

**(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S
REPORT AND FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH)**

AKSIGORTA A.Ş.

**FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019
TOGETHER WITH
THE INDEPENDENT AUDITOR'S REPORT**

**THE MANAGEMENT’S REPRESENTATION ON THE FINANCIAL STATEMENTS
PREPARED AS OF DECEMBER 31, 2019**

The accompanying financial statements, related disclosures and notes of December 31,2019 (“the financial report”) are prepared in accordance with the requirements set out by Republic of Turkey Ministry of Treasury and Finance and accordance with the accounting principles and standards that enforced by insurance legislation and are in compliance with our Company’s accounting records.

Istanbul, January 30,2020

Osman AKKOCA
Chief Financial Officers

Uğur GÜLEN
Chief Executive Officer

Halil KOLBAŞI
Actuary
Licence No: 72

Seza TANINMIŞ ÖZGÜR
Accounting Manager

AKSIGORTA A.Ş.

**THE FINANCIAL STATEMENTS FOR THE PERIOD
JANUARY 1 – DECEMBER 31, 2019**

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AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF DECEMBER 31, 2019 AND 2018

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

ASSETS			
I- CURRENT ASSETS	Note	Audit	Audit
		Current Period (31/12/2019)	Previous Period (31/12/2018)
A- Cash and Cash Equivalents	14	2,063,042,512	1,969,568,662
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	1,356,583,321	1,485,633,722
4- Cheques Given and Payment Orders (-)		-	-
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	14	706,459,191	483,934,940
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Investments with Risks on Policy Holders	11.1	1,330,189,267	559,873,665
1- Financial Assets Available for Sale	11.1	702,749,632	379,629,308
2- Financial Assets Held to Maturity	11.1	34,881,722	9,752,674
3- Financial Assets Held for Trading	11.1	590,751,326	168,805,442
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders	11.1	1,806,587	1,686,241
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)		-	-
C- Receivables From Main Operations	12.1	760,619,614	600,837,632
1- Receivables From Insurance Operations	12.1	770,022,957	603,065,523
2- Provision for Receivables From Insurance Operations (-)	12.1	(18,093,784)	(11,935,533)
3- Receivables From Reinsurance Operations		-	-
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited For Insurance & Reinsurance Companies	12.1	30,954	30,954
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Pension Operation		-	-
9- Doubtful Receivables From Main Operations	12.1	142,028,430	116,410,789
10- Provisions for Doubtful Receivables From Main Operations (-)	12.1	(133,368,943)	(106,734,101)
D- Due from Related Parties		160,165	126,885
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		160,165	126,885
7- Rediscount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
E- Other Receivables		17,597,262	20,668,330
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		802,322	518,123
4- Other Receivables	47	16,794,940	20,150,207
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
F- Prepaid Expenses and Income Accruals	4.2.2	294,531,083	261,130,832
1- Deferred Commission Expenses	17.20	291,440,909	222,173,395
2- Accrued Interest and Rent Income		9,950	-
3- Income Accruals		510,490	33,895,401
4- Other Prepaid Expenses	47	2,569,734	5,062,036
G- Other Current Assets	4.2.2	7,623,377	5,635,630
1- Inventories		22	22
2- Prepaid Taxes and Funds		7,610,410	5,416,876
3- Deferred Tax Assets		-	-
4- Business Advances		12,945	-
5- Advances Given to Personnel		-	218,732
6- Stock Count Differences		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		4,473,763,280	3,417,841,636

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

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF
DECEMBER 31, 2019 AND 2018**

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

ASSETS			
II- NON CURRENT ASSET	Note	Audited	Audited
		Current Period (31/12/2019)	Previous Period (31/12/2018)
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 & Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables From Pension Operations		-	-
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 Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
C- Other Receivables		-	-
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
D- Financial Assets		-	-
1- Investments In Associates		-	-
2- Affiliates	9 and 11.4	-	30,116,653
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries		-	-
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)	11.4	-	(30,116,653)
E- Tangible Fixed Assets	6 and 7	49,455,053	24,329,768
1- Investment Properties	7	170,958	-
2- Diminution in Value for Investment Properties (-)		-	-
3- Owner Occupied Properties	6	1,598,569	1,598,569
4- Machinery and Equipments		-	-
5- Furnitures and Fixtures	6	27,612,750	23,741,539
6- Vehicles	6	2,720,001	2,720,001
7- Other Tangible Assets (Including Leasehold Improvements)	6	21,347,617	21,052,437
8- Leased Tangible Fixed Assets	6	34,372,885	-
9- Accumulated Depreciation (-)	6 and 7	(38,367,727)	(24,782,778)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		-	-
F- Intangible Fixed Assets	8	60,569,259	55,639,894
1- Rights	8	134,184,258	111,808,560
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortizations (-)	8	(77,104,087)	(58,117,829)
7- Advances Regarding Intangible Assets	8	3,489,088	1,949,163
G- Prepaid Expenses and Income Accruals		149,980	149,980
1- Deferred Commission Expenses		-	-
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses	47	149,980	149,980
H- Other Non-current Assets		23,935,685	16,972,963
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	35	23,935,685	16,972,963
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
II- Total Non current Assets		134,109,977	97,092,605
TOTAL ASSETS (I-II)		4,607,873,257	3,514,934,241

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

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF
DECEMBER 31, 2019 AND 2018**

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

LIABILITIES			
III- SHORT TERM LIABILITIES	Note	Audited	Audited
		Current Period (31/12/2019)	Previous Period (31/12/2018)
A- Borrowings		64,584,250	58,448,710
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables	20	12,599,956	-
3- Deferred Finance Lease Borrowing Costs (-)	20	(8,793,389)	-
4- Current Portion of Long Term Borrowings		-	-
5- Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6- Other Financial Assets Issued		-	-
7- Value Differences on Issued Financial Assets (-)		-	-
8- Other Financial Borrowings (Liabilities)	14	60,777,683	58,448,710
B- Payables From Main Operations		554,050,816	418,719,301
1- Payables Due to Insurance Operations	19.1	554,050,816	418,719,301
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		287,654	254,558
1- Due to Shareholders		1,143	1,143
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		286,511	253,415
6- Due to Other Related Parties		-	-
D- Other Payables		147,073,119	132,714,389
1- Deposits and Guarantees Received	12.1	3,002,608	-
2- Due to SSI regarding Treatment Expenses	19.1	42,392,477	28,112,544
3- Other Payables	19.1	101,678,034	104,601,845
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves		2,515,041,331	1,910,327,687
1- Unearned Premiums Reserve - Net	20	1,405,431,056	1,040,175,238
2- Unexpired Risk Reserves - Net	20	14,410,790	20,653,057
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net	4.1 and 20	1,095,191,072	849,402,337
5- Provision for Bonus and Discounts - Net	20	8,413	97,055
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Relevant Provisions		93,440,050	44,131,441
1- Taxes and Dues Payable		40,384,078	31,716,632
2- Social Security Premiums Payable	23.1	219,015	168,325
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		4,977	4,977
5- Corporate Tax Liability Provision on Period Profit	35	125,897,143	66,694,754
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	35	(73,065,163)	(54,453,247)
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks		59,947,386	40,333,473
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs	19.1 and 23.4	59,947,386	40,333,473
H- Deferred Income and Expense Accruals		144,643,673	101,719,094
1- Deferred Commission Income	19.1	115,046,314	101,508,921
2- Expense Accruals	2.11 and 19.1	29,597,359	-
3- Other Deferred Income	19.1	-	210,173
I- Other Short Term Liabilities		235	235
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities		235	235
III - Total Short Term Liabilities		3,579,068,514	2,706,648,888

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

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF
DECEMBER 31, 2019 AND 2018**

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

LIABILITIES			
IV- LONG TERM LIABILITIES	Note	Audited Current Period (31/12/2019)	Audited Previous Period (31/12/2018)
A- Borrowings		25,943,674	-
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables	20	36,383,769	-
3- Deferred Finance Lease Borrowing Costs (-)	20	(10,440,095)	-
4- Bonds Issued		-	-
5- Other Issued Financial Assets		-	-
6- Value Differences on Issued Financial Assets (-)		-	-
7- Other Financial Borrowings (Liabilities)		-	-
B- Payables From Main Operations		-	-
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Discount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		-	-
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses		-	-
3- Other Payables		-	-
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves		97,139,342	83,822,206
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net	17.2 and 20	1,446,871	1,473,636
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves – Net	20	95,692,471	82,348,570
F- Other Liabilities and Provisions		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks		7,052,711	6,503,684
1- Provision for Employment Termination Benefits	22	7,052,711	6,503,684
2- Provisions for Employee Pension Fund Deficits		-	-
H- Deferred Income and Expense Accruals		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
I- Other Long Term Liabilities		-	-
1- Deferred Tax Liability		-	-
2- Other Long Term Liabilities		-	-
IV- Total Long Term Liabilities		130,135,727	90,325,890

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

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF
DECEMBER 31, 2019 AND 2018**

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

SHAREHOLDERS' EQUITY			
V- SHAREHOLDERS' EQUITY	Note	Audited	Audited
		Current Period (31/12/2019)	Previous Period (31/12/2018)
A- Paid in Capital		306,000,000	306,000,000
1- (Nominal) Capital	15	306,000,000	306,000,000
2- Unpaid Capital (-)		-	-
3- Positive Inflation Adjustment on Capital		-	-
4- Negative Inflation Adjustment on Capital (-)		-	-
5- Unregistered Capital		-	-
B- Capital Reserves		90,989,327	95,377,201
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital	15	90,989,327	95,377,201
4- Translation Reserves		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		48,970,786	2,612,715
1- Legal Reserves	15	45,882,288	15,835,334
2- Statutory Reserves		62	62
3- Extraordinary Reserves		1,018,015	1,018,015
4- Special Funds (Reserves)	15 and 22	(4,518,213)	(3,602,019)
5- Revaluation of Financial Assets	16.1	6,588,634	(10,638,677)
6- Other Profit Reserves		-	-
D- Previous Years' Profits		86,350,467	86,350,467
1- Previous Years' Profits		86,350,467	86,350,467
E- Previous Years' Losses (-)		-	-
1- Previous Years' Losses		-	-
F- Net Profit of the Period	37	366,358,436	227,619,080
1- Net Profit of the Period		366,358,436	227,619,080
2- Net Loss of the Period (-)		-	-
3- Net Income not Subject to Distribution		-	-
V- Total Shareholders' Equity		898,669,016	717,959,463
Total Liabilities and Shareholders' Equity (III+IV+V)		4,607,873,257	3,514,934,241

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

AKSIGORTA A.Ş.
CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME
FOR THE PERIODS JANUARY 1 - DECEMBER 31, 2019 AND 2018
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

I-TECHNICAL PART	Note	Audited	Audited
		Current Period 01/01/2019 - 31/12/2019	Previous Period 01/01/2018 - 31/12/2018
A- Non-Life Technical Income		2,752,233,105	2,211,911,593
1- Earned Premiums (Net of Reinsurer Share)		2,243,324,247	1,824,838,348
1.1- Written Premiums (Net of Reinsurer Share)	24	2,602,337,798	2,001,259,494
1.1.1- Gross Written Premiums (+)	24	4,473,559,840	3,417,337,929
1.1.2- Ceded Premiums to Reinsurers (-)	17.16 and 24	(1,736,056,065)	(1,315,722,213)
1.1.3- Ceded Premiums to SSI (-)	17.16 and 24	(135,165,977)	(100,356,222)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		(365,255,818)	(156,244,210)
1.2.1- Unearned Premiums Reserve (-)	20	(586,816,135)	(297,945,489)
1.2.2- Reinsurance Share of Unearned Premiums Reserve (+)	17.16 and 20	198,196,693	123,625,496
1.2.3- SSI of Unearned Premiums Reserve (+)	17.16 and 20	23,363,624	18,075,783
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		6,242,267	(20,176,936)
1.3.1- Unexpired Risks Reserve (-)	20	(36,709,082)	(112,026,341)
1.3.2- Reinsurance Share of Unexpired Risks Reserve (+)	17.16 and 20	42,951,349	91,849,405
2-Investment Income Transferred from Non-Technical Part		476,255,314	359,339,576
3-Other Technical Income (Net of Reinsurer Share)		5,678,324	5,939,710
3.1- Gross Other Technical Income (+)		5,678,324	5,939,710
3.2- Reinsurance Share of Other Technical Income (-)		-	-
4- Accrued Subrogation and Salvage Income (+)		26,975,220	21,793,959
B- Non-Life Technical Expense (-)		(2,168,101,531)	(1,843,977,661)
1-Total Claims (Net of Reinsurer Share)		(1,544,397,091)	(1,341,356,999)
1.1- Claims Paid (Net of Reinsurer Share)		(1,298,615,714)	(1,071,874,506)
1.1.1- Gross Claims Paid (-)		(2,112,547,994)	(1,485,190,439)
1.1.2- Reinsurance Share of Claims Paid (+)	17.16	813,932,280	413,315,933
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(245,781,377)	(269,482,493)
1.2.1- Outstanding Claims Reserve (-)		(701,073,116)	(690,746,785)
1.2.2- Reinsurance Share of Outstanding Claims Reserve (+)	17.16	455,291,739	421,264,292
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	20	88,642	(89,988)
2.1- Bonus and Discount Reserve (-)	20	61,262,144	(61,622,938)
2.2- Reinsurance Share of Bonus and Discount Reserve (+)	17.16 and 20	(61,173,502)	61,532,950
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	20	(13,343,901)	(11,784,194)
4- Operating Expenses (-)	32	(512,963,572)	(431,341,251)
5- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
5.1- Mathematical Reserves (-)		-	-
5.2- Reinsurance Share of Mathematical Reserves (+)		-	-
6.- Other Technical Expenses (-)	47	(97,485,609)	(59,405,229)
6.1.- Gross Other Technical Expenses (-)	47	(97,485,609)	(59,405,229)
6.2.- Reinsurance Share of Other Technical Expenses (+)		-	-
C- Non Life Technical Net Profit (A-B)		584,131,574	367,933,932

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

AKSIGORTA A.Ş.
CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME
FOR THE PERIODS JANUARY 1, - DECEMBER 31, 2019 AND 2018
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

	Note	Audited	Audited
		Current Period 01/01/2019 - 31/12/2019	Previous Period 01/01/2018 - 31/12/2018
I-TECHNICAL PART			
D- Life Technical Income		130,771	135,124
1. Earned Premiums (Net of Reinsurer Share)		-	500
1.1 - Written Premiums (Net of Reinsurer Share)	24	-	500
1.1.1 - Gross Written Premiums (+)		-	500
1.1.2 - Ceded Premiums to Reinsurers (-)		-	-
1.2 - Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		-	-
1.2.1- Unearned Premium Reserves (-)		-	-
1.2.2- Unearned Premium Reserves Reinsurer Share (+)		-	-
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
1.3.1- Unexpired Risks Reserves (-)		-	-
1.3.2- Unexpired Risks Reserves Reinsurer Share (+)		-	-
2. Life Branch Investment Income		130,771	134,624
3. Unrealized Income from Investments		-	-
4-Other Technical Income (Net of Reinsurer Share) (+/-)		-	-
4.1- Gross Other Technical Income (+/-)		-	-
4.2- Reinsurance Share of Other Technical Income (+/-)		-	-
5- Accrued Subrogation and Salvage Income (+)		-	-
E- Life Technical Expense		(158,154)	(162,937)
1- Total Claims (Net of Reinsurer Share)		(184,919)	(298,423)
1.1- Claims Paid (Net of Reinsurer Share)		(177,561)	(367,607)
1.1.1- Gross Claims Paid (-)		(177,561)	(367,607)
1.1.2- Claims Paid Reinsurer Share (+)		-	-
1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(7,358)	69,184
1.2.1 - Outstanding Claims Reserve (-)		(7,358)	69,184
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)		-	-
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1 - Bonus and Discount Reserve (-)		-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3-Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		26,765	135,491
3.1- Mathematical Reserves (-)		26,765	135,491
3.1.1- Actuarial Mathematical Reserve (-)		24,088	121,942
3.1.2- Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		2,677	13,549
3.2- Reinsurer Share of Mathematical Reserves (+)		-	-
3.2.1- Reinsurance Share of Actuarial Mathematical Reserve (+)		-	-
3.2.2- Reinsurance Share of Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-
4- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
5- Operating Expenses (-)	32	-	(5)
6- Investment Expenses (-)		-	-
7- Unrealized Losses from Investments (-)		-	-
8- Investment Income Transferred to Non- Technical Part (-)		-	-
F- Life Technical Profit (D-E)		(27,383)	(27,813)
G- Individual Retirement Technical Income		-	-
1- Fund Management Fee		-	-
2- Management Fee Deduction		-	-
3- Initial Contribution Fee		-	-
4- Management Fee In Case Of Temporary Suspension		-	-
5- Withholding tax		-	-
6- Increase in Market Value of Capital Commitment Advances		-	-
7-Other Technical Income		-	-
H- Individual Retirement Technical Expense		-	-
1- Fund Management Expenses (-)		-	-
2- Decrease in Market Value of Capital Commitment Advances (-)		-	-
3- Operating Expenses (-)		-	-
4- Other Technical Expense (-)		-	-
I- Individual Retirement Technical Profit (G-H)		-	-

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

AKSIGORTA A.Ş.
CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME
FOR THE PERIODS JANUARY 1 - DECEMBER 31, 2019 AND 2018
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

II-NON TECHNICAL PART	Note	Audited	Audited
		Current Period 01/01/2019- 31/12/2019	Previous Period 01/01/2018- 31/12/2018
C- Non Life Technical Profit (A-B)		584,131,574	367,933,932
F- Life Technical Profit (D-E)		(27,383)	(27,813)
I - Individual Retirement Technical Profit (G-H)		-	-
J- Total Technical Profit (C+F+I)		584,104,191	367,906,119
K- Investment Income		662,995,479	659,044,752
1- Income From Financial Investment	26	198,964,567	172,123,072
2- Income from Sales of Financial Investments	26	71,670,639	54,944,720
3- Revaluation of Financial Investments	26	6,785,384	17,849,568
4- Foreign Exchange Gains	36	230,548,082	314,166,805
5- Income from Affiliates		-	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income Received from Land and Building		-	-
8- Income from Derivatives	13	155,026,807	99,960,587
9- Other Investments		-	-
10- Investment Income transferred from Life Technical Part		-	-
L- Investment Expenses (-)		(704,762,152)	(679,394,430)
1- Investment Management Expenses (including interest) (-)	20	(8,316,084)	-
2- Valuation Allowance of Investments (-)	26	(16,145,073)	(18,123,768)
3- Losses On Sales of Investments (-)	26	(8,798,476)	(3,232,315)
4- Investment Income Transferred to Life Technical Part (-)		(476,255,314)	(359,339,576)
5- Losses from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	36	(161,736,401)	(278,335,770)
7- Depreciation Expenses (-)	6, 7 and 8	(33,510,804)	(20,363,001)
8- Other Investment Expenses (-)		-	-
M- Other Income and Expenses (+/-)	47	(50,081,939)	(53,242,607)
1- Provisions Account (+/-)	47	(30,294,342)	(47,271,113)
2- Discount account (+/-)		-	-
3- Mandatory Earthquake Insurance Account (+/-)	47	1,356,101	1,135,070
4- Inflation Adjustment Account (+/-)		-	-
5- Deferred Tax Asset Accounts(+/-)	35 and 47	18,330,425	120,044
6- Deferred Tax Expense Accounts (-)		-	-
7- Other Income and Revenues	47	1,374,123	1,303,230
8- Other Expense and Losses (-)	47	(40,848,246)	(8,529,838)
9- Prior Period Income		-	-
10- Prior Period Losses (-)		-	-
N- Net Profit/(Loss)	37	366,358,436	227,619,080
1- Profit/(Loss) Before Tax		492,255,579	294,313,834
2- Corporate Tax Liability Provision (-)	35	(125,897,143)	(66,694,754)
3- Net Profit/(Loss)		366,358,436	227,619,080
4- Inflation Adjustment Account		-	-

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS JANUARY 1 - DECEMBER 31, 2019 AND 2018**

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

Statement of Changes in Shareholders' Equity - January 1 - December,31 2019 (*)

CURRENT PERIOD	Capital	Equity Shares Owned by the Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
I - Closing Balance of Prior Period (31/12/2018)	306,000,000	-	(10,638,677)	-	-	15,835,334	62	92,793,197	227,619,080	86,350,467	717,959,463
A- Capital increase (A1+A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- Internal sources	-	-	-	-	-	-	-	-	-	-	-
B- Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-	-
C- Income/(expense) recognized directly in the equity	-	-	-	-	-	-	-	-	-	-	-
D- Revaluation of financial assets (Note 16.1)	-	-	17,227,311	-	-	-	-	-	-	-	17,227,311
E- Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F- Other income/(expenses)	-	-	-	-	-	-	-	(916,194)	-	-	(916,194)
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Period net profit (Note 37)	-	-	-	-	-	-	-	-	366,358,436	-	366,358,436
I- Dividend distributed	-	-	-	-	-	-	-	-	(197,572,126)	(4,387,874)	(201,960,000)
J- Transfer	-	-	-	-	-	30,046,954	-	(4,387,874)	(30,046,954)	4,387,874	-
II- Closing Balance (31/12/2019)	306,000,000	-	6,588,634	-	-	45,882,288	62	87,489,129	366,358,436	86,350,467	898,669,016
(I+ A+B+C+D+E+F+G+H+I+J)	306,000,000	-	6,588,634	-	-	45,882,288	62	87,489,129	366,358,436	86,350,467	898,669,016

(*) Details of equity accounts are explained in Note 15.

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS JANUARY 1 - DECEMBER 31, 2019 AND 2018

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

Statement of Changes in Shareholders' Equity - January 1 - December 31, 2018 (*)

CURRENT PERIOD	Capital	Equity Shares Owned by the Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
I - Closing Balance of Prior Period (31/12/2017)	306,000,000	-	(14,470)	-	-	-	62	109,779,823	126,986,683	86,350,467	629,102,565
A- Capital increase (A1+A2)	-	-	-	-	-	-	-	-	-	-	-
Cash	-	-	-	-	-	-	-	-	-	-	-
Internal sources	-	-	-	-	-	-	-	-	-	-	-
B- Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-	-
C- Income/(expense) recognized directly in the equity	-	-	-	-	-	-	-	-	-	-	-
D- Revaluation of financial assets (Note 16.1)	-	-	(10,624,207)	-	-	-	-	-	-	-	(10,624,207)
E- Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F- Other income/(expenses)	-	-	-	-	-	-	-	(17,977,975)	-	-	(17,977,975)
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Period net profit (Note 37)	-	-	-	-	-	-	-	-	227,619,080	-	227,619,080
I- Dividend distributed	-	-	-	-	-	-	-	-	(110,160,000)	-	(110,160,000)
J- Transfer	-	-	-	-	-	15,835,334	-	991,349	(16,826,683)	-	-
II- Closing Balance (31/12/2018)	306,000,000	-	(10,638,677)	-	-	15,835,334	62	92,793,197	227,619,080	86,350,467	717,959,463
(I+ A+B+C+D+E+F+G+H+I+J)	306,000,000	-	(10,638,677)	-	-	15,835,334	62	92,793,197	227,619,080	86,350,467	717,959,463

(*) Details of equity accounts are explained in Note 15.

