engineering, Agriculture, Damage, etc.) Trainings; Turkish Personal Data Protection Law (KVKK); Basic Occupational Health and Safety; REM Admin, User and User In-class; Armada Training; Basic/Advanced - Production and Damage; MASAK

Authorization Training; ISO 9001: 2015 Quality Management System Revision and Internal Auditor; QDMS Implementation (EBA); CMB License Renewal; Fraud in Fire Insurance Damages; Project Management Expertise Certificate Program; Data Mining; Digital and Social Media Marketing Management Certificate Program; Strategic and Operational Performance Management; Emergency, Hygiene, First Aid Training; Pusula System On-Screen Trainings; MASAK-Combating Laundering Proceeds of Crime and Fight against Terrorism In-Class and On-Screen Training; Competition Law Compliance Program Class Training; BIM Help Application On-Screen Training; Microsoft Outlook and Lync On-Screen Training; Information Security Basic On-Screen Training and Information Security Awareness On-Screen Training exclusive for IT Staff; Business Continuity Management Basic Concepts and Exclusive On-Screen Trainings for Teams; Legal Obligations and Holistic Approach to the Protection of Personal Data in line with Career/ Technical Development Seminar; Pusula On-Screen Trainings; Usage of BIM Help Application On-Screen Training; Microsoft Outlook and Lync On-Screen Training; Emergency Management and Fire On-Screen Training; Basic Occupational Health and Safety In-Class and On-Screen Training; Internalization and Comprehension of Competences On-Screen Training; Armada Trainings; Agency Orientation and Pusula On-Screen Trainings for Agency Personnel; Supplementary Health Insurance, Fire, Car Accident,

In 2018, five Personal Development Trainings, including Team Work and Being an Effective Team, Time Management, Training of Trainers, Trainings Abroad, and Microsoft Office Suite Trainings were provided to Güneş Sigorta employees.

IN-CLASS TRAININGS

| Training Target Group | Total Number of Trainings | Total Number of Training Days | Total Number of Participants |
|---------------------------|---------------------------|-------------------------------|------------------------------|
| Güneş Sigorta Employees | 101 | 1,750 | 1,935 |
| Bank Employees | 95 | 1,749 | 6,196 |
| Private Agency Employees | 8 | 73 | 292 |
| Vakıf Emeklilik Employees | 12 | 346 | 356 |
| Vakıf Pazarlama Employees | 2 | 35 | 2 |
| Total | 218 | 3,953 | 8,781 |

REMOTE TRAININGS

| Training Target Group | Total Number of Trainings | Total Number of Participants |
|--------------------------|---------------------------|------------------------------|
| Güneş Sigorta Employees | 21 | 4,563 |
| Private Agency Employees | 4 | 759 |
| Total | 25 | 5,322 |

REM User, Non-Auto In-Class Trainings; Güneş Sigorta Promotion and Insurance Operations; Product and Sales Training for VakıfBank Personnel; Supplementary Health Insurance and Sales Training for Vakıf Emeklilik Personnel.

Discount Campaigns for Güneş Sigorta Employees

In addition to workplace activities and trainings, the Company also organized activities related to the arts, health and sports outside of working hours. As well, in 2018, the Company implemented special discount agreements for employees enrolled in English language courses, and Master's and doctoral programs at leading universities.

Personal Development Trainings provided to Güneş Sigorta employees in 2018 include:

- > Teamwork and Being an Active Team Member
- > Time Management
- > Training of Trainers
- > International Trainings
- > Microsoft Office Program Suite Training

2018 Technical and Personal Development Trainings

Internal Motivation Seminars

In 2018, 10 seminars were held during lunch breaks (between 12.30 and 13.30) in the Conference Hall at the Güneş Sigorta Head Office. These seminars were designed to contribute to the employees' personal development as well as to improve management skills and increase motivation.

In 2018, the seminars included:

- > Path to Creativity (four sessions) (April 18, May 2, May 23, June 6, 2018) Speaker: Leadership and Creativity Training Consultant Halit Beyazkürk
- > What do you know about your DNA? (July 25, 2018) Speaker: DNA Education Consultant: Abdullah K. Güzey
- > Affirmation (October 3, 2018) Speaker: Journalist, Writer and TV Presenter Melda Tunçel
- > The Importance of Body Language in Every Moment of Life (November 7, 2018) Speaker: Communication Expert Güven Bakırtaş
- > Stress Management with Breathing Techniques (November 28, 2018) Speaker: Breath and Laughter Yoga Instructor Selin Yetimoğlu
- > Power of Intention (December 19, 2018) Speaker: Journalist, Writer and TV Presenter Melda Tunçel

HUMAN RESOURCES

A healthy life, a happy employee...

Concert raffles, exercise sessions and inter-office activities were organized at the Güneş Sigorta Head Office in line with internal communications initiatives. In addition, gifts were presented to employees on special days (New Year's Day, Mother's Day and School Report Card Day), and food and drinks were also offered at various times.

Healthy Life Movement

Pilates

Pilates classes were held free of charge for two days during the week in the Head Office for the physical and mental health of Güneş Sigorta employees. Offered free of charge, the Pilates program continued until the end of year.

Healthy Nutrition Program

Celebrating its 61st anniversary, Güneş Sigorta launched its fight against obesity on July 6, 2018. The "Healthy Living Movement," which started with training and measurement at the Head Office, continued with a six-month multidimensional program. The Healthy Life Program was supported by Pilates classes held twice a week at the Head Office. Throughout the process, employees received counseling from Dietitian Maide Tatlıyer, from Nutrist Nutrition Consultancy, and were provided with individual diet programs according to the results of weekly detailed analyses between 08:30 and 17:30. A total of 827 interviews were planned to be conducted with employees who participated in the program

during July-December. According to the data from 893 body measurements, total weight loss was 340 kilograms and the decrease in the obesity rate was recorded as 6%. With the Eat Healthy program, the Güneş Sigorta Family acquired valuable information on nutrition, eating habits, safe and adequate nutrition methods, the health risks of office workers, and the distribution of obesity according to gender, that they can use throughout their lives. In addition, with the total weight loss of 20%, the risk of developing life-threatening conditions such as migraines, depression, asthma, cholesterol, heart diseases, high blood pressure, reflux, joint pain, poly-cystic ovary syndrome and gout has been significantly reduced.

Institutional Activities

Concert raffles, exercise sessions and inter-office activities were organized at the Güneş Sigorta Head Office in line with internal communications initiatives. In addition, gifts were presented to employees on special days (New Year's Day, Mother's Day and School Report Card Day), and food and drinks were also offered at various times.

QUALITY MANAGEMENT SYSTEM

Increased quality through inspection...

In 2018, 46 quality inspectors who are within the structure of our company have conducted 34 inspections as part of Quality Management System Process-Based Internal Audit

Within the scope of the Document Revision Project of Quality Management System (ISO 9001:2015) existing regulations, procedures, forms, job descriptions and work flows were updated. As a result of inspections made on February 13-14, 2018, the documents of Quality Management System (ISO 9001:2015) and Customer Satisfaction Management System (ISO 10002) were renewed.

“General Information on ISO 9001:2015 and Internal Inspection” training was organized on May 24-25, 2018 for the purposes of providing detailed information on ISO 9001:2015 and amended articles and increasing the number of qualified auditors within the company.

In 2018, 46 quality inspectors who are within the structure of our company have conducted 34 inspections as part of Quality Management System Process-Based Internal Audit.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

The Statement of Compliance with Corporate Governance Principles was prepared taking into account the CMB Corporate Governance Principles Communiqué published in the Official Gazette no. 28871 dated 3 January 2014. The Güneş Sigorta shows a maximum effort to follow the four principles stipulated by the Capital Markets Board Corporate Governance Principles which are based on transparency, fairness, responsibility and accountability.

In 2009, the Investor Relations Unit has been established in order to enable the shareholders and stakeholders to access 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 committee is charged with the tasks of following the Company's activities performed related to transparency, information of public and 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 started to appoint an Investor Relations Unit Manager in possession of either the Advanced Level or Corporate Governance Rating Surveyor licenses of the Capital Markets Board (CMB), and the mentioned manager has also been appointed as member of the Corporate Governance Committee.

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 exercise 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, 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. Information and explanations that may affect the exercising of shareholder rights are presented on the corporate website of the company in updated form.

Corporate Governance Compliance Report and Corporate Governance Information Form were prepared in accordance with the decision of the Capital Markets Board no. 2/49 dated January 10, 2018 and published on the company's Public Disclosure Platform (PDP) page at <https://www.kap.org.tr/tr/sirket-bilgileri/ozet/975-gunes-sigorta-a-s> respectively under the Corporate Governance Compliance Report and Corporate Governance headings.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2018

SECTION 1- SHAREHOLDERS

1.1. Facilitation of Exercising of Shareholder Rights

Rights of shareholders have been determined as debriefing, profit share, new share acquisition, participation in liquidation account, participation in company management and right to vote. Protection of shareholder rights, providing facilitation for shareholders within the company to get debriefing and establishing communication between the company and investors are among the basic duties of Investor Relations Unit, which was founded at the end of 2009 for these purposes, and

Corporate Governance Committee, which was founded on April 20, 2012. Information and disclosures that may affect the exercise of shareholder rights are published on the corporate website of the company in its current form.

With the foundation of Investor Relations Unit in 2009 it is aimed that the company shows improvement in terms of corporate governance and has a more transparent structure in accordance with Capital Markets Board legislation and Corporate Governance Principles. It is aimed that most current and correct information is offered to the investors in accordance with the Capital Markets Board legislation and Corporate Governance Principles and thus the trust of investors is earned and a long-term relationship with investors is established.

Capital structure of the Company is being published on the website, in annual reports and relevant documents. There is no ultimate real person controlling shareholder within the shareholding structure of the company.

1.1.1. Investor Relations Unit and Communication

The Investor Relations Unit is managed by an Investor Relations Unit Manager, who is directly under the Assistant General Manager Serhad Satoğlu, and one Unit Manager. Related with the studies of the unit, briefing is made to Corporate Governance Committee, 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 employee of the company and she has licenses of Capital Market Activities Level 3 and Corporate Governance Rating Specialist. Service Manager is also appointed as Corporate Governance Committee Member.

Communication with Investor Relations Unit can be made through e-mail address yatirimci.iliskileri@gunessigorta.com.tr along with the direct contact to the following officials.

OFFICIALS OF THE INVESTOR RELATIONS UNIT

| Name Surname | Responsibilities | License Information | Telephone |
|-----------------|--|---|--------------------|
| Serhad SATOĞLU | Assistant General Manager | - | (+90 212) 355 6440 |
| Fulden PEHLİVAN | Investor Relations Unit Manager Corporate Governance Committee Member Budget Planning and Investor Relations Manager | Capital Market Activities Level 3 License Corporate Governance Rating S pecialist License | (+90 212) 355 6820 |
| Muhammed SIVACI | Investor Relations Unit Member Budget Planning and Investor Relations Assistant Manager | - | (+90 212) 355 6828 |
| Emre ŞAHİN | Investor Relations Unit Member Budget Planning and Investor Relations Specialist | - | (+90 212) 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 respond to the questions by the shareholders and investors provided that not to reveal any commercial secrets,
- > Ensuring the healthy, secure and updated storage of the correspondences with the investors and records related to the information and documents,
- > Ensuring that General Assembly Meeting is held in accordance with the Articles of Association,
- > Submitting the General Assembly announcement, agenda and meeting minutes to the information of shareholders and investors,
- > Ensuring e-General Assembly management,
- > Publishing on the website the responses to the questions asked during the General Assembly,
- > Ensuring the distribution of dividend and bonus shares related to shareholders,
- > Making the Public Disclosure Platform announcements of Trimester Activity Report and Independent Audit Report,
- > Supervising and monitoring the obligations related to the Capital Markets Board legislation, including every issue related to corporate governance and public disclosure along with the publication of material disclosures in KAP (Public Disclosure Platform),

- > Periodically updating the information related to the General Assembly, Financial Statements, Board of Directors etc. on the e-company portal of Central Registry Agency (MKK),
- > 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 corporate website updated,
- > Preparing the Annual Report in compliance with TCC, Ministry of Treasury and Finance and Capital Markets Board (CMB) regulations and ensuring its publication on time to enable the examination of the shareholders,
- > Ensuring updates of Corporate Governance Principles Compliance Report and submit it to the approval of Corporate Governance Committee,
- > Leading 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,
- > Assisting in the adaptation to new regulations published through communiques and guidelines.

1.2 Right to Obtain and Examine Information

Company's publicly disclosed quarterly financial statements are sent to the shareholders, i.e.

Türkiye Vakıflar Bankası T.A.O. and Groupama Holding Filiales et Participations. Moreover, a BDDK package including the intragroup transactions and financial statements prepared in a format that is compatible with the banking legislation is sent to Türkiye Vakıflar Bankası T.A.O. on a monthly basis. All other requests for information about the Company are replied according to 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 the shareholders.

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

1.3 General Assembly

1.3.1 General Assembly Announcement and Information

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

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

Information regarding shareholding structure of the company and total number of shares, changes in administration and activities that may affect planned company activities within the financial year, and reasons for these changes are presented among the information announced for the General Assembly. If available, dismissal and replacement reasons of the Members of Board of Directors, resumes of persons presented to the company for Board Membership along with the work experience within last 10 years and reasons of leaving, quality of his/her relationship with related parties and level of importance, whether he/she has independence quality are also provided as information. Remuneration policy is also included for the Members of Board of Directors and directors with administrative responsibilities. In the event that an amendment of the Articles of Association is on the agenda, the meeting agenda will be announced to the investors by the decision of Board of Directors together with the former and new versions of the Articles of Association. In the General Assembly section of the website “General Assembly Announcement” report can be found as a whole. E-GKS system is also informed with the announcement made via KAP.

The sample of “Voting by Proxy Form”, which enables the shareholders to determine a proxy to represent them at the General Assembly meeting, to vote, to make proposals and to sign the necessary documents, 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 thereof are kept at the Head Office.

Within the period, on June 16, 2017, Ordinary Meeting of the General Assembly was held with a 83,22%

quorum. 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 proposal. If any, an agenda item related to the approval of changes of Articles of Association is added. If dismissal, replacement or election of the Members of Board of Directors is in question, the reasons of dismissal and replacement, resumes of the persons presented to the company for board membership along with their work experiences within last 10 years and the reasons of leaving, the quality of his/her relationship with related parties and the importance level, whether s/he has an independence qualification are also presented as information.

Reading of the annual report and independent audit report and reading and approval of the financial statements, decision about distribution of profit are among the agenda items. 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 remuneration principles of the Board of Directors and senior level directors are also among the items of the agenda.

The policy on donations and aids has not yet been formed and submitted to the General Assembly for approval. In case of important transactions of Members of Board of Directors, senior management and up to second-degree blood relatives and kinships by marriage that may create conflict of interest with the company and its affiliates; it is dealt with as a separate agenda item at the General Assembly and recorded in the minutes of the meeting.

Written requests of shareholders about adding an item to the agenda and recommendations of Board of Directors and shareholders are added as agenda items. If agenda item recommendations are not accepted, rejected recommendations

and reasons for rejection are submitted to the shareholders by the Investor Relations Unit.

If any, dissenting opinion is recorded in the meeting minutes. Each article is prepared in a way that it can include a single proposal. If any, an agenda item related to the approval of changes of Articles of Association is added. If dismissal, replacement or election of the Members of Board of Directors is in question, the reasons of dismissal and replacement, resumes of the persons presented to the company for board membership along with their work experiences within last 10 years and the reasons of leaving, the quality of his/her relationship with related parties and the importance level, whether s/he has an independence qualification are also presented as information.

Reading of the annual report and independent audit report and reading and approval of the financial statements, decision about distribution of profit are among the agenda items. 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 remuneration principles of the Board of Directors and senior level directors are also among the items of the agenda.

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 assembly chairman makes preparations about the execution of General Assembly and submits the required information like meeting order, agenda items and participation to the chairman. The officials and independent auditors of the Company who are in charge of preparing financial statements for the General Meetings are enlisted to be present at the meetings to answer the questions and give information.

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 items are read simultaneously and offered to voting process. The votes of e-participant shareholders are automatically processed in the e-general assembly. Only the dissenting votes casted by the shareholders who are physically present at the meeting are entered to deduct the dissenting votes from the total number of votes and thereby only the affirmative votes are entered into the system. If any, comments made upon agenda items 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 in the articles of association 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 the 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 is not included in the scope of commercial secrets. General Assembly Meeting records are given right after the meeting to those who require. The records are sent to the shareholders and relevant authorities by mail. Moreover, they are kept open at all times 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. The General Assembly resolutions for the last five years are also included in the Investor Relations Section on the Company's website. Simultaneously, the General Assembly Meeting minutes are added to Central Registry Agency system and the Company's application.

1.4 Voting Rights

The company does not engage in transactions that make the exercise of voting right 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 exercise their voting rights in proportion to their total shares in the General Assembly.

Shareholders of the company do not have any privilege.

There are no companies that have a mutual participation.

1.5 Minority Rights

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

1.6 Dividend Rights

Issues about profit distribution are regulated in the Article 24 of Company's Articles of Association. The profit distribution policy is explained in the Annual Report.

According to the Articles of Association, 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 profit distribution proposal in General Assembly meeting that doesn't disrupt the delicate balance between expectations of shareholders and growth needs of the Company. There is no privilege regarding the participation in the Company's profit. The decision taken in the General

Assembly Meeting regarding the profit distribution is announced to public on KAP and on the website of the company as a material disclosure.

1.7 Transfer of Shares

The Company's Articles of Association do not contain any provision restricting the transfer of shares. The shares that represent the capital stock are monitored within the scope of dematerialization principles.

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 updated information that is required to be announced according to the legislation. Website is actively used for information 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 website.

On the website; trade registry information, shareholding structure, administration structure and organization, Articles of Association, Corporate Governance Principles Compliance Report and vision and mission, Material Event Disclosures, annual reports, financial statements and footnotes, Independent Audit Reports, General Assembly Information (agenda, list of participants, sample power of attorney, General Assembly Meeting Records) of last five years are also available.

In addition to the current news about the company, press releases, agency addresses, contracted 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 customer opinions and suggestions can be presented in order to provide communication with the customers

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

online. The relevant directorate answers mails related to the customer opinions under the "Your Opinions and Suggestions" title on the website.

The telephone numbers and postal addresses of the Company's head office, regional Offices, financial regional offices and representative offices of the Company may be found in the "contact information" section. Thanks to the Customer Satisfaction Line on +90 850 222 1957, different fax numbers were provided for the customers in respect of policy offers, damages, collection and health insurance transactions and all this information is also made on the corporate website.

It was understood that the content that will be announced on the corporate website was uploaded with secure electronic signature and time stamp to unique pages and that uploaded content was kept in secure environment and made available to access and archived safely according to Article No. 1524 of Turkish Commercial Code.

All shareholders are informed by providing access to information related to the Company (e-company) in Central Registry Agency (MKK) companies information portal with "Information Society Services" title under Investor 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 on the website, which is prepared in English for foreign investors to access the company information. Financial statements and footnotes and annual reports of last 5 years can also be examined by foreign investors in English website.

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 Material Disclosures

Public disclosure of information, incidents and developments that may affect the value, price of capital market instruments or investment decisions of investors in order to render the functioning of the 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 Material Disclosures Communiqué (II-15.1).

The information regarding the Company is disclosed to the public within the knowledge and responsibility of the Assistant General Manager of Strategy and System Management, Serhad Satoğlu, and Assistant General Manager of Financial Affairs, Saltuk Buğra Sürüel. In accordance with the SPK regulations, the Company made 13 Material Disclosures in 2018. There are no Material Disclosures that have not been made on time related to the activities of Güneş Sigorta.

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

2.4 Annual Report

End of the year Corporate Governance Principles Compliance Report is added to the annual report in order to give information about the implementation of corporate governance principles in the annual reports of companies. Important changes which occurred during the year are added to the interim annual 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 the Ministry of Treasury and Finance 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 Application provided by Central Registry Agency (MKK). In compliance with Article 7 of the Material Disclosures Communiqué (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 | Title |
|-------------------------|--|
| Atilla BENLİ | General Manager |
| Bülent SOMUNCU | Assistant General Manager |
| İlhan ŞAHİN | Assistant General Manager |
| Saltuk Buğra SÜRÜEL | Assistant General Manager |
| Mahmut Emre BAYRAM | Assistant General Manager |
| Serhad SATOĞLU | Assistant General Manager |
| Uğur SEFİLOĞLU | Group Manager |
| Olca ŞAHİN | Group Manager |
| Yurdakan TARHAN | Group Manager |
| 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 |

Pursuant to Part 10, Article 35 of the Insurance Law no. 5684, members and officers of enterprises subject to this Law, people subject to this Law and the people working for them and those working in the insurance sector by way of outsourcing of services cannot disclose the secrets that they learn due to their capacities and during their duties in relation to the institutions subject to this Law or the persons related with insurance agreements, to any persons other than the competent authorities that are explicitly authorized by operation of law; otherwise, judicial fines are imposed in case of such disclosures.

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 public disclosures are made through press conferences, media statements, Public Disclosure Platform (material disclosures) and online information is provided through MKK information society service.

Güneşim, the corporate communication platform of Güneş Sigorta employees, has been put into service in 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 leave 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 demand 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 corporate resource management, Armada application is used for data base reporting, KYS application is used for process management system, e-payroll application is put into service as a payroll application to examine payrolls. Several meetings, organizations, e-bulletins are provided through Personelim and Güneşim intranets for the information of the employees along with the company's e-mail to notify changes in management and make important announcements.

Special attention is paid to the privacy of information regarding employees, customers, brokers, suppliers and all stakeholders. Ethical principles to be followed in the relationship with customers, suppliers, employees, brokers, public institutions and intra-company relations are defined as "Ethical Principles of Insurance" published by the Association of Turkish Insurance and Reinsurance Companies. These principles encourage general principles such as honesty, objectivity, trustworthiness along with aspects and acts suitable to the profession such as information exchange, information 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, increase 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 letter of undertaking related to Insurance Information Center - Sigorta Bilgi Merkezi (SBM) information exchange protocol is also adopted 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. All employees and consultants sign this document before being employed.

Related with Information Systems/ Internet access and security, as a part of Güneş Sigorta A.Ş. Information Security Policy, Güneş Sigorta network explains common rules and conditions valid for all users working with Information Systems and Resources. 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 examples such as human resources policy, customer relations policy, information policy, supplier evaluation and contract preparation processes and customer satisfaction line.

3.2 Promoting 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

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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 regional requests is made and communication is improved in order to develop the partnership between headquarters and regional offices.

3.3 Company's Human Resources Policy

Human Resources Policy of Güneş Sigorta: It is to effectively and efficiently manage the human resources 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 denominator 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 the Company. All members are conscious of the contribution of their conduct to the organizational efficiency 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.

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. This way, applicant's personal attributes are assessed together with suitability for our company and the job.

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

At Güneş Sigorta, under the scope of the strategic targets of the Company, institutional 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.