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

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENT OF CASH FLOWS
FOR THE PERIODS JANUARY 1 - DECEMBER 31, 2019 AND 2018**

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

	Note	Audited	Audited
		Current Period 31/12/2019	Previous Period 31/12/2018
CASH FLOW STATEMENT			
A. CASH FLOWS FROM THE OPERATING ACTIVITIES		4,634,970,139	4,239,482,072
1. Cash inflows from the insurance operations		-	-
2. Cash inflows from the reinsurance operations		-	-
3. Cash inflows from the pension operations		(3,802,854,511)	(3,632,448,738)
4. Cash outflows due to the insurance operations (-)		-	-
5. Cash outflows due to the reinsurance operations (-)		-	-
6. Cash outflows due to the pension operations (-)		832,115,628	607,033,334
7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)		-	-
8. Interest payments (-)		(85,306,670)	(68,591,105)
9. Income tax payments (-)		1,361,178	1,330,456
10. Other cash inflows		(199,640,045)	(196,807,237)
11. Other cash outflows (-)		548,530,091	342,965,448
12. Net cash generated from the operating activities			
B. CASH FLOWS FROM THE INVESTING ACTIVITIES		434,393	52,994
1. Sale of tangible assets	6, 7, 8	(29,696,762)	(27,889,432)
2. Purchase of tangible assets (-)		(1,825,273,019)	(432,158,028)
3. Acquisition of financial assets (-)		1,209,995,140	487,947,489
4. Sale of financial assets		390,861,575	238,202,705
5. Interest received		-	-
6. Dividends received		-	-
7. Other cash inflows		-	-
8. Other cash outflows (-)		(253,678,673)	266,155,728
9. Net cash generated from the investing activities			
C. CASH FLOWS FROM THE FINANCING ACTIVITIES		-	-
1. Issue of equity shares		-	-
2. Cash inflows from the loans to policyholders	20	(9,560,804)	-
3. Payments of financial leases (-)	38	(201,960,000)	(110,160,000)
4. Dividend paid (-)		-	-
5. Other cash inflows	20	-	-
6. Other cash outflows (-)		(211,520,804)	(110,160,000)
7. Cash generated from the financing activities		(15,024,795)	63,996,935
D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS			562,958,111
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)	14	1,763,461,138	1,200,503,027
F. Cash and cash equivalents at the beginning of the period	14	1,831,766,957	1,763,461,138

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019

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

1. General Information

1.1 Name of the Parent Company and the ultimate owner

Aksigorta Anonim Şirketi (“the Company”) is a subsidiary of Hacı Ömer Sabancı Holding A.Ş. and Ageas Insurance International N.V. as of December 31, 2019. 38.02% (December 31, 2018: 38.02%) of the Company is issued in Borsa İstanbul (“BİST”) (Note 2.14).

Agreement about the sale of 50% of 189,658,802 units of Aksigorta A.Ş. shares with TL 189,658,802 nominal value that belongs to H.Ö. Sabancı Holding (“Holding”) portfolio was signed with Ageas Insurance International N.V. at February 18, 2011. At the date of July 29, 2011, 9,482,940,100 units of Aksigorta A.Ş. shares that correspond to 50% of the Holding’s portfolio have been transferred to Ageas Insurance International N.V. with the sale price (excluding the corrections) of USD 220,029,000.

1.2 The Company’s address and legal structure and address of its registered country and registered office (or, if the Company’s address is different from its registered office, the original location where the Company’s actual operations are performed)

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

1.3 Main operations of the Company

The Company’s main operations include insurance activities based on non-life insurance branches, including primarily motor vehicle, motor third party liability, fire, marine, accident, personal accident, engineering, agriculture and health. The headquarters of the Company is in İstanbul. The Company has 10 district offices of which three of them are in İstanbul (İstanbul Anatolian Region, İstanbul European Region and İstanbul Thracian Region), and one in each White Sea and South Aegean Region, Ankara Region, Çukurova and Central Anatolia Region, Eastern Anatolia and Eastern Black Sea Region, Southeast Region, İzmir and North Aegean Region, Marmara and West Black sea Region. As of December 31, 2019, the Company has 2,878 authorized agencies (December 31, 2018: 2,654).

1.4 Details of the Company’s operations and nature of field of activities

Explained in Note 1.2 and Note 1.3.

1.5 Average number of the Company’s personnel based on their categories

	January 1 - December 31 2019	January 1 - December 31 2018
Top executive	9	8
Manager assistant manager	121	104
Specialist/Executives	534	627
Total	664	739

1.6 Remuneration and fringe benefits provided to top management

For the year ended December 31, 2019, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers amounted to TL 7,418,631 (December 31, 2018: TL 6,208,932).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019**

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

1. General Information (Continued)

1.7 Distribution keys used in the distribution of investment income and operating expenses in the financial statements (personnel expenses, administration expenses, research and development expenses, marketing and selling expenses and other operating expenses)

Within the framework of the Republic of Turkey of the Treasury and Finance Ministry ("Treasury and Finance Ministry") "Circular relating to Procedures and Principles for Keys used in Financial Statements prepared in the scope of Uniform Chart of Accounts for Insurance No. 2008/1 is dated January 4, 2008" is changed to "Circular relating to Procedures and Principles for Keys used in Financial Statements prepared in the scope of Uniform Chart of Accounts for Insurance in relation amending No. 2010/9 is dated August 9, 2010

Other investment revenues were classified under the non-technical division. While distributing to sub-branches the operating expenses transferred to technical division, the last three-year weighted average of number of policies generated in the current period, the premium amount written as gross and number of claims were taken into account.

1.8 Stand-alone or consolidated financial statements

The accompanying financial statements comprise the stand-alone financial statements for Aksigorta A.Ş. as of December 31, 2019.

1.9 Name and other information of the reporting company and subsequent changes to the prior balance sheet date

There has been no change in The Company's name and other company information presented in Note 1.1, Note 1.2 and Note 1.3 as of the prior balance sheet date.

1.10 Subsequent Events

The financial statements as of December 31, 2019 have been approved by the Company's Board of Directors on January 30, 2019. The financial statements, according to Decree on "Financial Reporting of Insurance and Reinsurance Companies and Pensions Funds", were signed by the Chief Executive Officer Uğur Gülen, Chief Financial Officer Osman Akkoca, Accounting Manager Seza Tanınmış Özgür and Actuary Halil Kolbaşı on behalf of the Board of Directors. Detailed information about this subsequent events is disclosed in Note 46.

2. Summary of the Accounting Policies

2.1 Basis of Preparation

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used

Accounting Standards

In accordance with Article 50(a) of Section VII of the Capital Markets Law, insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting. Therefore, the Company's financial statements are prepared in accordance with the prevailing accounting principles and standards for Insurance and Reinsurance Companies and Pension Funds set out by the by Treasury and Finance Ministry and applicable regulations required by the Insurance Law No: 5684 published in the Official Gazette No: 26522 on June 14, 2007.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019**

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

The financial statements are prepared in accordance with the Insurance Chart of Accounts included in the communiqué issued by the Treasury regarding the Insurance Chart of Accounts and Prospects, published in the Official Gazette (No:25686) dated December 30, 2004 (Insurance Accounting System Communiqué No:1) and announcement of new account codes in the Insurance Account Plan dated December 27, 2011 and numbered 2011/14. 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 June 18, 2008 and the Communiqué on the New Accounting Codes and Presentation of Financial Statements published in the Official Gazette dated May 31, 2012 and numbered 2012/7.

Financial statements has been prepared in TL, based on cost basis, subject to inflation adjustment until December 31, 2004 except for financial assets designated at fair value.

As of January 1, 2008, the Company accounts for its operations in accordance with the “Regulation on Financial Reporting of Insurance and Reinsurance Companies and Pension Companies” issued on July 14, 2007 and effective from January 1, 2008 within the framework of this regulation a, Turkish Accounting Standards (“TAS”) and Turkish Financial Reporting Standards (“TFRS”) issued by Turkish Accounting Standards Board (“TASB”) and other regulations, communiqués and explanations issued by Treasury on accounting and financial reporting.

With reference to the notice of Treasury No. 9 dated February 18, 2008, “TAS 1- Financial Statements and Presentation”, “TAS 27- Consolidated and Non-consolidated Financial Statements”, “TFRS 1 - Transition to TFRS” and “TFRS 4- Insurance Contracts” were not included in the scope of this application for the year 2008. In addition, as of March 31, 2009, the companies are obliged to apply the Communiqué on the Preparation of the Consolidated Financial Statement of Insurance and Reinsurance Companies and Pension Companies” (“Consolidation Communiqué”) dated December 31, 2009 and published in the Official Gazette numbered 27097. The Company does not have any subsidiaries to be consolded in this direction.

The Company accounts and recognizes its insurance technical provisions in its not consolidated financial statements as of December 31, 2018 in accordance with the “Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested,” (“Regulation on Technical Reserves”) dated July 28, 2010 and published in official gazette numbered 27655 and published in Official Gazzette dated July 17, 2012 numbered 28356 effective and the regulations issued for insurance and reinsurance companies by the Treasury and Finance Ministry.

Entities established in order to execute at least one of the fields of activity projected in the Banking Law dated October 19, 2005 and numbered 5411, set an example to the financial statements to be prepared by companies obliged to apply TAS; except for development and investment banks and financial holding companies as well as financial institutions established to engage in insurance, individual retirement and capital market within the frame of the Capital Market Law dated December 6, 2012 and numbered 6362, Insurance Law dated June 3, 2007 and numbered 5684, Individual Saving and Investment System Law dated March 28, 2011 and numbered 4632 and regulations pertaining to their own clauses.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019**

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

Financial Statements are prepared accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Accounting Standards decree for the matters not regulated by insurance legislation; "Insurance Accounting and Financial Reporting Legislation".

Comparative information on the presentation of the financial statements in the current period is classified as necessary.

a. Preparation of Financial Statements in Hyperinflationary Periods

In accordance with the Treasury and Finance Ministry's statement no: 19387 issued on April 4, 2005, the Company's financial statements as of December 31, 2004 are adjusted and its 2005 openings are prepared based on the requirements set out in "the preparation of financial statements in hyperinflationary periods" specified in the Capital Market Board's (CMB) Decree Volume: XI, No: 25 "Accounting Standards in Capital Markets" which was published in the Official Gazette No: 25290 on November 15, 2003. In addition, the preparation of financial statements in hyperinflationary periods has not been applied in accordance with the statement of the Treasury and Finance Ministry. Therefore, as of December 31, 2018, non-monetary balance sheet assets and liabilities and equity items, including capital share, are calculated by indexing of inputs as of December 31, 2004 (for inputs prior to December 31, 2004) and carrying inputs subsequent to December 31, 2004 at nominal value.

b. Comparative Information and Restatement of Prior Period Financial Statements

The Company's balance sheet as of December 31, 2019 is presented in comparison with its balance sheet as of December 31, 2018; income statement, statement of changes in equity and cash flow statement for the period between January 1 - December 31, 2019 are presented in comparison with its income statement, statement of changes in equity and cash flow statement for the period between January 1 - December 31, 2018.

c. Technical Reserves

Unearned Premium Reserve

An unearned premium reserve is calculated on a daily basis for all policies in force as of the balance sheet date for unearned portions of premiums written. For marine policies with an uncertain end date, unearned premium reserve is calculated as 50% of the premiums written in the last three months. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12:00 noon and finish at 12:00 noon again. Commissions paid for written premium and commissions received from ceded premium that hit future months and future income statements are accounted in prepaid expenses and prepaid expenses for future years respectively in balance sheet, net in operating expenses. According to the Technical Reserves Regulation, foreign exchange selling rates declared in the Official Gazette of the CBRT on the date of accrual of the relevant premium are taken into account in the account of the unearned premiums related to the insurance contracts, which are indexed to beverages, if no foreign exchange rate is specified in the insurance contract (Note 20).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019**

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

Within the framework of the Circular numbered 2007/25 and dated December 28, 2007 published by Treasury, the unearned portion of commissions paid to agencies for the written premiums and commissions received from reinsurers for the ceded premium, are recorded as in deferred expenses and deferred income, respectively on the balance sheet, and as operating expenses on a net basis in the income statement.

Unexpired Risks Reserve

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 current year incurred losses to current year earned premiums. If the loss ratio for a branch is higher than 95%, net unexpired risk 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 risk 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 and net amounts is considered as the reinsurance share.

In accordance with the Treasury and Finance Ministry's announcement no: 2012/13, article of 7 in order to eliminate the misleading effect of changes in the claims provision calculation, the Company has recalculated the prior period claims provision with new method to calculate unexpired risk reserve.

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

In the Circular on Provision for Unexpired Risk Reserve 2019/5, it is stated that the amount of Unexpired Risks Reserve can be calculated on the basis of the accounting year or the year of accident as explained in the first paragraph. If the calculation is based on the accident year, separate calculations will be made for the works transferred to the pool. As a result of the related circular, the Company makes Unexpired Risks Reserve accounts on the basis of accounting year.

As of December 31, 2019, the Company provided a net reserve of TL 14,410,790, TL 13,674,8175 in general liability branch, TL 735,575 in water craft branch and TL 1,040 in aircraft liability branch. (December 31, 2018: TL 20.653.057) (Note 20).

Bonuses and rebates reserve

The bonus and rebates provisions are the amount that has to be made provision if the Company commits to pay bonus to insured's policies in force regardless of renewal of the related policies. According to Insurance Law Article No.16, if the Company decides to bonus or discount operations, the amount must be allocated for insured person or beneficiaries regarding to technical results of the current year.

The Company has calculated and accounted for gross bonuses and rebates reserve amounting to TL 900,431 and TL 8,413 net at December 31, 2019 (as of December 31, 2018 company has calculated and accounted gross bonus and rebates reserve amounting to TL 62,162,575 and TL 97,055 net) (Note 20).

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

Claims provision

The Company accounts for outstanding claims and indemnities for the claims and indemnity costs which have accrued and determined on account, but not actually paid in the previous fiscal periods or in the current fiscal period or if this amount could not be calculated, for the claims and indemnity costs which have emerged in expected amounts, but not reported.

In accordance with Technical Reserve Regulation and "Circular on Regarding to Statements Related to Accounting of Claim Files in a Lawsuit, Actuarial Chain Ladder Method and Recovery and Salvage Income" dated January 14, 2011 numbered 2011/1, outstanding claim reserves are made according to calculated average amounts in accordance with the methods determined by Treasury as of July 1, 2012 for cases with uncertain amounts. Furthermore, outstanding claim reserves are updated according to experts' reports received from courts and stated amounts according to lawsuit judgements.

The Company recognizes outstanding claims reserve for the claims which are accrued but not paid yet in the current period or previous periods and for claims incurred but not reported.

In accordance with the "Regulation Regarding the Amendment of the Regulation Regarding Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested" published in the Official Gazette dated July 28, 2010 and numbered 27655 and the Circular on Claims Provision dated December 5, 2014 and numbered 2014/16, the Company's Incurred But Not Reported (IBNR) claims provisions were calculated using the actuarial chain ladder methods ("ACLM").

The Regulation on the amendment of the related Regulation, published in the Official Gazette dated July 5, 2012 and numbered 28356 has enforced the provision "Incurred but not reported claims are calculated using the actuarial chain ladder method, the content and implementation basis are determined by the Treasury and Finance Ministry or other calculation methods to be determined by the Treasury and Finance Ministry

In accordance with the circular issued by Turkish Treasury dated December 5, 2014 and numbered 2014/16, as of January 1, 2015 selection of data to be used in the calculation in branch-basis, adjusting process, selection of most appropriate method to interfere with the development factors are performed by the Company's actuary. IBNR calculation in non-life insurance in accordance with the same circular, chain ladder methods are Standard Chain, Claim/Premium, Cape Cod, Frequency/Severity, Munich Chain or Bornhuett-Ferguson. The method's using by the actuary are as follows:

Branch	Applied Method	December 31, 2019		December 31, 2018		
		Gross Additional Reserve	Net Additional Reserve	Gross Additional Reserve	Net Additional Reserve	
Motor Liability	Frequency/Severity / Standard	658,290,473	658,290,473	Frequency/Severity / Standard	469,201,267	469,201,272
General Liability	Standard Chain /Damage			Standard Chain /Damage		
General Losses	Premium	119,748,673	32,107,540	Premium	84,270,336	27,964,168
Fire and Natural	Bornhuetter-Ferguson	10,814,816	281,819	Bornhuetter-Ferguson	12,530,010	306,358
Disaster	Bornhuetter-Ferguson	17,298,485	(800,489)	Bornhuetter-Ferguson	8,977,040	(1,603,399)
Marine	Bornhuetter-Ferguson	(2,229,694)	(707,912)	Bornhuetter-Ferguson	847,566	(270,181)
Accident	Bornhuetter-Ferguson	1,908,026	867,099	Bornhuetter-Ferguson	467,249	(3,966)
Health	Standart Chain	776,358	775	Standard Chain	638,476	11,809
Credit	Standard Chain	148,614	7,430	Standard Chain	667,542	33,377
Air Crafts Liability	Standard Chain	662,131	546	Standard Chain	420,236	533
Financial losses	Standard Chain	3,514,079	(197,884)	Standard Chain	879,982	(195,325)
Water Crafts	Standard Chain	567,812	152,879	Standard Chain	188,309	110,943
Indemnity	Standard Chain	307,177	177,484	Standard Chain	318,456	175,997
Air Crafts	Standard Chain	51,264	2	Standard Chain	83,183	19
Legal Protection	Standard Chain	108,650	108,650	Standard Chain	67,538	67,538
Motor own damage	Standard Chain	(7,048,377)	(7,048,377)	Standard Chain	(15,663,332)	(15,663,332)
Total		804,918,487	683,240,035		563,893,858	480,135,811

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019**

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

Claims provision (Continued)

With the resolution of Ministry of Treasury and Finance dated July 5, 2017 and numbered 18145, "Risky Insurance Pool" is founded as of April 12, 2017. Within this framework; On Motor Third Party Liability branch, premium and claim amounts that are transferred to Pool will be deducted from data used for IBNR calculation. For the damages that the company will take over from the pool; The loss premium rate of 138% for 2017, 142% for 2018 and 141% for 2019 was taken into consideration, IBNR was calculated with the earned premium estimate and the provision amounting to TL 122,499,995 was reflected in the financial statements. Related loss ratio, is the expected loss ratio for the pool said pool by Turkey manages Bureau of Motor Vehicles is described in the report published on December 31, 2019. Since the loss premium rates in the IBNR calculation of the company correspond to 76 bases, the expected loss premium rate used in the calculation is specified by considering the same base in the report.

A similar pool practice is founded for Medical Malpractice with the sectoral announcement dated September 6, 2017 and numbered 2017/4. When company calculates IBNR for TKU breakdowns with its own modelling, even though IBNR is negative, IBNR have not been recognized for conservative purposes.

As of December 31, 2019, Outstanding Claim Provision discount is calculated as TL 252,705,358 for General Liability and Motor Liability branches within the framework of "the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" numbered 2016/22 and dated June 10, 2016 and within the framework of "the amendment to the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" published by Treasury (December 31, 2018: TL 178,356,695).The discount calculation was made considering the development of the claims paid. In this calculation, the distribution of the payments of material and bodily damages for the Motor Vehicle Branch has been evaluated separately. As of December 31, 2019, the net outstanding claims provisions of the Company are presented below before and after the discount. The Company has not applied discounts in outstanding compensation provisions in the branches other than the Motor Liability and General Liability branches, where discounting is mandatory.

December 31, 2019

Branch	Net Outstanding Claim Provision Before Discount	Discount Amount	Net Discounted Outstanding Claim Provision
Motor Third Party Liability	995,107,625	206,012,886	789,094,739
General Liability	178,049,961	46,692,472	131,357,489
Total	1,173,157,586	252,705,358	920,452,228

December 31, 2018

Branch	Net Outstanding Claim Provision Before Discount	Discount Amount	Net Discounted Outstanding Claim Provision
Motor Third Party Liability	736,930,680	150,182,505	586,748,175
General Liability	120,127,029	28,174,190	91,952,839
Total	857,057,709	178,356,695	678,701,014

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

Claims provision (Continued)

While determining the amount of IBNR, the company actuary has determined the threshold values for major damages with plot analysis starting from 2015, whereas it was calculated by Box-Plot method, which is permitted only by the Treasury and Finance Ministry in the Compulsory Traffic branch before 2014/16 Circle, in order to work with a more homogenous dataset. Files exceeding the threshold value determined by this method are considered as major damage. Since the damage progress of these files is separate from the other files, IBNR amounts have been determined and added to the provisions by a separate calculation for these files. Threshold values determined by December 31, 2018 are total number of files subject to calculation, number of files determined as dmajor damage and their shares in total files are as follows;

BRANCH	December 31 2019				December 31 2018			
	Threshold	# of Major Claim Files	Total Number of Claim Files	% of Elimination	Threshold	# of Major Claim Files	Total Number of Claim Files	% of Elimination
General Liability	200,000	553	29,747	1.86%	200,000	379	26,469	1.43%
General Losses	999,999	74	171,777	0.04%	999,999	59	158,243	0.04%
Transportation	499,999	87	59,792	0.15%	499,999	62	57,321	0.11%
Fire and Natural Disaster	999,999	193	260,399	0.07%	999,999	156	232,606	0.07%
Accident	299,999	33	6,977	0.47%	299,999	27	6,571	0.41%
Suretyship	149,999	87	9,112	0.95%	149,999	57	8,063	0.71%
Financial Losses	50,000	48	35,299	0.14%	50,000	41	30,989	0.13%

In the branches where major damages are determined, gross and net additional provision amounts that are separately made for these files and added to Outstanding Claim Provisions are shown in the following table.

Branch	Gross Additional Amount	NET IBNR
General Liability	23,457,451	3,136,464
Fire and Natural Disaster	20,738,191	1,441,844
General Losses	9,549,934	93,965
Financial Losses	3,813,211	100,861
Facultative Public Liability	2,580,636	2,580,636
Accident	347,025	30,153

The circular numbered 2015/7 published by the Treasury and Finance Ministry has made it possible to recognize gradually the increases to occur in the IBNR amount to be calculated as of January 1, 2015 in accordance with the circular numbered 2014/6 when compared to the IBNR amount calculated as of prior year as of quarterly periods from 2015 to 2017. In compliance with the circular published at 2nd quarter of 2017, the company has not used the gradual travision rate in the Compulsory Traffic and General Liability branches (December 31, 2017: gradual travision is not used).In accordance with the statement of Ministry of Treasury and Finance about Incurred But Not Reported (IBNR) (2011/23); Companies have to calculate a win rate on the amounts of the cases against them on sub branches in the last 5 years starting from the concluding dates of cases. By doing this that can make a discount for their cases in litigation process in condition of not exceeding 25% of accrued outstanding cases(15% for branches that recently began and not applicable for accessing 5 years old data).According to company's actuary's opinion, Company did not calculate a discount on the case win rate from company outstanding claim reserves because of actuarial chain stairway methods mentioned above reflects the case win discount to calculations.

In accordance with the circular, IBNR was calculated by the company actuary in gross amount based on the Accident Periods using the above-mentioned methods. For these gross IBNR amounts, reinsurer shares were calculated taking into consideration the reinsurance rates and the effective reinsurance agreement types in the related accident periods in related branches.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019**

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

Equalization Reserve

In accordance with the Regulation on Technical Reserves, insurance companies are required to record an equalization reserve for the insurance contracts including earthquake and credit coverage, in order to cover the catastrophic risks and in order to equalize the fluctuations within the claim ratios that may occur during the following accounting periods. Such reserve is calculated over 12% of net earthquake and credit premiums corresponding to each year. In the calculation of the net premium, the amounts paid for the non-proportional reinsurance agreements are regarded as ceded premiums.

In condition of not being of balancing provision of current year, paid claims for earthquake and provision of outstanding claim which is supported by documents such as appraisal report or taken from official organizations in term of disaster can be discounted from balancing reserve.

The Company has calculated TL 95,692,471 (December 31, 2018: TL 82,348,570) of equalization reserve as of December 31, 2019, and presented in the long term liabilities in the accompanying financial statements under “Other Technical Reserves” (Note 20).

Life mathematical reserves

Life mathematical reserves comprise actuarial mathematical reserves and life profit share reserves and represent the Company’s total liability to the policyholders in the life branch.

Mathematical Reserves has been calculated with the tariffs approved by the Treasury in the current period of the policies and applicable methods and assumptions specified in the profit share technical principles (Note 20).

d. Subrogation and salvage income

Within the framework of the Treasury and Finance Ministry’s Office of Republic of Turkey. Circular relating to Subrogation and salvage income No. 2015/6, dated February 10, 2015; as of December 31, 2019, the Company recognizes receivables from salvage and subrogation on an accrual basis up to coverage limit of debtor insurance company, on conditions that following the payment of claim, the Company receives the acquaintance or document agreed on payment from individuals and notification is made to individuals or insurance company. However, a doubtful receivables provision for these receivables is accounted under “Provisions for Doubtful Receivables From Main Operations” in case where related amounts are not collected from insurance companies after six months and from individuals after four months following the payment of claim

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019**

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

d. Subrogation and salvage income (Continued)

Accordingly, accrued receivables from salvage and subrogation and doubtful receivables provision for salvage and subrogation as of December 31, 2019 are TL 31,126,674 (December 31, 2018: TL 29,909,283) and TL 7,983,926 (December 31, 2018: TL 8,061,143) respectively (Note 12.1).

The amounts of the net salvage and subrogation income which are collected and the accrued income amounts from salvage and subrogation receivables for the claims paid by the Company are as follows:

	December 31, 2019					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Motor Own Damage	214,908,496	(820)	214,907,676	23,429,417	-	23,429,417
Motor Crafts Liability	9,232,283	(373,776)	8,858,507	7,170,979	(286,586)	6,884,393
Transportation	5,672,117	(3,002,323)	2,669,794	48,076	(35,249)	12,827
Fire and Natural Disaster	6,420,064	(4,424,592)	1,995,472	1,242,057	(510,410)	731,647
General Liability	163,244	(112,271)	50,973	114,875	(93,533)	21,342
General Responsibility	73,730	(43,603)	30,127	21,022	(790)	20,232
Water Crafts	34,502	(24,152)	10,350	33,584	(8,396)	25,188
Suretyship	11,527	(6,124)	5,403	-	-	-
Legal Protection	3,769	-	3,769	-	-	-
Financial Losses	-	-	-	3,256	(1,628)	1,628
Total	236,519,732	(7,987,661)	228,532,071	32,063,266	(936,592)	31,126,674

	December 31, 2018					
	Collection			Collection		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Motor Own Damage	209,470,121	-	209,470,121	24,876,295	-	24,876,295
Motor Crafts Liability	6,314,630	(294,645)	6,019,985	4,246,439	(507,324)	3,739,115
Transportation	2,429,948	(677,614)	1,752,334	347,783	(35,845)	311,938
Fire and Natural Disaster	4,342,443	(2,317,410)	2,025,033	1,062,428	(186,425)	876,003
General Liability	539,228	(240,590)	298,638	239,492	(183,528)	55,964
Genel Responsibility	57,476	(13,357)	44,119	115,551	(79,713)	35,838
Water Crafts	16,945	(4,986)	11,959	-	-	-
Suretyship	137,216	(93,443)	43,773	14,130	-	14,130
Legal Protection	12,886	-	12,886	-	-	-
Accident	36,000	-	36,000	-	-	-
Total	223,356,893	(3,642,045)	219,714,848	30,902,118	(992,835)	29,909,283

e. Premium Income and Claims

Premium income represents premiums on policies written during the year. Unearned premium reserves are determined from premiums written during the year on a daily basis.

Claims are recognized as expense as they are paid. Outstanding claims provision is provided for both reported unpaid claims at period-end and incurred but not reported claims. Reinsurer's shares of claims paid and outstanding loss provisions are off-set against these reserves.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

f. Receivables from Insurance Operations

In accordance with the Turkish Tax Code article No: 323, the Company provided provision for doubtful receivables by taking the nature and the value of the receivable into account. As of December 31, 2019, the Company has provided provision for the doubtful receivables under legal and management follow up in the account of “Provision for doubtful receivables from insurance operations” amounting to TL 23,816,352 (December 31, 2018: TL 23,016,557) provision for the overdue receivables which are not under legal follow up in the account of “Provision for doubtful receivables from main operations” amounting to TL 18,093,784 (December 31, 2018: TL 11,935,533). Furthermore, provision is accounted for the retention of claim recovery transactions under legal follow up amounting to TL 109,552,591 (December 31, 2018: TL 83,717,544) and it has been accounted in “Provision for doubtful receivables from main operations” account (Note 12).

g. Earnings per Share

Earnings per share presented in the statement of income is calculated by dividing the net profit into the weighted average number of the outstanding shares throughout the financial year.

Companies in Turkey can increase their capital by distributing “bonus shares” to shareholders from the prior periods’ profit. Such “bonus share” distributions are considered as issued shares in the earnings per share calculations. Accordingly, weighted average number of equity shares used in the calculations is calculated by considering the retrospective effects of share distributions.

h. Subsequent Events

Subsequent events cover the events between the balance sheet date and the issuance of the financial statements, even if they are occurred subsequent to the disclosures made on profit or other selected financial information.

The Company adjusts its financial statements in the occurrence of any subsequent events (Note 46).

i. Provisions, Contingent Liabilities and Assets

If there is an existing obligation arising from past events, it is probable that the obligation will be fulfilled and the amount in question is reliably predictable, a provision is made in the financial statements. The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. If provision is measured using the cash flows estimated to settle the present obligation, its carrying amount will be equal to the present value of such cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably (Note 23.2).

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

j. Accounting Policies, Changes and Misstatements on Accounting Estimates

Significant changes in accounting policies and significant accounting errors are applied retrospectively and prior period financial statements are restated. If the changes in accounting estimates are related to only one period, they are applied in the current period in which the change is made, and if they are related to the future periods, they are applied prospectively both in the period of change and in the future period.

k. Corporate Taxation and Deferred Tax

Income tax expense represents the sum of the current tax payable and deferred tax expense.

Corporate Tax

Corporation tax is payable at a rate of 22% on the total income of the Company and its Subsidiaries registered in Turkey in 2019 (2018: 22%) after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution thus does not incur withholding tax and no stoppage is applied.

Corporations are required to pay advance corporation tax quarterly at the rate of 22% on their corporate income. Advance Tax is declared by 14th of the second month following and payable by the 17th of the second month following each calendar quarter end. Advance Tax paid by corporations is credited against the annual Corporation Tax liability.

The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

The affiliate shares stocked for minimum 2 years and the 50% of the profit obtained from the property sales are considered as tax exemptions in such condition that the amount is added onto capital as restated in Corporate Tax Law or the amount is kept in equity for 5 years.

According to Turkish tax legislation, financial losses on the returns can be offset against period income for up to 5 years. However, financial losses cannot be offset against previous years' profits. There is no such application for the reconciliation of payable taxes with the tax authority. Corporate tax returns are submitted to the related tax office by the 25th day of the 4th month following the month when the accounting period ends. In tax reviews authorized bodies can review the accounting records for the past five years and if errors are detected, tax amounts may change due to tax assessment.

In accordance with Tax Law No.5024 "Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law" published in the Official Gazette on December 30, 2003 to amend the tax base for non-monetary assets and liabilities, effective from January 1,2004 income and corporate taxpayers are required to prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (Wholesale Price Index increase rate). Since these conditions in question were not fulfilled in 2019 and 2018, no inflation adjustments were performed (Note 35).

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are determined using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The asset and liabilities are not recognized if the temporary difference related to the transaction that does not affect the commercial or financial profit / loss is due to the first time the goodwill or other assets and liabilities are included in the financial statements (other than business combinations).

Except the conditions that the Company can control its temporary differences removal and when the possibility of that removal is very low, deferred tax liabilities are accounted for all of the taxable temporary differences that are related with the rates in partnerships and investments in subsidiaries and participations. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, “Law on the Amendment of Some Tax Acts and Some Other Laws”, corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of December 31, 2019 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

As of December 31, 2019, the Company has booked the deferred tax assets in amounting to TL 23,935,685 (December 31, 2018: TL 16,972,963). The Company management is in the opinion that the Company is able to make sufficient taxable income based on the business plans and projections therefore the Company foresees no indicator of any concern regarding its recoverability of deferred tax assets.

Income tax withholding

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from April 24, 2003 by the end of July 22, 2006. However, this rate was changed to 15% commencing from July 22,2006 upon the order no: 2006/10731 of the Council of Ministers. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

2.1.2 Other related accounting policies for the understanding of financial statements

All accounting policies are explained in Note 2.1.1 “Basis of Preparation of Financial Statements and Specific Accounting Policies Used”.

2.1.3 Functional currency

The Company’s financial statements are expressed in TL, which is the functional and presentation currency of the Company

2.1.4 Rounding degree used in the financial statements

All the balances presented in the financial statements are expressed in full in Turkish Lira (TL) and rounded to the closest whole number.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.5 Valuation method(s) used in the presentation of financial statements

Financial statements, except for revaluation of financial instruments, are prepared based on the historical cost method.

2.1.6 New and Revised International Financial Reporting Standards

New and revised standards and comments

Turkey Financial Reporting Standards (IFRS) financial statements are register changes in the standards and comments should be as follow in the notes:

a) Standards, amendments and interpretations applicable as at December 31, 2019:

Explanations on the effects of the new IFRS on financial statements:

- a) Title of the IFRS,
- b) the accounting policy change is made in accordance with the relevant transition provisions, if any,
- c) explanation of the changes in the accounting policy,
- d) a description of the transitional provisions, if any,
- e) the effect of the transition provisions, if any, to the future periods,
- f) as far as possible, the amounts of the adjustment for the current and each prior period presented,
 - i. should be presented for each effected financial statement item and ,
 - ii. If the standard TAS 33 earnings pe sharely applies, the amount of ordinary shares and diluted earnings per share should be recalculated
- g) The correction amounts if possible, of the periods preceding the periods not presented
- h) The retrospective application should be disclosed outdoors where this is possible for any period or periods, and which one of the leading accounting policy is explained and how it is applied.

Amendment to IFRS 9, ‘Financial instruments’;effective from annual periods beginning on or after January 1,2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

Until the date of validity of IFRS 17, the Company benefits from the temporary relief subjects for IFRS 9 partaking IFRS 4

Amendment to IAS 28, “Investments in associates and joint venture”; effective from annual periods beginning on or after January 1,2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

The changes are not applicable for the Company. There is no impact on the Company’s financial situation and performance.

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FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019**

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.6 New and Revised International Financial Reporting Standards (Continued)

a) Standards, amendments and interpretations that are issued but not effective as at December 31, 2019:

IFRS 16, "Leases"; effective from annual periods beginning on or after January 1,2019, with earlier application permitted if IFRS 15 'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to 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.

The company has applied first adoption of "IFRS 16 Leases" from the new standarts, amendments and interpretations effective from January 1,2019, in accordance with transition provision of the related standart.

The effects of the changes in account policies and the application of the related standarts for the first time are as follows:

From January 1,2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the lease term on a straight line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payment:

- a) Fixed payments (including in substance fixed payments), less any lease incentives receivable
- b) Payment of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar economic environment with similar terms and conditions.

Right of use assets are measured at cost comprising the following:

- a) The amount of the initial measurement of lease liability
- b) Any lease payments made at or before the commencement date less any lease incentives received
- c) Any initial direct costs and
- d) Restoration costs

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.6 New and Revised International Financial Reporting Standards (Continued)

On adaption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principle of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1,2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1,2019 was 25% for local currency liabilities.

	January 1, 2019
Lease liabilities under IAS 17	58,360,359
- Short term leases (-)	(18,880)
Total Lease liabilities under IFRS 16 (Undiscounted)	58,341,479
Total Lease liabilities under IFRS 16 (Discounted) (discounted with alternative borrowing rate)	31,004,961
Short term lease liabilities	1,937,578
Long term lease liabilities	29,067,383

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

	December 31,2019	January 1, 2019
Property	22,186,756	27,717,430
Vehicles	3,391,179	6,080,531
Fixtures	550,969	-
Total right of use assets	26,128,904	33,797,961

The Company has TL 8,243,981 depreciation expense and TL 574,924 new lease agreement with regards to booked right of use assets between January 1,- December 31, 2019.

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.6 New and Revised International Financial Reporting Standards (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at December 31, 2019 (Continued):

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

The Company assesses the effects of the related standard on the financial situation and performance

Annual improvements 2015 - 2017; effective from annual periods beginning on or after January 1,2019. These amendments include minor changes to:

- IFRS 3, “Business combinations”; - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, “Joint arrangements”; - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12, “Income taxes”; - a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23, “Borrowing costs”; - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The Company assesses the effects of the standards above on the financial situation and performance.

Amendments to IAS 19, “Employee benefits’ on plan amendment, curtailment or settlement”; effective from annual periods beginning on or after January 1,2019. 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.

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

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.6 New and Revised International Financial Reporting Standards (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at December 31, 2019 (Continued):

- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after January 1,2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- ii) clarify the explanation of the definition of material; and
- iii) incorporate some of the guidance in IAS 1 about immaterial information.

The effects of the mentioned standard on the financial status and performance of the Company are evaluated.

Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after January 1,2020. 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 amendment does not apply to the Company. It will not have an impact on the financial position or performance of the Company.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform; effective from Annual periods beginning on or after January 1, 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

IFRS 17, 'Insurance contracts'; effective from annual periods beginning on or after

January 1, 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

2.2 Consolidation

The Company has no subsidiaries or joint ventures that fall within the scope of consolidation as per "IFRS 10 - Consolidated and Separate Financial Statements" as of December 31, 2019 (December 31, 2018: None).

2.3 Segment Reporting

Reporting segments are determined to conform to the reporting made to the Company's chief operating decision maker. The chief operating decision maker is responsible for making decisions about resources to be allocated to the segment and assess its performance. Details related to the segment reporting are disclosed in the Note 5. The competent authority for decision-making is responsible for making decisions on the resources to be allocated to the department and for evaluating the performance of the department. Details of segment reporting are explained in Note 5.

2.4 Discontinued Operations

The Company does not have any discontinued or disposed operations as of December 31, 2019 and December 31, 2018.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. Summary of the Accounting Policies (Continued)

2.5 Foreign Currency Translation

The Company’s functional currency is Turkish Lira (“TL”). In preparing the financial statements of the Company, transactions in currencies other than TL (foreign currencies) are recognized at exchange rates prevailing at the transaction date. At each balance sheet date, monetary items denominated in foreign currencies are retranslated to Turkish Lira at the rates prevailing on the balance sheet date.

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. 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.

2.6 Tangible assets

Tangible assets are carried at cost, less any accumulated depreciation and impairment loss.

Assets held for use in the construction, or for leasing, administrative or any other purposes are carried at cost, less any impairment. Legal charges are also added to costs. For assets that need substantial time to be ready for use or sale, borrowing costs are capitalized based on the Company’s accounting policy.

Such assets are depreciated, on the same basis used for other fixed assets, when they are ready to use. Assets, other than land and ongoing constructions, are depreciated over their expected useful lives by using the straight line method. Estimated useful life, residual value, and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

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

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

	Useful Life
Properties	50 years
Furniture and fixtures	10 years
Motor vehicles	5 years
Other intangible assets	5 years

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2. Summary of the Accounting Policies (Continued)

2.7 Investment Properties

Investment property is held to earn rentals and/or for capital appreciation is carried at cost less accumulated depreciation and any accumulated impairment losses. Carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is provided on investment property on a straight line basis. Depreciation period for investment property is nil for land, and 50 years for buildings.

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

Transfers are made to or from investment property only, when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy applied to “Property, Plant and Equipment” up to the date of change in use.

Real estate’s held under finance lease are classified as investment properties.

2.8 Intangible Assets

Intangible assets acquired

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

Computer software

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

Costs associated with developing or maintaining computer software programs are recognized as expense as incurred. Costs that are directly associated with the development of identifiable and unique software products that are controlled by the Company and will probably provide more economic benefits than costs in one year are recognized as intangible assets. Costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets from the date that the assets become to provide economic benefit are amortized over their estimated useful lives (December 31, 2019: 5 years - December 31, 2018:5 years).

2.9 Financial Assets:

Investments, other than those that are classified as financial assets at fair value through profit and loss, are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Investments are recognized and derecognized on a trade date, where the purchase or sale of an investment under a contract, whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: financial assets as “available-for-sale” (AFS) financial assets, “financial assets at fair value through profit and loss” and “loans and receivables”.

Effective interest method

Effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of the Accounting Policies (Continued)

2.10 Investment Properties

Held for trading financial assets

Financial assets that are measured at fair value by the Company and associated with the income statement are classified under financial assets held for trading in the financial statements.

Financial assets measured at fair value and associated with the income statement are obtained for the purpose of gaining profit from the fluctuations in price and similar factors that occur in the market in the short term, or regardless of the reason for obtaining them, financial assets in a short term profit portfolio and measured at fair value by the Company are classified in this category during the purchase.

Financial assets at fair value through profit or loss are initially measured at fair value, and are subsequently remeasured at their fair values. Gains and losses arising from the valuation are included in the income statement (Note 11).

Available-for-sale financial assets

Available-for-sale financial assets are measured at subsequent reporting dates at fair value except available-for-sale investments that do not have quoted prices in an active market and their fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power. Gains and losses arising from available-for-sale financial assets are included in profit or loss for the period. Changes in the fair value of such these assets are recognized in the equity. When the related asset is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Held-to-maturity financial assets

Held-to-maturity financial assets are intended to be held until their maturities and including ability to funding, provided the circumstances to be held to maturity, with fixed or determinable payments and with fixed maturity, and apart from loans and receivables, when recognized, not recognized as financial assets at fair value through profit or loss and not available for sale financial assets. These financial assets, initially recognized at the acquisition cost and is considered fair value. The fair value of held-to-maturity financial assets is determined on transaction cost of these financial assets or market price of similar financial instruments. Held-to-maturity financial assets are carried at amortized cost. Contribution income related to held-to-maturity financial assets is reflected in the income statement.

The Company does not allocate any impairment on short-term market fluctuations, provided that there is no risk of collection of the securities representing the borrowings classified as held-to-maturity financial assets. If there is a risk of collection, the amount of the impairment is the difference between the book value of the financial asset and the value of the cash flows expected from the financial asset, if any, amortized based on the original effective rate of return.

As of December 31,2019, the Company has TL 34,881,722 of financial assets under held-to-maturity investment account (December 31, 2018: TL 9,752,674).

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2. Summary of the Accounting Policies (Continued)

2.10 Investment Properties (Continued)

Financial Assets at Insured's Risk

Such assets are classified as available for sale and held to maturity financial assets. Available for sale financial assets are carried at fair value and revaluation difference arising from amortized cost is recognized under the statement of income. Also, 5% of the difference in between the fair value and amortized cost is recognized under equity and 95% of insurance technical reserves that are attributable to insures are recognized in the Insurance Technical Reserves - Life Mathematical Reserves account. Assets that are not carried at fair value are carried at amortized cost using the effective interest rate method.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

Associates

An associate is an entity that retains at the shares of voting rights or has significant power over another entity. The difference between carrying value and fair value (to the extent that it is measured reliably) of such assets are recognized in shareholders' equity and assets that have fair value are carried at fair value while the other assets are carried at book value

Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate, that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that are impaired, are reviewed for possible reversal of the impairment at each reporting date.

Impairment of financial assets

The Company assesses its financial assets, other than those at FVTPL, at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as held-to-maturity, available-for-sale or loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

For loans and receivables, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets except for trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

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2. Summary of the Accounting Policies (Continued)

2.10 Investment Properties (Continued)

Impairment of financial assets (Continued)

Except for AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

2.11 Derivative Financial Instruments

The Company uses foreign currency swap and option contracts, the Company uses end of period market exchange rates and interest rates to calculate market value of foreign exchange swap contracts. As of December 31, 2019, there is a registered financial asset amounting to TL 1,114,629,998 which costed to TL 1,085,032,639 (December 31, 2018: TL 1,068,791,711).

As of December 31, 2019, the Company has accrued TL 29,597,359 arising from valuation of derivative instruments. (December 31, 2018: TL 33,895,401 income accrual).

2.12 Offsetting Financial Instruments

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

2.13 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments, which have maturities with three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. (Note 14.)