Güneş Sigorta implements a career development system through enabling the employees to utilize, to the best, their abilities and the knowledge and experience they acquired. 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 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. 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. The relevant articles of Labor Law and Collective Labor Agreement (TİS) provisions protect 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's new Quality Management System established in accordance with ISO 9001:2008 Standard was updated with ISO 9001:2015 and ISO 10002 Certifications following the audits performed on 13-14 March 2018.

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 writing or orally (via e-mail, website survey/poll forms, phone, fax, complaint boxes) within three business days to increase the customer satisfaction to 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. The Company makes the necessary arrangements for the customers to have information about the products and provides information through the website and call center. Special attention is paid to the provision of information on insurance products during the signing of contract. With this purpose, they make sure that policyholders/customers are informed both in written and verbal form. Explanations are made

during information about damages included within insurance coverage and exceptions, exemptions and non-warranty subjects, premium debt, results of non-payment, the documents that would be required in case of an accident and the acts that should be made. 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 conclude damage processes quickly. Correct and fast payment of damages is targeted.

The company guarantees its relationship with suppliers from which it purchases goods and services with procedures created based on standards. In order to protect the rights of suppliers in every stage from offer collection to payment of invoice and inclusion in approved supplier list and improve the relations and quality, the company works within its bounds of possibility. In the contracts made with suppliers, in case of a violation of rights of suppliers, the company provides any kind of convenience to engage required mechanisms.

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 responsible management philosophy. 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 a major business interruption and committed to design operational processes.

3.6 Ethical Rules and Social Responsibility

The Company adapts Ethical Principles of Insurance, published by the Association of Turkish Insurance and Reinsurance Companies. It is ensured that all employees are aware and informed about these principles. All personnel and consultants before being employed by 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 and committed to fulfill its responsibilities towards its employees, stakeholders and the society. The Global Compact Progress Notice Report, which is renewed annually, is sent to Global Compact and presented under the "corporate social responsibility" section on the corporate website.

Güneş Sigorta shapes and continues its social responsibility projects under the environmental and social solidarity topics by focusing on correct usage of the natural resources, protection of environment and securing social development.

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, developing special micro products for women with low income that use credit, has become the assurance of female entrepreneurs with low income with MikroKonut and MikroSigorta

products. Social responsibility projects can be found under "social responsibility project" section on the corporate website in detail.

SECTION 4 - BOARD OF DIRECTORS

4.1 Structure of the Board of Directors

Company activities and management of the Company are executed by the Board of Directors, comprised of eight members who are elected by the General Assembly including the General Director, as stipulated by the Turkish Commercial Code, Capital Markets Board regulations and the laws and regulations on insurance business. Names, duties and appointment dates belonging to the Chairman and members of the Board are presented below;

General Manager of the Company is a natural member of the Board of Directors and has voting right. Both of the two independent Board Members started to be elected with the General Assembly held in 2012. Election of independent members depend on the attention given to maximum compliance with the principles of corporate governance principles. Board membership durations of the independent members are limited in order to preserve their independence. In case of an emerging condition that removes 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 is simultaneously notified in writing, and the independent member retires

| Name | Title | Date of Appointment |
|------------------------|----------------------------|---|
| Muhammet Lütfü ÇELEBİ | Chairman | 17.12.2018 |
| Abdi Serdar ÜSTÜNSALİH | Vice Chairman | April 15 th , 2016(Member of Board of Directors) January 31 st , 2016 (Vice Chairman) |
| Hasan ECESOY | Member | 01.02.2019 |
| Zülküf KARAKUŞ | Member | 16.06.2017 |
| Hasan EMRE | Member | 02.04.2018 |
| Telat KARAPINAR | Independent Member | 08.08.2016 |
| Mehmet BAYRAM | Independent Member | 16.06.2017 |
| Atilla BENLİ | Member and General Manager | 16.01.2019 |

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

from office. For the vacant position, in accordance with the evaluation results, the Nomination Committee submits the new candidates to the Board of Directors until the General Assembly elections.

Although there aren't any obligations specified under the Articles of Association towards having a female member within the Board of Directors, there is also no regulation for an election to the contrary.

Board Members 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 nominated by the same Shareholders who possesses the legal competencies. Such member shall function until the first General Assembly meeting to be held, and completes the remaining term of office of his/her predecessor, should the election be approved by the General Assembly. The term of office of the General Manager does not depend on that of the Board members.

Members of the Board of Directors shall comply, to the best, with restrictions of in-house transactions and competition throughout their term of office. There is not 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 clearly specified in the Articles of Association. According to Article 13 of the Articles of Association, 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 in 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 Ministry of Treasury and Finance.

Educational status, professional experience and personal backgrounds of the Board Members and auditors shall be declared in the Company's 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 the 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 efficiency of relations with stakeholders, the Board collaborates with the Corporate Governance Committee and the Investor Relations Unit. It guides for the resolution of possible disputes and establishment of a mutual language of communication.

In order to compensate possible losses that might occur during

their terms of office 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 in the Articles of Association. 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 single voting right 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 by the majority vote of attendees. This clause is also valid when the Board Meeting is held electronically. In case of a tie, the subject of discussion shall be negotiated again at the following meeting. If there is another tie in 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; Corporate Governance Committee, Audit Committee, Early Detection of Risk Committee. With the General Assembly held on April 30, 2014, the members of the Board of Directors were elected for a term of 1 year. Committee members are as follows:

| Committee Members | Duty within the Committee |
|--|--|
| Corporate Governance Committee | |
| Telat KARAPINAR | Committee President |
| Abdi Serdar ÜSTÜNSALİH | Committee Member |
| Fulden PEHLİVAN | Committee Member/Investor Relations Unit Manager |
| Audit Committee | |
| Telat KARAPINAR | Committee President |
| Mehmet BAYRAM | Committee Member |
| Early Detection of Risk Committee | |
| Mehmet BAYRAM | Committee President |
| Hasan EMRE | Committee Member |

4.4.1 Audit Committee

Established on April 20th, 2012, the Audit Committee is responsible for; pursuing the efficacy and sufficiency of the 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 audit 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 audit activities of companies subject to consolidation, according to the prevailing regulations with regard to Law No. 5684 on Insurance Business, are carried out in a 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 statements announced to the public. Information about the Committee activities, meetings held and outcomes thereof are provided in the Annual Report. The Audit Committee consists of minimum two members, and the members are elected among the independent board members of the Company.

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

4.4.2 Corporate Governance Committee

Established on April 20th, 2012, the Corporate Governance Committee determines whether or not the Company complies with the Corporate Governance Principles; and if not, defines the reasons for non-compliance and detects the conflicts of interest arisen 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 Communiqué on Corporate Governance Principles, the Committee undertakes the tasks of Nomination and Remuneration 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 in any case upon the call of the Committee Chairman, except obligatory circumstances.

4.4.3 Early Detection of Risk Committee

The Early Detection of Risk Committee 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 Early Detection of Risk Committee, which has been required by the Capital Markets Board Communiqué. The committee consists of a chairman and a member.

The Committee is responsible with; early detecting the risks which may endanger the existence, development and continuity of the Company, and carrying 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 Control 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 numbered 26913 and dated June 21st, 2008. Main risks that the Company is most likely to be exposed to are followed under five main categories as insurance risk, credit risk, market risk, liquidity risk and operational risks. The Risk Management Policy is present both in the relevant chapter of the Annual Report and on the Company website. Activities of the Unit shall be reported to the Committee and the Committee opinion on the conducted works shall be consulted.

4.5 Financial Rights Granted to Members of the Board of Directors and Managers With Administrative Responsibilities

There is no remuneration paid 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 independence, furthermore, such payments do not include dividend, share options or performance based payments.

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 financial rights granted to members of the Board and Senior Managers is stated in the Annual Report.

ASSESSMENT OF THE BOARD COMMITTEES BY BOARD OF DIRECTORS

Corporate Governance Committee

The Corporate Governance Committee has been established on 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" which entered into force on 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 Unit Manager to the committee. The committee consists of a president and 2 members and gathers at least once in three months and every time when required. President 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 Remuneration Committee.

Audit Committee

The Audit Committee has been 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" which entered into force 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 aims 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 audit 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 which entered into force on

July 1, 2012. It is also agreed at the Board Meeting dated May, 24 2014 that the committee will act as Early Detection of Risk Committee, which was stipulated by Capital Markets Board Communiqué Serial: IV No: 63. It consists of a chairman and a member.

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 status 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.

Assessment of the Committees by the Board of Directors

Within Güneş Sigorta, "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.

COMMITTEE MEMBERS AND THEIR DUTIES

| Committees | Committee Members | Title | Duty within the Committee |
|-----------------------------------|------------------------|---------------------------------|---------------------------|
| Corporate Governance Committee | Telat KARAPINAR | Independent Member of Board | Committee Chairman |
| | Abdi Serdar ÜSTÜNSALİH | Board Member | Committee Member |
| | Fulden PEHLİVAN | Investor Relations Unit Manager | Committee Member |
| Audit Committee | Telat KARAPINAR | Independent Member of Board | Committee Chairman |
| | Mehmet BAYRAM | Independent Member of Board | Committee Member |
| Early Detection of Risk Committee | Mehmet BAYRAM | Independent Member of Board | Committee Chairman |
| | Hasan EMRE | Board Member | Committee Member |

ASSESSMENT OF THE BOARD OF DIRECTORS BY CORPORATE GOVERNANCE COMMITTEE

The Company's operations and management shall be carried out by a Board of Directors consisting of eight members, including a General Manager and 2 independent members to be elected by the General Assembly.

Where necessary, the Board of Directors convenes with the invitation of the Presidency as required by the business or the written request of one or several members and not less than once a month. The subjects to be discussed at the meeting are notified to all members within a reasonable period before the meeting.

The Board of Directors and the senior management are authorized to take decisions on all kinds of operations and transactions required for the fulfillment of the field of operation of the Company, except for the ones which are subject to the authorization of the general assembly pursuant to the relevant legislation and the Articles of Association. In order for the Board decisions to become valid, the majority of the members must

attend the Meeting. The members of the Board of Directors cannot vote on behalf of each other and they cannot participate in meetings by proxy. If the votes are equal, the subject is decided upon in the next meeting. In case the equality repeats in the second meeting, the proposal shall be deemed rejected. Decisions taken at the meeting are recorded in the board of directors' decision book.

The changes in position within the Board of Directors as well as the duties of the members of the Committee's under the Board of Directors are announced on the Public Disclosure Platform. Information on the Members' educational backgrounds, professional experiences and positions undertaken outside the company are specified in the annual report and in the Public Disclosure Platform Company General Information Form. The CVs of the Board Members are also posted on the Company website, Central Registry Agency portal and in the annual report.

DISCLOSURES REGARDING PRIVATE AND PUBLIC AUDITS

Subject-based audit activities were performed within Güneş Sigorta during 2018 by the Ministry of Treasury and Finance Insurance Inspection Board. In 2018, the Insurance Inspection Board performed the Technical Provisions (Compulsory Financial Liability Insurance of Medical Malpractice) audit. The audits initiated by the Insurance Inspection Board in 2018 in respect of financial affairs are still ongoing. Furthermore, Güneş Sigorta, is periodically subjected to

subsidiary audit by the Inspection Board of Türkiye VakıfBank T.A.O. In 2018, the relevant department conducted audits on COBIT and other business processes and COBIT and inspection reports were drawn up based on the said audit activities.

INSPECTION BOARD ASSESSMENT FOR 2018

Internal audit activity of Güneş Sigorta is performed by the Inspection Board affiliated with the Board of Directors in accordance with the provisions of "Regulation related to Internal Systems of Insurance and Reinsurance and Pension companies. As of the end of 2018, the number of the Inspection Board members will be 6 comprising 1 Head of Inspection Board and 5 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 contrary to legislation as well as the acts of cheat, fraud or deceit performed against the company by third parties.

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 to the Inspection Board. The processes are closely followed to confirm whether the performed inspection and post-inspection reports are conforming with the "International Internal Audit 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 audit 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. By this means, it also provides the Company with well-qualified and educated human resources.

ACTIVITIES OF THE INTERNAL AUDIT AND INTERNAL CONTROL FOR 2018

Internal Control and Risk Management

Internal Control and Risk Management 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 return 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.

Güneş Sigorta's Internal Control and Risk Management operates under the General Manager. The Internal Control and Risk Management informs the Early Detection of Risk Committee regarding its activities.

Internal Control Processes

Control activities are carried out within the scope of the Internal Control Plan prepared within the framework of the risk assessment

methodology implemented after having been approved by the General Manager. During 2018, in the light of the results obtained by incorporating all auditable processes into the risk assessment process through the methodology applied in the Internal Control Plan, internal control activities were carried out on issues such as production, marketing, technical, reinsurance, damage, recourse, law, accounting, collection, human resources, and data processing. 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.

LEGAL INFORMATION

Financial Rights Granted To The Board Members And Senior Executives

In 2018, the total attendance fee paid to the Members of Board is TL 530 thousand. The total amount paid to senior executives including General Manager, Assistant General Managers and Group Managers is TL 4.897 million. 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.

Information Related to the Company's Acquired Own Shares

The Company does not have own shares 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 statement 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 2018 are provided in the financial statement note numbered 45.

Loyalty Report of Trade With Holding Company and Subsidiary

For the procedures carried out by Güneş Sigorta A.Ş., with its holding 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 2018.

Amendments Made in the Company's Articles of Association

The Articles of Association of the Company was not amended in 2018.

OUR MAIN OBJECTIVES, POLICIES AND STUDIES FOR 2019

- > The work on the simplification of the product portfolio and enrichment of its contents will be continued.
- > The works carried out within the scope of the VakıfBank Bank Insurance Project started in 2014 and continued in 2015, are underway. Within the scope of VakıfBank Bancassurance Project, in 2017, integration of DASK, Housing, Traffic and Travel Health products was provided. The project is still ongoing in terms of car insurance and other products.
- > The transfer of processes initiated in 2016 to the electronic medium 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.
- > The company has completed the integration work with KEP service provider to perform all correspondences qualified as legal documents through the Registered E-Mail (KEP) system. It is aimed to save time and cost with the project by sending the agency abstract account through KEP system, which is sent manually and of which return process is monitored manually. Following the implementation of the project, dissemination of the KEP use in other processes will be continued.
- > It is aimed to make improvements in claims and production processes by carrying out process and systematic studies for identification of claims' fraud.
- > The efforts to improve the institutional and individual performance management by reviewing the performance system within the institution are ongoing.
- > The 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 are ongoing.
- > The work regarding to enable online sales through website will be focused. The processes initiated with traffic and car insurance will be continued for 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, the customers will also be provided with the opportunity to easily reach our solution partners (agencies, bank branches, contracted institutions, etc.) in the nearest location or a certain region via the map application on the corporate website.
- > It is aimed to develop Pusula mobile application in order to ensure that the processes carried out on Güneş Sigorta main Pusula system can be accessed through mobile application and enable the users to make inter-company transactions from non-computer environments.
- > The 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.

ANNUAL REPORT COMPLIANCE STATEMENT

Regarding our operations for 2018, 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 Ministry of Treasury and Finance on the Official Gazette dated August 7, 2007, for your attention and approval.

Respectfully yours,



Muhammet Lütfü Çelebi
Chairman of the
Board of Directors



Atilla Benli
Board Member,
General Manager



Saltuk Buğra Sürüel
Assistant General Manager



Uğur Sefiloğlu
Group Manager

ANNUAL REPORT COMPLIANCE OPINION

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To Güneş Sigorta A.Ş. the General Assembly,

1. Opinion

We audited the annual report of Güneş Sigorta A.Ş. ("the Company") for the accounting period of 1 January 2018 - 31 December 2018.

In our opinion, the financial information included in the annual report of the Board of Directors and the Board of Directors' assessments performed using the information in the audited financial statements on the Company's situation are consistent, in all material aspects, with the full set of financial statements audited and the information we obtained during the independent audit and reflect the truth.

2. Grounds for The Opinion

Our independent audit was conducted in accordance with the Standards on Independent Auditing that are part of the Turkish Standards on Auditing (the "SIA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and the regulations on the principles on independent audit as set out in the insurance legislation. Our responsibilities under those standards are further described in detail in the Independent Auditor's Responsibilities Regarding the Independent 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 independent audit of the financial statements. Other ethical responsibilities arising from the Ethical Rules and relevant legislation were also fulfilled by the Company. We believe that the independent 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 of Financial Statements

We expressed an unqualified opinion in the auditor's report dated 22 February 2019 on the full set of financial statements for the 1 January - 31 December 2018 period

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 "Communique") and "Regulation on the Financial Structure of Insurance, Reinsurance and Pension Companies" ("Regulation") published in the Official Gazette dated 7 August 2007 and 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) The annual report also includes:
 - Events of special importance, occurring in the Company after the end of the activity year,
 - Research and development activities of the Company,
 - 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 the 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 Regarding the Independent 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 independent audit was conducted in accordance with the regulations on the applicable principles on independent audit as set out in the insurance legislation and the SIA. 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.



Taner Gül SMMM
Sorumlu Denetçi

Originally issued in Turkish

İstanbul, 22 Şubat 2019

MESSAGE FROM THE BOARD OF DIRECTORS TO THE SHAREHOLDERS

Dear Shareholders,

Despite rising geopolitical risks in 2018, the global economy displayed a strong growth of 3.7%. The Federal Reserve's (the Fed) tight monetary policy steps continued in 2018, while the economy grew by 2.9% as of the end of the year. In 2019, the economy is expected to grow by 2.5% with a partial slowdown.

Recording the highest economic growth in the last 10 years in 2017, the Eurozone is expected to grow by 1.5% in 2018 with a partial slowdown. While developing countries, led by China and India, are expected to grow by 4.7% by the end of 2018 due to strong domestic and foreign demand as well as rising commodity prices, China is expected to grow by 6.5% with its controlled slowdown strategy. Focusing on fighting inflation within the framework of New Economic Program (NEP), Turkey followed a controlled growth performance in 2018 and grew by 1.5% in the third quarter.

Güneş Sigorta, one of the most deep-rooted players in the Turkish insurance sector, continued its strong growth in 2018. While total assets increased by 20%, amounting to TL 2 billion 610 million, our premium production increased by 15% to reach TL 1 billion 907 million. The Company's total shareholders' equity was TL 802 million, while its net profit was recorded as TL 10.9 million.

Representing 61 years of experience and expertise in the insurance sector, in 2018, Güneş Sigorta continued to provide its more than 1.5 million customers a diverse range of insurance products with superior service quality via its agency network across Turkey. Focusing on its digital transformation process, Güneş Sigorta successfully continued its investments in information technologies for the digitalization of business processes.

In 2018, we continue to be committed to even stronger growth with our innovative products and customer-oriented approach, as well as our experience and expertise. We hereby submit for your review the financial statements reflecting the 2018 financial status of the Company with their footnotes.

Respectfully Yours,

Board of Directors

DRAFT AGENDA OF THE ORDINARY GENERAL ASSEMBLY

1. Opening and establishment of the Presidency of the Meeting,
2. Reading the Annual Report prepared by the Board of Directors and negotiation,
3. Reading the Independent Auditor's Report on the 2018 operations,
4. Reading, negotiation and approval of the 2018 financial statements,
5. Determination of the methods of using the profit made in 2018,
6. Approval of changes in the Board of Directors during the year,
7. Release of the members of the Board of Directors,
8. Election of the members of the Board of Directors,
9. Approval of the Board of Directors' decision regarding the selection of the Independent External Audit Company in accordance with the Turkish Commercial Code, Capital Markets Law and the relevant legislation.
10. Determination of the payments to be made to the members of the Board of Directors,
11. Providing information on the principles of remuneration of the members of the Board of Directors and senior executives,
12. Authorization of the members of the Board of Directors to carry out the procedures provided for in Articles 395 and 396 of the Turkish Commercial Code and the Corporate Governance Principles of the Capital Markets Board,
13. Wishes and Regards.

INFORMATION RELATED TO POWER OF INDEMNITY, PROFITABILITY AND FINANCIAL SITUATION

The asset size of Güneş Sigorta has increased in 2018 by 20% to TL 2 billion 6410 million compared to the previous year and premium production has increased by 15% to 1 billion 907 million. Our company operates by adapting quickly to new conditions, working with its stakeholders in an environment of cooperation and confidence and raising consciousness about the insurance nationwide. Güneş Sigorta has established its collaterals to

meet its existing and potential obligations before the Treasury in accordance with the regulations which the insurance reinsurance and retirement insurance companies are subject to.

In 2018, while the ratio of cash and securities and financial assets to current assets was 62%, the gross claims paid after the deduction of recourse and salvage income were recorded as 1 billion 91 million TL.

Güneş Sigorta has fulfilled its legal and commercial obligations on time without experiencing any financial problems due to the strength of its liquid assets and appropriate maturity distribution of its assets turned into investments.

The last 5-year summary of financial information including the reporting period are provided in the table below:

| TL | 2014 | 2015 | 2016 | 2017 | 2018 |
|---------------------------------------|---------------|---------------|---------------|-----------------|-----------------|
| Total Assets | 1,360,677,815 | 1,536,796,760 | 1,739,461,693 | 2,167,689,442 | 2,610,459,368 |
| Shareholder's Equity | 386,503,611 | 306,102,414 | 499,493,732 | 677,599,159 | 802,284,360 |
| Paid-in Capital | 150,000,000 | 150,000,000 | 270,000,000 | 270,000,000 | 270,000,000 |
| Written Gross Premiums | 1,212,631,056 | 1,288,378,653 | 1,372,978,363 | 1,660,979,253 | 1,907,406,583 |
| Gross Claims Paid | (595,834,102) | (696,390,840) | (757,106,144) | (839,528,421) | (1,091,341,380) |
| Gross Outstanding Claims | (660,427,714) | (921,743,589) | (942,205,353) | (1,201,948,725) | (1,657,238,933) |
| Premium Retention Rate | 644,469,650 | 724,034,071 | 750,809,359 | 884,253,507 | 1,002,816,122 |
| Technical Profit | 31,756,112 | (142,886,269) | 21,292,481 | 27,875,122 | 25,719,071 |
| Retention Ratio | 53% | 56% | 55% | 53% | 53% |
| Net Loss/Premium Ratio (%) | 79% | 98% | 82% | 82% | 88% |
| Operational Expenses | (169,437,510) | (213,563,360) | (205,556,938) | (223,530,094) | (254,995,410) |
| Investment Income | 64,078,323 | 100,241,570 | 82,849,995 | 173,061,749 | 361,695,776 |
| Investment Expenses | (60,454,916) | (91,510,436) | (89,647,014) | (156,094,603) | (325,504,667) |
| Return on Investments | 3,623,407 | 8,731,134 | (6,797,019) | 16,967,146 | 36,191,109 |
| Net Profit or Loss for the Period | 13,439,548 | (162,568,880) | (48,065,707) | 26,493,239 | 10,871,374 |
| Return on Equity (%) | 3% | -53% | -12% | 4% | 1% |
| Return on Assets (%) | 1% | -11% | -3% | 1% | 0.4% |
| Technical Profit/Written Premiums (%) | 3% | -11% | 1% | 2% | 1% |
| Net Profit/Written Premiums (%) | 1% | -13% | -4% | 2% | 1% |

Güneş Sigorta equity capital has further strengthened in 2018 especially with the 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 TL 450,822,657 in accordance with the related regulation. As of the same date, the amount of 'Considered Equity Capital' of the Company accrued

as TL 824,933,495 and it has been calculated at TL 374,110,838 above the value of 'Required Equity Capital'. Capital adequacy ratio was 183%.