2.14 Share Capital

As of December 31, 2019, the Company’s nominal capital is TL 306,000,000 (December 31, 2018: TL 306,000,000). Share capital is represented by 30,600,000,000 of equity shares having a nominal amount of TL 0.01 each. The share capital structure of the Company is as follows:

	December 31 2019		December 31 2018	
	Rate %	Amount TL	Rate %	Amount TL
H.Ömer Sabancı Holding A.Ş.	36.00	110,160,000	36.00	110,160,000
Ageas Insurance International NV	36.00	110,160,000	36.00	110,160,000
Other	28.00	85,680,000	28.00	85,680,000
	100.00	306,000,000	100.00	306,000,000

Agreement about the sale of 50% of 18,965,880,200 units of Aksigorta A.Ş. shares with TL 189,658,802 nominal value that belong to H.Ö. Sabancı Holding (“Holding”) portfolio was signed with Ageas Insurance International N.V. at February 18, 2011. At the date of July 29, 2011, 9,482,940,100 units of Aksigorta A.Ş. shares that correspond to 50% of the Holding’s portfolio have been transferred to Ageas Insurance International N.V. with the sale price (excluding the corrections) of USD220,029,000.

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2. Summary of the Accounting Policies (Continued)

2.14 Share Capital (Continued)

The Company has accepted the registered capital system set out in accordance with the provisions of Law No: 2499 and applied the system as of 15 June 2000 upon the permission no: 67/1039 granted by the Capital Markets Board.

As of December 31, 2019, Company has TL 500,000,000 registered share capital ceiling. December 31, 2018: TL 500,000,000). More extensive details related to the company capital are disclosed in the Note 15.

2.15 Insurance and Investment Contracts

Insurance Contracts

Insurance contracts are contracts in which one part accepts a significant insurance risk and pays compensation (insurer) to the other part (insure) when any uncertain case affects the insure. The Company makes reinsurance agreements in which the Company (ceding company) is compensated by the insurer (reinsurer company) for one or more claims. Insurance contracts entered into by the Company under which the contract holder is another insurer (reinsurance) are included with insurance contracts.

Insurance and reinsurance contracts of the Company are included in classification of Insurance contracts.

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

Investment Contracts:

The accumulation component present in some life insurance contracts is measured by the Company on a separate basis; On the other hand, as the accounting policies require the recognition of rights and obligations related with the accumulation component, regardless of the measurement principles, the insurance and investment components are not decomposed.

Reinsurance Agreements:

Reinsurance agreements are the agreements agreed by the Company and reinsurance company for the loss which may occur in one or more insurance agreements signed by the Company, and those meet all conditions to be classified as insurance contract and those whose costs are paid.

The Company has excess of loss, surplus and quota share treaty agreements in related branches. In the context of excess of loss agreements, the ceded premiums are accounted for on accrual basis over the related period. The ceded premiums and claims of other agreements are accounted on the basis of the income and loss from related insurance contracts.

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2. Summary of the Accounting Policies (Continued)

2.15 Insurance and Investment Contracts (Continued)

Reinsurance agreements: (Continued)

The Company has surplus reinsurance agreement in fire, marine, engineering and other accident branches. Besides, The Company has excess of loss agreements in fire, marine and engineering branches. The Company continues to be exposed to the insurance risk under the insurance contracts whereas the liability of the reinsurer ceases by the end of the agreement period. Company has annual proportional quota-share reinsurance agreement for third person liability, electronic equipment, personal accident, health, professional liability, machinery breakdown and bus compulsory chair branches. Mentioned reinsurance agreements, the reinsurer's liability continues even after expiration of the agreement in the run-off agreements. Catastrophic excess of loss re-insurance agreement, natural disasters such as flood and earthquake is also protected in these branches.

In addition, the Company has facultative reinsurance agreements signed separately for certain risks based on certain policies.

Premiums Transferred to Social Security Institution

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

The liability of the insurance companies with respect to the service costs to be incurred in the context of abovementioned articles has been determined in accordance with the provisions of “The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated August 27, 2011 (“The Regulation”), “The Communiqué on the Principles of the Implementation of the Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated September 15, 2011 and numbered 2011/17 (the “Communiqué numbered 2011/17”) and “The Communiqué on the Accounting of Payments to Social Security Institution (“SSI”) with respect to Treatment Expenses and Introduction of New Account Codes to Insurance Account Chart” dated. October 17, 2011 (the “Communiqué numbered 2011/18”), the regulation (the “Communique numbered 2012/3”) making changes in “The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated March 16, 2012 and numbered 2012/3 and the communique about changes related “the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated April 30, 2012 and numbered 2012/6 (Note 2.24) (the “Communique numbered 2012/6”). Within this framework, the Group is required to cede a certain amount of premiums to be determined in accordance with the Regulation and the Communiqué numbered 2011/17 to SSI in relation to policies issued as of February 25, 2011 the notice numbered 2012/3 and the communique 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.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019**

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

2. Summary of the Accounting Policies (Continued)

2.15 Insurance and Investment Contracts (Continued)

Premiums Transferred to Social Security Institution (Continued)

Based on the aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI in January 1 - December 31, 2019 accounting period as TL 135,165,977 (January 1 - December 31, 2018: TL 100.356.222) and unearned premium reserve amounting to TL 76,801,473, (January 1 - December 31, 2018: TL 53.437.849) for the period ended as of January 1 - December 31, 2018; classified under the accounts of "Premiums ceded to SSI" and "Change in SSI share of of Unearned Premiums Reserve", respectively (Note 20).

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

Premium ceded to Turkish Motor Insurers' Bureau

The Pool of Higher Risk Policies ("The Pool") was established by Treasury and Finance Ministry in accordance with "the Regulation Regarding Change in the Regulation on Tariff Application Principals of Motor Liability Insurance" issued on the Official Gazette dated July 11, 2017 and numbered 30121 for the vehicle groups and/or steps what have high damage frequency valid for written motor liability policies after April 12, 2017. In accordance with the Higher Risk Policies Operating Principals that is effectuated with aforementioned regulation, Turkey Motor Insurance Bureau ("TMIB") makes two-step calculations premiums and claims of motor liability policies which are subject to the Pool. Hereunder, 50% of premiums and claims is apportioned between insurance companies equally and the other 50% is apportioned according to insurance companies' share of motor liability premiums in last 3 years.

In accordance with the Higher Risk Policies Operating Principals issued by TMIB on August 15, 2017; 76% of total premiums net of deductions to be received from the insured, on policies issued after July 11, 2017 which are subject to the Pool, will be ceded to the Pool.

The Company has recorded the amounts of premiums, claims and commissions paid to the Pool under the regulation and taken over from the Pool within the scope of the Company's share, taking into account the monthly receipts finalized by the TMTB as of December 31, 2019. As at December 31, 2019, the Company accounted TL 182,355,370 premium ceded to the Pool and TL 90,369,466 paid claim; TL 100,106,439 premium which is reported as Company share from the pool, TL 38,077,397 claims paid, TL 308,481 recourse and TL 483,779 salvage are accounted in accordance with the related legislation.

2.16 Insurance and Investment Contracts With Discretionary Participation Features

None (December 31, 2018: None).

2.17 Investment Contracts without Discretionary Participation Features

None. (December 31, 2018: None).

2.18 Borrowings

As of December 31, 2019, the Company has TL 12,806,818 borrowings with one day maturity without interest rate and classified as "Other Financial Liabilities. (December 31, 2018: TL 8,494,258).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019**

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

2. Summary of the Accounting Policies (Continued)

2.19 Employee Benefits

The Company accounts for its liability related to employment termination and vacation benefits according to “Turkish Accounting Standards Regarding Employee Benefits” (“TAS 19”) and classifies in balance sheet under the account “Provision of Employment Termination Benefits”.

According to the Turkish Labor Law, the Company is required to pay termination benefits to each employee whose jobs are terminated except for the reasons such as resignation, retirement and attitudes determined in Labor Law. The provision for employment termination benefits is calculated over present value of the possible liability in scope with the Labor Law by considering determined actuarial estimates (Note 22).

2.20 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured over expenditures expected to be required to settle the obligation by considering the risks and uncertainties related to the obligation at the balance sheet date. When the provision is measured by using the estimated cash outflows that are required to settle the obligation, the carrying value of the provision is equal to present value of the related cash outflows.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized as an asset if and only if it is virtually certain that reimbursement will be received and the reimbursement can be reliably estimated.

Liabilities that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity are classified as contingent liabilities and not included in the non-consolidated financial statements (Note 23).

2.21 Revenue Recognition

Written Premium Commission

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

Commission income received in relation to ceded premiums to reinsurance companies is accrued in the related period and classified in technical part under operating expenses in the income statement.

The part of paid amounts to the assistance services which hit the following periods are deferred in accordance with the Technical Provisions Regulation numbered 27655 and dated July 28, 2010.

Interest income and expense

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

Dividend income

Dividend income from the equity share investments are recognized when the shareholder has the right to receive dividends.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of the Accounting Policies (Continued)

2.22 Profit Share Distribution

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the Company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

The excess portion of the inflation adjustment of the general reserves including prior year losses and profits, share premiums and shareholders' equity excluding capital is considered in the calculation of the net distributable profit.

2.23 Related parties

Parties are considered related to the Company if;

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

2.24 Foreign currency transactions

Transactions are recorded in TL, which represents the Company's functional currency. Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are converted into TL at the exchange rates ruling at the reporting date with the resulting exchange differences recognized in the statement of profit or loss as foreign exchange gains or losses.

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

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

	December 31, 2019		December 31, 2018	
	USD/ TL	EUR/ TL	USD/ TL	EUR/ TL
Buying rate	5,9402	6,6506	5,2609	6,0280
Selling rate	5,9598	6,6725	5,2783	6,0479

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019**

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

3. Significant Accounting Estimates and Requirements

Preparation of financial statements requires the use of assumptions and estimates that might affect the amounts of assets and liabilities reported as of balance sheet date, explanation of the conditional assets and liabilities and amounts of the income and expenses reported throughout the accounting period. Accounting evaluations, estimates and assumptions are evaluated taking into consideration past experience, other factors, current conditions and reasonable expectations for future events. Such evaluations and estimates might differ from actual consequences, even though they are based on the best knowledge of the management about current events and transactions.

One of the most important accounting estimates for the Company is to estimate the final net liabilities relating to the expenses to arise from the effective policies. As per its nature, estimating liabilities regarding the insurance business includes the evaluation of many uncertainties.

4. Insurance and Financial Risk Management

4.1 Insurance Risk

4.1.1 Objective of managing risks arising from insurance contracts and policies used to minimize such risks

Insurance risk is the probability of risk exposure that is covered under any insurance contracts and the uncertainty of the magnitude of the claims in relation to the risk exposed. Due to the nature of insurance transactions, risks are incidental and hard to anticipate. Maximum risk that the Company bears is limited to the coverage amount specified in the insurance contract.

The Company has adopted central risk assessment policy and this policy is applied in relation to the Company’s specified operations and limitations. Principally, in risk assessment, potential claims are measured based on the past experience, similar risk comparisons and risks in relation to production process. Location, geographical area, field of activity and fire and theft measures are also key issues used in the assessment of the insured risk.

The Company is managing its insurance risk by policy production strategies, reinsurance contracts and effective settlement and payment operations.

4.1.1.1 Sensitivity to insurance risk

The Company is managing its insurance risk by policy production strategies, reinsurance contracts and effective settlement and payment operations.

The Company’s policy production strategy follows an effective risk management in the policy production process considering the nature, extent, geographical area and accurate distribution of the risk incurred.

Reinsurance contracts include excess of loss (quota-share and excess loss) and catastrophic coverage. The Company can also enter into reinsurance contracts with facultative participation under its reinsurance program.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019

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

4. Insurance and Financial Risk Management (Continued)

4.1 Insurance Risk (Continued)

Reinsurance Company Notification

2019		2018	
Reinsurance Company	Standard & Poor's Rating	Reinsurance Company	Standard & Poor's Rating
African Re	A-	African Re	A-
ARIG	NR	ARIG	BB-
Asia Capital Re	A-	Asia Capital Re	A-
China Re	A	China Re	A
Covea Cooperations	A+	Covea Cooperations	A+
Everest Re	A+	Everest Re	A+
Fair Pool	NR	Fair Pool	NR
GIC	NR	GIC	NR
Hannover Re	AA-	Hannover Re	AA-
Korean Re	A	Korean Re	A
Mapfre Re	A	Mapfre Re	A
Milli Re	trA+	Milli Re	trA+
MS Amlin AG	A	MS Amlin AG	A
Odyssey Re	A-	Odyssey Re	A-
Partner Re	A+	Partner Re	A+
QBE	A+	QBE	A+
Samsung Fire&Marine Re	AA-	Samsung Fire&Marine Re	AA-
Sava Re	A	Sava Re	A
Scor Global P&C	AA-	Scor Global P&C	AA-
Toa Re	A+	Toa Re	A+
Tokio Millenium Re	A+	Tokio Millenium Re	A+
Trust Re	NR	Trust Re	NR
Unipol Re	NR	Unipol Re	NR
VIG	A+	VIG	A+
XL Catlin Re	AA-	XL Catlin Re	A+

4.1.1.2 Insurance risk concentrations with explanations of how management identify risk concentrations and common features of each concentration (the nature of insurance, geographic region or currency)

Generally, the Company's insurance contracts include fire and natural disasters, marine, accident, motor vehicles, air crafts, water crafts, general losses, motor vehicles liability, air crafts liability, general liability, financial losses, legal protection, illness/health and life branches. The Company's gross and net insurance risk concentrations (after reinsurance) in terms of insurance branches are summarized as below:

	December 31, 2019			December 31, 2018		
	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Motor Crafts Liability	813,372,523	(24,277,783)	789,094,740	602,744,898	(15,996,721)	586,748,177
General Liability	587,034,338	(455,674,426)	131,359,912	317,979,138	(226,026,299)	91,952,839
Motor Own Damage	99,102,286	(204)	99,102,082	94,454,919	(181)	94,454,738
Fire and Natural Disaster	682,056,042	(645,451,686)	36,604,356	592,426,425	(550,469,556)	41,956,869
General Losses	275,074,848	(264,431,598)	10,643,250	267,069,677	(256,781,293)	10,288,384
Transportation	58,021,514	(48,146,372)	9,875,142	39,538,203	(33,365,205)	6,172,998
Health	18,591,478	(13,191,962)	5,399,516	16,500,937	(13,142,555)	3,358,382
Financial Losses	90,207,565	(85,959,053)	4,248,512	56,541,493	(49,053,205)	7,488,288
Fidelity Guarantee	87,583,476	(84,371,502)	3,211,974	74,959,768	(72,180,205)	2,779,563
Water Crafts	32,231,008	(30,061,736)	2,169,272	5,392,784	(3,716,914)	1,675,870
Accident	5,901,468	(3,017,587)	2,883,881	4,603,245	(2,640,550)	1,962,695
Legal Protection	412,001	-	412,001	302,965	-	302,965
Accident	136,311	-	136,311	128,954	-	128,954
Credit	727,288	(690,924)	36,364	2,715,263	(2,598,366)	116,897
Air Crafts Liability	15,756,454	(15,742,695)	13,759	5,563,092	(5,554,759)	8,333
Air Crafts	31,150,045	(31,150,045)	-	15,356,409	(15,350,024)	6,385
Total	2,797,358,645	(1,702,167,573)	1,095,191,072	2,096,278,170	(1,246,875,833)	849,402,337

(*) Total claim liability includes all outstanding claims reserves and IBNR as of the balance sheet date.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019

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

4. Insurance and Financial Risk Management (Continued)

4.1 Insurance Risk (Continued)

	December 31, 2019			December 31, 2018			
	Effect on Current Period (Net)	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims	Reinsurance Share of Total Claims Liability	
Unpaid Claims	(117,025,817)	2,412,577,612	(1,748,057,528)	664,520,084	1,783,361,109	(1,235,866,842)	547,494,267
Discount Effect of Reported Damages	74,348,663	(420,273,765)	167,568,407	(252,705,358)	(251,105,751)	72,749,056	(178,356,695)
Claim Provisions (*)	(203,104,224)	804,918,487	(121,678,452)	683,240,035	563,893,858	(83,758,047)	480,135,811
Non-life Total	(245,781,378)	2,797,222,334	(1,702,167,573)	1,095,054,761	2,096,149,216	(1,246,875,833)	849,273,383
Life	(7,357)	136,311	-	136,311	128,954	-	128,954
Grand Total	(245,788,735)	2,797,358,645	(1,702,167,573)	1,095,191,072	2,096,278,170	(1,246,875,833)	849,402,337

(*) Claim provisions include all additional provisions within unpaid claims in the total outstanding compensation provision in the balance sheet date.

Outstanding Claim Reserve:

	December 31, 2019			December 31, 2018		
	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Beginning of the period - January 1	1,783,361,109	(1,235,866,842)	547,494,267	1,255,436,620	(814,608,226)	440,828,394
Opened in the period	2,741,942,058	(1,326,122,966)	1,415,819,092	2,013,482,535	(834,574,549)	1,178,907,986
Paid from current period (-)	(1,415,526,122)	545,334,628	(870,191,494)	(1,069,601,793)	297,587,472	(772,014,321)
Paid from previous periods (-)	(697,199,433)	268,597,652	(428,601,781)	(415,956,253)	115,728,461	(300,227,792)
Period end reported claims	2,412,577,612	(1,748,057,528)	664,520,084	1,783,361,109	(1,235,866,842)	547,494,267
Life	136,311	-	136,311	128,954	-	128,954
Reported claims discount effect	(420,273,765)	167,568,407	(252,705,358)	(251,105,751)	72,749,056	(178,356,695)
IBNR	804,918,487	(121,678,452)	683,240,035	563,893,858	(83,758,047)	480,135,811
Total	2,797,358,645	(1,702,167,573)	1,095,191,072	2,096,278,170	(1,246,875,833)	849,402,337

Claims development tables prepared in accordance with the Technical Provision Regulations which are used in the ACLM calculation are explained below:

Gross claim development table prepared on the principles of incurred claims by December 31, 2019:

	01/01/2013 12/31/2013	01/01/2014 12/31/2014	01/01/2015 12/31/2015	01/01/2016 12/31/2016	01/01/2017 12/31/2017	01/01/2018 12/31/2018	01/01/2019 12/31/2019	Gross Claim
Claim realized in the accident period	673,019,738	838,172,102	841,913,192	930,621,837	1,366,238,878	1,564,047,984	2,299,187,241	8,513,200,972
1 year later	160,181,399	239,937,131	216,699,946	420,934,178	793,577,616	606,286,572	-	2,437,616,842
2 year later	84,819,582	144,014,862	126,303,760	345,579,004	633,208,482	-	-	1,333,925,690
3 year later	67,301,174	120,606,234	110,917,359	344,631,786	-	-	-	643,456,553
4 year later	65,886,722	133,086,346	113,024,946	-	-	-	-	311,998,014
5 year later	65,079,638	151,210,207	-	-	-	-	-	216,289,845
6 year later	70,135,757	-	-	-	-	-	-	70,135,757
TOTAL	1,186,424,010	1,627,026,882	1,408,859,203	2,041,766,805	2,793,024,976	2,170,334,556	2,299,187,241	13,526,623,673

Gross claim development table prepared on the principles of incurred claims by December 31, 2018:

	01/01/2012 12/31/2012	01/01/2013 12/31/2013	01/01/2014 12/31/2014	01/01/2015 12/31/2015	01/01/2016 12/31/2016	01/01/2017 12/31/2017	01/01/2018 12/31/2018	Gross Claim
Claim realized in the accident period	805,358,245	673,026,038	838,172,102	841,913,192	930,621,837	1,366,238,878	1,564,047,984	7,019,378,276
1 year later	202,466,775	160,175,099	239,937,131	216,699,946	420,934,178	793,577,616	-	2,033,790,745
2 year later	63,973,783	84,819,582	144,014,862	126,303,760	345,579,002	-	-	764,690,989
3 year later	54,371,895	67,301,174	120,606,234	110,917,361	-	-	-	353,196,664
4 year later	51,998,615	65,886,722	133,086,346	-	-	-	-	250,971,683
5 year later	47,498,155	65,079,638	-	-	-	-	-	112,577,793
6 year later	48,136,076	-	-	-	-	-	-	48,136,076
TOTAL	1,273,803,544	1,116,288,253	1,475,816,675	1,295,834,259	1,697,135,017	2,159,816,494	1,564,047,984	10,582,742,226

AKSİGORTA A.Ş.

1 OCAK- 30 Haziran 2019 HESAP DÖNEMİNE AİT FİNANSAL TABLOLARA İLİŞKİN AÇIKLAYICI DİPNOTLAR

(Tüm tutarlar aksi belirtilmedikçe Türk Lirası (TRY) olarak gösterilmiştir.)

4. Insurance and Financial Risk Management (Continued)

4.2 Financial Risk

4.2.1 Capital risk management and capital requirement

The Company's main purpose in capital management is to maintain its status as an revenue generating company of the group and to protect shareholder and corporate partners' benefits while sustaining the most effective capital structure in order to reduce capital costs.

The Company measures its adequacy semi-annually in accordance with the Decree "Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds" published in the Official Gazette No: 26761 on January 19, 2008. The Treasury and Finance Ministry has not published capital adequacy calculation tables for the interim period ended on December 31, 2019 as of publication date of financial statements. The minimum required capital of the company as of June 30, 2019, calculated within the framework of the regulation on capital adequacy measurement is TL 670,438,613. Company management believes that, as of December 31, 2019, the necessary capital adequacy has been provided for the interim period January 1 - December 31, 2019 considering the movement of equity.

4.2.2. Financial risk factors

The Company is exposed to market risk (exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk due to its assets and liabilities and reinsurance assets and liabilities. The Company's risk management generally focuses on minimizing the probable adverse effects of uncertainties in financial markets over the Company's performance. The Company's exposure to interest rate risk and credit risk in general is due to its financial investments and insurance receivables, respectively.

Market risk

The Company is exposed to market risk due to fluctuations in the exchange rates, interest rates and equity share prices.

Exchange rate risk

The Company's foreign currency denominated assets and liabilities expose the Company to exchange rate risks. These risks are monitored by analyzing exchange rate position. The details of the Company's foreign currency denominated assets and liabilities as of December 31, 2019 and December 31, 2018 are presented in details in Note 12.4

Sensitivity to exchange rate risk

The Company's sensitivity to a 10% increase/decrease in USD and Euro currencies are presented below. Sensitivity analysis only includes foreign currency denominated monetary assets outstanding at the end of period and indicates the effects of 10% changes in exchange rates. Positive value indicates an increase in profit/loss and other equity items.