PROFIT DISTRIBUTION POLICY

Issues about profit distribution are regulated in the Article 24 of Company's Articles of Association. The profit distribution is decided 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 shareholders' expectations and growth need of the Company, is realized within the legal period by the approval of the Board of Directors. There is no privilege regarding the participation in the Company's profit.

RISK MANAGEMENT POLICIES

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

Risks assessed 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 premiums 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 turnover, profitability and sustainable growth objectives must be handled entirely.

It is determined and updated each year in Güneş Sigorta by technical service managements which risks shall be covered under which conditions at agency, regional office and head office level by making use of reinsurance treaties and past loss experiences within the scope of risk acceptance principles. Implementation principles booklet, in which it is represented whether the insurance products can be sold or not under which conditions to whom by 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 and 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 their 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 Republic of Turkey Ministry of Treasury and Finance, and the effects of changes in market conditions on credit notes are followed.

Market Risk

Potential losses to occur in the values of instruments that are included in the Company's Portfolio as a result of changes taking place in interest rates and exchange rates are considered within the scope of market risk. Aforementioned risks are monitored through the reports prepared for foreign exchange position and securities.

Liquidity Risk

Liquidity risk is the risk of not meeting the due obligations by the Company. Aforementioned risk especially occurs as a result of not being able to sell assets or liquidate assets in the periods when cash is needed. If the maturity of assets is longer than the 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 and asset-liability management is performed.

Operational Risks

It is the direct or indirect damage risk, which results from the insufficient or unsuccessful internal processes, from the personnel 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 through 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.

Fight Against Laundering the Proceeds of Crime and Financing of Terrorism

In order to ensure compliance with the "Law on Prevention of Laundering Proceeds of Crime" and the regulations and communiqués issued pursuant to this law, the Legislation and Compliance Directorate was established and a compliance officer was appointed to this Directorate. Within the framework of the relevant Law, Prevention of Laundering of the 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. Following the amendments to the legislation, our Corporate policy is regularly revised and communicated to our agencies and employees. In addition, e-trainings and face-to-face trainings are provided for all company personnel and agency employees to raise awareness and to fulfill our obligation to provide training.

The risks to which the Company is exposed on account of the use of the insurance services it provided for laundering the proceeds of crime and financing of terrorism as well as the findings obtained as a result of the monitoring and controlling activities are regularly reported to the Board of Directors through a Board Member authorized by the Board of Directors.

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF
STATUTORY FINANCIAL STATEMENTS FOR
THE PERIOD 1 JANUARY - 31 DECEMBER 2018
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 General Assembly 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 2018 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 2018, 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 Financial Reporting Standards ("TFRS") 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.

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.

Key audit matter

How our audit addressed the matter

Estimation of claims incurred but not reported

As explained in Notes 2 and 17, the Company has accounted for the net incurred but not reported claims provision amounting to TRY 326,830,893 as of 31 December 2018.

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 Ministry of Treasury and Finance of Turkish Republic. The reason we focus on this area during our audit is 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.

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 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.

We checked the adequacy and accuracy of the disclosures in the financial statements related to such provisions.

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 TFRS, 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 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 2018 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 22 February 2019.

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.



Tamer Gülseren
Sorumlu Denetçi
Originally issued in Turkish

İstanbul, 22 Şubat 2019

**UNCONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 December 2018**

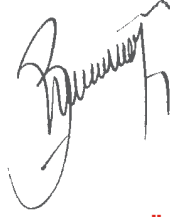
We confirm that the unconsolidated financial statements, related disclosures and footnotes as at 31 December 2018 which were prepared in accordance with the accounting principles and standards in force as per the regulations of Republic of Turkey Ministry of Treasury and Finance are in compliance with 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.

22 February 2019



Atilla BENLİ
Member of Board of Directors
General Manager



Saltuk Buğra SÜRÜEL
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 A.Ş.
CONVENIENCE TRANSLATION OF THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

| CONTENTS | PAGE |
|--|-------------|
| BALANCE SHEETS | 122-126 |
| INCOME STATEMENTS | 127-128 |
| CASH FLOW STATEMENTS | 129-130 |
| STATEMENTS OF CHANGES IN EQUITY | 131 |
| NOTES TO THE FINANCIAL STATEMENTS | 132-193 |
| APPENDIX I - STATEMENTS OF PROFIT DISTRIBUTION | 194 |

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS ON 31 DECEMBER 2018 AND 2017

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

ASSETS

| | Notes | Audited Current period 31 December 2018 | Audited Prior Period 31 December 2017 |
|--|----------------|---|---|
| I- Current Assets | | | |
| A- Cash and Cash Equivalents | 14 | 1,071,969,768 | 864,526,361 |
| 1- Cash | 14 | 1,744 | 2,291 |
| 2- Cheques Received | | - | - |
| 3- Cash at Banks | 14 | 920,893,658 | 739,177,481 |
| 4- Cheques Given and Payment Orders | | - | - |
| 5- Bank Warrantied and Shorter than 3 months credit card receivables | 14 | 151,074,366 | 125,333,334 |
| 6- Other Cash and Cash Equivalents | 14 | - | 13,255 |
| B- Financial Assets and Financial Investments with Risks on Policyholders | 4.2, 11 | 22,241,849 | - |
| 1- Available-for-Sale Financial Asset | | - | - |
| 2- Held to Maturity Investments | | - | - |
| 3- Financial Assets Held for Trading | 4.2, 11 | 22,241,849 | - |
| 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 | 531,686,102 | 449,611,942 |
| 1- Receivables from Insurance Operations | 12 | 535,712,640 | 451,780,574 |
| 2- Provision for Receivables from Insurance Operations (-) | 4.2, 12 | (6,568,180) | (5,080,848) |
| 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 | 194,276,881 | 165,728,014 |
| 10- Provision for Doubtful Receivables from Main Operations | 4.2, 12 | (191,735,239) | (162,815,798) |
| 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, 47 | 1,937,498 | 3,203,065 |
| 1- Finance Lease Receivables | | - | - |
| 2- Unearned Finance Lease Interest Income (-) | | - | - |
| 3- Deposits and Guarantees Given | | - | - |
| 4- Other Miscellaneous Receivables | 4.2, 47 | 1,937,498 | 3,203,065 |
| 5- Rediscount on Other Miscellaneous Receivables (-) | | - | - |
| 6- Other Doubtful Receivables | | 421,964 | 403,151 |
| 7- Provision for Other Doubtful Receivables (-) | | (421,964) | (403,151) |
| F- Prepaid Expenses and Income Accruals | 17 | 122,294,652 | 108,981,755 |
| 1- Deferred Acquisition Costs | 17 | 108,218,487 | 97,786,422 |
| 2- Accrued Interest and Rent Income | | - | - |
| 3- Income Accruals | | - | - |
| 4- Other Prepaid Expenses | 17 | 14,076,165 | 11,195,333 |
| G- Other Current Assets | | 17,034,956 | 12,641,452 |
| 1- Stocks to be used in the Following Months | | - | - |
| 2- Prepaid Taxes and Funds | 4.2, 12 | 16,140,828 | 12,243,662 |
| 3- Deferred Tax Assets | | - | - |
| 4- Job Advances | | - | - |
| 5- Advances Given to Personnel | 4.2 | 96,337 | 37,238 |
| 6- Inventory Count Differences | | - | - |
| 7- Other Miscellaneous Current Assets | 47 | 797,791 | 360,552 |
| 8- Provision for Other Current Assets (-) | | - | - |
| I- Total Current Assets | | 1,767,164,825 | 1,438,979,022 |

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

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE BALANCE SHEETS ON 31 DECEMBER 2018 AND 2017

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

ASSETS

| | Notes | Audited Current period 31 December 2018 | Audited Prior Period 31 December 2017 |
|--|--------------------|---|---|
| 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 | 153,399 | 175,465 |
| 1- Finance Lease Receivables | | - | - |
| 2- Unearned Finance Lease Interest Income (-) | | - | - |
| 3- Deposits and Guarantees Given | 4.2, 47 | 153,399 | 175,465 |
| 4- Other Miscellaneous Receivables | | - | - |
| 5- Rediscount on Other Miscellaneous Receivables (-) | | - | - |
| 6- Other Doubtful Receivables | | - | - |
| 7- Provision for Other Doubtful Receivables (-) | | - | - |
| D- Financial Assets | 9 | 612,901,553 | 503,114,597 |
| 1- Investments in Equity Shares | | 632,102,438 | 521,742,644 |
| 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 | (19,200,885) | (18,628,047) |
| E- Tangible Assets | | 223,734,594 | 208,534,572 |
| 1- Investment Property | 7 | 17,162,000 | 14,866,000 |
| 2- Impairment on Investment Property (-) | | - | - |
| 3- Property Held for Own Use | 6 | 204,120,000 | 188,775,000 |
| 4- Machinery and Equipment | 6 | 6,426,609 | 6,346,054 |
| 5- Furniture and Fixtures | 6 | 6,335,304 | 6,242,902 |
| 6- Motor Vehicles | 6 | 414,561 | 414,561 |
| 7- Other Tangible Assets (Including Leasehold Improvements) | 6 | 1,535,635 | 1,535,635 |
| 8- Tangible Assets Acquired Through Finance Leases | 6 | 8,819,487 | 8,840,627 |
| 9- Accumulated Depreciation | 6 | (21,079,002) | (18,486,207) |
| 10- Advances Paid for Tangible Assets (Including Construction in Progress) | | - | - |
| F- Intangible Assets | | 6,504,997 | 7,219,852 |
| 1- Rights | 8 | 10,713,906 | 8,862,556 |
| 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 | (20,813,028) | (18,246,823) |
| 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 |
| 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 |
| 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 | | 843,294,543 | 728,710,420 |
| TOTAL ASSETS | | 2,610,459,368 | 2,167,689,442 |

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

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS ON 31 DECEMBER 2018 AND 2017

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

LIABILITIES

| | Notes | Audited Current period 31 December 2018 | Audited Prior Period 31 December 2017 |
|--|----------------|---|---|
| III- Short-Term Liabilities | | | |
| A- Financial Liabilities | | - | - |
| 1- Borrowings from Financial Institutions | | - | - |
| 2- Finance Lease Payables | | - | - |
| 3- Deferred Leasing Costs (-) | | - | - |
| 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 | 288,616,766 | 223,087,097 |
| 1- Payables Arising from Insurance Operations | 4.2, 19 | 288,616,766 | 223,087,097 |
| 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 | 67,161 | 60,461 |
| 1- Due to Shareholders | | - | - |
| 2- Due to Associates | | - | - |
| 3- Due to Subsidiaries | | - | - |
| 4- Due to Joint Ventures | | - | - |
| 5- Due to Personnel | 4.2 | 67,161 | 60,461 |
| 6- Due to Other Related Parties | | - | - |
| D- Other Payables | 4.2 | 27,328,499 | 22,768,552 |
| 1- Deposits and Guarantees Received | | - | - |
| 2- Debts to SSI for treatment expenses | 19 | 7,496,588 | 4,969,138 |
| 3- Other Miscellaneous Payables | 19 | 20,097,291 | 17,914,046 |
| 4- Discount on Other Miscellaneous Payables (-) | 19 | (265,380) | (114,632) |
| E- Insurance Technical Provisions | 2 | 1,334,195,872 | 1,103,754,961 |
| 1- Reserve for Unearned Premiums - Net | 17 | 514,508,898 | 447,462,845 |
| 2- Reserve for Unexpired Risks- Net | 2.24, 17 | 17,999,626 | 1,184,660 |
| 3- Life Mathematical Provisions - Net | | - | - |
| 4- Provision for Outstanding Claims - Net | 4.2, 17 | 757,657,673 | 629,914,752 |
| 5- Provision for Bonus and Discounts - Net | | - | - |
| 6- Other Technical Provisions - Net | 10, 17 | 44,029,675 | 25,192,704 |
| F- Provisions for Taxes and Other Similar Obligations | 4.2 | 31,148,209 | 24,851,642 |
| 1- Taxes and Funds Payable | 4.2 | 28,951,042 | 22,943,620 |
| 2- Social Security Premiums Payable | 4.2 | 2,197,167 | 1,908,022 |
| 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 | 3,676,606 | 3,907,790 |
| 1- Provision for Termination Indemnities | | - | - |
| 2- Provision for Pension Fund Deficits | | - | - |
| 3- Provisions for Costs | 23 | 3,676,606 | 3,907,790 |
| H- Deferred Income and Expense Accruals | 10, 19 | 70,519,558 | 68,769,403 |
| 1- Deferred Commission Income | 10, 19 | 70,519,558 | 68,769,403 |
| 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 | | 1,755,552,671 | 1,447,199,906 |

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

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE BALANCE SHEETS ON 31 DECEMBER 2018 AND 2017

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

LIABILITIES

| | Notes | Audited Current period 31 December 2018 | Audited Prior Period 31 December 2017 |
|--|----------|---|---|
| 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 | | 3,419,421 | 2,555,551 |
| 1- Deposits and Guarantees Received | 4.2 | 3,419,421 | 2,555,551 |
| 2- Debts to SSI for treatment expenses | | - | - |
| 3- Other Miscellaneous Payables | | - | - |
| 4- Discount on Other Miscellaneous Payables (-) | | - | - |
| E- Insurance Technical Provisions | 2.26, 17 | 33,855,634 | 28,081,528 |
| 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 | 33,855,634 | 28,081,528 |
| 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 | 14,225,735 | 12,253,298 |
| 1- Provisions for Severance Pay | 23 | 14,225,735 | 12,253,298 |
| 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 | | 1,121,547 | - |
| 1- Deferred Tax Liabilities | | 1,121,547 | - |
| 2- Other Long-Term Liabilities | | - | - |
| IV- Total Long-Term Liabilities | | 52,622,337 | 42,890,377 |

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

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE BALANCE SHEETS ON 31 DECEMBER 2018 AND 2017

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

SHAREHOLDERS' EQUITY

| | Notes | Audited Current period 31 December 2018 | Audited Prior period 31 December 2017 |
|--|-----------------|---|---|
| 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 | 79,411,294 | 79,059,074 |
| 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 | 78,756,302 | 78,404,082 |
| C- Profit Reserves | 15 | 697,873,570 | 584,770,615 |
| 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 | 529,808,797 | 425,220,441 |
| 6- Other Profit Reserves | 15 | 163,115,332 | 154,600,733 |
| D- Retained Earnings | | - | - |
| 1- Retained Earnings | | - | - |
| E- Accumulated Losses (-) | | (255,871,878) | (282,723,769) |
| 1- Accumulated Losses (-) | | (255,871,878) | (282,723,769) |
| F- Net Profit/(Loss) for the Period | 37 | 10,871,374 | 26,493,239 |
| 1- Net Profit for the Year | | 9,548,969 | 26,141,019 |
| 2- Net Loss for the Year (-) | | - | - |
| 3- Net Profit That Is Not Subject To Distribution | | 1,322,405 | 352,220 |
| Total Equity | | 802,284,360 | 677,599,159 |
| TOTAL EQUITY AND LIABILITIES | | 2,610,459,368 | 2,167,689,442 |

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

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017

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

I- TECHNICAL PART

| | Notes | Audited Current period 31 December 2018 | Audited Prior period 31 December 2017 |
|--|-----------|---|---|
| A- Non-Life Technical Income | | 1,092,999,720 | 925,510,784 |
| 1- Earned Premiums (Net of Reinsurer Share) | | 918,955,103 | 814,954,013 |
| 1.1- Written Premiums (Net of Reinsurer Share) | 5, 17, 24 | 1,002,816,122 | 884,253,507 |
| 1.1.1- Written Premiums, gross | 17, 24 | 1,907,406,583 | 1,660,979,253 |
| 1.1.2- Written Premiums, ceded | 10, 17 | (870,151,643) | (744,904,463) |
| 1.1.3- Premiums transferred to SSI | 10, 17 | (34,438,818) | (31,821,283) |
| 1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward) | 5, 17 | (67,046,053) | (69,837,009) |
| 1.2.1- Reserve for Unearned Premiums, gross | 17 | (177,808,364) | (144,596,196) |
| 1.2.2- Reserve for Unearned Premiums, ceded | 10, 17 | 106,687,146 | 73,430,702 |
| 1.2.3- SSI Share of Reserve for Unearned Premium | 10, 17 | 4,075,165 | 1,328,485 |
| 1.3- Changes in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward) | 5, 17 | (16,814,966) | 537,515 |
| 1.3.1- Reserve for Unexpired Risks, gross | 17 | (36,256,672) | 2,824,147 |
| 1.3.2- Reserve for Unexpired Risks, ceded | 10, 17 | 19,441,706 | (2,286,632) |
| 2- Investment Income - Transferred from Non-Technical Section | | 140,777,407 | 74,992,877 |
| 3- Other Technical Income (Net of Reinsurer Share) | | 2,011,519 | 2,138,201 |
| 3.1- Other Technical Income, gross | | 2,011,519 | 2,138,201 |
| 3.2- Other Technical Income, ceded | | - | - |
| 4- Accrued salvage and subrogation income | | 31,255,691 | 33,425,693 |
| B- Non-Life Technical Expense | | (1,067,280,649) | (897,635,662) |
| 1- Incurred Losses (Net of Reinsurer Share) | | (806,511,133) | (668,941,795) |
| 1.1- Claims Paid (Net of Reinsurer Share) | | (678,768,212) | (561,061,047) |
| 1.1.1- Claims Paid, gross | | (1,091,341,380) | (839,528,421) |
| 1.1.2- Claims Paid, ceded | 10 | 412,573,168 | 278,467,374 |
| 1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward) | 17 | (127,742,921) | (107,880,748) |
| 1.2.1- Change in Provisions for Outstanding Claims, gross | 17 | (455,290,208) | (259,743,372) |
| 1.2.2- Change in Provisions for Outstanding Claims, ceded | 10, 17 | 327,547,287 | 151,862,624 |
| 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 Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward) | 5, 17 | (5,774,106) | (5,163,773) |
| 4- Operating Expenses | 5, 32 | (254,995,410) | (223,530,094) |
| 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) | | 25,719,071 | 27,875,122 |
| 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 | | - | - |

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

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017

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

I- TECHNICAL PART

| | Notes | Audited Current period 31 December 2018 | Audited Prior period 31 December 2017 |
|--|-------|---|---|
| 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) | | - | - |

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

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017

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

II- NON-TECHNICAL PART

| | Notes | Audited Current period 31 December 2018 | Audited Prior period 31 December 2017 |
|---|-----------|---|---|
| C- Net Technical Income - Non-Life (A-B) | | 25,719,071 | 27,875,122 |
| F- Net Technical Income - Life (D-E) | | - | - |
| I - Net Technical Income - Pension Business (G-H) | | - | - |
| J- Total Net Technical Income (C+F+I) | | 25,719,071 | 27,875,122 |
| K- Investment Income | | 361,695,776 | 173,061,749 |
| 1- Income from Financial Assets | 26 | 144,919,637 | 81,030,027 |
| 2- Income from Disposal of Financial Assets | | - | - |
| 3- Valuation of Financial Assets | 26 | 5,150,960 | 2,916,540 |
| 4- Foreign Exchange Gains | 26 | 184,655,484 | 75,305,738 |
| 5- Income from Associates | 26 | 20,569,367 | 9,280,957 |
| 6- Income from Subsidiaries and Joint Ventures | | - | - |
| 7- Income from Property, Plant and Equipment | 26 | 6,400,328 | 1,419,487 |
| 8- Income from Derivative Transactions | | - | 3,109,000 |
| 9- Other Investments | | - | - |
| 10- Income Transferred from Life Section | | - | - |
| L- Investment Expense | | (325,504,667) | (156,094,603) |
| 1- Investment Management Expenses (Inc. interest) | 4.2 | (5,635,884) | (3,767,707) |
| 2- Diminution in Value of Investments | | (717,603) | - |
| 3- Loss from Disposal of Financial Assets | | - | (5,578) |
| 4- Investment Income Transferred to Non-Life Technical Section | 4.2 | (140,777,407) | (74,992,877) |
| 5- Loss from Derivative Transactions | | (2,647,500) | - |
| 6- Foreign Exchange Losses | 4.2 | (158,725,233) | (64,023,399) |
| 7- Depreciation and Amortization Expenses | 4.2, 6, 8 | (6,861,268) | (7,343,000) |
| 8- Other Investment Expenses | 4.2 | (10,139,772) | (5,962,042) |
| M- Income and Expenses From Other and Extraordinary Operations | | (51,038,806) | (18,349,029) |
| 1- Provisions | 47 | (50,679,556) | (33,778,937) |
| 2- Rediscounts | | (3,108,264) | (2,093,518) |
| 3- Specified Insurance Accounts | | - | - |
| 4- Monetary Gains and Losses | | - | - |
| 5- Deferred Taxation (Deferred Tax Assets) | 21, 35 | 1,512,840 | 15,267,885 |
| 6- Deferred Taxation (Deferred Tax Liabilities) | | - | - |
| 7- Other Income | | 1,593,129 | 2,664,965 |
| 8- Other Expenses and Losses | | (356,955) | (409,424) |
| 9- Prior Year's Income | | - | - |
| 10- Prior Year's Expenses and Losses | | - | - |
| N- Net Profit for the Year | | 5, 37 | 10,871,374 |
| 1- Profit for the Year | 5, 37 | 10,871,374 | 26,493,239 |
| 2- Corporate Tax Provision and Other Fiscal Liabilities | | - | - |
| 3- Net Profit for the Year | 5, 37 | 10,871,374 | 26,493,239 |
| 4- Monetary Gains and Losses | | - | - |

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

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017

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

| | Notes | Audited Current period 31 December 2018 | Audited Prior period 31 December 2017 |
|---|-----------|---|---|
| A. CASH GENERATED FROM MAIN OPERATIONS | | | |
| 1. Cash provided from insurance activities | | 2,424,194,704 | 2,035,444,956 |
| 2. Cash provided from reinsurance activities | | - | - |
| 3. Cash provided from pension business | | - | - |
| 4. Cash used in insurance activities | | (2,345,442,509) | (1,927,636,626) |
| 5. Cash used in reinsurance activities | | - | - |
| 6. Cash used in pension business | | - | - |
| 7. Cash Provided From Operating Activities | | 78,752,195 | 107,808,330 |
| 8. Interest paid | | - | - |
| 9. Income taxes paid | | (16,140,828) | (12,154,504) |
| 10. Other cash inflows | | 1,534,030 | 14,191,612 |
| 11. Other cash outflows | | (8,117,872) | (2,720,435) |
| 12. Net Cash Provided From Operating Activities | | 56,027,525 | 107,125,003 |
| B. CASH FLOWS FROM INVESTING OPERATIONS | | | |
| 1. Disposal of tangible and intangible assets | | 2,265,967 | 926,867 |
| 2. Acquisition of tangible and intangible assets | 6, 8 | (2,072,415) | (836,551) |
| 3. Acquisition of financial assets | 11 | (41,999,999) | - |
| 4. Disposal of financial assets | | 18,970,849 | 3,109,000 |
| 5. Interests received | | 144,919,637 | 81,030,027 |
| 6. Dividends received | 26 | 20,569,367 | 9,266,510 |
| 7. Other cash inflows | | 433,857 | 1,479,549 |
| 8. Other cash outflows | | (5,635,884) | (3,767,707) |
| 9. Net Cash Provided by Investing Activities | | 137,451,379 | 91,207,695 |
| C. CASH FLOWS FROM FINANCING OPERATIONS | | | |
| 1. Equity shares issued | | - | - |
| 2. Cash provided from loans and borrowings | | - | - |
| 3. Finance lease payments | | - | (1,658,420) |
| 4. Dividends paid | | - | - |
| 5. Other cash inflows | | - | - |
| 6. Other cash outflows | | - | - |
| 7. Net Cash Used In Financing Activities | | - | (1,658,420) |
| D. EFFECT OF EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS | | | |
| | | 2,990,987 | 12,859,506 |
| E. Net increase/ (decrease) in cash and cash equivalents | | 196,469,891 | 209,533,784 |
| F. Cash and cash equivalents at the beginning of the period | 14 | 729,689,602 | 520,155,818 |
| G. Cash and cash equivalents at the end of the period | 14 | 926,159,493 | 729,689,602 |

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

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017

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

| Statements of Changes in Equity - Audited ^(*) | | | | | | | | | | | |
|---|---------------|-------------------------------|--------------------------------------|--|----------------------------------|----------------|-------------------|------------------------------------|-----------------------------------|-------------------|-------------|
| | 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 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 (Note 15) | - | - | - | - | - | - | - | - | - | - | - |
| 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 | - | - | - | - | - | - | - | - | - | - | - |
| F - Other gains or losses (Note 6) | - | - | - | - | - | - | - | (797,730) | - | 632,405 | (165,325) |
| G - Inflation adjustment differences | - | - | - | - | - | - | - | - | - | - | - |
| H - Net profit for the period | - | - | - | - | - | - | - | - | 26,493,239 | - | 26,493,239 |
| I - Dividends paid | - | - | - | - | - | - | - | - | - | - | - |
| J - Transfer | - | - | - | - | - | - | - | 655,752 | 48,065,707 | (48,721,459) | - |
| IV - 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 |
| I - Balance at the Prior Period End - 31 December 2017 | 270,000,000 | - | 425,220,441 | - | - | 4,949,441 | - | 233,659,807 | 26,493,239 | (282,723,769) | 677,599,159 |
| II - Change in accounting standards | - | - | - | - | - | - | - | - | - | - | - |
| III - New balances - 31 December 2017 | 270,000,000 | - | 425,220,441 | - | - | 4,949,441 | - | 233,659,807 | 26,493,239 | (282,723,769) | 677,599,159 |
| A - Capital increase | - | - | - | - | - | - | - | - | - | - | - |
| B - Own Shares of the Company | - | - | - | - | - | - | - | - | - | - | - |
| C - Gain and losses not recognized in the statement of income (Note 4.2 and 15) | - | - | 104,588,356 | - | - | - | - | (787,230) | - | - | 103,801,126 |
| D - Change in the value of financial assets (Note 6) | - | - | - | - | - | - | - | 16,274,956 | - | - | 16,274,956 |
| E - Currency translation adjustments | - | - | - | - | - | - | - | - | - | - | - |
| F - Other gains or losses (Note 6) | - | - | - | - | - | - | - | (6,973,127) | - | 710,872 | (6,262,255) |
| G - Inflation adjustment differences | - | - | - | - | - | - | - | - | - | - | - |
| H - Net profit for the period | - | - | - | - | - | - | - | - | 10,871,374 | - | 10,871,374 |
| I - Dividends paid | - | - | - | - | - | - | - | - | - | - | - |
| J - Transfer | - | - | - | - | - | - | - | 352,220 | (26,493,239) | 26,141,019 | - |
| IV - Balance at - 31 December 2018 | 270,000,000 | - | 529,808,797 | - | - | 4,949,441 | - | 242,526,626 | 10,871,374 | (255,871,878) | 802,284,360 |

^(*) 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.

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

(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 2018, the major shareholders of Güneş Sigorta A.Ş. (the “Company”) are Türkiye Vakıflar Bankası TAO (“Vakıflar Bankası”) and Groupama Holding Filiales et Participations (Note 2.13). As of 31 December 2018, 16.97% of the company’s shares are publicly traded at Borsa Istanbul.

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 Ministry of Treasury and Finance. As at 31 December 2018, the Company has 1,418 agencies (31 December 2017: 1,554 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 2018 | 1 January - 31 December 2017 |
|----------------------------------|---|---|
| Senior Management ^(*) | 14 | 17 |
| Other Personnel | 596 | 586 |
| Total | 610 | 603 |

^(*) 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.

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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, Inspection Manager, Group Managers, and Assistant General Managers:

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|--|---|---|
| Salaries | 3,393,503 | 2,747,424 |
| Bonuses | 851,919 | 581,074 |
| Title and license compensations | 494,160 | 416,762 |
| Group and individual pension contributions | 67,151 | 51,743 |
| Transportation, food and fuel contributions | 26,382 | 15,840 |
| Other paid benefits | 593,936 | 56,486 |
| Total benefits provided to senior management | 5,427,051 | 3,869,329 |
| Provision for employment termination benefits | 94,366 | 214,557 |

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 by Ministry of Treasury and Finance of Turkish Republic (“Ministry of Treasury and Finance”).

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 A.Ş.).

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

Financial statements of 1 January – 31 December 2018 are approved by Board of Directors at 22 February 2019 and signed by General Manager Atilla Benli and Deputy General Manager Saltuk Buğra Sürüel. Explanations related to subsequent events are disclosed in detail in Note 46.

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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 Ministry of Treasury and Finance.

The financial statements are prepared in accordance with the Insurance Chart of Accounts included in the communiqué issued by Ministry of Treasury and Finance 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.

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 Ministry of Treasury and Finance, operations of insurance companies shall be accounted for in accordance with the Turkish Financial Reporting Standards (“TFRS”) as issued by the Turkish Accounting Standards Board (“TASK”) and other regulations, communiqués and explanations issued by Ministry of Treasury and Finance regarding accounting and financial reporting issues. With reference to the notice of Ministry of Treasury and Finance 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 Ministry of Treasury and Finance (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.

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

It was announced with the article of Ministry of Treasury and Finance 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, Ministry of Treasury and Finance also announced that inflation accounting is not required effective from 1 January 2005. Based on the above mentioned notification of Ministry of Treasury and Finance, 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”.

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 Ministry of Treasury and Finance on 15 September 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 Ministry of Treasury and Finance on 10 June 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 1 January 2017 of the amendments to the accounting policies for discounting the outstanding claims reserve are shown in the following tables

| 1 January 2017 | 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) |

Explanations on accounting estimates are given in Note 3.

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.

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

2.2 Consolidation

“Circular on the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Individual Pension Companies” issued by Ministry of Treasury and Finance 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 ve Hayat 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 analyzed 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.

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.

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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 | 33-20 |

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).

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.

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

Financial assets classified as held for trading; If a financial instrument is held for trading after the initial recognition, the financial asset is classified as financial assets at fair value through profit or loss. If the company manages related investments and decides to purchase and sell the fair value of these investments in accordance with the company's written risk management and investment strategies, the financial assets are recognized as financial assets at fair value through profit or loss. After the initial recognition, all kind of transaction costs are recognized in profit or loss. Financial assets at fair value through profit or loss are measured at fair value and changes in fair value are recognized in profit or loss. Best expected purchase price as of the balance sheet date is used as a base in the determination of fair value. The fair value represents the best purchase order amount current pending orders at Borsa Istanbul A.Ş., the price of most recent transaction realized in the absence of these orders and the cost price which is forwarded by effective interest rate (the ratio which equalize the future cash flows of a financial asset or liability to its current net book value) in the absence of all other method.

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.

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.

2.9 Derivative financial instruments

As at the reporting date, the Company does not have any derivative financial instruments (31 December 2017: None).

2.10 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.

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

2.11 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).

2.12 Share Capital

As of 31 December 2018 and 2017, the share capital and ownership structure of the Company is as follows:

| Name of Shareholders | 31 December 2018 | | 31 December 2017 | |
|--|--------------------|---------------|--------------------|---------------|
| | Share amount (TRY) | Share (%) | Share amount (TRY) | Share (%) |
| Vakıflar Bankası T.A.O. | 129,642,844 | 48.02 | 129,642,844 | 48.02 |
| Groupama Holding Filiales et Participations | 54,000,000 | 20.00 | 54,000,000 | 20.00 |
| Halka açık hisseler | 45,830,156 | 16.97 | 45,830,156 | 16.97 |
| Türkiye Vakıflar Bankası Vakıfbank Personeli Özel Sosyal 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 2017: None).

The Company's registered share capital

The Company's limit of registered paid-in capital is 540,000,000 TRY and divided 540,000,000 shares with a nominal value of TRY 1. Allowance of equity ceiling for registered share capital valid between 2017-2021. 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 2018, 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 2017: 270,000,000 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.

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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.

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 22%. 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 5 December 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 2018 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 2018 the Company has deductible tax losses amounting to TRY 76,497,931 (31 December 2017: TRY 109,539,535).

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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.

According to the Decision of the President on the Amendment to the Decision of the Council of Ministers, enumerated as 30521, dated 22 July 2006 and published in the Official Gazette enumerated as 30521 and dated 31 August 2018; as of 1 September 2018, withholding tax rates applied to foreign exchange deposit accounts, foreign exchange participation accounts, deposit rates and participation accounts have been changed to be valid for 3 months. In this framework, withholding tax rates for time deposit for TRY up to 6 months (including 6th month) are reduced from 15% to 5%, up to 1 year (including 12th month) are reduced from 12% to 3%. Withholding tax rates for interest incomes from foreign currency time deposit and dividend incomes from participating demand deposit accounts in participating banks, up to 6 months are increased from 18% to 20%, up to 1 year are increased from 15% to 16%. The tax rate used for foreign currency time deposit more than 1 year is 13% and it has not changed.

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.

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.

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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 2018 TRY 5,434.42 (31 December 2017: TRY 4,732.48).

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 6,017.60 which is applicable starting from 1 January 2019, as it is adjusted yearly (1 January 2018: TRY 5,001.76)

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 2018 and 2017 are as follows:

| | 31 December 2018 | 31 December 2017 |
|--|------------------|------------------|
| Discount Rate | 4.89% | 3.94% |
| Expected Rate of Salary/Limit Increase | 10.00% | 6.50% |
| Estimated Employee Turnover Rate | 4.70% | 5.33% |

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).

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).

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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 recognized TRY 12,519,081 (31 December 2017: TRY 10,939,603) net salvage and subrogation receivables in the receivables from main operations and provided TRY 218,925 (31 December 2017: TRY 176,156 allowance for salvage and subrogation receivables that are overdue as described in the related circular (Note 4.2 and 12).

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 178,120,136 (31 December 2017: TRY 148,310,199) 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 2018 and 2017, accrued salvage and subrogation income per branches is as follows:

| | 31 December 2018 | 31 December 2017 |
|-----------------------------|-------------------------|-------------------------|
| Motor own damage | 10,636,875 | 8,762,758 |
| Motor third party liability | 1,341,531 | 889,514 |
| Other | 540,675 | 1,287,331 |
| Total | 12,519,081 | 10,939,603 |

For the period 1 January - 31 December 2018 and 2017, salvage and subrogation collections are as follows:

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|-----------------------------|---|---|
| Motor own damage | 151,302,811 | 118,543,106 |
| Motor third party liability | 6,655,519 | 5,432,884 |
| Other | 7,840,403 | 2,228,808 |
| Total | 165,798,733 | 126,204,798 |

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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 recognized over the life of the contract by deferring commission income and expenses within the calculation of reserve for unearned premiums and they are recognized in “Deferred commission income” and “Deferred commission expense”.

Interest income and expense

Interest income and expense are recognized 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 recognized 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 recognized in short term Prepaid Expenses and Income Accruals and Deferred Income and Expense Accruals respectively in the balance sheet. They are also recognized 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).

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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 2018 and 2017, 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 Ministry of Treasury and Finance. 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 Ministry of Treasury and Finance (“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 85% for the year 2018, 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 10 June 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 Ministry of Treasury and Finance, The Company has revised retrospectively the calculation of outstanding claims provision and ongoing risk provision that it has applied after discounting.

In accordance with the third paragraph of Circular published by Ministry of Treasury and Finance numbered 2016/37; despite of there is no calculating result of unexpired risk reserve in the subjected file, an evaluation is made by considering Risky Insurance Pool, the Company has calculated and accounted for net unexpired risk reserve amounting to TRY 17,999,626 as at 31 December 2018 (31 December 2017: TRY 1,184,660) (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 Ministry of Treasury and Finance and updated the provision based on the further court decision and the expert reports.

As of 31 December 2018, 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.

GÜNEŞ SİGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**

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

In accordance with "the Circular on Provision for Outstanding Claim" dated 5 December 2014 and numbered 2014/16 published by Ministry of Treasury and Finance, 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 2018 and 2017 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 2018.

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 Ministry of Treasury and Finance 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 12.5%, 12.5%, 15% and 15% for 2017 quarters, and 20% for first two quarters and 25% for last two quarters of 2018 in accordance with the related regulation. As of 31 December 2018, as a result of ACLM calculations; the Company has allocated a net provision for incurred but not reported claims amounting to TRY 326,830,893 (31 December 2017: TRY 239,822,053). If the Company did not choose the mentioned gradual accounting application, net incurred but not reported claim provision would be TRY 118,528,606 more as of 31 December 2018. (Note 17).

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

Within the framework of “the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve” numbered 2016/22 and dated 10 June 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 Ministry of Treasury and Finance, as of 31 December 2018, the Company has calculated a net discount to the outstanding claims provision for TRY 113,736,849 (31 December 2017: TRY 88,104,234) as of 31 December 2017 for the liability branches of General Liability and Motor Third Party Liability.

As of 31 December 2018 and 2017, the net outstanding claims provisions of the Company in the branches are presented below before and after the discounts.

| 31 December 2018 Branch | Net Outstanding Claim Provision Before Discount | Discount Amount | Net Discounted Outstanding Claim Provision |
|--------------------------------|--|------------------------|---|
| Motor Third Party Liability | (707,968,099) | 104,940,323 | (603,027,776) |
| General Liability | (55,639,000) | 8,796,526 | (46,842,474) |
| Total | (763,607,099) | 113,736,849 | (649,870,250) |

| 31 December 2017 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 2018 and 2017 and the estimated net cash flows for each major branch are as follows.

| 31 December 2018 Branch | Methods Applied | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Total |
|--------------------------------|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Motor Third Party Liability | Table 57 | 252,024,963 | 157,208,165 | 118,550,471 | 84,418,129 | 58,060,638 | 32,032,250 | 5,673,484 | 707,968,099 |
| General Liability | Table 57 | 16,504,579 | 13,535,495 | 10,208,894 | 7,959,863 | 5,308,420 | 1,985,848 | 135,901 | 55,639,000 |

| 31 December 2017 Branch | Methods Applied | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Total |
|--------------------------------|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Motor Third Party Liability | Table 57 | 214,481,001 | 139,139,117 | 100,722,750 | 69,577,428 | 37,624,178 | 17,375,450 | 3,435,826 | 582,355,750 |
| General Liability | Table 57 | 11,339,948 | 9,868,762 | 8,232,713 | 5,494,303 | 3,702,121 | 1,793,175 | 126,440 | 40,557,462 |

GÜNEŞ SİGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**

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

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 2018 and 2017. 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 2018 and 2017. 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 62,135,463 (31 December 2017: TRY 39,908,852) (Note 17). The calculated and used winning ratios as at 31 December 2018 and 2017 are as follows:

| Branch | 31 December 2018 | | 31 December 2017 | |
|---|------------------------------|------------------------|------------------------------|------------------------|
| | Calculated Winning Ratio (%) | Used Winning Ratio (%) | Calculated Winning Ratio (%) | Used Winning Ratio (%) |
| Occupational responsibility | 100 | 25 | 100 | 25 |
| Boat | 60 | 25 | 31 | 25 |
| Fire | 54 | 25 | 56 | 25 |
| Third party financial liability | 45 | 25 | 33 | 25 |
| Personnel accident | 38 | 25 | 22 | 22 |
| Motor vehicles - own damage | 37 | 25 | 37 | 25 |
| Flood | 28 | 25 | 71 | 25 |
| MTPL - facultative | 27 | 25 | 25 | 25 |
| Compulsory transportation financial liability | 26 | 25 | 18 | 18 |
| Commodity | 26 | 25 | 17 | 17 |
| Construction | 20 | 20 | 40 | 25 |
| Machinery breakdown | 20 | 20 | 8 | 8 |
| Hazardous materials liability | 17 | 17 | 16 | 16 |
| Employer financial liability | 17 | 17 | 13 | 13 |
| Compulsory personal accident for bus transportation | 16 | 16 | 14 | 14 |
| Health | 14 | 14 | 21 | 21 |
| Motor third party liability | 12 | 12 | 9 | 9 |
| Electronic device | 9 | 9 | 12 | 12 |
| Bottled gas liability | 3 | 3 | 6 | 6 |

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 2018 equalization provision amounting to TRY 33,855,634 (31 December 2017: TRY 28,081,528) is presented under “Other Technical Reserves” under the long term-liabilities in the accompanying financial statements (Note 17).

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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

a) Standards, amendments and interpretations applicable as at 31 December 2018:

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

Until IFRS 17 is effective, the company will benefit from the temporary exemption for IFRS 9 included in IFRS 4.

- 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.

The Company has postponed the transition to TFRS 15 on 1 January 2021, in accordance with the “Circular on the Transition Date to TFRS 15 of Insurance and Pension Companies” issued by Ministry of Treasury and Finance, dated 23 October 2018 and enumerated as 2018/4.

- 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.

GÜNEŞ SİGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**

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

Subjected changes of standards did not have a significant impact on the financial position and performance of the company.

- 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. Subjected changes of standards did not have a significant impact on the financial position and performance of the company.
- 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. Subjected changes of standards did not have a significant impact on the financial position and performance of the company.
- Annual improvements, 2014 - 2016; effective for annual periods beginning on or after 1 January 2018.
 - 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.

Subjected improvements did not have a significant impact on the financial position and performance of the company.

- 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. Subjected changes of standards did not have a significant impact on the financial position and performance of the company.

b) Standards, amendments published on 31 December 2018, yet not effective currently:

- 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.

The Company will benefit from the temporary exemption items for TFRS 9, which is included in TFRS 4, until IFRS 17 is effective.

- IAS 28, “Changes in investments in associates and joint ventures”; Effective for annual reporting periods beginning on or after 1 January 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. The amendment is effective for annual periods beginning on or after 1 January 2019. However, early application is allowed. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

- 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 recognize 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.

As at the reporting date, amount of the Company’s operating lease commitments is TRY 1,764,642. On 1 January 2019, the Company plans to recognize approximately TRY 1,370,284 existence of tenure and rental debts (after accrued rental payments and prepayment adjustments as of 31 December 2018); and TRY 19,103 deferred tax asset. Due to the implementation of the new rules, the Company expects its net profit after tax to decrease by TRY 1,351,181 in 2019.

- 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.

The interpretation will be applied for annual periods beginning on or after 1 January 2019. Early application is allowed. In the case of early implementation of this interpretation, the entity will make a statement on early application. In the first application, the entity may apply this interpretation retrospectively, in accordance with TAS 8, or retrospectively by recording the cumulative effect at the date of initial application as a correction to the opening balance of the retained earnings (or, if appropriate, another component of the equity item). The impact of the amendments on financial position or performance of the Company is in the process of assessing.

- 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.

The effect of subjected standard on the financial position and performance of the company are being evaluated.

- Annual improvements 2015-2017; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
 - IFRS 3, ‘Business combinations’, – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - IFRS 11, ‘Joint arrangements’, – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12, ‘Income taxes’ – a company accounts for all income tax consequences of dividend payments in the same way.
 - IAS 23, ‘Borrowing costs’ – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The improvements will be applied for annual periods beginning on or after 1 January 2019. Early application is allowed. Generally, the Company does not expect a significant impact on the balance sheet and equity.

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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

The amendments will be applied for annual periods beginning on or after 1 January 2019. Early application is allowed. In the case of early implementation of these amendments, the entity will make a statement on early application. The impact of the amendments on financial position or performance of the Company is in the process of assessing.

- Amendments to IAS 1 and IAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs:
 - use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting
 - clarify the explanation of the definition of material; and
 - incorporate some of the guidance in IAS 1 about immaterial information

The amendments will be applied for annual periods beginning on or after 1 January 2020. Early application is allowed. The impact of the amendments on financial position or performance of the Company is in the process of assessing.

- Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

The amendments will be applied for annual periods beginning on or after 1 January 2020. Early application is allowed. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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.

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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 recognized 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 recognized 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.

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.

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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 2018, 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, Munich Re, Scor, Odyssey Re and Hannover Re.

The last credit-scaling notes prepared by AM BEST as follows in the table;

| Reinsurer | Scale | Outlook | Date |
|-------------|-------|------------|-------------------|
| Everest Re | A+ | Stationary | 16 March 2018 |
| Hannover Re | A+ | Stationary | 20 December 2018 |
| Munich Re | A+ | Stationary | 13 July 2018 |
| Scor | A+ | Stationary | 19 September 2018 |
| QBE | A | Stationary | 13 June 2018 |
| Odyssey Re | A | Stationary | 28 February 2018 |
| Milli Re | B+ | Negative | 9 August 2018 |

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 2018.

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.

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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 communiqué 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 2018 account period as TRY 34,438,818 under the account of “premiums transferred to SSI” (1 January - 31 December 2017: TRY 31,821,283).

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 Ministry of Treasury and Finance 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 Risky Insurance 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 2018, the Company has transferred TRY 50,783,919 premium and TRY 28,190,393 paid compensation and TRY 224,131 recovery income to the Pool. TRY 68,208,789 premium, TRY 7,350,372 commission, TRY 29,120,969 paid as compensation and TRY 131,537 recovery income from Pool to the Company were recognized in accordance with the relevant legislation.

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 Ministry of Treasury and Finance 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 Medical Malpractice Liability 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 2018, The Company has ceded TRY 1,660,254 premium to the Pool and accounted TRY 1,282,578 premium, TRY 46,869 compensation and TRY 198,089 commission income; based on its share which are reported by the Pool, on the financial statements in accordance with the legislation.