	December 31, 2019		December 31, 2018	
	USD Effect	EUR Effect	USD Effect	EUR Effect
Profit/Loss Increase	10,913,037	5,177,297	7,937,030	6,534,897
Profit/Loss (Decrease)	(10,913,037)	(5,177,297)	(7,937,030)	(6,534,897)

AKSIGORTA A.Ş.

1 OCAK – 30 Haziran 2019 HESAP DÖNEMİNE AİT FİNANSAL TABLOLARA İLİŞKİN AÇIKLAYICI DİPNOTLAR

(Tüm tutarlar aksi belirtilmedikçe Türk Lirası (TRY) olarak gösterilmiştir.)

4. Insurance and Financial Risk Management (Continued)

4.2 Financial Risk (Continued)

4.2.2 Financial risk factors (Continued)

Interest rate risk

	December 31, 2019	December 31, 2018
Total	Effect on profit and profit reserves	
Market interest rate increase / (decrease)		TL
+1%	(6,705,683)	(226,353)
-1%	7,942,645	253,313
Financial assets	Effect on profit and profit reserves	
Market interest rate increase / (decrease)		TL
+1%	(6,705,683)	(195,413)
-1%	7,942,645	216,688
+1% Financial Assets with Risks on Policy Holders	-	(30,940)
-1% Financial Assets with Risks on Policy Holders	-	34,625

The Company is required to manage its interest rate risks due to price fluctuations in its financial instruments arising from changes in interest rates. The Company's sensitivity to interest rate risk results from the mismatch in maturities of its assets and liabilities. Interest rate risk is managed by offsetting the assets that are affected by the interest rate fluctuations against the liabilities in same nature.

Price risk

The Company is exposed to price risk due to its available for sale financial assets. As of the reporting date, if data used in the valuation method is increased/decreased by 10% and all variables remain fixed, the Company's sensitivity is as follows. The sensitivity of the Company for the price risk is arising from the available for sale financial assets as of December 31, 2019.

	December 31, 2019	December 31, 2018
Total	Effect on Financial assets available for sale	
Price increase / (decrease)		TL
+10%	73,763,135	55,818,742
-10%	(73,763,135)	(55,818,742)

Credit risk

Credit risk is the risk that the debtor defaults on its obligations under the terms of the transaction. Credit risk is managed by setting out limits and providing guarantees for receivables from a specific party. Limits and guarantees are determined based on the assessment of the respective party's financial ability and trading capacity. The Company is exposed to credit risk in Turkey because it mainly performs its operations in Turkey.

As of December 31, 2019, the Company has presented its receivables from insurance operations and guarantees received and provision for doubtful receivables in Note 12.1.

Liquidity risk

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

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019

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

4. Insurance and Financial Risk Management (Continued)

4.2 Financial Risk (Continued)

4.2.2 Financial risk factors (Continued)

Liquidity risk table

December 31, 2019	Up to 1 month	1 - 3 month	3 months-1 year	1 - 5 years	5 years and over	No maturity	Total
Cash and Cash Equivalents	942,019,120	1,080,190,601	20,293,159	-	-	20,539,632	2,063,042,512
Financial Assets Available for Sale	20,993,443	16,816,813	114,942,696	415,543,534	56,413,071	78,040,075	702,749,632
Financial Assets Held for Trading	448,138,096	-	-	-	-	142,613,230	590,751,326
Held-to-Maturity Financial Assets	-	-	-	34,881,722	-	-	34,881,722
Investments with Risks on Policy Holders Investments	-	-	-	1,806,587	-	-	1,806,587
Receivables From Main Operations	235,458,533	200,768,514	294,341,193	30,051,374	-	-	760,619,614
Due from Related Parties	-	-	160,165	-	-	-	160,165
Other Receivables	-	-	17,597,262	-	-	-	17,597,262
Prepaid Expenses and Income Accruals	41,425,868	69,643,629	183,461,586	-	-	-	294,531,083
Other Current Assets	-	7,623,377	-	-	-	-	7,623,377
Financial Assets	-	-	-	-	-	-	-
Tangible Assets	-	-	-	-	-	49,455,053	49,455,053
Intangible Assets	-	-	-	-	-	60,569,259	60,569,259
Prepaid Expenses and Income Accruals (Long Terms)	-	-	-	149,980	-	-	149,980
Other Non-current Assets	-	-	-	-	-	23,935,685	23,935,685
Total	1,688,035,060	1,375,042,934	630,796,061	482,433,197	56,413,071	375,152,934	4,607,873,257
Financial Liabilities	60,777,683	-	3,806,567	25,943,674	-	-	90,527,924
Payables From Main Operations	283,517,463	140,377,879	117,966,682	12,188,792	-	-	554,050,816
Due to Related Parties	286,511	-	1,143	-	-	-	287,654
Other Payables	-	147,073,354	-	-	-	-	147,073,354
Insurance Technical Reserves	720,574,743	630,761,513	401,332,066	755,461,917	6,911,092	-	2,515,041,331
Taxes Payable and Similar Liabilities	-	93,440,050	-	-	-	-	93,440,050
Cost Expense Provisions	-	-	56,664,751	1,230,851	-	2,051,784	59,947,386
Prepaid Expenses and Income Accruals	21,696,551	54,964,596	67,982,526	-	-	-	144,643,673
Long Term Insurance Technical Reserves	-	-	-	1,446,871	95,692,471	-	97,139,342
Provisions for Other Risks	-	-	-	-	-	7,052,711	7,052,711
Shareholders' Equity	-	-	-	-	-	898,669,016	898,669,016
Total Liabilities and Shareholders' Equity	1,086,852,951	1,066,617,392	647,753,735	796,272,105	102,603,563	907,773,511	4,607,873,257
Liquidity Surplus/(Deficit)	601,182,109	308,425,542	(16,957,674)	(313,838,908)	(46,190,492)	(532,620,577)	-

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019

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

4. Insurance and Financial Risk Management (Continued)

4.2 Financial Risk (Continued)

4.2.2 Financial risk factors (Continued)

Liquidity risk table (Continued)

December 31, 2018	Up to 1 month	1 - 3 month	3 months - 1 year	1 -5 years	5 years and over	No maturity	Total
Cash and Cash Equivalents	486,866,689	579,752,804	886,833,419	-	-	16,115,750	1,969,568,662
Financial Assets Available for Sale	2,098,623	45,006,797	110,705,440	145,757,862	52,382,624	23,677,962	379,629,308
Financial Assets Held for Trading							
Financial assets	-	-	-	-	-	168,805,442	168,805,442
Held-to-Maturity Financial Assets	-	-	-	9,752,674	-	-	9,752,674
Investments with Risks on Policy Holders	-	-	-	1,686,241	-	-	1,686,241
Receivables From Main Operations	173,197,383	185,593,560	204,611,519	37,435,170	-	-	600,837,632
Due from Related Parties	-	-	126,885	-	-	-	126,885
Other Receivables	-	-	20,668,330	-	-	-	20,668,330
Prepaid Expenses and Income Accruals	65,078,730	53,091,248	142,960,854	-	-	-	261,130,832
Other Current Assets	218,754	-	5,416,876	-	-	-	5,635,630
Tangible Fixed Assets	-	-	-	-	-	24,329,768	24,329,768
Intangible Fixed Assets	-	-	-	-	-	55,639,894	55,639,894
Prepaid Expenses and Income Accruals (Long Terms)	-	-	-	149,980	-	-	149,980
Other Non-current Assets	-	-	-	-	-	16,972,963	16,972,963
Total Assets	727,460,179	863,444,409	1,371,323,323	194,781,927	52,382,624	305,541,779	3,514,934,241
Financial Liabilities	58,448,710	-	-	-	-	-	58,448,710
Payables From Main Operations	121,540,357	74,500,013	217,355,734	5,323,197	-	-	418,719,301
Due to Related Parties	253,415	-	1,143	-	-	-	254,558
Other Payables	-	132,714,624	-	-	-	-	132,714,624
Insurance Technical Reserves	510,096,956	464,596,373	876,084,765	54,643,643	4,905,950	-	1,910,327,687
Taxes Payable and Similar Liabilities	-	44,131,441	-	-	-	-	44,131,441
Cost Expense Provisions	-	-	40,333,473	-	-	-	40,333,473
Prepaid Expenses and Income Accruals	8,353,828	16,262,600	77,102,666	-	-	-	101,719,094
Long Term Insurance Technical Reserves	-	-	-	1,473,636	82,348,570	-	83,822,206
Provisions for Other Risks	-	-	-	-	-	6,503,684	6,503,684
Shareholders' Equity	-	-	-	-	-	717,959,463	717,959,463
Total Liabilities and Shareholders' Equity	698,693,266	732,205,051	1,210,877,781	61,440,476	87,254,520	724,463,147	3,514,934,241
Liquidity Surplus / (Deficit)	28,766,913	131,239,358	160,445,542	133,341,451	(34,871,896)	(418,921,368)	-

Categories of Financial Assets:

Current Financial Assets	December 31, 2019		December 31, 2018	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets Available for Sale	702,749,632	702,749,632	379,629,308	379,629,308
Financial Assets Held for Trading	590,751,326	590,751,326	168,805,442	168,805,442
Financial Assets Held to Maturity	36,506,714	34,881,722	10,842,120	9,752,674
Financial Investments with Risks on Policy Holders	1,806,587	1,806,587	1,686,241	1,686,241
Non-Current Financial Assets				
Affiliate	-	-	30,116,653	30,116,653
Impairment Provision for Affiliates	-	-	(30,116,653)	(30,116,653)
Total Financial Assets	1,331,814,259	1,330,189,267	560,963,111	559,873,665

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

4. Insurance and Financial Risk Management (Continued)

4.2 Financial Risk (Continued)

4.2.2 Financial risk factors (Continued)

Fair value of financial assets

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm’s length transaction in accordance with market conditions.

	December 31, 2019	Category 1	Category 2	Category 3
Financial Assets Available for Sale				
Corporate Bond	333,690,554	333,690,554	-	-
Eurobond	152,749,578	152,749,578	-	-
Government Bonds	137,902,513	137,902,513	-	-
Stocks	78,406,987	77,976,955	-	430,032
Financial Assets Held for Trading				
Reverse Repo	448,138,096	448,138,096	-	-
Investment Funds	142,613,230	142,613,230	-	-
Held to Maturity Financial Assets				
Eurobond	24,027,260	24,027,260	-	-
Government Bonds	10,854,462	10,854,462	-	-
Financial Investments with Risks on Policy Holders				
Government Bonds	1,806,587	1,806,587	-	-
Total	1,330,189,267	1,329,759,235	-	430,032

	December 31, 2018	Category 1	Category 2	Category 3
Financial Assets Available for sale				
Corporate Bond	233,265,994	233,265,994	-	-
Eurobond	122,684,814	122,684,814	-	-
Government Bonds	736	736	-	-
Stocks	23,677,764	23,247,732	-	430,032
Financial Assets Held for Trading				
Investment Funds	168,805,442	168,805,442	-	-
Held to Maturity Financial Assets				
Government Bonds	9,752,674	9,752,674	-	-
Financial Investments with Risks on Policy Holders				
Government Bonds	1,686,241	1,686,241	-	-
Total	559,873,665	559,443,633	-	430,032

The Company determines the estimated fair value of its financial instruments by using the current market information and appropriate valuation methods. Additionally, ability to estimate the market values through assessing the market information requires interpretation and judgment. As a result, the estimations presented herein cannot be an indicator of the amounts obtained by the Company in a current market transaction.

The fair value of financial assets shown in the following table in terms of valuation methods is shown divided into three categories. “Category 1”, was organized market obtained from fair values (market data), the “Category 2” precedent that has truth according to processes and “Category 3” is the future cash flows to their present reduced according to the values that are valued financial assets represents.

The following methods and assumptions were used to estimate the fair value of financial instruments for which fair value estimates are practicable.

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

4. Insurance and Financial Risk Management (Continued)

4.2 Financial Risk (Continued)

4.2.2 Financial risk factors (Continued)

Financial assets

It is anticipated that fair value of the financial assets including cash and cash equivalents and other financial assets carried at cost will approximate to their book value based on their short term nature and having insignificant potential losses.

Market value is taken as a basis in the measurement of fair value of government bonds and equity shares.

Financial liabilities

It is anticipated that fair value of monetary liabilities will converge to their carrying value based on their short term nature.

5. Segment Information

5.1 Operating segments

Information related to the operational reporting made by the Company to the chief operating decision-maker in the accordance with the “TFRS 8 - Operating Segments” is disclosed in this part.

Numerical limits in “TFRS 8 - Operating Segments” is also considered as well as management reporting in the determination of operating segments. Premium production and net technical income of different operating segments are grouped separately.

The Company operates in Turkey. Since the results of operating activities abroad have very low effect on financial statements, the information about geographical segmentation has not been given.

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019

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

5. Segment Information (Continued)

5.1 Operating segments (Continued)

Segment results for the period ended at December 31, 2019:

	Fire	Transportation	Motor Own Damage	Motor Crafts Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
TECHNICAL INCOME	198,100,013	30,339,366	882,889,773	1,279,985,490	190,226,398	21,316,933	23,060,982	126,314,150	130,771	-	2,752,363,876
1- Earned Premiums (Net of Reinsurer Share)	158,658,326	23,808,190	771,967,612	1,015,025,969	145,350,756	19,038,330	17,883,973	91,591,091	-	-	2,243,324,247
1.1- Premiums (Net of Reinsurer Share)	172,352,362	24,191,655	851,150,726	1,234,579,990	163,334,917	17,572,291	24,509,005	114,646,852	-	-	2,602,337,798
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(13,694,036)	(383,465)	(96,465,054)	(219,554,021)	(6,944,488)	1,466,039	(6,625,032)	(23,055,761)	-	-	(365,255,818)
1.3-Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	-	-	17,281,940	-	(11,039,673)	-	-	-	-	-	6,242,267
2- Investment Income transferred from Non-Technical Part	35,912,941	6,982,236	100,040,483	246,449,836	44,815,541	2,154,209	5,177,009	34,723,059	130,771	-	476,386,085
3- Other Technical Income (Net of Reinsurance Share)	-	-	5,678,324	-	-	-	-	-	-	-	5,678,324
4- Accrued Subrogation and Salvage Income (+)	3,528,746	(451,060)	5,203,354	18,509,685	60,101	124,394	-	-	-	-	26,975,220
TECHNICAL EXPENSES	(146,070,760)	(11,012,712)	(792,103,260)	(992,679,346)	(136,893,022)	(13,820,182)	(15,082,735)	(60,439,514)	(158,154)	-	(2,168,259,685)
1- Total Claims (Net of Reinsurer Share)	(62,391,448)	(6,635,251)	(551,208,622)	(821,830,304)	(71,183,362)	(10,255,402)	(9,924,693)	(10,968,009)	(184,919)	-	(1,544,582,010)
1.1- Claims Paid (Net of Reinsurer Share)	(67,743,962)	(2,933,108)	(546,561,278)	(619,483,742)	(33,092,173)	(11,104,093)	(8,770,481)	(8,926,877)	(177,561)	-	(1,298,793,275)
1.2- Changes in Outstanding Claims Reserve Reinsurer Share and Reserves Carried Forward (+/-)	5,352,514	(3,702,143)	(4,647,344)	(202,346,562)	(38,091,189)	848,691	(1,154,212)	(2,041,132)	(7,358)	-	(245,788,735)
2- Changes in Bonus and Discount Reserve (Net of Reinsurer) (+/-)	(3,000)	9,142	83,916	-	(1,416)	-	-	-	-	-	88,642
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-) and Other Technical Expenses	(11,722,683)	-	(1,079,707)	-	(212,435)	(329,076)	-	-	-	-	(13,343,901)
4- Operating Expenses	(60,612,005)	(4,141,608)	(186,769,774)	(149,259,575)	(60,779,393)	(2,530,579)	(5,021,364)	(43,849,274)	-	-	(512,963,572)
4.1- Production Commissions (-)	(103,202,480)	(10,706,883)	(133,641,790)	(126,553,218)	(83,503,033)	(21,623,633)	(6,583,605)	(70,378,362)	-	-	(556,193,004)
4.2- Reinsurance Commissions (+)	77,802,880	9,087,702	46,133	23,306,777	38,960,308	24,087,121	2,290,189	36,906,590	-	-	212,487,700
4.3- General Administrative Expenses	(35,212,405)	(2,522,427)	(53,174,117)	(46,013,134)	(16,236,668)	(4,994,067)	(727,948)	(10,377,502)	-	-	(169,258,268)
4.4- Other Operating Expenses	-	-	-	-	-	-	-	-	-	-	-
5- Changes in Mathematical Reserves (+/-)	-	-	-	-	-	-	-	-	26,765	-	26,765
6- Other Technical Expenses (Net of Reinsurer Share)	(11,341,624)	(244,995)	(53,129,073)	(21,589,467)	(4,716,416)	(705,125)	(136,678)	(5,622,231)	-	-	(97,485,609)
TECHNICAL PROFIT/(LOSS)	52,029,253	19,326,654	90,786,513	287,306,144	53,333,376	7,496,751	7,978,247	65,874,636	(27,383)	-	584,104,191
Depreciation expense	-	-	-	-	-	-	-	-	-	662,995,479	662,995,479
Provisions account, net	-	-	-	-	-	-	-	-	-	(33,510,804)	(33,510,804)
Tax expenses	-	-	-	-	-	-	-	-	-	(60,410,995)	(60,410,995)
Financial expenses	-	-	-	-	-	-	-	-	-	(107,566,718)	(107,566,718)
Other	-	-	-	-	-	-	-	-	-	(671,653,422)	(671,653,422)
NET PROFIT/(LOSS)	52,029,253	19,326,654	90,786,513	287,306,144	53,333,376	7,496,751	7,978,247	65,874,636	(27,383)	(217,745,755)	366,358,436

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019

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

5. Segment Information (Continued)

5.1 Operating segments (Continued)

Segment results for the period ended at December 31, 2018:

	Fire	Transportation	Motor Own Damage	Motor Crafts Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
TECHNICAL INCOME	185,637,479	36,269,725	717,902,265	940,876,705	194,455,167	25,428,504	66,370	111,275,378	135,124	-	2,212,046,717
1- Earned Premiums (Net of Reinsurer Share)	147,251,142	27,375,824	670,579,919	726,262,658	145,121,001	21,724,404	52,788	86,470,612	500	-	1,824,838,848
1.1- Premiums (Net of Reinsurer Share)	149,448,259	27,722,190	692,915,316	884,796,666	145,392,042	21,490,975	67,081	79,426,965	500	-	2,001,259,994
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(2,197,117)	(361,635)	(5,053,457)	(158,534,008)	2,639,224	233,429	(14,293)	7,043,647	-	-	(156,244,210)
1.3-Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	-	15,269	(17,281,940)	-	(2,910,265)	-	-	-	-	-	(20,176,936)
2- Investment Income transferred from Non-Technical Part	36,083,742	6,821,846	34,221,077	204,681,467	49,212,429	3,662,375	13,582	24,643,058	134,624	-	359,474,200
3- Other Technical Income (Net of Reinsurance Share)	-	-	5,576,778	200,932	-	-	-	162,000	-	-	5,939,710
4- Accrued Subrogation and Salvage Income (+)	2,302,595	2,072,055	7,524,491	9,731,648	121,737	41,725	-	(292)	-	-	21,793,959
TECHNICAL EXPENSES	(142,916,550)	(14,973,476)	(797,503,215)	(695,016,344)	(118,214,710)	(17,701,655)	(73,899)	(57,577,812)	(162,937)	-	(1,844,140,598)
1- Total Claims (Net of Reinsurer Share)	(68,471,474)	(8,751,638)	(595,937,380)	(589,919,118)	(58,862,446)	(12,520,959)	(15,838)	(6,878,146)	(298,423)	-	(1,341,655,422)
1.1- Claims Paid (Net of Reinsurer Share)	(51,639,921)	(7,530,750)	(591,627,063)	(379,780,304)	(23,863,015)	(10,804,262)	(141,260)	(6,487,931)	(367,607)	-	(1,072,242,113)
1.2- Changes in Outstanding Claims Reserve Reinsurer Share and Reserves Carried Forward (+/-)	(16,831,553)	(1,220,888)	(4,310,317)	(210,138,814)	(34,999,431)	(1,716,697)	125,422	(390,215)	69,184	-	(269,413,309)
2- Changes in Bonus and Discount Reserve (Net of Reinsurer) (+/-)	(2,511)	(9,142)	(83,916)	-	5,583	(2)	-	-	-	-	(89,988)
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-) and Other Technical Expenses	(10,378,615)	(38)	(818,723)	-	(155,970)	(430,848)	-	-	-	-	(11,784,194)
4- Operating Expenses	(55,649,507)	(6,049,154)	(161,202,282)	(101,403,123)	(56,154,872)	(4,196,822)	56,052	(46,741,543)	(5)	-	(431,341,256)
4.1- Production Commissions (-)	(89,055,665)	(10,734,260)	(109,032,672)	(92,849,823)	(74,393,938)	(17,595,155)	(8,361,485)	(66,482,881)	-	-	(468,505,879)
4.2- Reinsurance Commissions (+)	66,389,008	7,206,277	63,123	21,315,166	33,336,525	18,055,084	9,055,246	30,048,479	-	-	185,468,908
4.3- General Administrative Expenses	(32,982,850)	(2,521,171)	(52,232,733)	(29,868,466)	(15,097,459)	(4,656,751)	(637,709)	(10,307,141)	(5)	-	(148,304,285)
4.4- Other Operating Expenses	-	-	-	-	-	-	-	-	-	-	-
5- Changes in Mathematical Reserves (+/-)	-	-	-	-	-	-	-	-	135,491	-	135,491
6- Other Technical Expenses (Net of Reinsurer Share)	(8,414,443)	(163,504)	(39,460,914)	(3,694,103)	(3,047,005)	(553,024)	(114,113)	(3,958,123)	-	-	(59,405,229)
	42,720,929	21,296,249	(79,600,950)	245,860,361	76,240,457	7,726,849	(7,529)	53,697,566	(27,813)	-	367,906,119
Financial income	-	-	-	-	-	-	-	-	-	659,044,752	659,044,752
Depreciation expense	-	-	-	-	-	-	-	-	-	(20,363,001)	(20,363,001)
Provisions account	-	-	-	-	-	-	-	-	-	(47,151,069)	(47,151,069)
Tax expenses	-	-	-	-	-	-	-	-	-	(66,694,754)	(66,694,754)
Financial expenses	-	-	-	-	-	-	-	-	-	(659,031,429)	(659,031,429)
Other	-	-	-	-	-	-	-	-	-	(6,091,538)	(6,091,538)
NET PROFIT/(LOSS)	42,720,929	21,296,249	(79,600,950)	245,860,361	76,240,457	7,726,849	(7,529)	53,697,566	(27,813)	(140,287,039)	227,619,080

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019

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

6. Tangible Assets

December 31, 2019

<u>Cost Value</u>	<u>Owner Occupied Properties</u>	<u>Vehicles</u>	<u>Furnitures and Fixtures and Leased Tangible Assets</u>	<u>Other Tangible Assets (Including Leasehold Improvements)</u>	<u>Advances for Tangible Assets</u>
1 January	1,598,569	2,720,001	23,741,539	21,052,437	49,112,546
Additions	-	-	4,680,142	316,837	4,996,979
Disposals	-	-	(808,931)	(21,657)	(830,588)
31 December	1,598,569	2,720,001	27,612,750	21,347,617	53,278,937
<u>Accumulated Depreciation</u>					
1 January	(569,248)	(5,962)	(14,906,985)	(9,370,383)	(24,852,578)
Additions	(32,697)	(544,000)	(3,140,454)	(2,295,548)	(6,012,699)
Disposals	-	-	741,294	8,129	749,423
31 December	(601,945)	(549,962)	(17,306,145)	(11,657,802)	(30,115,854)
Net Book Value as of December 31	996,624	2,170,039	10,306,605	9,689,815	23,163,083

The Company has no impairment loss recognized for tangible fixed assets in the current period (December 31, 2018: None).