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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)
- financial assets held for trading
- 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

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 2018 | 31 December 2017 |
|---|-------------------------|-------------------------|
| Cash equivalents (Note 14) | 1,071,968,024 | 864,524,070 |
| Reinsurer's share in provision for outstanding claims (Note 10) | 899,581,260 | 572,033,973 |
| Receivables from operating activities (Note 12) | 531,686,102 | 449,611,942 |
| Financial assets held for trading (Note 11) | 22,241,849 | - |
| Prepaid taxes and funds (Note 12) | 16,140,828 | 12,243,662 |
| Other receivables (Note 12 and 47) | 2,090,897 | 3,378,530 |
| Advances given to personnel | 96,337 | 37,238 |
| Total | 2,543,805,297 | 1,901,829,415 |

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

Details of guarantees and securities taken for the receivables are as follows:

| | 31 December 2018 | 31 December 2017 |
|--|-------------------|-------------------|
| Notes received | 58,728,201 | 53,118,621 |
| Letter of guarantee | 33,246,587 | 32,480,577 |
| Cash guarantees | 3,517,803 | 2,469,605 |
| Other guarantee and commitments | 387,237 | 316,701 |
| Treasury and government bonds taken as guarantee | 2,169,205 | 1,770,430 |
| Total | 98,049,033 | 90,155,934 |

As at 31 December 2018 and 2017, the aging of the receivables from operating activities and related provisions are as follows:

| | 31 December 2018 | | 31 December 2017 | |
|--|--------------------|----------------------|--------------------|----------------------|
| | Gross amount | Provision | Gross amount | Provision |
| Undue receivables | 503,975,236 | - | 425,830,404 | - |
| Past due 0-30 days | 6,860,145 | - | 2,249,349 | - |
| Past due 31-60 days | 1,408,197 | - | 1,433,359 | - |
| Past due 61-180 days | 1,704,368 | - | 1,669,727 | - |
| Past due 181-365 days | 2,334,474 | (1,216,941) | 1,941,834 | (940,066) |
| More than one year receivables | 6,911,139 | (5,132,314) | 7,716,298 | (3,964,626) |
| Doubtful receivables under legal follow-up | 16,156,745 | (13,615,103) | 17,417,815 | (14,505,599) |
| | 539,350,304 | (19,964,358) | 458,258,786 | (19,410,291) |
| Subrogation and salvage receivables | 12,519,081 | (218,925) | 10,939,603 | (176,156) |
| Doubtful receivables from main operations Subrogation under legal follow up (Note 12) | 178,120,136 | (178,120,136) | 148,310,199 | (148,310,199) |
| Total | 729,989,521 | (198,303,419) | 617,508,588 | (167,896,646) |

The movement in the allowance for impairment in respect of premium receivables during the period is as follows:

| | 2018 | 2017 |
|--|----------------------|----------------------|
| Beginning of the period - 1 January | (167,896,646) | (139,160,340) |
| Change in provision for recovery receivables under legal follow-up (Note 47) | (29,809,936) | (33,638,870) |
| Change in provision for premium receivables Doubtful receivables under legal follow-up | 136,689 | (210,093) |
| Collections in the period (Note 47) | 753,806 | 372,976 |
| Change in provision from premium Receivables under management bias (Note 47) | (1,444,563) | 2,922,773 |
| Change in provision from recovery Receivables under management bias (Note 47) | (42,769) | 59,370 |
| Other | - | 1,757,538 |
| Period ending - December 31 | (198,303,419) | (167,896,646) |

GÜNEŞ SİGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**

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

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 2018 | Book value | Up to 1 month | 1 to 3 months | 3 to 12 months | 1 to 5 years |
|---|----------------------|----------------------|----------------------|-----------------------|---------------------|
| Assets | | | | | |
| Cash and cash equivalents | 1,071,969,768 | 154,590,739 | 917,379,029 | - | - |
| Receivables from operating activities | 531,686,102 | 55,734,941 | 183,129,868 | 282,746,755 | 10,074,538 |
| Financial assets held for trading | 22,241,849 | - | - | - | 22,241,849 |
| Other receivables | 2,090,897 | 1,937,498 | - | - | 153,399 |
| Total monetary assets | 1,627,988,616 | 212,263,178 | 1,100,508,897 | 282,746,755 | 32,469,786 |
| Liabilities | | | | | |
| Payables from operating activities | 288,616,766 | 30,846,821 | 182,761,606 | 75,008,339 | - |
| Due to related parties | 67,161 | 67,161 | - | - | - |
| Other payables | 30,747,920 | 9,107,376 | 18,221,123 | - | 3,419,421 |
| Provision for outstanding claims, net | 757,657,673 | 113,648,651 | 393,981,990 | 166,684,688 | 83,342,344 |
| Provision for tax and Other similar liabilities | 31,148,209 | 28,951,042 | 2,197,167 | - | - |
| Total monetary liabilities | 1,108,237,729 | 182,621,051 | 597,161,886 | 241,693,027 | 86,761,765 |
| 31 December 2018 | | | | | |
| Assets | | | | | |
| Cash and cash equivalents | 864,526,361 | 134,656,947 | 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 | 1,317,531,280 | 215,889,439 | 877,379,164 | 219,275,076 | 4,987,601 |
| Liabilities | | | | | |
| Payables from operating activities | 223,087,097 | 21,951,973 | 151,406,085 | 49,729,039 | - |
| 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 |

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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 2018 | US Dollar | Euro | Other currencies | Total |
|--|----------------------|---------------------|-------------------------|----------------------|
| Assets: | | | | |
| Cash and cash equivalents | 28,642,224 | 14,241,127 | 834 | 42,884,185 |
| Receivables from operating activities | 235,362,961 | 41,705,054 | 1,606,616 | 278,674,631 |
| Total foreign currency assets | 264,005,185 | 55,946,181 | 1,607,450 | 321,558,816 |
| Liabilities: | | | | |
| Payables arising from operating activities | (171,534,835) | (13,985,101) | (451,016) | (185,970,952) |
| Provision for outstanding claims | (5,108,870) | (1,785,760) | (106,996) | (7,001,626) |
| Deposits and collaterals received | (1,166,195) | (292,483) | - | (1,458,678) |
| Total foreign currency liabilities | (177,809,900) | (16,063,344) | (558,012) | (194,431,256) |
| Balance sheet position | 86,195,285 | 39,882,837 | 1,049,438 | 127,127,560 |
| 31 December 2017 | | | | |
| 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 |

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 2018 and 2017 are as follows:

| | USD | Euro |
|------------------|------------|-------------|
| 31 December 2018 | 5.2609 | 6.0280 |
| 31 December 2017 | 3.7719 | 4.5155 |

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

Exposure to currency risk

20 percent devaluation of the TRY against the following currencies as at 31 December 2018 and 2017 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 2018 | | 1 January - 31 December 2017 | |
|-------------------|---------------------------------|-------------------|---------------------------------|-------------------|
| | Profit or loss | Equity | Profit or loss | Equity |
| US Dollar | 17,239,057 | 17,239,057 | 16,392,526 | 16,392,526 |
| Euro | 7,976,567 | 7,976,567 | 7,976,567 | 7,976,567 |
| Other currencies | 209,888 | 209,888 | 209,888 | 209,888 |
| Total, net | 25,425,512 | 25,425,512 | 24,578,981 | 24,578,981 |

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 2018 and 2017; the interest rate profile of the Company's interest earning financial assets and interest bearing financial liabilities are detailed below:

| | 31 December 2018 | 31 December 2017 |
|---|------------------|------------------|
| Financial assets with fixed interest rate: | | |
| Deposits in banks (Note 14) | 917,379,027 | 729,196,633 |
| Financial assets held for trading (Note 11) | 22,241,849 | - |

Interest rate sensitivity of the financial instruments

The Company does not have any interest sensitive financial instrument as of 31 December 2018.

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.

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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 2018 | Level 1 | Level 2 | Level 3 | Total |
|---|-------------------|--------------------|--------------------|--------------------|
| Financial Assets: | | | | |
| Financial assets held for trading (Note 11) | - | 22,241,849 | - | 22,241,849 |
| Associates | 34,898,933 | - | 576,197,588 | 611,096,521 |
| Properties held for use (Note 6) | - | 204,120,000 | - | 204,120,000 |
| Investment Properties (Note 7) | - | 17,162,000 | - | 17,162,000 |
| Total Financial Assets | 34,898,933 | 243,523,849 | 576,197,588 | 854,620,370 |

| 31 December 2017 | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------|-------------------|--------------------|--------------------|--------------------|
| Financial Assets: | | | | |
| Associates | 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 |

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.

| | 2018 | 2017 |
|---|--------------------|--------------------|
| Beginning - January 1 | 460,879,004 | 323,706,588 |
| Total gains and loss - Recognized in other comprehensive income | 115,318,584 | 137,172,416 |
| Period ending - December 31 | 576,197,588 | 460,879,004 |

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.

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 “BİST”) 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:

| | | 31 December 2018 | 31 December 2017 |
|------------|-----------------|------------------|------------------|
| | Change in Index | Equity | Equity |
| BİST - 100 | %10 | 3,490,035 | 4,089,103 |

GÜNEŞ SİGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**

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

Capital management

The Company's major capital management policies include the following:

- To comply with the insurance capital requirements required by Ministry of Treasury and Finance
- 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 Ministry of Treasury and Finance; as of 31 December 2018, the Company measured its minimum capital requirement as TRY 450,822,657 (31 December 2017: TRY 377,063,936). As of 31 December 2018, the Company's total equity calculated in accordance with the related communiqué is equal to TRY 824,933,495 which is more than the minimum capital requirement by TRY 374,110,838 (31 December 2017:TRY 317,785,253 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.

Information about earnings from financial assets is indicated in note 26. The details of financial expenses are as follows:

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|---|---|---|
| Investment income transferred to non-life technical section | 140,777,407 | 74,992,877 |
| Foreign exchange losses | 158,725,233 | 64,023,399 |
| <i>Fx losses from current account transactions</i> | <i>122,581,560</i> | <i>45,661,422</i> |
| <i>Fx losses from cash and cash equivalent transactions</i> | <i>36,143,673</i> | <i>18,361,977</i> |
| Amortization expenses | 6,861,268 | 7,343,000 |
| Investment management expenses - including interest | 5,635,884 | 3,767,707 |
| Other | 10,139,772 | 5,967,620 |
| Financial expenses | 322,139,564 | 156,094,603 |

The details of financial gains and loses recognized in equity are as follows:

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|---|---|---|
| Changes in fair value of Investments at associates (Note15) | 104,588,356 | 139,073,733 |
| Total | 104,588,356 | 139,073,733 |

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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.

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.

GÜNEŞ SİGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**

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

As of 1 January - 31 December 2018 segment results are as follows:

| | Motor Third Party Liability | Land Vehicles | Health | Fire | Other Undistributed | Total |
|---|-----------------------------------|----------------------|----------------------|---------------------|------------------------|------------------------|
| Technical Income | 362,391,776 | 320,019,090 | 163,606,792 | 132,046,463 | 114,935,599 | 1,092,999,720 |
| 1 - Earned premiums (net off reinsurers' share) | 297,355,929 | 293,952,918 | 147,411,500 | 97,757,007 | 82,477,749 | 918,955,103 |
| 1.1 - Written premiums (net off reinsurers' share) | 354,212,017 | 298,658,673 | 153,221,918 | 106,269,972 | 90,453,542 | 1,002,816,122 |
| 1.2 - Change in reserve for unearned premiums | (42,066,596) | (4,705,755) | (5,810,418) | (8,512,965) | (5,950,319) | (67,046,053) |
| 1.3 - Change in reserve for unexpired risks | (14,789,492) | - | - | - | (2,025,474) | (16,814,966) |
| 2 - Other technical incomes and accrued salvage and Subrogation receivables (net off reinsurer's share) | 17,209,607 | 9,498,146 | 101,611 | 4,529,806 | 1,928,040 | 33,267,210 |
| 3 - Investment Income Transferred from Non-Technical Part | 47,826,240 | 16,568,026 | 16,093,681 | 29,759,650 | 30,529,810 | 140,777,407 |
| Technical Expense | (399,086,344) | (353,825,107) | (165,616,478) | (85,298,331) | (63,454,389) | (1,067,280,649) |
| 1 - Damages accrued (net off reinsurers' share) | (346,435,096) | (269,006,195) | (113,807,302) | (37,674,698) | (39,587,842) | (806,511,133) |
| 1.1 - Claims paid (net off reinsurers' share) | (244,212,922) | (260,396,725) | (116,055,415) | (37,575,311) | (20,527,839) | (678,768,212) |
| 1.2 - Change in provision for outstanding claims (net off reinsurers' share and deferred part) (+/-) | (102,222,174) | (8,609,470) | 2,248,113 | (99,387) | (19,060,003) | (127,742,921) |
| 2 - Change in other technical provisions | - | (999,848) | - | (4,257,593) | (516,665) | (5,774,106) |
| 3 - Operating expenses | (52,651,248) | (83,819,064) | (51,809,176) | (43,366,040) | (23,349,882) | (254,995,410) |
| Profit/(loss) | (36,694,568) | (33,806,017) | (2,009,686) | 46,748,132 | 51,481,210 | 25,719,071 |
| Investment income | | | | | 361,695,776 | 361,695,776 |
| Investment expenses | | | | | (325,504,667) | (325,504,667) |
| Other operating expenses | | | | | (51,038,806) | (51,038,806) |
| Net period profit | | | | | | 10,871,374 |

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

As of 1 January - 31 December 2017 segment results are as follows:

| | Motor Third Party Liability | Land Vehicles | Health | Fire | Other | Undistributed | Total |
|---|--------------------------------|----------------------|----------------------|---------------------|---------------------|---------------|----------------------|
| Technical Income | 316,575,320 | 284,586,323 | 143,169,145 | 92,373,525 | 88,806,471 | - | 925,510,784 |
| 1 - Earned premiums (net off reinsurers' share) | 272,859,468 | 261,520,809 | 133,911,607 | 77,760,239 | 68,901,890 | - | 814,954,013 |
| 1.1 - Written premiums (net off reinsurers' share) | 291,878,610 | 284,846,842 | 142,589,314 | 85,828,475 | 79,110,266 | - | 884,253,507 |
| 1.2 - Change in reserve for unearned premiums | (19,019,142) | (23,326,033) | (8,677,707) | (8,068,236) | (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 off reinsurer's share) | 20,769,063 | 5,066,443 | 330,130 | 3,782,612 | 5,615,646 | - | 35,563,894 |
| 3 - Investment Income Transferred from Non-Technical Part | 22,946,789 | 17,999,071 | 8,927,408 | 10,830,674 | 14,288,935 | - | 74,992,877 |
| Technical Expense | (335,808,060) | (283,767,871) | (153,236,147) | (83,640,967) | (41,182,617) | - | (897,635,662) |
| 1 - Damages accrued (net off reinsurers' share) | (278,455,418) | (210,205,749) | (107,648,161) | (45,577,909) | (27,054,558) | - | (668,941,795) |
| 1.1 - Claims paid (net off reinsurers' share) | (192,017,209) | (205,959,567) | (103,461,800) | (39,647,918) | (19,974,553) | - | (561,061,047) |
| 1.2 - Change in provision for outstanding claims (net off reinsurers' share and deferred part) (+/-) | (86,438,209) | (4,246,182) | (4,186,361) | (5,929,991) | (7,080,005) | - | (107,880,748) |
| 2 - Change in other technical provisions | - | (834,143) | - | (3,789,105) | (540,525) | - | (5,163,773) |
| 3 - Operating expenses | (57,352,642) | (72,727,979) | (45,587,986) | (34,273,953) | (13,587,534) | - | (223,530,094) |
| Profit/(Loss) | (19,232,740) | 818,452 | (10,067,002) | 8,732,558 | 47,623,854 | - | 27,875,122 |
| Investment income | | | | | | 173,061,749 | 173,061,749 |
| Investment expenses | | | | | | (156,094,603) | (156,094,603) |
| Other operating expenses | | | | | | (18,349,029) | (18,349,029) |
| Net period profit | | | | | | | 26,493,239 |

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

6. TANGIBLE ASSETS

Movements of tangible assets in the period from 1 January to 31 December 2018.

| | 1 January 2018 | Additions | Disposals | Valuation Increase | 31 December 2018 |
|--|---------------------|--------------------|------------------|--------------------|---------------------|
| Cost: | | | | | |
| Real estate property held for use | 188,775,000 | - | - | 15,345,000 | 204,120,000 |
| Machinery and equipment | 6,346,054 | 123,763 | (43,208) | - | 6,426,609 |
| Furniture and fixtures | 6,242,902 | 97,302 | (4,900) | - | 6,335,304 |
| Motor vehicles | 414,561 | - | - | - | 414,561 |
| Other tangibles (include leasehold improvements) | 1,535,635 | - | - | - | 1,535,635 |
| Leased assets | 8,840,627 | - | (21,140) | - | 8,819,487 |
| | 212,154,779 | 221,065 | (69,248) | 15,345,000 | 227,651,596 |
| Accumulated depreciation: | | | | | |
| Real estate property held for use | - | (1,640,823) | 1,640,823 | - | - |
| Machinery and equipment | (4,824,531) | (570,007) | 41,408 | - | (5,353,130) |
| Furniture and fixtures | (5,639,553) | (156,997) | 4,900 | - | (5,791,650) |
| Motor vehicles | (392,501) | (14,993) | - | - | (407,494) |
| Other tangibles (include leasehold improvements) | (1,510,475) | (14,717) | - | - | (1,525,192) |
| Leased assets | (6,119,147) | (1,897,526) | 15,137 | - | (8,001,536) |
| | (18,486,207) | (4,295,063) | 1,702,268 | - | (21,079,002) |
| Net book value | 193,668,572 | | | | 206,572,594 |

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

Movements of tangible assets in the period from 1 January to 31 December 2017.

| | 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 equipments | (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 |

The Company's properties held for use is recognized at fair value. As of 31 December 2018, 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 2018 | 31 December 2017 |
|------------------|---------------------------------|--------------------|--------------------|
| Güneş Plaza | TSKB Gayrimenkul Değerleme A.Ş. | 190,000,000 | 177,165,000 |
| Ankara Building | TSKB Gayrimenkul Değerleme A.Ş. | 4,895,000 | 3,750,000 |
| Kabataş Building | TSKB Gayrimenkul Değerleme A.Ş. | 3,750,000 | 3,700,000 |
| Antalya Building | TSKB Gayrimenkul Değerleme A.Ş. | 3,050,000 | 1,645,000 |
| Trabzon Building | TSKB Gayrimenkul Değerleme A.Ş. | 900,000 | 1,000,000 |
| Adana Building | TSKB Gayrimenkul Değerleme A.Ş. | 780,000 | 950,000 |
| Samsun Building | TSKB Gayrimenkul Değerleme A.Ş. | 445,000 | 290,000 |
| Erzurum Building | TSKB Gayrimenkul Değerleme A.Ş. | 300,000 | 275,000 |
| Toplam | | 204,120,000 | 188,775,000 |

GÜNEŞ SİGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**

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

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:

| | 2018 | 2017 |
|--|--------------------|--------------------|
| Beginning - 1 January | 139,597,258 | 126,790,558 |
| Increase in value arising from revaluation | 16,985,828 | 14,236,834 |
| Depreciation differences recognized in retained earnings net | (710,872) | (632,405) |
| Increase in value arising from revaluation Deferred tax effect (Note 21) | (6,973,127) | (797,729) |
| Period ending - 31 December (Note 15) | 148,899,087 | 139,597,258 |

Cost and accumulated depreciations of the buildings as at 31 December 2018 and 2017 are as follows:

| | 31 December 2018 | 31 December 2017 |
|--------------------------|-------------------------|-------------------------|
| Cost | 55,943,389 | 55,943,389 |
| Accumulated depreciation | (17,249,404) | (16,319,453) |
| Net book value | 38,693,985 | 39,623,936 |

As of 31 December 2018 and 2017, reconciliation between net book value, calculated by costs of properties held for own use and revalued amounts are as follows:

| | 31 December 2018 | 31 December 2017 |
|--|-------------------------|-------------------------|
| Revalued amount | 204,120,000 | 188,775,000 |
| Accumulated depreciation | - | - |
| Revalued amount (net of accumulated depreciation) | 204,120,000 | 188,775,000 |
| Net book value, calculated over cost amount | (38,693,985) | (39,623,936) |
| Revaluation fund before tax | 165,426,015 | 149,151,064 |
| Calculated deferred tax liability (Note 21) | (16,526,928) | (9,553,806) |
| Revaluation fund, (net) (Note 15) | 148,899,087 | 139,597,258 |

There is no commitment on the properties held for use (31 December 2017: None)

7. INVESTMENT PROPERTY

As at 31 December 2018 and 2017, movements of the investment properties are as follows:

| | 1 January 2018 | Additions | Disposals | Valuation Increase | 31 December 2018 |
|-----------------------|-----------------------|------------------|--------------------|---------------------------|-------------------------|
| Investment properties | 14,866,000 | - | (1,967,000) | 4,263,000 | 17,162,000 |
| | 14,866,000 | - | (1,967,000) | 4,263,000 | 17,162,000 |
| | 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 |

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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 2018 and 2017, investment properties are reflected into the financial statements at their fair values obtained from appraisal reports prepared by independent professional valuation experts.

| | 31 December 2018 | 31 December 2017 |
|---|-------------------|-------------------|
| Izmir Konak Land ^(*) | 11,100,000 | 9,300,000 |
| Tekirdağ Farm ^(*) | 4,720,000 | 4,240,000 |
| Other land and buildings ^(*) | 1,342,000 | 1,326,000 |
| Total | 17,162,000 | 14,866,000 |

^(*) The value of these properties has been determined by the peer comparison method, specified in appraisal report dated 15 January 2019.

Costs and accumulated depreciation of investment properties as at 31 December 2018 and 2017 are as follows:

| | 31 December 2018 | 31 December 2017 |
|--------------------------|------------------|------------------|
| Cost | 10,361,760 | 10,776,658 |
| Accumulated Depreciation | (6,766,057) | (6,576,899) |
| Net book value | 3,595,703 | 4,199,759 |

There is no rental income from investment properties (31 December 2017: None).

There are no pledges on the investment properties (31 December 2017: None).

8. INTANGIBLE ASSETS

Movements in intangible assets in the period from 1 January to 31 December 2018 and 2017 are as follows:

| | 1 January 2018 | Additions | Disposals | 31 December 2018 |
|----------------------------------|---------------------|--------------------|-----------|---------------------|
| Cost: | | | | |
| Rights | 8,862,556 | 1,851,350 | - | 10,713,906 |
| Computer software | 16,507,653 | - | - | 16,507,653 |
| | 25,370,209 | 1,851,350 | - | 27,221,559 |
| Accumulated amortization: | | | | |
| Rights | (8,067,105) | (915,440) | - | (8,982,545) |
| Computer software | (10,179,718) | (1,650,765) | - | (11,830,483) |
| | (18,246,823) | (2,566,205) | - | (20,813,028) |
| Net book value | 7,123,386 | | | 6,408,531 |
| | | | | |
| | 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 |

GÜNEŞ SİGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**

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

9. INVESTMENT IN EQUITY SHARES

| | Participation Rate(%) | 31 December 2018 | | 31 December 2017 | |
|---|--------------------------|-------------------|--------------------|-------------------|--------------------|
| | | Cost | Carrying Value | Cost | Carrying Value |
| Vakıf Finansal Kiralama A.Ş. | 15.65 | 13,614,690 | 24,234,019 | 13,614,690 | 28,182,257 |
| Vakıf Gayrimenkul Yatırı. Ort. A.Ş. ⁽¹⁾ | 1.74 | 8,060,517 | 7,342,914 | 8,060,517 | 9,605,125 |
| Vakıf Menk. Kıy. Yat. Ort. A.Ş. | 11.00 | 2,200,000 | 3,322,000 | 2,200,000 | 3,102,000 |
| Publicly traded investment in equity shares | | 23,875,207 | 34,898,933 | 23,875,207 | 40,889,382 |
| Vakıf Emeklilik ve Hayat A.Ş. (1) | 37.10 | 27,260,175 | 533,464,441 | 27,260,175 | 426,351,465 |
| Vakıf Finans Faktoring A.Ş. (2) | 13.71 | 7,229,553 | 29,755,128 | 7,229,553 | 21,601,204 |
| Taksim Otelcilik A.Ş. (2) | 1.43 | 5,628,206 | 6,187,125 | 5,628,206 | 6,474,468 |
| Vakıf Pazarlama Sanayi ve Ticaret A.Ş. (2) ⁽¹⁾ | 9.76 | 13,989,682 | 4,831,293 | 13,989,682 | 4,827,447 |
| Türk P ve I Sigorta A.Ş. (4) | 16.67 | 1,375,000 | 1,375,000 | 1,000,000 | 1,000,000 |
| Vakıf İnşaat Restorasyon Tic. A.Ş. (3) ⁽¹⁾ | 3.00 | 5,919,833 | 900,801 | 5,919,832 | 900,801 |
| Vakıf Yatırım Menkul Değerler A.Ş. (2) | 0.25 | 130,801 | 661,437 | 130,801 | 467,176 |
| Tarım Sigortaları Havuz İşl. A.Ş. (4) | 4.17 | 430,032 | 430,032 | 346,211 | 346,211 |
| Vakıf Enerji ve Madencilik A.Ş. (2) ⁽¹⁾ | 1.77 | 4,703,224 | 397,363 | 4,703,224 | 256,443 |
| Other non-marketable securities | | 66,666,506 | 578,002,620 | 66,207,684 | 462,225,215 |
| Financial assets total | | 90,541,713 | 612,901,553 | 90,082,891 | 503,114,597 |

(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 2018 and 2017, its fair value was determined based on valuation report dated 16 January 2018 prepared by a CMB licensed company.

(2) As at 31 December 2018 and 2017 the fair value determined based on valuation reports held.

(3) As at 31 December 2018 and 2017 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.

⁽¹⁾ As of 31 December 2018, the Company has allocated TRY 19,200,885 provision for related investments. (31 December 2017: 18,628,047TL).

Movements of financial assets during the period as follows:

| | 2018 | 2017 |
|--|--------------------|--------------------|
| Beginning of the period - 1 January | 503,114,597 | 356,886,871 |
| Purchases | 392,201 | - |
| Fair value increases, recognized in equity (Note 15) | 110,045,739 | 146,101,640 |
| Value decreases reflected in income statement | (717,603) | - |
| Disposals | - | (14,425) |
| Other | 66,619 | 140,511 |
| Period ending - 31 December | 612,901,553 | 503,114,597 |

As of 31 December 2018 and 2017, there are no financial assets given as a guarantee.

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

The table within the company’s equity share and associates as it is below:

| Thousand TL | Total Assets | Total Equity | Current year Profit/(Loss) | Prior Profit/(Loss) | Audited/Unaudited | Period |
|--|--------------|--------------|----------------------------|---------------------|-------------------|------------------|
| Vakıf Emeklilik ve Hayat A.Ş. | 8,914,605 | 464,739 | 199,737 | 73,260 | Audited | 31 December 2018 |
| Vakıf Finansal Kiralama A.Ş. | 3,085,702 | 247,113 | 40,433 | 33,664 | Audited | 31 December 2018 |
| Vakıf Finans Factoring Hizmetleri A.Ş. | 2,685,802 | 241,379 | 94,928 | 23,194 | Audited | 31 December 2018 |
| Vakıf Gayrimenkul Yat. Ort. A.Ş. | 1,689,412 | 985,645 | 37,735 | 78,179 | Audited | 31 December 2018 |
| Vakıf Yatırım Menkul Değerler A.Ş. | 532,102 | 205,129 | 34,272 | 11,178 | Audited | 31 December 2018 |
| Vakıf Menk. Kıy. Yat. Ort. A.Ş. | 17,922 | 17,527 | 101 | (3,009) | Audited | 31 December 2018 |
| Tarım Sigortaları Havuz İşl. A.Ş. | 24,933 | 10,321 | 4,772 | 1,753 | Unaudited | 31 December 2018 |
| Türk P ve I Sigorta A.Ş. | 41,798 | 8,523 | 6,068 | 1,779 | Unaudited | 31 December 2018 |
| Vakıf Enerji ve Madencilik A.Ş. | 305,391 | 231,027 | (2,533) | (19,341) | Unaudited | 31 December 2018 |
| Taksim Otelcilik A.Ş. | 385,932 | 374,130 | 19,360 | 4,067 | Unaudited | 31 December 2018 |
| Vakıf Paz. Sanayi ve Ticaret A.Ş. | 78,703 | 56,899 | 5,205 | 5,904 | Unaudited | 31 December 2017 |

10. REINSURANCE ASSETS AND LIABILITIES

As a ceding company, outstanding reinsurance assets and liabilities of the Company shown in details as follows:

| | 31 December 2018 | 31 December 2017 |
|--|------------------|------------------|
| Reinsurance Assets /(Liabilities) | | |
| Provision for outstanding claims, ceded (Note 17) | 899,581,260 | 572,033,973 |
| Reserve for unearned premiums, ceded (Note 17) | 521,527,205 | 414,840,059 |
| Equalization provision reinsurance share (Note 17) | 77,843,764 | 61,517,506 |
| Reserve for unexpired risks reinsurance share (Note 17) | 27,002,225 | 7,560,519 |
| Unearned premiums SSI share | 18,731,331 | 14,656,166 |
| Deferred commission income (Note 17) | (70,519,558) | (68,769,403) |
| Current account net debts of reinsurance companies (Note 19) | (258,346,265) | (158,337,605) |

As of 31 December 2018, the Company accounted for a provision amounting to TRY 44,029,675 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 2017: TRY 25,192,704) (Note17).

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|---|------------------------------|------------------------------|
| Reinsurance Income/(Expenses) | | |
| Paid Claims - Reinsurer Share | 412,573,168 | 278,467,374 |
| Outstanding claim provision- Reinsurer Share | 327,547,287 | 151,862,624 |
| Commissions received from reinsurers, net (Note 32) | 130,199,406 | 115,700,456 |
| Change in Unearned premium reserve- Reinsurer Share | 106,687,146 | 73,430,702 |
| Equalization provision - Reinsurer Share | 16,326,258 | 14,223,021 |
| Change in Unearned premium reserve SSI Share | 4,075,165 | 1,328,485 |
| Unexpired risk Reserve - Reinsurer Share | 19,441,706 | (2,286,632) |
| Ceded premiums to SSI | (34,438,818) | (31,821,283) |
| Ceded premiums to reinsurers | (870,151,643) | (744,904,463) |

Detailed explanations about reinsurance agreements are disclosed in Note 2.14.

GÜNEŞ SİGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**

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

11. FINANCIAL ASSETS

| | 31 December 2018 | 31 December 2017 |
|-----------------------------------|-------------------------|-------------------------|
| Financial assets held for trading | 22,241,849 | - |
| | 22,241,849 | - |

As of 31 December 2018, the details of the Company's trading financial assets are as follows:

| 31 December 2018 | Nominal Value | Cost | Fair Value | Book Value |
|----------------------------|----------------------|-------------------|-------------------|-------------------|
| Asset based securities- TL | 22,000,000 | 22,000,000 | 22,241,849 | 22,241,849 |
| Total | 22,000,000 | 22,000,000 | 22,241,849 | 22,241,849 |

| | 1 January 2018 | Additions | Disposals | Valuation increase | 31 December 2018 |
|-----------------------------------|-----------------------|-------------------|---------------------|---------------------------|-------------------------|
| Financial assets held for trading | - | 41,999,999 | (21,618,349) | 1,860,199 | 22,241,849 |
| | - | 41,999,999 | (21,618,349) | 1,860,199 | 22,241,849 |

12. LOANS AND RECEIVABLES

| | 31 December 2018 | 31 December 2017 |
|--|-------------------------|-------------------------|
| Receivables from operating activities (Note 4.2) | 531,686,102 | 449,611,942 |
| Prepaid taxes and funds (Note 4.2) | 16,140,828 | 12,243,662 |
| Other receivables (Note 4.2) | 2,090,897 | 3,378,530 |
| Total | 549,917,827 | 465,234,134 |

| | | |
|----------------------------------|--------------------|--------------------|
| Short-term receivables | 549,764,428 | 465,058,669 |
| Medium and long-term receivables | 153,399 | 175,465 |
| Total | 549,917,827 | 465,234,134 |

As at 31 December 2018 and 2017, receivables from operating activities are detailed as follows:

| | 31 December 2018 | 31 December 2017 |
|---|-------------------------|-------------------------|
| Receivables from agencies, brokers and intermediaries | 342,750,925 | 331,702,651 |
| Receivables from policyholders | 180,442,634 | 109,138,320 |
| Salvage and subrogation (Note 2.20) | 12,519,081 | 10,939,603 |
| Total receivables from main insurance operations | 535,712,640 | 451,780,574 |
| Provision for salvage and subrogation receivables (Note 2.20) | (218,925) | (176,156) |
| Provision for premium receivables | (6,349,255) | (4,904,692) |
| Provisions for receivables from insurance operations | (6,568,180) | (5,080,848) |
| Total receivables from main insurance operations -net | 529,144,460 | 446,699,726 |
| Salvage and subrogation receivables under administrative and legal follow up - gross | 178,120,136 | 148,310,199 |
| Doubtful receivables from main operations | 16,156,745 | 17,417,815 |
| Doubtful receivables from main operations | 194,276,881 | 165,728,014 |
| Receivables from main operations-gross | 723,421,341 | 612,427,740 |
| Provisions for salvage and subrogation receivables under administrative and legal follow up | (178,120,136) | (148,310,199) |
| Provisions for doubtful receivables from main operations | (13,615,103) | (14,505,599) |
| Allowances for doubtful receivables from main operating activities | (191,735,239) | (162,815,798) |
| Receivables from main operations | 531,686,102 | 449,611,942 |

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

Details of salvage and subrogation receivables are as follows:

| | 31 December 2018 | 31 December 2017 |
|---|--------------------|--------------------|
| Salvage and subrogation receivables - gross | 320,154,784 | 274,431,090 |
| Salvage and subrogation receivables - reinsurance share | (129,515,567) | (115,181,288) |
| Salvage and subrogation | 190,639,217 | 159,249,802 |
| Provisions for salvage and subrogation receivables under administrative and legal follow up | (178,120,136) | (148,310,199) |
| Provision of salvage and subrogation receivables | (218,925) | (176,156) |
| Accruals of net salvage and subrogation receivables | 12,300,156 | 10,763,447 |

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 2018 and 2017, the Company does not have any derivative financial instruments

14. CASH AND CASH EQUIVALENT ASSETS

As of 31 December 2018 and 2017, cash and cash equivalents are as follows:

| | 31 December 2018 | | 31 December 2017 | |
|---|--------------------------|--------------------------------|--------------------------|--------------------------------|
| | 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 | 1,744 | 2,291 | 2,291 | 1,186 |
| Banks | 920,893,658 | 739,177,481 | 739,177,481 | 556,902,445 |
| Receivables from Credit Cards | 151,074,366 | 125,333,334 | 125,333,334 | 108,299,498 |
| Mail Cheque | - | 13,255 | 13,255 | 7,775 |
| | 1,071,969,768 | 864,526,361 | 864,526,361 | 665,210,904 |
| Blocked amounts | (136,153,554) | (130,089,149) | (130,089,149) | (143,224,016) |
| Accrued interest on bank deposits | (9,656,721) | (4,747,610) | (4,747,610) | (1,831,070) |
| Cash and cash equivalents in the statement of cash flows | 926,159,493 | 729,689,602 | 729,689,602 | 520,155,818 |

GÜNEŞ SİGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**

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

As at 31 December 2018 and 2017, bank balances are detailed as follows

| | 31 December 2018 | 31 December 2017 |
|---|-------------------------|-------------------------|
| Foreign currency denominated bank deposit | | |
| - Time deposit | 42,288,349 | 67,676,436 |
| - Demand deposit | 595,836 | 2,176,570 |
| Bank deposit in Turkish Lira | | |
| - Time deposits | 875,090,678 | 661,520,197 |
| - Demand deposits | 2,918,795 | 7,804,278 |
| Banks | 920,893,658 | 739,177,481 |

As of 31 December 2018, the Company has blocked bank deposits in favor of Ministry of Treasury and Finance in the amount of TRY 129,300,000 (31 December 2017: TRY 121,512,885), Tarım Sigortaları Havuz İşletmeleri A.Ş.'s (TARSiM) the amount of TRY 5,603,554 Tarım Sigortaları Havuz İşletmeleri AŞ ("TARSiM") (31 December 2017: TRY 7,326,264) and Central Bank of Turkish Republic of Northern Cyprus in the amount of TRY 1,250,000 (31 December 2017: TRY 1,250,000).

As of 30 June 2018, maturity distributions of time deposits are between 2 days and 92 days (31 December 2017: 2-92 days). Interest rates of time deposits are as follows:

| | 31 December 2018 | 31 December 2017 |
|-----|-------------------------|-------------------------|
| TL | %20.00 - %24.15 | %10.00 - %15.50 |
| USD | %0.60 - %1.75 | %1.00 - %1.50 |
| EUR | %0.20 | %0.15 |

15. SHAREHOLDERS' EQUITY**Paid in capital**

As of 31 December 2018, 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 2017: 270,000,000 issued shares, TRY 270,000,000 paid capital).

There are no privileges to any class of shares.

As at 31 December 2018, the shareholders which have direct or indirect control over the shares of the Company are Vakıflar Bankası with 48.02% of shares (31 December 2017: 48.02%) and Groupama Holding Filiales et Participations with 20% of shares (31 December 2017: 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 2018 and 2017, the detail of other capital reserves in accompanying the financial statements are as follows:

| | 31 December 2018 | 31 December 2017 |
|---|-------------------------|-------------------------|
| Funds of profit from sale of properties | 78,756,302 | 78,404,082 |
| Premium on issued shares | 654,992 | 654,992 |
| Capital Reserves | 79,411,294 | 79,059,074 |

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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 Ministry of Treasury and Finance, 75% of TRY 104,608,403 sales gain amounting to TRY 78,756,302 arising from sales of the other investment properties in 2010, 2014 and 2015, are recognized under “other capital reserve” account.

In accordance with the same disclosures, the Company acquired 50% of the building sales profit of TRY 2,644,810, which is calculated from the sale of investment property owned by the Company in accordance with the Tax Procedural Law is amounting to TRY 1,322,405; “Net Profit” is classified as “Non-Distribution Profit” within the account group. TRY 1,092,710 of sales profit, which is calculated by taking into consideration the book value determined according to TAS, has been accounted under tab Investment Revenues sales in the income statement (31 December 2017: TRY 249,867).

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 2018 | 31 December 2017 |
|-----------------------|------------------|------------------|
| Legal reserves | 4,949,441 | 4,949,441 |
| Legal reserves | 4,949,441 | 4,949,441 |

Valuation of financial assets

As at 31 December 2018 and 2017, 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 2018 | 31 December 2017 |
|--------------------------------------|--------------------|--------------------|
| Investment in equity shares | 529,808,797 | 425,220,441 |
| Valuation of financial assets | 529,808,797 | 425,220,441 |

The movements of change in fair value of investment in equity shares are given below:

| | 2018 | 2017 |
|---|--------------------|--------------------|
| Beginning of the period - 1 January | 425,220,441 | 286,146,708 |
| Fair value increase (Note 9) | 110,045,739 | 146,101,640 |
| Tax effect on fair value increase (Note 21) | (5,524,002) | (7,168,418) |
| Other | 66,619 | 140,511 |
| Period ending - 31 December | 529,808,797 | 425,220,441 |

The value increase in financial assets in last 3 years (with the effect of related tax effect) is as follows:

| | |
|------|-------------|
| 2018 | 104,588,356 |
| 2017 | 139,073,733 |
| 2016 | 53,110,482 |

GÜNEŞ SİGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**

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

Other profit reserves

In accordance with the 4 July 2007 dated and 2007/3 numbered Compliance Circular issued by Ministry of Treasury and Finance, 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 2018 | 31 December 2017 |
|---|-------------------------|-------------------------|
| Revaluation fund (Note 6) | 148,899,087 | 139,597,258 |
| 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) | (4,841,636) | (4,054,406) |
| Other profit reserves | 163,115,332 | 154,600,733 |

The movement of the revaluation funds is as follows:

| | 2018 | 2017 |
|--|--------------------|--------------------|
| Beginning of the period - 1 January | 139,597,258 | 126,790,558 |
| Increase/(decrease) in the revaluation fund, net(Note 6) | 9,301,829 | 12,806,700 |
| End of the period - 31 December (Note 6) | 148,899,087 | 139,597,258 |

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.

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

17. INSURANCE LIABILITIES AND REINSURANCE ASSETS

As of 31 December 2018 and 2017, details of technical provisions are as follows:

| | 31 December 2018 | 31 December 2017 |
|--|----------------------|----------------------|
| Reserve for unearned premiums, gross | 1,054,767,434 | 876,959,070 |
| Reserve for unearned premiums, ceded (Note 10) | (521,527,205) | (414,840,059) |
| Reserve for unearned premiums, SSI ceded (Note 10) | (18,731,331) | (14,656,166) |
| Reserve for unearned premiums, net | 514,508,898 | 447,462,845 |
| Provision for outstanding claims, gross | 1,657,238,933 | 1,201,948,725 |
| Provision for outstanding claims, ceded (Note 10) | (899,581,260) | (572,033,973) |
| Provision for outstanding claims, net | 757,657,673 | 629,914,752 |
| Reserve for unexpired risks gross | 45,001,851 | 8,745,179 |
| Reserve for unexpired risks, ceded (Note 10) | (27,002,225) | (7,560,519) |
| Reserve for unexpired risks, net | 17,999,626 | 1,184,660 |
| Equalization provision, gross | 11,699,398 | 89,599,034 |
| Equalization provision, ceded (Note 10) | (77,843,764) | (61,517,506) |
| Equalization provision, net | 33,855,634 | 28,081,528 |
| Other technical provisions, net (Note 10) | 44,029,675 | 25,192,704 |
| Total technical provisions, net | 1,368,051,506 | 1,131,836,489 |

In accordance with the 5 December 2014 dated and 2014/16 numbered “Circular on Provision for Outstanding Claim” by Ministry of Treasury and Finance, 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 2018 and 2017, 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 | Method Used | 31 December 2018 | | Method Used | 31 December 2017 | |
|---------------------------------|---------------|---------------------|--------------------|---------------|---------------------|--------------------|
| | | Provision Gross Add | Provision Net, Add | | Provision Gross Add | Provision Net Add |
| Compulsory Traffic | Standard | 320,722,728 | 304,550,032 | Standard | 240,224,798 | 235,035,943 |
| General Liability | Claim/Premium | 202,161,384 | 25,816,009 | Claim/Premium | 120,195,763 | 17,680,797 |
| Facultative financial liability | Standard | 9,876,367 | 9,716,370 | Standard | 7,010,345 | 6,855,416 |
| Accident | Standard | 3,202,065 | 1,802,442 | Standard | 2,105,160 | 1,295,516 |
| General Losses | Standard | 11,001,201 | 991,208 | Standard | 7,663,552 | 651,402 |
| Breach of trust | Standard | 7,468,789 | 450,368 | Standard | 1,059,207 | 58,256 |
| Water vehicles | Standard | 2,022,535 | 255,851 | Standard | (3,049,847) | (345,548) |
| Legal protection | Standard | 180,133 | 67,082 | Standard | 692,008 | 288,913 |
| Air vehicles | Claim/Premium | 129,341,762 | - | Claim/Premium | 60,438,445 | - |
| Air vehicles liability | Cape Cod | 38,558,435 | - | Cape Cod | 17,389,005 | - |
| Financial losses | Standard | (106,879) | (6,391) | Standard | 163,528 | 10,483 |
| Marine | Standard | (1,804,840) | (649,562) | Standard | (3,763,128) | (1,429,989) |
| Health | Standard | (1,120,847) | (1,120,847) | Standard | 102,524 | 102,452 |
| Fire and Natural Disasters | Standard | (3,329,062) | (1,895,901) | Standard | (4,149,021) | (2,269,099) |
| Land Vehicles | Standard | (13,296,012) | (13,145,768) | Standard | (18,343,618) | (18,112,489) |
| Total | | 704,877,759 | 326,830,893 | | 427,738,721 | 239,822,053 |

GÜNEŞ SİGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**

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

Below are the details of methods used to calculate net amount of provisions with additional gross, as a result of ACLM calculations for branches:

| Branches | 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 Loses elimination) | Conservation rate of incurred claims in ACLM table (after large claim |
| 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) |
| Land Vehicles | 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) |

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:

| Branches | 31 December 2018 | 31 December 2017 |
|-----------------------------------|-------------------------|-------------------------|
| Air Vehicles | 9,009,026,228 | 4,411,293,673 |
| General Liability | 4,340,660,568 | 2,216,028,630 |
| Breach of Trust | 3,820,746,494 | 340,785,571 |
| Marine | 331,125,434 | 162,980,118 |
| Air Vehicles Liability | 148,441,657 | 68,058,992 |
| Water Vehicles | 90,544,876 | 138,454,708 |
| Accident | 50,035,898 | 160,000,000 |
| Financial Losses | 16,438,859 | 538,009 |
| General Loses | 13,007,176 | 14,182,101 |
| Facultative Financial Liability | 2,721,710 | 2,342,837 |
| Land Vehicles | 870,513 | 737,771 |
| Fire and Natural Disasters | 348,381 | 362,405 |
| Legal Protection | 62,511 | 55,278 |
| Health | 39,126 | 51,222 |
| Compulsory Traffic ^(*) | - | 434,500 |

^(*) The thresholds used for Compulsory Traffic were used for the selection of development coefficients.