December 31, 2018

<u>Cost Value</u>	<u>Owner Occupied Properties</u>	<u>Vehicles</u>	<u>Furnitures and Fixtures and Leased Tangible Assets</u>	<u>Other Tangible Assets (Including Leasehold Improvements)</u>	<u>Advances for Tangible Assets</u>
1 January	1,598,569	-	23,957,267	21,412,252	46,968,088
Additions	-	2,720,001	562,303	487,572	3,769,876
Disposals	-	-	(778,031)	(847,387)	(1,625,418)
31 December	1,598,569	2,720,001	23,741,539	21,052,437	49,112,546
<u>Accumulated Depreciation</u>					
January 1,	(537,189)	-	(12,652,946)	(7,580,602)	(20,770,737)
Additions	(32,059)	(5,962)	(2,962,400)	(2,338,200)	(5,338,621)
Disposals	-	-	708,361	618,219	1,326,580
December 31,	(569,248)	(5,962)	(14,906,985)	(9,300,583)	(24,782,778)
Net Book Value as of December 31	1,029,321	2,714,039	8,834,554	11,751,854	24,329,768

As of January 1, 2019, the movement table of asset utilization rights that the Company first recorded in IFRS 16 is as follows:

<u>Right of use assets</u>	<u>January 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>December 31, 2019</u>
Properties	27,717,430	-	-	27,717,430
Motor vehicles	6,080,531	-	-	6,080,531
Fixtures	-	574,924	-	574,924
Total	33,797,961	574,924	-	34,372,885
<u>Accumulated Depreciation (-)</u>				
Properties	-	(5,530,674)	-	(5,530,674)
Motor vehicles	-	(2,689,352)	-	(2,689,352)
Fixtures	-	(23,955)	-	(23,955)
Total	-	(8,243,981)	-	(8,243,981)
Net book value	33,797,961	-	-	26,128,904

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7. Investment Properties

December 31, 2019

<u>Cost Value</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
1 January	-	-	-
Additions	-	170,958	170,958
Disposals	-	-	-
31 December	-	170,958	170,958
<u>Accumulated Depreciation</u>			
1 January	-	-	-
Charge for the Period	-	(7,892)	(7,892)
Disposals	-	-	-
December 31	-	(7,892)	(7,892)
Net Book Value as of December 31	-	163,066	163,066

In the period of January 1 - December 31, 2019, the Company has no obtained rental income from investment properties (January 1 - December 31, 2018: None).

The Company has no investment properties as of December 31, 2018.

8. Intangible Assets

December 31, 2019

<u>Cost Value</u>	<u>Advances for Intangible Assets (*)</u>	<u>Rights</u>	<u>Total</u>
1 January	1,949,163	111,808,560	113,757,723
Additions	3,196,473	21,332,352	24,528,825
Disposals	-	(613,202)	(613,202)
Transfers	(1,656,548)	1,656,548	-
31 December	3,489,088	134,184,258	137,673,346
<u>Accumulated Amortization</u>			
1 January	-	(58,117,829)	(58,117,829)
Charge for the Period	-	(19,246,232)	(19,246,232)
Disposals	-	259,974	259,974
31 December	-	(77,104,087)	(77,104,087)
Net book Value as of December 31	3,489,088	57,080,171	60,569,259

(*) Intangible assets advances include the administrative advances for the projects implemented. Since the related assets do not create economic benefits no amortization is calculated over intangible assets.

December 31, 2018

<u>Cost Value</u>	<u>Advances for Intangible Assets (*)</u>	<u>Rights</u>	<u>Total</u>
1 January	2,600,646	87,041,349	89,641,995
Additions	1,222,639	22,896,917	24,119,556
Disposals	-	(3,828)	(3,828)
Transfers	(1,874,122)	1,874,122	-
31 December	1,949,163	111,808,560	113,757,723
<u>Accumulated Amortization</u>			
1 January	-	(43,097,276)	(43,097,276)
Charge for the Period	-	(15,024,380)	(15,024,380)
Disposals	-	3,827	3,827
31 December	-	(58,117,829)	(58,117,829)
Net book Value as of December 31	1,949,163	53,690,731	55,639,894

(*) Intangible assets advances include the administrative advances for the projects implemented. Since the related assets do not create economic benefits no amortization is calculated over intangible assets.

As of December 31, 2019, the Company has not recognized any impairment loss for its intangible fixed assets in the current period (December 31, 2018: None).

The Company has no goodwill amount in its financial statements.

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019

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9. Investments in Affiliates

In accordance with the Resolution of the Board of Directors dated December 31, 2018, numbered 41; Merter B. V., a wholly-owned subsidiary of 25% of its capital, was awarded with Apollo European Real Estate III Coöperatief U.A. and Apollo European Real Estate III (EU) Coöperatief U.A. sold to firms. (December 31, 2018: TL 30,116,653)

10. Reinsurance Assets

Reinsurance assets are disclosed in Note 17.16.

11. Financial Assets

11.1 Subcategories of Financial Assets

Financial Assets and Financial Investments with Risks on Policy Holders

	December 31, 2019	December 31, 2018
Financial Assets Available for Sale	702,749,632	379,629,308
Financial Assets Held for Trading	590,751,326	168,805,442
Financial Assets to be Held Until Maturity	34,881,722	9,752,674
Financial Investments with Risks on Policy Holders	1,806,587	1,686,241
Total	1,330,189,267	559,873,665

Financial Assets Available for Sale

	December 31, 2019			December 31, 2018		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value	Fair Value TL	Book Value TL
Private Sector bonds	326,266,711	333,690,554	333,690,554	218,835,732	233,265,994	233,265,994
Eurobond	152,806,509	152,749,578	152,749,578	134,782,226	122,684,814	122,684,814
Government Bonds	133,150,541	137,902,513	137,902,513	736	736	736
Equity Shares (Listed on the stock exchange)	70,267,685	77,976,955	77,976,955	24,215,782	23,247,732	23,247,732
Equity Shares (Not listed on the stock exchange)						
Net	430,032	-	430,032	430,032	-	430,032
Total	682,921,478	702,319,600	702,749,632	378,264,508	379,199,276	379,629,308

Financial Assets Held for Trading

	December 31, 2019			December 31, 2018		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value TL	Fair Value TL	Book Value TL
Reverse Repo	447,999,882	448,138,096	448,138,096	-	-	-
Investment Funds	116,663,610	142,613,230	142,613,230	142,717,574	168,805,442	168,805,442
Total	564,663,492	590,751,326	590,751,326	142,717,574	168,805,442	168,805,442

Held-to-Maturity Financial Assets

	December 31, 2019			December 31, 2018		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	9,194,956	12,411,600	10,854,462	9,194,956	10,842,120	9,752,674
Eurobond	23,431,170	24,095,114	24,027,260	-	-	-
Total	32,626,126	36,506,714	34,881,722	9,194,956	10,842,120	9,752,674

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11. Financial Assets (Continued)

11.2 Subcategories of Financial Assets (Continued)

Financial Investment with Risks on Policy Holders

	December 31, 2019			December 31, 2018		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	1,647,665	1,806,587	1,806,587	1,647,665	1,686,241	1,686,241

The breakdown of the shares classified as available-for-sale financial assets is as follows:

December 31, 2019

Equity Shares	Participation Rate %	Cost Value TL	Fair Value TL	Book Value TL
Borsa İstanbul Unlisted		70,267,685	77,976,955	77,976,955
Tarsim Tarım Sigortaları Havuz İşletmesi A.Ş.	4.17	430,032	-	430,032
Unlisted		430,032	-	430,032
Total		70,697,717	77,976,955	78,406,987

December 31, 2018

Equity Shares	Participation Rate %	Cost Value TL	Fair Value TL	Book Value TL
Borsa İstanbul Unlisted		24,215,782	23,247,732	23,247,732
Tarsim Tarım Sigortaları Havuz İşletmesi A.Ş.	4.17	430,032	-	430,032
Unlisted		430,032	-	430,032
Total		24,645,814	23,247,732	23,677,764

As of December 31, 2019 and December 31, 2018, the blockage on financial assets in favour of Treasury and Finance Ministry has been disclosed in Note 17.1.

11.2 Securities other than equity shares issued in the current period

None (December 31, 2018: None).

11.3 Securities issued representing the amortized borrowing in the current period:

None (December 31, 2018: None).

11.4 Fair value of securities and long-term financial assets that are carried at cost in the balance sheet and cost of securities and long-term financial assets that are carried at fair value in the balance sheet

Cost, fair value and book values of marketable securities are presented in Note 11.1.

Financial assets consist of unlisted assets, and cost and book value of financial assets are presented as below:

Unlisted	December 31, 2019			December 31, 2018		
	Participation Rate %	Cost Value TL	Book Value TL	Participation Rate %	Cost Value TL	Book Value TL
Merter BV	-	-	-	25	30,116,653	30,116,653
Impairment (-)		-	-		-	(30,116,653)
Affiliates (Net)		-	-		30,116,653	-

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11. Financial Assets (Continued)

11.5 Marketable securities issued by the shareholders, affiliates and subsidiaries of the Company classified under marketable securities and associates and their issuers:

None (December 31, 2018: None).

11.6 Increase in value of financial assets in the last three years

Value increases and decreases (net-off deferred tax) reflect the difference between the book value and cost value of the financial assets at period end.

Type of Financial Asset	December 31, 2019	December 31, 2018	December 31, 2017
Financial Assets Available for Sale	(8,235,793)	(13,298,346)	(18,088)

11.7 Financial Instruments

- i) Information that enables the financial statement users to evaluate the financial position and performance of the Company is disclosed in Note 4.1.
- ii) Information on the book value of the financial assets is disclosed in Note 11.1.
- iii) Comparison of the fair value and book value of financial assets is disclosed in Note 11.1.
- iv) Financial assets overdue or impaired are presented in Note 11.1.

11.8 Financial Instruments

Information related to hedge accounting has been disclosed in Note 34.5

11.9 Effects of Exchange Rate Differences

Exchange rate differences arising from the payments of monetary items or different conversion rates used in the current period or at initial recognition are recognized in profit or loss.

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019

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

12. Receivables and Payables

12.1 Details of the Company's receivables

	December 31, 2019	December 31, 2018
Receivables from insurance operations		
Receivables from agencies	545,911,687	396,286,545
Bank Guaranteed Credit Card Receivables More than Three Months	170,128,762	147,593,612
Receivables from reinsurance companies	22,338,183	28,935,600
Receivables for salvage and claim recovery - net (Note 2.1.1)	31,126,674	29,909,283
Other receivables	517,651	340,483
Receivables from insurance operations	770,022,957	603,065,523
Cash deposited for insurance and reinsurance companies	30,954	30,954
Receivables from insurance and reinsurance companies	30,954	30,954
Claim recovery receivables under legal follow-up	109,552,591	83,717,544
Doubtful receivables from main operations	32,475,839	32,693,245
Total provision amount for doubtful receivables	142,028,430	116,410,789
Receivables from main operations	912,082,341	719,507,266
Provision for due from insurance operations (-) (*)	(18,093,784)	(11,935,533)
Provision for doubtful receivables from main operations (-) (**)	(23,816,352)	(23,016,557)
Provision for net claim recovery receivables under legal follow-up (-) (**)	(109,552,591)	(83,717,544)
Total provision amount for doubtful receivables	(151,462,727)	(118,669,634)
Receivables from main operations - net	760,619,614	600,837,632

(*) In balance sheet disclosed under provision for receivables from insurance operations.

(**) In balance sheet disclosed under provision for receivables from main operations.

The movement table of provision for doubtful receivables under legal follow-up is presented below:

	December 31, 2019	December 31, 2018
0 - 90 days	9,029,378	8,190,917
90+	21,712,042	36,047,030
Not due receivables	739,312,491	558,858,530
Total	770,053,911	603,096,477

The details of guarantees for the Company's receivables are presented below:

Type of Guarantees	December 31, 2019		December 31, 2018	
	Receivables	Doubtful Receivables	Receivables	Doubtful Receivables
Real Estate Pledges	55,282,791	1,195,700	60,207,941	2,049,952
Letters of Guarantee	43,933,079	-	42,311,128	-
Cash Guarantees	3,002,608	-	-	-
Government Bonds and Equity	314,439	7,500	376,202	-
Other	2,424,466	-	1,061,759	-
Total	104,957,383	1,203,200	103,957,030	2,049,952

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12. Receivables and Payables (Continued)

12.1 Details of the Company's receivables (Continued)

The Company books provision for 100% of doubtful receivables disclosing guarantees. The movement table of provision for doubtful receivables under legal follow-up is presented below:

Doubtful trade receivable transactions

	2019	2018
Opening Balance, 1 January	(106,734,101)	(95,011,803)
Charge for the period	(33,517,236)	(17,012,726)
Collections	6,882,394	5,290,428
Closing Balance, 31 December	(133,368,943)	(106,734,101)

12.2 Receivable - payable relationship with shareholders, affiliates and subsidiaries of the Company

Due to/from shareholders, affiliates and subsidiaries in balance sheet includes dividends which have paid in previous years but not yet collected by shareholders. As of December 31, 2019, the Company has liabilities amounting to TL 1,143 to shareholders (December 31, 2018: TL 1,143).

12.3 Total pledges and other guarantees received for receivables amount

Total amount of pledges and other guarantees received for receivables amounts to TL 104,957,383 as of December 31, 2019 (December 31, 2018: TL 103,957,030).

12.4 Details of the Company's foreign currency denominated receivables without exchange rate guarantees are presented below:

December 31, 2019

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount TL
EUR	2,401,308	6,6506	15,970,139
USD	2,405,752	5,9402	14,290,648
GBP	130,106	7,7765	1,011,769
CHF	100,218	6,0932	610,648
Other	943	0,0543	52
Total			31,883,256

Stocks and Bonds	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	30,724,479	5,9402	182,509,552
Total			182,509,552

Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	46,809,061	5,9402	278,055,184
EUR	15,914,733	6,6506	105,842,523
GBP	76,635	7,7765	595,952
Other	96,229	6,0932	586,340
Total			385,079,999

Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	(11,809,266)	5,9402	(70,149,402)
EUR	(2,454,675)	6,6506	(16,325,060)
Other			
Total			(86,474,462)

Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	(49,015,172)	5,9402	(291,159,924)
EUR	(7,960,738)	6,6506	(52,943,683)
Other			(1,964,019)
Total			(346,067,626)

Payables to Suppliers	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	(743,357)	5,9402	(4,415,687)
EUR	(115,922)	6,6506	(770,947)
Total			(5,186,634)

Net Foreign Currency Position			161,744,085
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12. Receivables and Payables (Continued)

12.4 Details of the Company's foreign currency denominated receivables without exchange rate guarantees are presented below (Continued)

December 31, 2018

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	5,165,611	5.2609	27,175,763
EUR	2,029,314	6.0280	12,232,705
GBP	55,032	6.6528	366,117
CHF	157,666	5.3352	841,180
Other			
Total			40,615,765
Stocks and Bonds	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	23,320,119	5.2609	122,684,814
Total			122,684,814
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	28,691,649	5.2609	150,943,896
EUR	17,295,218	6.0280	104,255,574
GBP	107,134	6.6528	712,741
CHF	8,052	5.3352	42,959
Other			
Total			255,955,170
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	(6,818,960)	5.2609	(35,873,867)
EUR	(1,109,743)	6.0280	(6,689,531)
Other			(4,501)
Total			(42,567,899)
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	(35,271,589)	5.2609	(185,560,303)
EUR	(7,373,885)	6.0280	(44,449,779)
Other			(2,193,297)
Total			(232,203,379)
Net Foreign Currency Position			144,484,471

13. Derivative Financial Instruments

During the period between January 1 - December 31, 2019, total income resulting from short-term swap contracts' market valuation has been accounted under "Income from derivatives" in the income statement in amounting to TL 155,026,807 (January 1 - December 31, 2018: TL 99,960,587).

14. Cash and Cash Equivalents

	December 31, 2019	December 31, 2018
Cash at Banks	1,356,583,321	1,485,633,722
Time Deposit	1,336,043,689	1,469,517,972
Demand Deposit	20,539,632	16,115,750
Bank Guaranteed Credit Card Receivables with Maturities less than three months	706,459,191	483,934,940
Total	2,063,042,512	1,969,568,662
Interest Accrual on Cash and Cash Equivalents	(2,557,348)	(11,676,242)
Blocked Deposits (*)	(228,718,207)	(194,431,282)
Cash Flow Based Grand Total	1,831,766,957	1,763,461,138

(*) Details of blocked deposits in the company's treasury are given in footnote 17.1.

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14. Cash and Cash Equivalents (Continued)

The details of interest rates received from time deposits as of December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
	<u>Annual Interest Rate</u>	<u>Annual Interest Rate</u>
	(%)	(%)
TL	10.65 - 18.00	18.00 - 30.00
USD	1.25	1.15 - 3.75
EUR	0.50 - 0.35	1.40 - 2.85

As of December 31, 2018, the maturities of TL deposits are between January 2, 2020 and October 2, 2020; while the currency of foreign exchange deposits varies between January 2, 2020 and March 3, 2020.

As of December 31, 2018, the maturities of TL deposits vary between January 2, 2020 and September 16, 2020.

As December 31, 2019, there are TL 47,970,865 in the companies' other financial payables accounts. The Company has no repurchase agreements amounting to TL 12,806,818 which is accounted under Other Financial Liabilities account. (December 31, 2018: TL 49,954,452).

As of December 31, 2019, the Company has accounted TL 303,863 in the valuation of repurchase agreements. (December 31, 2018: 204,451) (Note 26).

15. Share Capital

15.1 Transactions between the Company and its shareholders, showing each distribution made to the shareholders separately

The Company's shareholders and its shareholders' equity structure as of December 31, 2019 and December 31, 2018 are presented in Note 2.14.

The details of the transactions between the Company and its shareholders and the related balances as of the end of the period are presented in "Related Parties" note.

According to the provisions of the tax legislation, 50% of the profits arising from the sales of real estates in the assets of the companies are exempted from the corporation tax, provided that they are kept in a special fund account for at least five full years. The exempted profit can be transferred to another account nor be withdrawn unless it is in any other account, except for the addition to the capital within five years. The Sales Profit To Be Added To The Capital account includes the amounts transferred from the real estate sales to the equity.

15.2 Reconciliation of carrying values of each capital account and each reserve as of the beginning and end of the period showing each change separately

Legal Reserve

According to the Turkish Commercial Code, legal reserves; consists of first and second legal reserves. The first legal reserve is appropriated out of the statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and second legal reserves cannot be distributed unless they exceed 50% of the total capital; however, they can be used to compensate for losses in case of depletion of reserve reserves. As of December 31, 2019, the Company has legal reserves amounting to TL 45,882,288 (December 31, 2018: TL 15,835,334).

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15. Share Capital (Continued)

15.2 Reconciliation of carrying values of each capital account and each reserve as of the beginning and end of the period showing each change separately (Continued)

Special Funds (reserves)	December 31, 2019	December 31, 2018
Actuarial (gain)/loss	4,518,213	3,602,019
Total	4,518,213	3,602,019

Gains from sale of fixed asset

75% of TL 127,169,601 of total gains from the sale of real estates, namely TL 95,377,201, which was obtained through the sale of real estate in Bursa and Istanbul in 2009, sale of real estate in İzmir in 2010, sale of Adapazarı Karaaptiler land and participation shares in 2011, sale of real estate in İzmir Tepecik in 2011, sale of real estate in Istanbul Fındıklı and Ankara in 2013, and sale of real estate in Ankara, Çanakkale and İzmir in 2014, has been decided not to be distributed in the related accounting periods but to be followed under special funds account pursuant to the Article 5-1/3 of the Corporate Tax Law and in accordance with the Tax Legislation, Capital Markets Legislation and other related financial legislation.

Previous Years Profits/Previous Years Losses

According to the financial statements that reflect the results of the year 2018, the Company has decided to close all Previous Years' Losses 'amounting to TL 4,387,874 with Retained Earnings Company at the Ordinary General Assembly held on March 4, 2019, it was decided.

15.3 For each class of share capital

15.3.1 The explanation about the number of capital shares

The Company's issued capital share is composed of 30,600,000,000 shares having a nominal amount of TL 0.01 each. These shares are presented by Class 10 shares (December 31, 2018: 30,600,000,000 shares with a nominal amount of TL 0.01 each).

15.3.2 The explanation about the number of issued and fully paid shares and issued but not fully paid shares

None (December 31, 2018: None).

15.3.3 Nominal value of an equity share or equity shares without having nominal value

Nominal value of equity shares is TL 0.01 per share (December 31, 2018: TL 0.01 per share).

15.3.4 Reconciliation of the number of the equity shares at the beginning and ending of the period

	Number of Shares	
	December 31, 2019	December 31, 2018
Beginning of the Period, 1 January	30,600,000,000	30,600,000,000
Issued in the Current Period	-	-
End of the Period, 31 December	30,600,000,000	30,600,000,000

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15. Share Capital (Continued)

15.3.5 Rights, privileges and limitations on dividend payments and repayment of share capital

In accordance with Article 61 of the Company’s Articles of Association, corporate tax is deducted from the net profit which is determined and calculated based on the issued balance sheet. 5% of statutory reserve is allocated over the remaining amount and subsequent to this allocation, at minimum, 1. dividend amount that is determined by the CMB is also allocated over the final remaining amount.

The Company’s capital does not include any preferred shares.

Based on the guidelines and principals issued by the Capital Markets Board (the Board) dated January 27, 2010 for the distribution of dividends from the profit generated from operating activities in 2010, concerning public entities, the shares of which are quoted in public equity markets, it has been agreed upon not to set a mandatory minimum dividend payment quota. Furthermore, it has been agreed upon to let public entities perform dividend distributions as stated within the “Communique Concerning Principal Matters on Dividend Advances Distributed by Public Entities Under the Regulation of the Capital Markets Law” (Serial: IV, No: 27), as stated within the principal agreement of the companies and as stated within the policies on dividend distribution that have been shared with the public.

15.3.6 Equity shares held by the Company, its affiliates or its subsidiaries

None (December 31, 2018: None).

15.3.7 Equity shares held for future sale for forward transactions and contracts

None (December 31, 2018: None).

15.4 Share based payments

None (December 31, 2018: None).

15.5 Subsequent events

Disclosed in note 46.

16. Other Provisions and Capital Component of Discretionary Participation

16.1 Each income and expense item and their total amounts accrued under shareholders ‘equity in the current period in accordance with other standards and interpretations

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Available for sale financial assets		
valuation difference	8,235,793	(13,298,346)
Deferred tax effect	(1,647,159)	2,659,669
Total	<u>6,588,634</u>	<u>(10,638,677)</u>

In accordance with changes regarding “TAS 19 - Employee Benefits” effective as of January 1, 2013, actuarial loss amounting to TL 5,647,766 (Deferred tax effect: TL 1,129,553), (December 31, 2018: TL 4,502,524, Deferred tax effect: TL 900,505) resulting from retirement pay liability calculation has been accounted to “Other Reserves and Retained Earnings” under equity.

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16. Other Provisions and Capital Component of Discretionary Participation (Continued)

16.2 Net exchange differences classified separately as an equity item and reconciliation of exchange differences at the beginning and end of the period

None (December 31, 2018: None).

16.3 Hedging for forecasted transactions and net investment hedging

None (December 31, 2018: None).

16.4 Hedging against financial risks

Information related to hedge accounting has been disclosed in Note: 34.5.

16.5 Gains and losses from available for sale financial assets recognized directly in equity for in the current period and amounts recognized in the current profit or loss taken from shareholders' equity

	2019 Increase/(Decrease)	2018 Increase/(Decrease)
Beginning of the Period, 1 January	(10,638,677)	(14,470)
Increase/decrease in value recognized under the shareholders' equity in the current period	17,227,311	(10,624,207)
End of the Period, 31 December	6,588,634	(10,638,677)

16.6 Income and loss related to affiliates recognized directly in equity in the current period

Disclosed in note 34.5.

16.7 Revaluation increases in tangible fixed assets

None (December 31, 2018: None).

16.8 Current and deferred tax in relation to debit and credit items directly charged in equity

None (December 31, 2018: None).

17. Insurance Liabilities and Reinsurance Assets

17.1 Guarantees to be provided for life and non-life insurance branches and guarantees provided for life and non-life insurances based on assets

The Company's guarantees to be provided for life and non-life insurance branches and guarantees provided for life and non-life insurances based on assets are below:

Branch	December 31, 2019		December 31, 2018	
	Amount to be Provided TL	Current Blockage TL	Amount to be Provided TL	Current Blockage TL
Life	1,602,590	1,806,587	1,609,847	1,686,241
Government Bonds		1,806,587		1,686,241
Non-Life (*)	195,062,313	228,718,207	192,033,411	194,431,282
Time Deposit		178,718,207		144,431,282
Credit Card		50,000,000		50,000,000
Total	196,664,903	230,524,794	193,643,258	196,117,523

(*) As of December 31, 2019, the required guarantee amount has been calculated based on capital requirements in June 31, 2019. The Company has on behalf of Treasury and Finance Ministry, TL 227,378,136 time deposits and TL 50,000,000 credit card blocked.

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.2 Number of life insurance policies, additions, disposals in the current period, and current life insurances and their mathematical reserves

	2019		2018	
	Unit	Mathematical Reserves TL	Unit	Mathematical Reserves TL
Beginning of the Period, 1 January	181	1,473,636	195	1,609,127
Participations in the Current Period	-	-	-	-
Leavings in the Current Period	(9)	(26,765)	(14)	(135,491)
End of Period, 31 December	172	1,446,871	181	1,473,636

Mathematical reserves amounting to TL 1,446,871 (December 31, 2018: TL 1,326,272) and Reserves for the policies, investment risk of which belongs to life insurance policy holders amounting TL 147,367 (December 31, 2018: TL 147,364) and cancelled policy numbers together with their mathematical reserves are included in the table above.

Financial assets classified as Financial Assets Available For Sale under Financial Investments at Policyholder’s Risk are valued with current value as explained in note 11; as of December 31, 2019, there is no difference in the value accounted in Life Mathematical Reserve account discounted with current value (December 31, 2018: None).

17.3 Insurance guarantees given ton on life insurances based on insurance branches

Branch	December 31, 2019	December 31, 2018
Motor Crafts Liability	30,947,452,871,905	20,830,248,339,935
Health	19,184,808,633,587	13,785,470,579
Fire and Natural Disaster	1,108,881,267,915	774,813,336,135
General Losses	401,874,537,958	343,647,533,783
Transportation	229,031,409,773	203,454,329,909
General Liability	217,122,301,005	46,269,250,717
Financial Losses	143,962,247,275	127,495,793,682
Motor Own Damage	120,500,080,048	83,398,602,747
Air-Crafts Liability	56,376,566,352	99,646,391,975
Accident	38,320,933,542	43,772,951,606
Legal Protection	9,761,649,517	11,172,942,871
Air Crafts	6,849,068,075	2,727,411,879
Fidelity Guarantee	1,701,829,554	1,992,536,351
Credit	964,404,821	2,839,757,128
Total	52,467,607,801,327	22,585,264,649,297

17.4 Pension investment funds established by the Company and their unit prices

None (December 31, 2018: None).

17.5 Number and amount of participation certification in portfolio and circulation

None (December 31, 2018: None).

17.6 Number of portfolio amounts of additions, disposals, reversals, and current individual and group pension participants

None (December 31, 2018: None).

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.7 Valuation methods used in profit share calculation for life insurances with profit shares

None (December 31, 2018: None).

17.8 Number of the additions and their group or individual gross and net share participations in the current period

None (December 31, 2018: None).

17.9 Number of additions from the other companies and their group or individual gross and net share participations in the current period

None (December 31, 2018: None).

17.10 Number of transfers from the Company’s life portfolio to individual pension portfolio and their group or individual gross and net share participations

None (December 31, 2018: None).

17.11 Number of transfers from the Company’s individual pension portfolio to other company or not and together their personal and corporate allocation and gross and net share participations

None (December 31, 2018: None).

17.12 Number of additions of life insurances and their group or individual gross and net mathematical reserves

None (December 31, 2018: None).

17.13 Number of disposals of life insurances and their group or individual gross and net mathematical reserves

All of disposals of life insurances in current period are individual and units and amounts are represented in Note 17.2.

17.14 Profit share distribution rate of life insurances in the current period

In the current period, profit share distribution rate of life insurances are calculated as below:

	December 31, 2019	December 31, 2018
	Profit Share Distribution	Profit Share Distribution
TL (Life Insurance)	9.00	9.00

17.15 Explanation of information that describes amounts arose from insurance agreements

None (December 31 2018: None).

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.16 Assets, liabilities, income, expense and cash flows from insurance contacts recognized when the insurer is a ceding company:

Reinsurance Assets

	December 31, 2019	December 31, 2018
Reinsurance Share of Outstanding Claims Reserve (Note 4.1.2.2)	1,702,167,573	1,246,875,833
Reinsurance Share of Unearned Premiums Reserve (Note 20)	951,108,392	729,548,075
Equalization Provision Reinsurer Share (Note 20)	160,236,890	106,980,739
Ongoing Risks Provision Reinsurer Share (Note 20)	149,871,549	106,920,200
Cash Deposited For Insurance & Reinsurance Companies (Note 12.1)	22,338,183	28,935,600
Bonus and rebates provision Reinsurance Share (Not 20)	892,018	62,065,520
Deposits of Reinsurance Company (Note 12.1)	30,954	30,954
Total	2,986,645,559	2,281,356,921

Reinsurance Debts

	December 31, 2019	December 31, 2018
Payables to Insurance and Reinsurance Companies (Note 19.1)	554,050,816	418,719,301
Deferred Commissions Income (Note 19.1)	115,046,314	101,508,921
Total	669,097,130	520,228,222

Income / Expense on Reinsurance Agreements

	January 1,- December 31, 2019	January 1, - December 31, 2018
Reinsurance Share of Outstanding Claims Reserve	455,291,739	421,264,292
Reinsurance Share of Unearned Premiums Reserve (Note 20)	221,560,317	141,701,279
Reinsurance Share of Claims Paid	813,932,280	413,315,933
Commissions Received (Note 32)	212,487,700	185,468,908
Ongoing Risks Provision Reinsurer Share (Note 20)	42,951,349	91,849,405
Premiums Ceded to Reinsurers (-)	(1,871,222,042)	(1,416,078,435)
Total	(186,172,159)	(100,945,668)

Branch	December 31, 2019			December 31, 2018		
	Premiums Ceded (*)	Reinsurance Share of Technical Reserves (**)	Reinsurance Share of Claims Paid	Premiums Ceded (*)	Reinsurance Share of Technical Reserves (**)	Reinsurance Share of Claims Paid
Fire and Natural Disaster	(640,426,124)	178,104,280	330,612,719	(454,026,634)	159,942,377	65,720,990
Health	(276,285,004)	43,392,614	188,851,686	(197,240,929)	17,125,835	139,053,623
General Losses	(202,708,502)	(74,996,714)	79,650,706	(208,394,172)	177,975,645	61,624,079
Motor Crafts Liability	(319,071,858)	55,203,263	90,013,413	(263,518,344)	48,115,680	63,183,494
General Liability	(160,221,319)	316,899,524	22,388,795	(127,797,176)	157,516,426	13,466,669
Financial Losses	(110,840,632)	71,260,203	75,799,086	(50,921,124)	34,942,571	193,604
Transportation	(48,982,107)	14,260,246	18,342,963	(39,171,887)	19,576,653	13,072,656
Accident	(11,273,437)	(1,713,781)	6,199,913	(14,381,153)	(1,867,876)	6,231,867
Fidelity Guarantee	(11,626,418)	12,592,629	(5,133,880)	(10,826,395)	2,064,586	21,551,490
Air Crafts Liability	(23,420,329)	(59,623,821)	6,445	(22,011,019)	82,703,649	982,119
Air Crafts	(40,693,186)	60,241,513	3,142,800	(12,295,731)	13,197,053	2,975,866
Water Crafts	(18,368,780)	37,353,772	3,219,910	(8,346,619)	3,342,133	544,799
Credit	(2,656,074)	(2,086,986)	838,544	(2,743,704)	2,167,002	382,739
Motor Own Damage	(4,648,272)	7,743,161	(820)	(4,403,548)	(453,808)	24,331,938
Total	(1,871,222,042)	658,629,903	813,932,280	(1,416,078,435)	716,347,926	413,315,933

(*) As explained in Note 2.15, Transferred Premiums amounted to TL 135,165,977 (December 31, 2018: TL 100,356,222) transferred to the Social Security Institution as of December 31, 2019.

(**) Technical reserves reinsurer share includes unearned premium reserve, unexpired risk reserve, outstanding claim reserve, bonus and discount reserve.

The company defers commission income that arises from reinsurance agreements which has been bought ascendant enterprise.

17.17. Comparison of incurred claims with past estimations

Disclosed in Note 4.1.2.3.

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.18. Effects of changes in the assumptions used in the measurement of insurance assets and liabilities, showing the effects of each change that has significant effect on the financial statements separately

Disclosed in note 4.1.2.4.

17.19 Reconciliation of insurance payables, reinsurance assets and changes in deferred acquisition costs, if any

	2019	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, January 1	520,228,222	2,281,356,921
Net change of the year	148,868,908	705,288,638
End of the period - December 31	669,097,130	2,986,645,559
	2018	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, January 1	386,475,544	1,530,033,770
Net change of the year	133,752,678	751,323,151
End of the period, December 31	520,228,222	2,281,356,921

17.20 Deferred production commissions and deferred commission income

The part of the commissions paid to the intermediaries for the premiums written and the commissions received from the reinsurers due to the premiums transferred to the reinsurers are accounted for in the balance sheet under “Deferred manufacturing expenses” and “deferred commission income” accounts, respectively, and in the Income Statement under the operating expenses account. Deferred commission expenses and deferred commission income as of December 31, 2019 amounted to TL 291,440,909 (December 31, 2018: 222,173,395) and TL 115,046,314 (December 31, 2018: TL 101,508,921), respectively, deferred production expenses and deferred tax commission income is included in account items.

18. Investment Contract Liabilities

Disclosed in Note 17.3.

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19. Trade and Other Payables, Deferred Income

19.1 Sub-classifications of presented items in the Company's operations line with

	December 31, 2019	December 31, 2018
Payables from Insurance and Reassurance Operations (Note 17.16)	554,050,816	418,719,301
Payables from Insurance Operations	554,050,816	418,719,301
Current account of natural catastrophe insurance	23,480,700	18,902,758
Payables to sellers	27,539,894	26,701,130
Negotiated service and debts to institutions	48,821,504	54,098,804
DASK debts to agencies	979,333	937,702
Other	856,603	3,961,451
Other Payables	101,678,034	104,601,845
Payables to SSI regarding medical expenses	42,392,477	28,112,544
Deferred commission income (Not 17.16)	115,046,314	101,508,921
Provision for Cost Expenses (not 23.4)	59,947,386	40,333,473
Expense accruals (Not 23.4)	29,597,359	-
Other	-	210,173
Deferred Income and Expense Accruals	204,591,059	142,052,567
Total Short Term Liabilities	902,712,386	693,486,257
Total Trade and Other Payables, Deferred Income	902,712,386	693,486,257

19.2 Related Party Disclosures

Details related with related party balances and transactions for the current financial period are disclosed in Note 45.

20. Payables

Insurance Technical Reserves	December 31, 2019	December 31, 2018
Unearned Premiums Reserve - Net (*)	1,405,431,056	1,040,175,238
Unexpired Risks Reserve - Net (Note 4.1.2.2)	1,095,191,072	849,402,337
Equalization Provision - Net	95,692,471	82,348,570
Ongoing Risks Provision- Net	14,410,790	20,653,057
Mathematical Reserves - Net	1,446,871	1,473,636
Bonus and Discount Provisions - Net	8,413	97,055
Total	2,612,180,673	1,994,149,893

(*) While calculating the income statement effect of the provisions for unearned premiums, TL 9,906,207 the deferral effect of the premiums transferred to assistance companies, which is included in operating expenses, has been netted off (December 31, 2018: TL 501,585)

As disclosed in Note 2.15, the reinsurers' share of unearned premiums includes SSI share as of December 31, 2019 which is TL 23,363,624 (December 31, 2018: TL 53,437,849).

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20. Payables (Continued)

The movement of technical reserves are as follows:

Unearned Premium Reserve:

	December 31, 2019			December 31, 2018		
	Gross	Reinsurance Share(*)	Net	Gross	Reinsurance Share(*)	Net
Beginning of the Period, January 1	1,769,723,313	(729,548,075)	1,040,175,238	1,471,777,824	(587,846,796)	883,931,028
Net change	586,816,135	(221,560,317)	365,255,818	297,945,489	(141,701,279)	156,244,210
End of the Period, December 31	2,356,539,448	(951,108,392)	1,405,431,056	1,769,723,313	(729,548,075)	1,040,175,238

(*) The reinsurance share for unearned premiums also includes the share of SSI amounting to TL 23,363,624 (December 31, 2018: TL 18,075,783),

Unexpired Risk Reserve:

	December 31, 2019			December 31, 2018		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	127,573,257	(106,920,200)	20,653,057	15,546,916	(15,070,795)	476,121
Net change	36,709,082	(42,951,349)	(6,242,267)	112,026,341	(91,849,405)	20,176,936
End of the Period, December 31	164,282,339	(149,871,549)	14,410,790	127,573,257	(106,920,200)	20,653,057

Equalization Reserve:

	December 31, 2019			December 31, 2018		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	189,329,309	(106,980,739)	82,348,570	144,099,369	(73,534,993)	70,564,376
Net change	66,600,052	(53,256,151)	13,343,901	45,229,940	(33,445,746)	11,784,194
End of the Period, December 31	255,929,361	(160,236,890)	95,692,471	189,329,309	(106,980,739)	82,348,570

Provision for bonus and discount

	December 31, 2019			December 31, 2018		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	62,162,575	(62,065,520)	97,055	539,637	(532,570)	7,067
Net change	(61,262,144)	61,173,502	(88,642)	61,622,938	(61,532,950)	89,988
End of the Period, December 31	900,431	(892,018)	8,413	62,162,575	(62,065,520)	97,055

Outstanding claims reserve:

The movement of Outstanding Claims Reserve of 2019 and 2018 are presented in note 4.1.2.3.

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20. Payables (Continued)

The movement table of the total lease obligation and lease obligations that the Company has recognized within the scope of the transition to IFRS 16- Leases standard is as follows:

	December 31, 2019	January 1, 2019
Short-term rent liabilities	12,599,956	10,236,560
Long-term rent liabilities	36,383,769	48,104,919
Alternative borrowing rate and discount amount	(19,233,484)	(27,336,518)
Total rent liabilities	29,750,241	31,004,961

	December 31, 2019
1 January	-
IFRS 16 effect	31,004,961
Rent payments	(9,570,804)
Interest payments	8,316,084
December 31, 2019	29,750,241

21. Deferred Income Tax

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

Within the scope of the "Law on the Amendment of Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated December 5, 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. For severance indemnity provision and marketable securities valuation difference, 20% is used. The Company's deferred income tax amounts are disclosed in footnote 35.

22. Retirement and Welfare Liabilities

Provisional Article 23 of the Banking Act No: 5411 requires the transfer of pension funds, which are established for employees of financial institutions, insurance and reinsurance companies under Social Security Act, to Social Security Institution ("SSI") as of the effective date of the Act within 3 years and principles and procedures of fund transfer are also prescribed in accordance with the Council of Ministers' order no: 2006/11345 issued on November 30, 2006. However, transfer requirement in the related Act was annulled based on the application made by the Turkish President on November 2, 2005 in accordance with the order of the Constitutional Court (no: E.2005/39, K.2007/33) issued on March 22, 2007 as effective from the date of publishment in the Official Gazette no: 26479 on March 31, 2007.

On the other hand, the Act No: 5754 "Amendments in Social Securities and General Health Insurance Acts Specific Laws and Related Requirements" published in the Official Gazette No: 26870 on May 8, 2008, requires the transfer of participants or beneficiaries of pension funds to SSI as of the effective date of the Act within 3 years and prescribes the extension period of the transfer as maximum of two years upon the order of Council of Ministers.

The Act prescribes that, as of the transfer date, present value of fund liabilities should be measured by considering the fund income and expense based on the insurance branches presented in the related act using 9,8% of technical interest rate in the actuarial calculation. The Act also specifies that the uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by institutions that made the fund transfers.

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22. Retirement and Welfare Liabilities (Continued)

Aksigorta A.Ş. is a member of Akbank T.A.Ş Pension Fund (Akbank T.A.Ş Tekaüt Sandığı). At each period-end, the Company pays its liability calculated for its share to the pension fund. As the result of the actuarial calculations made in relation to the Pension Fund of Akbank T.A.Ş. established in accordance with Article 20 of the Social Securities Act No: 506, the Company has no deficits by the end of the current period and no payments have been made in relation to any deficit amount by the Company. Fund assets are adequate in covering all the funds liabilities; therefore, the Company management anticipates no liabilities to be assumed in relation to the above-mentioned matter.

Retirement Pay Provisions:

Under the terms of Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are entitled to retirement pay provisions subsequent to the completion of their retirement period by gaining a right to receive retirement payments in accordance with the amended Article 60 of the applicable Social Insurance Law No: 506 and the related Decrees No: 2422 and 4447 issued on March 6, 1981 and August 25, 1999, respectively. Some transitional provisions related to pre-retirement service term was excluded from the law since the related law was amended as of May 23, 2002.

Employee termination benefits provisions are legally not a subject of funding. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at December 31, 2019 and December 31, 2018, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. As of December 31, 2019, the provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 15.4% (December 31, 2018: 20.3%) and a discount rate of 11.7% (December 31, 2018: 16.4%), resulting in a real interest rate of 4% (December 31, 2018: 4%). The anticipated rate of forfeitures is considered and estimated rate of the Company’s retirements pay is also taken into account.

However, during this estimation, other conditions other than the ages specified in subparagraphs (a) and (b) of the first paragraph of Article 60 of Law 506, which are stated in paragraph 1 of Article 14 of Article 14 of the Labor Law No. 1475, temporary. According to Article 81, the severance payments to be made due to the fact that they complete the insured period (15 years) and the number of premium payment days (3600 days) foreseen to be connected to the old-age pension are separated from their estimations.

Actuarial loss amounting to TL 5,647,766 (Deferred tax effect: TL 1,129,553) in the calculation of severance pay provision is accounted in the account of private funds under the equity (Note 15.2).

As the maximum liability is updated semiannually, as of December 31, 2018, the maximum amount of TL 6,730 effective from January 1, 2019 has been taken into consideration in calculation of provision from employment termination benefits (December 31, 2017: TL 6.017).