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

As of 31 December 2018 and 2017, movements of insurance liabilities and reinsurance assets are as follows:

Reserve for unearned premiums:

| | 2018 | | |
|-------------------------------------|----------------------|----------------------|--------------------|
| | Gross | Reinsurer's Share | Net |
| Beginning of the period - 1 January | 876,959,070 | (429,496,225) | 447,462,845 |
| Written premium during the period | 1,907,406,583 | (904,590,461) | 1,002,816,122 |
| Earned premiums during the period | (1,729,598,219) | 793,828,150 | (935,770,069) |
| Period ending - 31 December | 1,054,767,434 | (540,258,536) | 514,508,898 |

Reserve for unearned premiums:

| | 2017 | | |
|-------------------------------------|--------------------|----------------------|--------------------|
| | Gross | Reinsurer's Share | Net |
| Beginning of the period - 1 January | 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 - 31 December | 876,959,070 | (429,496,225) | 447,462,845 |

Provision for Outstanding Claim:

| | 2018 | | |
|---|----------------------|----------------------|--------------------|
| | Gross | Reinsurer's Share | Net |
| Beginning of the period - 1 January | 1,001,173,374 | (483,068,120) | 518,105,254 |
| Claims paid during the period | (265,279,639) | 176,980,644 | (88,298,995) |
| Change | | | |
| - Indirect claims | 17,342,542 | (11,609,104) | 5,733,438 |
| - Current period outstanding claims | 415,160,388 | (210,479,548) | 204,680,840 |
| - Prior years outstanding claims | 108,557,819 | (142,079,264) | (33,521,445) |
| Total reported claims end of the period | 1,276,954,484 | (670,255,392) | 606,699,092 |
| Deduction amount calculated in accordance with winning ratio ^(*) | (142,648,972) | 80,513,509 | (62,135,463) |
| Incurred but not reported claims ^(*) | 704,877,759 | (378,046,866) | 326,830,893 |
| Discount adjustment for outstanding claim reserve ^(*) | (181,944,338) | 68,207,489 | (113,736,849) |
| Period Ending - 31 December | 1,657,238,933 | (899,581,260) | 757,657,673 |

^(*) Note 2.25

GÜNEŞ SİGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**

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

| | 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 -31 December | 1,201,948,725 | (572,033,973) | 629,914,752 |

(*) Note 2.25

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.

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

31 December 2018

| Claim year | 1 January - 31 December 2012 | 1 January - 31 December 2013 | 1 January - 31 December 2014 | 1 January - 31 December 2015 | 1 January - 31 December 2016 | 1 January - 31 December 2017 | 1 January - 31 December 2018 | Total |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|----------------------|
| Claim year | | | | | | | | |
| 1 year later | 373,188,502 | 396,026,618 | 493,741,656 | 591,580,053 | 560,742,202 | 582,826,685 | 698,453,637 | 3,696,559,353 |
| 2 years later | 152,681,179 | 143,970,156 | 213,071,904 | 286,454,301 | 270,481,339 | 322,559,798 | - | 1,389,218,677 |
| 3 years later | 72,201,428 | 80,865,218 | 119,953,391 | 153,971,952 | 157,258,611 | - | - | 584,250,600 |
| 4 years later | 70,185,163 | 81,295,217 | 125,158,050 | 142,377,484 | - | - | - | 419,015,914 |
| 5 years later | 73,885,136 | 85,979,833 | 128,167,234 | - | - | - | - | 288,032,203 |
| 6 years later | 76,975,170 | 92,462,966 | - | - | - | - | - | 169,438,136 |
| 7 years later | 81,759,331 | - | - | - | - | - | - | 81,759,331 |
| Total incurred Loss - Gross | 900,875,909 | 880,600,008 | 1,080,092,235 | 1,174,383,790 | 988,482,152 | 905,386,483 | 698,453,637 | 6,628,274,214 |

31 December 2017

| Claim year | 1 January - 31 December 2012 | 1 January - 31 December 2013 | 1 January - 31 December 2014 | 1 January - 31 December 2015 | 1 January - 31 December 2016 | 1 January - 31 December 2017 | 1 January - 31 December 2018 | Total |
|---------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|----------------------|
| Claim year | | | | | | | | |
| 1 year later | 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 years later | 137,043,773 | 150,237,505 | 158,456,469 | 219,233,882 | 263,840,578 | 254,601,829 | - | 1,183,414,036 |
| 3 years later | 70,465,636 | 75,852,192 | 89,645,515 | 136,949,006 | 163,381,855 | - | - | 536,294,204 |
| 4 years later | 54,607,657 | 77,183,218 | 90,551,245 | 129,874,896 | - | - | - | 352,217,016 |
| 5 years later | 55,155,333 | 81,657,182 | 95,477,925 | - | - | - | - | 232,290,440 |
| 6 years later | 53,187,635 | 80,265,255 | - | - | - | - | - | 133,452,890 |
| 7 years later | 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 |

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 2018 | | 31 December 2017 | |
|--------------------------|-------------------------|--------------------|-------------------------|--------------------|
| | Should be placed (*) | Placed | Should be placed (*) | Placed |
| Non-life: | | | | |
| Banks deposits (Note 14) | | 130,550,000 | | 122,762,885 |
| Total | 150,144,340 | 130,550,000 | 125,687,979 | 122,762,885 |

(*) 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.

GÜNEŞ SİGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**

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

Total amount of insurance risk on a branch basis

| | 31 December 2018 | 31 December 2017 |
|-------------------------------|--------------------------|--------------------------|
| Motor third party liabilities | 2,205,157,454,910 | 1,812,885,442,980 |
| Fire and Nature Disasters | 256,503,610,319 | 232,847,525,080 |
| Health | 147,824,927,376 | 139,298,954,049 |
| General Losses | 85,471,004,791 | 82,558,813,168 |
| General Liability | 41,257,809,654 | 27,319,281,429 |
| Air Vehicles Liability | 34,186,676,000 | 37,071,825,255 |
| Land Vehicles | 20,531,075,997 | 16,236,708,092 |
| Air Vehicles | 9,731,813,492 | 4,238,876,143 |
| Accident | 8,367,609,412 | 10,972,926,966 |
| Financial Losses | 5,685,019,174 | 7,397,006,727 |
| Water Vehicles | 5,351,094,486 | 5,944,670,682 |
| Marine | 3,499,046,381 | 3,819,428,733 |
| Legal Protection | 1,108,826,816 | 1,365,429,438 |
| Total | 2,824,675,968,808 | 2,381,956,888,742 |

Company's number of life insurance policies, additions, disposals during the year and the related mathematical reserves.

None (31 December 2017: 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 2017: 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 2017: 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 122,294,652 (31 December 2017: TRY 108,981,755) is composed of deferred commission expenses amounting to TRY 108,218,487 (31 December 2017: TRY 97,786,422) and other prepaid expenses amounting to TRY 14,076,165 (31 December 2017: TRY 11,195,333).

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

As at 31 December 2018 and 2017, the movements of deferred commission expenses are presented below:

| | 2018 | 2017 |
|--|--------------------|-------------------|
| Beginning of the period - 1 January | 97,786,422 | 91,138,398 |
| Commissions accrued during the period | 238,761,305 | 218,898,434 |
| Commissions expensed during the period (Note 32) | (228,329,240) | (212,250,410) |
| Period ending - 31 December | 108,218,487 | 97,786,422 |

Individual pension funds

None (31 December 2017: None).

18. INVESTMENT CONTRACT LIABILITIES

None (31 December 2017: None).

19. TRADE AND OTHER PAYABLES DEFERRED INCOME

| | 31 December 2018 | 31 December 2017 |
|--|--------------------|--------------------|
| Payables arising from operating activities | 288,616,766 | 223,087,097 |
| Deferred Commission Incomes (Note 10) | 70,519,558 | 68,769,403 |
| Payables to SSI | 7,496,588 | 4,969,138 |
| Other various payables | 19,831,911 | 17,799,414 |
| Total | 386,464,823 | 314,625,052 |

As of 31 December 2018 payables arising from operating activities are debts to reinsurance companies amounting to; TRY 258,346,265 (31 December 2017: TRY 158,337,605) (Note 10).

As of 31 December 2018 and 2017, details of other payables are as follows:

| | 31 December 2018 | 31 December 2017 |
|---|-------------------|-------------------|
| Accounts payable | 13,855,099 | 11,261,436 |
| Payables to Turkish Natural Catastrophe Insurance Pool (TCIP) | 5,123,828 | 4,292,798 |
| Payables to contracted repair shops | 982,033 | 2,319,272 |
| Other various payables | 136,331 | 40,540 |
| Other payables discounts | (265,380) | (114,632) |
| | 19,831,911 | 17,799,414 |

Total amount of investment discount for the current and future periods

None (31 December 2017: None).

20. FINANCIAL LIABILITIES

The company does not have any financial debt as of 31 December 2018 (31 December 2017: None).

GÜNEŞ SİGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**

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

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 22% and 11% (31 December 2017: %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 2018 and 31 December 2017, the temporary giving rise to deferred income tax assets and liabilities with using enacted tax rates are follows

| | Total temporary differences | | Deferred tax assets/(liabilities) | |
|--|-----------------------------|----------------------|-----------------------------------|---------------------|
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| Deferred tax assets | | | | |
| Accumulated tax losses | 76,497,931 | 109,539,535 | 16,829,545 | 24,098,698 |
| Equalization provision | 29,152,146 | 23,832,837 | 5,830,429 | 4,766,567 |
| Impairment provision for associates | 20,878,924 | 20,161,322 | 4,175,785 | 4,032,264 |
| Provision for Severance and vacation (Note 23) | 15,024,620 | 13,290,849 | 3,004,924 | 2,658,170 |
| Provision for doubtful receivables (Note 12) | 6,568,180 | 5,080,848 | 1,445,000 | 1,117,787 |
| Provision for legal cases (Note 23) | 2,877,721 | 2,870,239 | 633,099 | 631,453 |
| Reserve for unexpired risks (Note 17) | 17,999,627 | 1,184,660 | 3,959,918 | 260,625 |
| Rediscount payables | 1,178,968 | (1,795,044) | 259,372 | (394,910) |
| Other technical provisions (Note10) | 44,029,675 | 25,192,704 | 9,686,529 | 5,542,395 |
| | 214,207,792 | 199,357,950 | 45,824,601 | 42,713,049 |
| Deferred tax liabilities | | | | |
| Fair value differences in associates | (546,708,337) | (436,662,600) | (27,925,918) | (22,401,916) |
| Revaluation fund of properties Held for use (Note 6) | (165,426,015) | (149,151,064) | (16,526,933) | (9,553,806) |
| Fixed assets | (6,203,059) | (935,022) | (1,240,612) | (187,004) |
| Revaluation difference of Investment properties | (10,825,552) | (8,617,655) | (1,190,811) | (947,942) |
| Payable rediscounts | (281,245) | 197,971 | (61,874) | 43,553 |
| | (729,444,208) | (595,168,370) | (46,946,148) | (33,047,115) |
| Net deferred tax liabilities (assets) | | | (1,121,547) | 9,665,934 |

The movement of deferred tax (liabilities)/assets during the period are as follows:

| | 2018 | 2017 |
|---|--------------------|------------------|
| Beginning of the period - 1 January | 9,665,934 | 2,139,035 |
| Deferred tax income | 1,512,840 | 15,267,885 |
| Deferred tax, recognized in equity over the revaluation fund of properties held for own use(Note 6) | (6,973,127) | (797,729) |
| Deferred tax effect of actuarial gain and loss | 196,808 | 225,161 |
| Deferred tax, recognized in equity over the revaluation differences of financial assets (Note 15) | (5,524,002) | (7,168,418) |
| End of the period - 31 December | (1,121,547) | 9,665,934 |

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

As of 31 December 2018 and 2017, the remaining periods to maturity of the Company’s accumulated tax losses:

| | 31 December 2018 | 31 December 2017 |
|---------------------------|-------------------|--------------------|
| Until 2020 ^(*) | 13,620,974 | 46,662,578 |
| Until 2021 | 62,876,957 | 62,876,957 |
| Total | 76,497,931 | 109,539,535 |

^(*) 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 2018, the Company has accumulated TRY 76,497,931 (31 December 2017: TRY 109,539,535) tax losses. There is no tax loss that the Company Management believes will not be able to benefit from projections related to whether taxable profits will be available before the expiration of accumulated tax losses. (31 December 2017: None). The Company recognized deferred tax assets amounting to TRY 16,829,545 (31 December 2017: TRY 24,098,698) for the accumulated tax losses amounting to TRY 76,497,931 (31 December 2017: TRY 109,539,535).

22. RETIREMENT BENEFIT OBLIGATIONS

None (31 December 2017: None).

23. PROVISIONS FOR OTHER LIABILITIES AND EXPENSES

As at 31 December 2018 and 2017, the details of the provisions for other liabilities and expenses are as follows:

| | 31 December 2018 | 31 December 2017 |
|--|-------------------|-------------------|
| Provision for law suit and court expense | 2,877,721 | 2,870,239 |
| Provision for unused vacations | 798,885 | 1,037,551 |
| Provision for accrued expenses | 3,676,606 | 3,907,790 |
| Provision for severance pay | 14,225,735 | 12,253,298 |

Movements of provision for severance pay during the period are presented below

| | 2018 | 2017 |
|---|-------------------|-------------------|
| At the beginning of the period - 1 January | 12,253,298 | 10,552,843 |
| Interest cost | 1,311,102 | 1,129,154 |
| Service cost | 1,323,031 | 1,142,484 |
| Payments during the period | (1,645,734) | (1,696,996) |
| Actuarial loss/(gain) | 984,038 | 1,125,813 |
| At the end of the period - 31 December | 14,225,735 | 12,253,298 |

GÜNEŞ SİGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**

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

24. NET INSURANCE PREMIUM INCOME

As of 1 January - 31 December 2018 and 2017 details of written premiums are as follows:

| | 1 January - 31 December 2018 | | | 1 January - 31 December 2017 | | | | |
|-----------------------------|------------------------------|----------------------|---------------------|------------------------------|----------------------|----------------------|---------------------|--------------------|
| | Gross | Re-Share | SSI Share | Net | Gross | Re-Share | SSI Share | Net |
| Motor Third Party Liability | 447,952,398 | (59,321,264) | (34,419,117) | 354,212,017 | 394,323,581 | (70,629,446) | (31,815,525) | 291,878,610 |
| Land Vehicles | 304,735,377 | (6,076,704) | - | 298,658,673 | 292,366,866 | (7,520,024) | - | 284,846,842 |
| Health | 153,221,918 | - | - | 153,221,918 | 142,589,314 | - | - | 142,589,314 |
| Fire and Natural Disasters | 343,455,592 | (237,185,620) | - | 106,269,972 | 304,091,431 | (218,262,960) | - | 85,828,471 |
| Accident | 50,164,872 | (10,446,444) | (19,701) | 39,698,727 | 47,421,686 | (14,207,144) | (5,758) | 33,208,784 |
| General Losses | 271,861,955 | (247,648,385) | - | 24,213,570 | 233,724,288 | (214,132,672) | - | 19,591,616 |
| Marine | 27,223,017 | (14,004,297) | - | 13,218,720 | 22,654,144 | (11,109,230) | - | 11,544,914 |
| General Liability | 41,699,278 | (36,894,909) | - | 4,804,369 | 31,409,640 | (27,114,201) | - | 4,295,439 |
| Legal Protection | 6,667,726 | (1,883,691) | - | 4,784,035 | 10,645,175 | (3,453,823) | - | 7,191,352 |
| Water Vehicles | 28,529,253 | (25,969,370) | - | 2,559,883 | 25,973,156 | (23,732,739) | - | 2,240,417 |
| Financial Losses | 2,699,778 | (1,716,999) | - | 982,779 | 2,584,966 | (1,791,866) | - | 793,100 |
| Breach of Trust | 656,275 | (464,816) | - | 191,459 | 608,836 | (412,748) | - | 196,088 |
| Air Vehicles Liability | 113,545,970 | (113,545,970) | - | - | 75,514,397 | (75,465,837) | - | 48,560 |
| Air Vehicles | 114,993,174 | (114,993,174) | - | - | 77,071,773 | (77,071,773) | - | - |
| Total | 1,907,406,583 | (870,151,643) | (34,438,818) | 1,002,816,122 | 1,660,979,253 | (744,904,463) | (31,821,283) | 884,253,507 |

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

25. SUBSCRIPTION FEE REVENUE

None (31 December 2017: None).

26. INVESTMENT INCOME

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|--|---|---|
| Income from financial investments | 144,919,637 | 81,030,027 |
| <i>Interest income from time deposit</i> | <i>143,301,287</i> | <i>81,030,027</i> |
| <i>Interest income from debt instrument</i> | <i>1,618,350</i> | - |
| Foreign exchange gains | 184,655,484 | 75,305,738 |
| <i>Fx gains from current accounts transactions</i> | <i>145,520,824</i> | <i>55,192,174</i> |
| <i>Fx gains from cash and cash equivalent transactions</i> | <i>39,134,660</i> | <i>20,113,564</i> |
| Income from associates | 20,569,367 | 9,266,510 |
| Income from derivative instruments | - | 3,109,000 |
| Valuation of financial investments | 5,150,960 | 2,916,540 |
| Rent incomes | 986,093 | 889,067 |
| Valuation of land, estate and buildings (Note 7) | 4,263,000 | 295,000 |
| Acquired incomes Land, estate and buildings sales from | 1,151,235 | 249,867 |
| Total | 361,695,776 | 173,061,749 |

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 2017: None).

31. OTHER EXPENSES

The allocation of the expenses with respect to their nature or function is presented in Note 32.

GÜNEŞ SİGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**

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

32. EXPENSE BY NATURE

Details of operating expenses included in the income statement are as follows.

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|--|---|---|
| Commission expenses (Note 17) | 228,329,240 | 212,250,410 |
| Employee benefit expense (Note 33) | 92,509,975 | 75,449,855 |
| Subcontractor service expenses | 6,259,310 | 5,083,689 |
| Information technology expenses | 5,405,384 | 3,835,887 |
| Transportation expenses | 4,394,595 | 3,364,880 |
| Advertising expenses | 2,253,898 | 1,900,651 |
| Communication expenses | 1,749,695 | 1,843,865 |
| Office equipment expenses | 1,463,434 | 1,327,647 |
| Rent expenses | 1,065,567 | 1,016,145 |
| Light, water, heating costs | 1,032,781 | 822,989 |
| Cleaning expenses | 719,376 | 505,330 |
| Insurance procuring expenses | 681,617 | 769,832 |
| Representation expenses | 643,276 | 661,217 |
| Consultancy expenses | 638,349 | 408,077 |
| Mail expenses | 495,477 | 671,898 |
| Subscription expenses | 438,022 | 162,313 |
| Acquired commission incomes from reinsurer (Note 10) | (130,199,406) | (115,700,456) |
| Other operating expenses | 37,114,820 | 29,155,865 |
| Total | 254,995,410 | 223,530,094 |

33. EMPLOYEE BENEFIT EXPENSES

The details of employee benefit expenses are as follows:

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|--|---|---|
| Wages and salaries | 71,497,318 | 57,953,083 |
| Employer's share in social security premiums | 10,848,776 | 8,873,665 |
| Other fringe benefits | 7,039,081 | 5,942,971 |
| Other benefits | 3,124,800 | 2,680,136 |
| Total | 92,509,975 | 75,449,855 |

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.

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

35. INCOME TAXES

Income tax expense in the accompanying financial statements is as follows:

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|---|---------------------------------|---------------------------------|
| Deferred taxes: | | |
| Tax arising from | | |
| Change of deductible temporary differences | 4,286,086 | 31,683,955 |
| Tax arising from | | |
| Change of taxable temporary differences | (2,773,246) | (16,416,070) |
| Total income tax expense recognized in statement of income | 1,512,840 | 15,267,885 |

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 2018 and 2017 is as follows:

| | 31 December 2018 | 31 December 2017 |
|--|------------------|-------------------|
| Before Tax Profit | 9,358,534 | 11,225,354 |
| Income Tax Provision at statutory tax rate | (2,058,877) | (2,245,071) |
| Deferred tax assets not recognized | 7,073,967 | 18,754,378 |
| Disallowable expenses | (421,686) | (90,590) |
| Income not subject to tax | (5,463,121) | (1,856,187) |
| Other | 2,382,557 | 705,355 |
| Total income tax expense reflected in the statement of income | 1,512,840 | 15,267,885 |

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 2018 | 1 January - 31 December 2017 |
|-----------------------------------|---------------------------------|---------------------------------|
| Net income/(loss) for the period | 10,871,374 | 26,493,239 |
| Weighted average number of shares | 270,000,000 | 270,000,000 |
| Earnings/(loss) per share (TRY) | 0.04026 | 0.0981 |

⁽¹⁾ 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 16 June 2017.

38. DIVIDENDS PER SHARE

None (31 December 2017: None).

39. CASH GENERATED FROM OPERATIONS

The cash flows from operating activities are presented in the accompanying statement of cash flows.

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

40. CONVERTIBLE BONDS

None (31 December 2017: None).

41. REDEEMABLE PREFERENCE SHARES

None (31 December 2017: None).

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 2018, 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 852,094,246 (31 December 2017: TRY 674,505,064). Provision for all these cases is recognized under provision for outstanding claim account in the related financial statements.

As of 31 December 2018, if all cases which the Company is plaintiff, result in favor of the Company, collection amounting to TRY 307,178,320 gross (31 December 2017: TRY 260,678,239) 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 13,615,103 (31 December 2017: TRY 14,505,599).

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.

GÜNEŞ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

43. COMMITMENTS

The details of the guarantees which are given by the Company in favor of the Ministry of Treasury and Finance 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 2018 | 31 December 2017 |
|--|-------------------------|-------------------------|
| Less than 1 year | 1,881,080 | 2,044,976 |
| More than 1 year and less than 5 years | 176,280 | 1,549,672 |
| Total minimum rent payments | 2,057,360 | 3,594,648 |

44. BUSINESS COMBINATIONS

None (31 December 2017: None).

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 2018 and 2017, related party balances are as follows:

| | 31 December 2018 | 31 December 2017 |
|----------------------------------|-------------------------|-------------------------|
| Cash and cash equivalents | 635,698,981 | 350,361,084 |
| Receivables from main activities | 91,496,403 | 69,993,408 |
| Other current assets | 96,337 | 37,238 |
| Due to related parties | - | (60,461) |
| Total | 727,291,721 | 420,331,269 |

There is no guarantee for receivables from related parties.

GÜNEŞ SİGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018**

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

The operations performed in organizations are as follows:

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|---|---|---|
| Vakıflar Bankası T.A.O. | 254,102,708 | 182,471,647 |
| Vakıf Emeklilik ve Hayat A.Ş. | 2,615,827 | 1,967,532 |
| Vakıf Finansal Kiralama A.Ş. | 14,693,464 | 5,614,007 |
| Vakıf Sigorta Aracılık Hizmetleri Ltd. Şti. | 36,425 | 10,930,480 |
| Other | 2,207,959 | 1,695,986 |
| Written Premium | 273,656,383 | 202,679,652 |
| Vakıflar Bankası T.A.O. | 40,344,362 | 24,423,775 |
| Vakıf Finansal Kiralama A.Ş. | 2,060,022 | - |
| Vakıf Sigorta Aracılık Hizmetleri Ltd. | 5,126 | 1,378,197 |
| Commission paid | 42,409,510 | 25,801,972 |
| Vakıflar Bankası T.A.O. | 986,093 | 874,620 |
| Rent income | 986,093 | 874,620 |
| Vakıf Emeklilik ve Hayat A.Ş. | 176,446 | 154,067 |
| Rent expenses | 176,446 | 154,067 |
| Vakıflar Bankası T.A.O. | 76,734,782 | 26,005,504 |
| Finance income | 76,734,782 | 26,005,504 |
| Vakıflar Bankası T.A.O. | 435,735 | 367,723 |
| Finance expense | 435,735 | 367,723 |
| Vakıf Finansal Kiralama A.Ş. | - | 394,143 |
| Leasing expenses | - | 394,143 |
| Vakıf Emeklilik ve Hayat A.Ş. | 20,328,285 | 9,275,000 |
| Vakıf Pazarlama Sanayi ve Ticaret A.Ş. | 199,004 | - |
| Vakıf Yatırım Menkul Değerler A.Ş. | 42,078 | 5,935 |
| Dividend income | 20,569,367 | 9,280,935 |
| Vakıflar Bankası T.A.O. | 226,838 | 171,991 |
| Vakıf Yatırım Menkul Değerler A.Ş. | - | 16,200 |
| Other operating expenses | 226,838 | 188,191 |

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.

GÜNEŞ SİGORTA A.Ş. CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018

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

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

Other receivables

As of 31 December 2018 and 2017, details of other receivables are as follows:

| | 31 December 2018 | 31 December 2017 |
|--|------------------|------------------|
| Receivables from DASK insurance agencies | 1,497,296 | 2,321,931 |
| Other various receivables | 440,202 | 881,134 |
| Deposits and guarantees given | 153,399 | 175,465 |
| Other receivables (Note 4.2) | 2,090,897 | 3,378,530 |

Other current assets

As of 31 December 2018 and 2017, details of other current assets are as follows:

| | 31 December 2018 | 31 December 2017 |
|-----------------------------|------------------|------------------|
| THY baggage claim account | 797,791 | 360,552 |
| Other current assets | 797,791 | 360,552 |

“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 2017: None).

Subrogation receivables followed under the off-balance sheet accounts

None (31 December 2017: None).

Description and amount of rights in real on property

None (31 December 2017: None).

Descriptive disclosure in relation to amounts and resources of income, expenses, and losses for the prior periods

None (31 December 2017: None).

For the years ended 31 December 2018 and 2017, details of rediscount and provision expenses are as follows:

| | 1 January - 31 December 2018 | 1 January - 31 December 2017 |
|--|---------------------------------|---------------------------------|
| Provision for premium receivable Under legal follow-up (Note 4.2) | (1,444,563) | 2,922,773 |
| Premium receivable provision no longer required | 753,806 | 372,976 |
| Recovery receivable provision by the management (Note 4.2) | (42,769) | 59,370 |
| Provision expenses for unused vacations | 238,666 | (9,039) |
| Provision expenses for employee lawsuits and courts | 82,494 | (134,872) |
| Doubtful receivables provision from agencies (Note 4.2) | 136,689 | (210,093) |
| Provision expenses for employment termination benefits | (988,400) | (574,643) |
| Doubtful receivables provision from reinsurance operations | (22,316,578) | (2,260,779) |
| Provision expense for recovery Receivable under legal follow-up (Note 4.2) | (29,809,936) | (33,638,870) |
| Other provision expenses | 2,711,035 | (305,760) |
| Provisions | (50,679,556) | (33,778,937) |

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 dividend payment for the financial period 31 December 2018 and 2017, the statements of profit distribution have not been prepared.

FREQUENTLY USED INSURANCE TERMS

Accounting Year (Hesap/Muhasebe Yılı)

Regardless of the date on which the insurance policy comes into force, it is the calendar year in which the accrued premium for the relevant policy is introduced in the account book.

Additional Policy

It is the written document having the same legal authority as the insurance policy which is drawn up in the event that the parties wish to make amendments in the information and conditions provided for in the policy on account of a situation causing changes in the quality or gravity of the risks arisen following the signing of the insurance contract and issuance of the policy and assumed by the insurer. It is the additional insurance contract which is considered as an integral part of the policy indicating the amendments occurring during the validity of the policy. For example, increase of premiums in life insurance policies, amendments to the family policies such as the introduction of a child into the policy, as well as other amendments requested by the policyholder are also procedures that require additional insurance.

Clause (Kloz)

A part of the policy or a special condition attached to the policy used to determine the actual limits of the contract between the parties.

Coinsurance-Coinsurer (Koasürans-Koasürör)

Coinsurance is the joint insurance of risk by several companies either at the same ratio or different ratios. Companies issuing joint insurances are referred to as coinsurers.

Commission (Komisyon)

The amount of money paid by insurance companies to insurance intermediaries in the insurance operations especially in premium production.

Compulsory Insurance

It is the insurance that the person is obliged to have by the law. Compulsory Insurance should be seen as a measure created in the insurance system in order to prevent third persons from being left without compensation in case the relevant person is liable to third persons.

Cover Note (Teminat Belgesi)

It is a temporary document issued by the insurance company considered as evidence of the existence of the collateral. In the event that the insurance policy is not prepared at the time when

the collateral is calculated due to time shortage or any other reason, the Temporary Cover Note may be used as the insurance policy.

Damage (Hasar)

It is used to refer to physical damage inflicted on the item or the possession or pecuniary and non-pecuniary damage suffered by the person.

General Conditions (Genel Şartlar)

The term refers to conditions about the essential elements of the insurance contract that are expressly stated on the policy such as the scope of the coverage, the exceptions, the damage procedure, the duties and obligations of the policyholder, the provisions applicable in case of dispute, the premium payment, the recourse status.

Insurance (Sigorta)

Insurance is a risk transfer system in which the amount collected through the payment of a certain amount from people who face the same type of risk is only used to cover the loss of those who are actually suffering damages as a result of the realization of that risk.

Insurance Policy (Sigorta Poliçesi)

It is the written and legal evidence of the insurance contract between the insurer and the policyholder. An insurance policy generally includes information that identifies the insurer and the policyholder as well as information on the subject of insurance, coverage of the collateral, cost of insurance, duration of the contract, amount of premium, date of issuance of the policy, debts and obligations of the parties.

Loss

This term has multiple meanings which are set forth as follows:

- 1- An event that caused economic loss,
- 2- The event that confers on the policyholder the right to claim legal damages under the insurance coverage,
- 3- Loss of the subject of the insurance.

The situation when sum of damage, production costs, administrative costs, damage costs, commissions and other expenses within the portfolio exceed the amount of premiums and similar income.

Loss Premium Ratio (Hasar Prim Oranı)
It refers to the ratio of damages realized to premium earned.

Net Earned Premium (Kazanılmış Net Prim)

The premiums earned from the policies issued by the insurer starting from the first day of the accounting year, premiums of this type are considered the gross premiums in the technical sense.

Premium (Prim)

In respect of any risk, the price paid by the policyholder or insured to the insurer in return for the collateral provided by the insurer. Being one of the most important elements of the insurance contract and the non-payment of the premium is a condition that prevents the coming into force of the insurance contract in many cases even if all other conditions of the contract are fulfilled.

Rate (Fiyat)

Rate refers to the term that is taken as the basis for calculating the premium to be paid in respect of insurance or reinsurance collateral and is expressed as a ratio. The amount of the premium is obtained by applying the rate to the insurance price or collateral.

Reassurance-Reinsurer (Reasürans-Reasürör)

Reinsurance is the procedure which allows insurance companies to insure the risks that they cannot assume on their own in terms of their capital, reserves and equities in brief financially. The reinsurer is the company that receives payments from the ceding company in respect of the reinsurance service provided. It is the party that takes all or part of the responsibility regarding the risk insured by the insurance company through reinsurance.

Retrocession (Retrosesyon)

It is the transfer of the responsibility taken over through reinsurance partially or completely to another company and reinsurance thereof. As is the case with the insurance companies which do not carry all the risks insured on financial grounds and reinsure a portion of the said risks, this term refers to the transfer of the risks which was previously reinsured by the reinsurance company via different reinsurance contracts.

Risk

Likelihood of loss or damage. It may have many different meanings in insurance terminology. Even though it is used for the likelihood of occurrence of the events causing the damage or the insured item, the actual meaning of uncertainty is the risks faced by the insured item under the guarantee of the insurance.

ABBREVIATIONS

BRSA

Banking Regulation and Supervision Agency

BKM

Interbank Card Center

CGF

Credit Guarantee Fund

CMB

Capital Markets Board

COBIT

The Control Objectives For Information and Related Technology

CPI

Consumer Price Index

CRM

Customer Relations Management

DASK

Turkish Catastrophe Insurance Law

ECB

European Central Bank

Fed

USA Federal Reserve Bank

GDP

Gross Domestic Product

IIC

Insurance Information and Monitoring Center

İKEM

Human Resources and Training Directorate

KAÇUV

Hope Foundation for Children With Cancer

KAP

Public Disclosure Platform

KYUR

Corporate Governance Principles Compliance Report

KVKK

Turkish Personal Data Protection Law

MASAK

The Financial Crimes Investigation Board

MKK

Central Registry Agency

NEP

New Economy Program

LÖSEV

Foundation for Children with Leukemia

OECD

Organization for Economic Cooperation and Development

PPI

Producer Price Index

RSH

Risky Insurance Pool

SEGEM

Insurance Training Center

SMMM

Independent Accountant and Financial Advisor

Swiss Re

Swiss Reinsurance Institute

TCMB

Central Bank of the Republic of Turkey

TİS

Collective Labor Agreement

TSB

Insurance Association of Turkey

CONTACT

Head Office

Güneş Plaza, Büyükdere Cad. No: 110
34394 Esentepe-Şişli/İSTANBUL
Tel: (0850) 222 1957
www.gunessigorta.com.tr
bilgi@gunessigorta.com.tr

Fax

General Fax: (0212) 355 6464
Policy Offers: (0212) 355 6870
Damage: (0212) 355 6871
Collection: (0212) 355 6872
Health Insurance: (0212) 355 6873

Customer Satisfaction Line

E-mail: musteri.iliskileri@gunessigorta.com.tr
Tel: (0850) 222 1957
Fax: (0212) 355 6876

Investor Relations

E-mail: yatirimci.iliskileri@gunessigorta.com.tr

İstanbul-1 Financial Regional Office

Güneş Plaza Büyükdere Cad. No: 110 Kat: 1
34394 Esentepe Şişli/İSTANBUL
Phone: (0212) 867 1700

İstanbul-2 Financial Regional Office

Address: Sahrayicedid Mah. Halk Sokak
Sıddıklar İş Merkezi No: 52 Kat: 2 34734
Kadıköy/İSTANBUL
Phone: (0216) 571 5353

İstanbul-3 Financial Regional Office

Address: Sahrayicedid Mah. Halk Sokak
Sıddıklar İş Merkezi No: 52 Kat: 2 34734
Kadıköy/İSTANBUL
Phone: (0216) 571 5351

Aegean Financial Regional Office

Address: Şehit Fethibey Bulvarı No: 55
Heris Tower İş Merkezi Kat: 9-10 35210
Pasaport/İZMİR
Phone: (0232) 497 4131

Central Anatolia-1 Financial Regional Office

Address: Atatürk Bulvarı No: 97 Gama İş Hanı
Kat: 2 06650 Kızılay/ANKARA
Phone: (0312) 410 4650

Central Anatolia-2 Financial Regional Office

Address: Atatürk Bulvarı No: 97 Gama İş Hanı
Kat: 2 06650 Kızılay/ANKARA
Phone: (0312) 410 4680

South and East Anatolia Financial Regional Office

Address: Yeni Döşeme Mah. Karaisalı Cad.
Baysan
İş Merkezi A Blok Kat: 2 01120 Seyhan/ADANA
Phone: (0322) 459 7800

Kadıköy Regional Office

Sahrayicedid Mah. Halk Sk. Sıddıklar İş Merkezi
No: 52 Kat: 2 34734 Kadıköy/İSTANBUL
Phone: (0216) 571 5353

Western İstanbul Regional Office

Güneş Plaza Büyükdere Cad. No: 110 Kat: 1 34394
Esentepe Şişli/İSTANBUL
Phone: (0212) 867 1700

Central Anatolia Regional Office

Atatürk Bulvarı Gama İşhanı No: 97 Kat: 2 06650
Kızılay/ANKARA
Phone: (0312) 410 4646

Aegean Regional Office

Şehit Fethibey Bulvarı Heris Tower İş Merkezi
No: 55 Kat: 9-10 35210 Pasaport/İZMİR
Phone: (0232) 497 4141

Mediterranean Regional Office

Metin Kasapoğlu Cad. Ayhan Kadam İş Merkezi
A Blok Kat: 1 No: 3-4-5 07100 Muratpaşa/ANTALYA
Phone: (0242) 311 9500

South Anatolia Regional Office

Yeni Döşeme Mah. Karaisalı Cad. Baysan
İş Merkezi A Blok Kat: 2 01120 Seyhan/ADANA
Phone: (0322) 459 7800

Black Sea Regional Office

K. Maraş Cad. Bordo İşhanı No: 4 Kat: 3
61200 Merkez/TRABZON
Phone: (0462) 323 1300

Marmara Regional Office

Konak Mah. Lefkoşe Cad. No: 42 Origami
Flat Office Kat: 5 16110 Nilüfer/BURSA
Phone: (0224) 275 4200

TRNC Regional Office

Selver Somuncuoğlu Sok. No: 14
Köşklüçiftlik-Nicosia/TRNC
Phone: (0392) 228 6690-227 9513-228 6482

Erzurum Representative Office

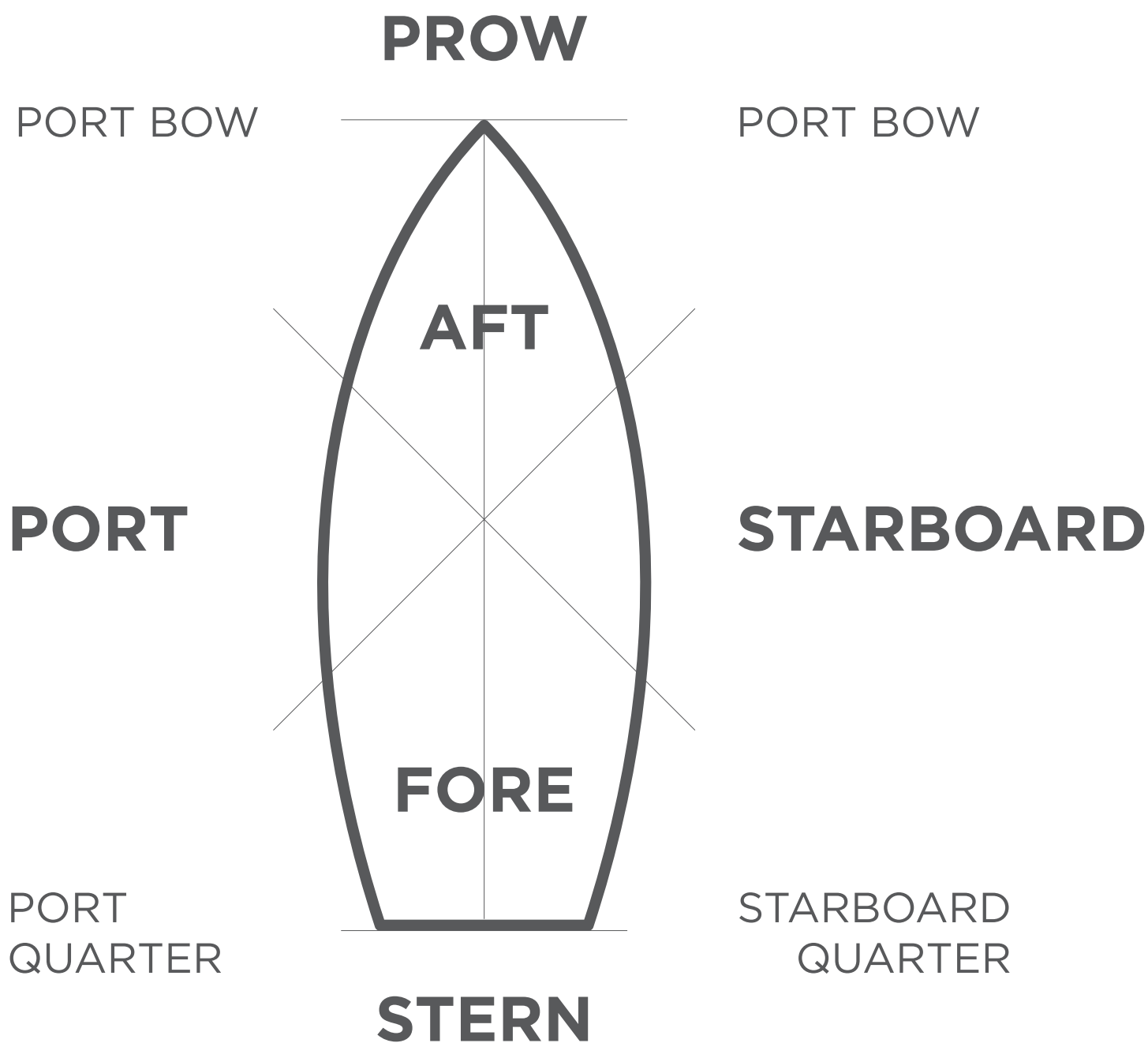
Yukarı Mumcu Cad. Akçay Apt. No: 4 Kat: 5
25200 Yakutiye/ERZURUM
Phone: (0442) 235 1957

Kayseri Representative Office

Gevher Nesibe Mah. Gök Sk. Avrupa Hastanesi Yanı
No: 17 Kat: 1/1 38010 Kocasinan/KAYSERİ
Phone: (0352) 222 5645

Samsun Representative Office

Kazımpaşa Cad. No: 2 Adnan Kefeli İş Hanı
Kat: 4 55030 İlkadım/SAMSUN
Tel: (0362) 432 4663 - 432 8033



Prow

The area between the forward-most part of the boat and the horizon.

Stern

The area between the aft-most part of the boat and the horizon.

Starboard

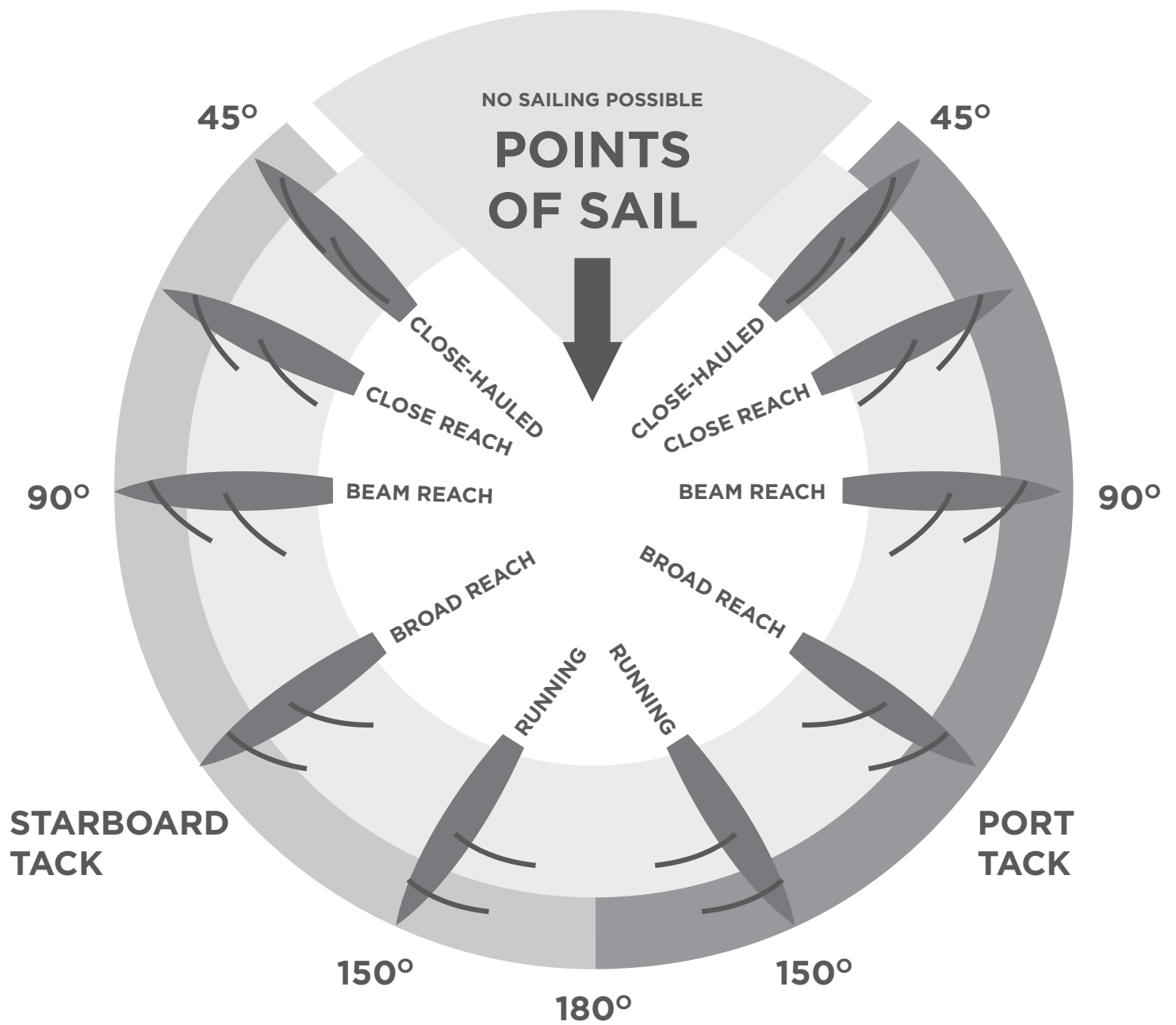
The right side looking from the aft.

Port

The left side looking from the aft.

Bow/quarter

The direction with a 45-degree angle to the fore & aft line of the boat. For instance, a vessel approaching from the starboard bow means a vessel coming from between the prow and the starboard.



Close-hauled

Sail with wind at 45 degrees to the keel.

Beam Reach

Sail with wind at 90 degrees to the keel.

Close Reach

Sail with wind at 45-90 degrees to the keel.

Broad Reach

Sail with wind at 90-150 degrees to the keel.

Running

Sail with wind at 150-180 degrees to the keel.

NOTE: The keel divides the boat in two in the fore & and line. The head of the keel is considered 0 degree.

GÜNEŞ SİGORTA