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019

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22. Retirement and Welfare Liabilities (Continued)

Movement of employee termination benefits provisions are presented in the statement below:

	2019	2018
Beginning of the period, January 1	6,503,684	6,172,934
Charge for the period (Note 47)	1,749,671	1,156,310
Actuarial Gain/(Loss)	1,145,242	448,990
Retirement Payments (-)	(2,345,886)	(1,274,550)
End of the period, December 31	7,052,711	6,503,684

23. Other Liabilities and Expense Accruals

23.1 Provisions related to employee benefits and others

	2019		2018	
	Unused Vacations Provisions	Social Security Premiums Payable	Unused Vacations Provisions	Social Security Premiums Payable
Beginning of the period, January 1	1,833,998	168,325	1,317,302	1,879,776
Movements in the Current Period	480,190	30,185,870	734,404	24,473,923
Payments in the Current Period	(262,404)	(30,135,180)	(217,708)	(26,185,374)
End of the period, December 31	2,051,784	219,015	1,833,998	168,325

23.2 Total Amount of Non-Liability Commitments

Company' s statement of pledges and commitments as of December 31, 2019 and December 31, 2018 are presented below:

	December 31, 2019		December 31, 2018	
	Amount in Original Currency	Amount TL	Amount in Original Currency	Amount TL
Collaterals, Pledges and Mortgages Given by the Company(CPM)				
A. Total amount of CPM's given on behalf of the Company legal entity	-	-	-	-
B. Total amount of CPM's given in favor of joint ventures included in full consolidation	-	-	-	-
C. Total amount of CPM's given as the guarantee of the third parties for the maintenance purpose of the ordinary activities	7,786,29	7,786,291	7,871,027	7,871,027
Turkish Lira	1	7,786,291	7,871,027	7,871,027
USD	-	-	-	-
D. Total amount of the other CPM's given		488,179		565,250
i. Total amount of CPM's given in favor of the parent company	-	-	-	-
ii. Total amount of CPM's given in favor of other group companies not included in clauses B and C	-	-	-	-
iii. Total amount of CPM's given in favor of third parties not included		488,179		565,250
Turkish Lira	488,179	488,179	565,250	565,250
Total		8,274,470		8,436,277

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23. Other Liabilities and Expense Accruals (Continued)

23.2 Total Amount of Non-Liability Commitments (Continued)

Other CPM's given by the Company is zero in proportion to the Company's equity (December 31, 2018: None).

23.3 Provisions, Contingents Assets and Liabilities

Contingent Liabilities	December 31, 2019	December 31, 2018
Outstanding Claims under Litigation (*)	712,591,573	483,639,563
Unused Vacation allowance	2,051,784	1,833,998
Business Cases Provision	1,230,851	1,831,997
Total	715,874,208	487,305,558

Contingent Assets	December 31, 2019	December 31, 2018
Subrogation Receivable Litigations, Gross	131,094,166	111,065,416
Trade Receivable Litigations and Executions	8,946,215	5,290,428
Total	140,040,381	116,355,844

(*) Outstanding claims provision consists of net receivables, interest and expenses & agency fees in the amount of TL 441,196,781, TL 142,058,781 and TL 129,336,011 respectively.

As of June 24, 2014, Tax Inspection Board of T.C. Ministry of Finance has launched a limited tax investigation related to the Banking and Insurance Transaction Tax for the years 2009, 2010, 2011 and 2012 and as a consequence of the tax inspection, tax of TL 1.8 million and tax penalty of TL 2.8 million for the year 2009, tax of TL 2 million and tax penalty of TL 3 million for the year 2010, tax of TL 3 million and tax penalty of TL 4.6 million for the year 2011 and tax of TL 4.3 million and tax penalty of TL 6.4 million for the year 2012 and in total tax and tax penalty of TL 27.9 million related to Banking Insurance Transaction Tax were imposed to the Company. The Company has not booked any provision in the financial statements since it believes that its practice is in compliance with the regulations. On January 16, 2015, the Company filed a reconciliation request for the year 2009 and on February 20, 2015 filed a reconciliation request for the years 2010, 2011 and 2012 to the Large Taxpayers Office Commission of Reconciliation. Large taxpayers were interviewed by the Tax Office on February 15, 2018, and on February 27, 2018 a lawsuit was filed against the Grand Taxpayers Office as no compromise could be reached. In the cases of 2009, 2010, 2011 and 2012, in tax litigation related to BITT, Tax Court has decided in favor of the Company in the cases of 2009 and 2010. The cases of 2011 and 2012 continue before the Tax Court.

In the lawsuit filed before the Tax Court regarding the BITT in 2009 proceedings, the Grand Taxpayers applied for taxpayers' tax office based on the decision made by the tax court in favor of the company (cancellation of tax and penalty charges). The Istanbul Regional Administrative Court dismissed the appeal.

23.4 Provision for Expense Accruals

	December 31, 2019	December 31, 2018
Commission provision (*)	28,447,678	16,206,481
Performance premium provision	8,433,529	7,131,516
Guarantee fund provision	13,656,077	10,312,123
Expense provision	5,528,924	1,847,440
Business cases provision	1,230,851	1,831,997
Allowance	2,051,784	1,833,998
Other	598,543	1,169,918
Total	59,947,386	40,333,473

(*) Commission provision to be distributed to the agency, bank and institutional channels for the current period.

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24. Net Insurance Premium Revenue

	January 1 - December 31, 2019		
	Gross	Reinsurance share	Net
Motor Crafts Liability (*)	1,553,651,846	(319,071,857)	1,234,579,989
Motor Own Damage	855,798,998	(4,648,272)	851,150,726
Fire and Natural Disaster	812,778,486	(640,426,124)	172,352,362
Health	390,931,857	(276,285,005)	114,646,852
General Losses	297,970,039	(201,217,704)	96,752,335
Financial Losses	155,717,870	(110,840,632)	44,877,238
Accident	44,718,568	(12,783,663)	31,934,905
Transportation	73,173,762	(48,982,107)	24,191,655
General Liability	182,790,235	(160,201,891)	22,588,344
Legal Protection	4,399,320	-	4,399,320
Fidelity Guarantee	14,108,970	(11,626,418)	2,482,552
Water Crafts	20,637,266	(18,368,780)	2,268,486
Credit	2,768,035	(2,656,074)	111,961
Air Crafts Liability	23,420,872	(23,420,329)	543
Air Crafts	40,693,716	(40,693,186)	530
Total - Non-life branches	4,473,559,840	(1,871,222,042)	2,602,337,798
Written premium - Life branch	-	-	-
Total	4,473,559,840	(1,871,222,042)	2,602,337,798

	January 1 - December 31, 2018		
	Gross	Reinsurance share	Net
Motor Crafts Liability (*)	1,148,315,010	(263,518,344)	884,796,666
Motor Own Damage	697,318,864	(4,403,548)	692,915,316
Fire and Natural Disaster	603,474,892	(454,026,633)	149,448,259
Health	276,667,894	(197,240,929)	79,426,965
General Losses	286,340,038	(208,394,172)	77,945,866
Financial Losses	89,717,322	(50,921,124)	38,796,198
Accident	38,627,594	(14,383,736)	24,243,858
Transportation	64,471,366	(39,171,887)	25,299,479
General Liability	147,366,359	(127,794,593)	19,571,766
Legal Protection	4,638,457	-	4,638,457
Fidelity Guarantee	12,434,072	(10,826,396)	1,607,676
Water Crafts	10,769,330	(8,346,619)	2,422,711
Credit	2,888,110	(2,743,704)	144,406
Air Crafts Liability	22,012,545	(22,011,019)	1,526
Air Crafts	12,296,076	(12,295,731)	345
Total - Non-life branches	3,417,337,929	(1,416,078,435)	2,001,259,494
Written premium - Life branch	500	-	500
Total	3,417,338,429	(1,416,078,435)	2,001,259,994

(*) Reinsurance share of land vehicles liability branch amounting to TL 135,165,977 (January 1 - December 31, 2018: TL 100,356,222) includes premiums to be ceded to SSI.

25. Fee Income

None (January 1 - December 31 2018: None.).

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26. Investment Income/(Expense)

	January 1 - December 31, 2019	January 1 - December 31, 2018
Realized Investment Income/Expenses		
Term Deposit	108,029,870	134,571,404
Private Sector Bonds	67,654,772	38,878,959
Government Bond	25,675,758	(1,282,630)
Investment Fund	24,713,755	45,306,113
Eurobond	18,135,838	5,455,559
Treasury Bond	9,417,737	9
Stock	8,209,000	906,063
Total	261,836,730	223,835,477
Unrealized Investment Income/(Expenses)		
Government Bond	4,524,953	509,345
Eurobond	980,452	(555,163)
Investment Fund	536,849	(16,261,480)
Stock	439,268	(968,050)
Repo	303,863	(204,451)
Treasury Bond	(130,771)	(134,624)
Private Sector Bonds	(6,905,359)	8,699,472
Term Deposit	(9,108,944)	8,640,751
Total	(9,359,689)	(274,200)
Investment Income/Expense, Net	252,477,041	223,561,277

27. Net Accrual Income on Financial Assets

	January 1 - December 31, 2019	January 1 - December 31, 2018
Financial Assets Available for Sale		
Valuation differences recognized under shareholders' equity	6,588,634	(10,638,677)
Total	6,588,634	(10,638,677)

28. Assets Held At Fair Value through Profit and Loss

The net gain which is booked in income statement from the fair value difference reflected to gain or loss of the financial assets, is amounting to TL 840,711 as of December 31, 2019 (January 1 - December 31, 2018: TL 116,515).

29. Insurance Rights and Demands

	January 1 - December 31, 2019	January 1 - December 31, 2018
Outstanding Claims Reserve Expenses		
Motor Crafts Liability	(202,346,561)	(210,138,814)
General Liability	(39,399,305)	(29,964,887)
Motor Own Damage	(4,647,344)	(4,310,317)
Transportation	(3,702,143)	(708,767)
Health	(2,041,134)	(390,215)
Accident	(1,183,944)	(73,007)
Water Crafts	(493,402)	(512,121)
Fidelity Guarantee	(432,411)	(1,143,831)
Legal Protection	(128,900)	(98,957)
General Losses	(99,875)	(1,785,497)
Air Crafts Liability	(5,424)	(8,294)
Air Crafts	6,383	(1,857)
Credit	100,392	(102,000)
Fire and Natural Disaster	5,352,514	(16,831,553)
Financial Losses	3,239,777	(3,412,376)
Total Non-life	(245,781,377)	(269,482,493)
Life	(7,358)	69,184
Total (*)	(245,788,735)	(269,413,309)

(*) For current previous period comparison please refer to note 4.1.1.3.

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30. Investment Agreement Types

None. (December 31 2018: None).

31. Mandatory Other Expenses

Types of expenses are disclosed in Note 32.

32. Expense Type:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Production Commissions (-)	(556,193,004)	(468,505,879)
Employee Wages and Expenses (-) (*) (Note 33)	(108,318,094)	(86,697,215)
Information Technology Expenses (-)	(19,890,295)	(13,968,033)
Meeting and Training Expenses (-)	(8,054,920)	(5,573,241)
Advertisement Expenses (-)	(6,216,165)	(8,157,833)
Social Relief Expenses (-) (Note 33)	(5,655,130)	(4,247,148)
Transportation Expenses (-)	(4,465,507)	(6,340,803)
Rent Expenses (-)	(2,628,714)	(9,969,274)
Reinsurance Commissions (+)	212,487,700	185,468,908
Other (-)	(14,029,443)	(13,350,738)
Total	(512,963,572)	(431,341,256)

(*) The Company makes payments to pension contribution (3% of the monthly gross salary) for the employees who fulfill conditions and this amount is presented in employees' wages and expenses.

33. Employee Wages and Expenses

	January 1 - December 31, 2019	January 1 - December 31, 2018
Salary and Bonus Payments	(86,305,296)	(72,854,650)
Insurance Payments	(17,697,458)	(11,377,334)
Other Payments	(9,970,470)	(6,712,379)
Total (Note 32)	(113,973,224)	(90,944,363)

34. Financing Cost

34.1 Financial Expenses:

None. (December 31 2018: None).

34.2 Current period's financial expenses related to shareholders, affiliates and subsidiaries:

None. (December 31 2018: None.).

34.3 Sales transactions with shareholders, affiliates and subsidiaries

Disclosed in Note 45.

34.4 Interest, rent and similar balances with shareholders, affiliates and subsidiaries:

Disclosed in Note 45.

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34. Financing Cost (Continued)

34.5 Hedge accounting principle

Cash Flow hedging principle

None.

Type risk and principle of the cash flow hedge

None.

34.6 Exchange differences, other than those arising from financial assets held at fair value through profit and loss.

None (December 31 2018: None).

35. Corporate Tax

	December 31, 2019	December 31, 2018
<u>Current Tax Liability:</u>		
Corporate Tax Liability Provision on Period Profit	125,897,143	66,694,754
Prepaid Taxes and Other Liabilities on Period Profit (-)	(73,065,163)	(54,453,247)
Total	52,831,980	12,241,507
<u>Tax (Expense)/Income is Formed by the Items Below:</u>	December 31, 2019	December 31, 2018
Current Tax Income / (Expense)	(125,897,143)	(66,694,754)
Deferred Tax Income / (Expense) due to Temporary Differences	18,330,425	120,044
Total Tax Income/(Expense)	(107,566,718)	(66,574,710)
<u>Deferred Tax</u>	2019	2018
<u>Recognized in the Shareholders' Equity:</u>		
Valuation of Financial Assets Available for Sale	(1,647,159)	2,659,669
Actuarial Gain/Loss Effect	1,129,553	900,505
	(517,606)	3,560,174

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below. Within the scope of the "Law on the Amendment of Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated December 5, 2017, the corporate tax rate for the years 2019 and 2020 was increased from 20% to 22%. In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Law on the Amendment of Some Tax Acts and Some Other Laws", corporate tax rate for the years 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of December 31, 2018 are calculated with 22% tax rate for the temporary differences which will be realized in 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards. The tax rate used in the calculation of deferred tax assets and liabilities is 22% excluding the retirement pay provision. For severance indemnity provision and marketable securities valuation difference, 20% is used.

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35. Corporate Tax (Continued)

Deferred tax items are as follows:

Deferred Tax Assets / (Liabilities)	Temporary differences December 31 2019	Temporary differences December 31 2018	Deferred Tax Assets / (Liabilities) December 31 2019	Deferred Tax Assets / (Liabilities) December 31 2018
Provision for doubtful receivables	34,734,800	3,874,390	7,641,656	852,366
Investment fund valuation effect	30,321,953	711,767	6,670,830	156,589
Expense reserves (Note 23.4)	20,409,676	3,552,176	4,490,129	781,479
Ongoing Risks	14,410,790	20,653,057	3,170,374	4,543,673
Balancing Equivalent	8,525,890	7,444,150	1,875,696	1,637,713
Performance premium provision (Note 23.4)	8,433,529	7,131,516	1,855,376	1,568,934
Provision for employment termination benefits(Note 22)	7,052,711	6,503,684	1,410,542	1,300,737
Tangible assets leasing	3,621,337	-	796,694	-
Unused vacation allowance (Note 23.4)	2,051,784	1,833,998	451,392	403,480
Bonuses and Discounts	8,413	97,055	1,851	21,352
Provision for impairment (Note 9)	-	30,116,653	-	6,625,664
Instrument Valuation Effect	(606,879)	-	(133,513)	-
Investment Fund Valuation Difference	2,064,543	2,064,543	(155,932)	454,199
Marketable securities valuation difference	(8,235,793)	13,298,346	(1,647,158)	2,659,669
Tangible and intangible assets economic life differences	(11,328,416)	(18,331,315)	(2,492,252)	(4,032,892)
Deferred Tax Assets/(Liabilities)	108,691,015	78,950,020	23,935,685	16,972,963

Corporation tax reconciliation is as below:

Confirmation of Tax Provision	2019	2018
Profit Before Tax	473,925,154	294,193,790
Tax Calculated: 22%	(104,263,534)	(64,722,634)
Effect of Additions	(44,012,743)	(20,416,770)
Effect of Discounts, net	22,379,134	18,444,650
Corporate Tax Liability Provision on Period Profit	(125,897,143)	(66,694,754)

Reconciliation of period tax expense with net income for the period is as below:

	2019	2018
Profit before tax	473,925,154	294,193,790
Calculated tax revenue: 22%	(104,263,534)	(64,722,634)
Tax rate change effect (Note 2.1.1)	108,170	772,559
Disallowable expenses	(3,411,354)	(1,660,028)
Total Tax Expense	(107,566,718)	(65,610,103)

36. Net Foreign Exchange Gain/Loss

	January 1- December 31, 2019	January 1- December 31, 2018
Recognized in Profit / Loss:		
Foreign Exchange Income	230,548,082	314,166,805
Foreign Exchange Expense (*)	(161,736,401)	(278,335,770)
	68,811,681	35,831,035

(*) With the enactment of the Decision No. 32 on the Protection of the Value of the Turkish Currency, the "Financial Hedging" accounting was terminated because the lease agreement for the Head Office Building, which has a foreign currency obligation, was translated into Turkish Lira. The amount classified to the profit reserves arising from the foreign exchange hedge accounting is deducted from the foreign exchange losses account in the profit or loss table amounting to TL 22.023.479.

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37. Earnings per Share

	2019	2018
Number of Equity Shares Outstanding	30,600,000,000	30,600,000,000
Beginning Period, 1 January	30,600,000,000	30,600,000,000
Number of Equity Shares Issued in Cash	-	-
Number of Equity Shares Outstanding	30,600,000,000	30,600,000,000
End of Period, 31 December	30,600,000,000	30,600,000,000
Weighted Average Number of Outstanding Shares (Unit of 1; TL 0.01)	30,600,000,000	30,600,000,000
Net Profit for the Period / (Loss) (TL)	366,358,436	227,619,080
Earnings / (Loss) per Share (TL)	1.197	0,744

38. Dividends per share

Pursuant to the decision taken in the Company's Ordinary General Meeting held on March 4, 2019, dividend distribution to shareholders was TL 201,960,000 based on the 2018 operating results. (December 31, 2018: TL 110,160,000)

39. Cash Generated from the Operations

Cash Generated from Operations is presented in the Cash Flow Statement.

40. Equity Share Convertible Bonds

None (December 31, 2018: None).

41. Cash Convertible Privileged Equity Shares

None (December 31, 2018: None).

42. Risks

The Company's contingent asset and liabilities are presented in Note 23.3.

43. Commitments

Total amount of off balance sheet commitments are presented in Note 23.2.

44. Business Combinations

None (December 31 2018: None).

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45. Related Parties

Related Party Receivables/(Payables)

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

<u>Bank Deposit</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Group Companies	484,545,450	322,410,622
Total	484,545,450	322,410,622

<u>Private Sector Bonds</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Group Companies	27,149,232	48,709,250
Total	27,149,232	48,709,250

<u>Investment Funds</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Group Companies	142,613,289	168,805,699
Total	142,613,289	168,805,699

<u>Related Party Receivables/(Payables)</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Group Companies	58,379,601	62,857,652
Shareholders	44,663	61,264
Total	58,424,264	62,918,916

<u>Premium production</u>	<u>January 1- December 31, 2019</u>	<u>January 1- December 31, 2018</u>
Group Companies	171,870,456	154,398,316
Shareholders	2,349,511	1,854,496
Total	174,219,967	156,252,812

<u>Claims Paid</u>	<u>January 1- December 31, 2019</u>	<u>January 1- December 31, 2018</u>
Group Companies	46,014,074	50,063,599
Total	46,014,074	50,063,599

<u>Interest Income Received from Related Part</u>	<u>January 1- December 31, 2019</u>	<u>January 1- December 31, 2018</u>
Group Companies	78,335,240	85,857,323
Total	78,335,240	85,857,323

<u>Commission Expenses</u>	<u>January 1- December 31, 2019</u>	<u>January 1- December 31, 2018</u>
Group Companies	126,568,178	109,359,530
Total	126,568,178	109,359,530

46. Subsequent Events

The insurance agency activity has been temporarily suspended for a period of 15 days between January 30, 2020 - February 13, 2020 by the Ministry of Treasury and Finance General Directorate of Insurance due to the violation of the 32nd article of the Insurance Law of Akbank TAŞ and other relevant legislative provisions. decided. The decision to stop the activity in question will not have a significant impact on our Company's activities and financial statements.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019

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

46. Subsequent Events (Continued)

In the 2012 court proceedings, the decision made by the Tax Court in favor of the Company has been finalized in the case brought before the Tax Court regarding BITT.

47. Other

Details of “Other” items in the balance sheet which exceed 20% of its respective account group or 5% of total assets:

Other Receivables	December 31, 2019	December 31, 2018
Receivables from Tarım Sigortaları A.Ş.	8,888,272	12,961,070
Receivables from Agencies due to DASK Premiums	5,232,500	4,489,770
Other Receivables	2,674,168	2,699,367
Total	16,794,940	20,150,207

Other Short Term Payables	December 31, 2019	December 31, 2018
Payables to contracted enterprises	48,821,504	54,098,804
Turkish Catastrophe Insurance Pool Payables to agencies	23,480,700	18,902,758
Payables to suppliers	27,539,894	26,701,130
Payables to Turkish Catastrophe Insurance Pool	979,333	937,702
Other	856,603	3,961,451
Total	101,678,034	104,601,845

Other Prepaid Expenses	December 31, 2019	December 31, 2018
Prepaid Expenses	2,569,734	5,062,036
Total	2,569,734	5,062,036

Other Prepaid Expenses (Long Term)	December 31, 2019	December 31, 2018
Prepaid Expenses	149,980	149,980
Total	149,980	149,980

Assistance services under other technical expenses in the income statement, amounting to TL 97,485,609 (December 31, 2018: TL 59,405,229), consist of deferral of these amounts and technical expenses of these services,

Income and Profit / Expenses and Losses from Other and Extraordinary Activities	January 1- December 31, 2019	January 1- December 31, 2018
Provisions Account (+/-)	(30,294,342)	(47,271,113)
<i>Provisions for doubtful receivable (Note 12.1)</i>	(32,822,837)	(17,012,726)
<i>Donation</i>	(20,675,000)	(15,960,000)
<i>Provisions No Longer Required (**)</i>	30,116,653	-
<i>Guarantee Fund Provision (Note 23.1)</i>	-	(10,312,123)
<i>Portfolio Management</i>	(3,858,176)	(2,312,055)
<i>Retirement pay provision (*)</i>	(1,749,671)	(1,156,310)
<i>Unused vacation provision (Note 22)</i>	(480,190)	(734,404)
<i>Provisions for other expenses</i>	(825,121)	216,505
Specialized Insurance Account (+/-)	1,356,101	1,135,070
Other income and profits	1,374,123	1,303,230
Deferred tax asset account (+/-) (Note 35)	18,330,425	120,044
Other expenses and losses (-)	(40,848,246)	(8,529,838)
<i>Participation sales loss (**)</i>	(30,116,647)	-
<i>Bank expenses</i>	(8,462,577)	(6,068,798)
<i>Certificate Insolvency</i>	-	-
<i>Disallowable expenses</i>	(354,370)	(532,217)
<i>Participation Management Expenses</i>	-	(1,183,892)
<i>Other</i>	(1,914,652)	(744,931)
Total	(50,081,939)	(53,242,607)

(*) Donations to be paid to Hacı Ömer Sabancı Foundation.

(**) Merter BV, the subsidiary of the company, was sold for a euro. While the registered value of the subsidiary is accounted for under the “Other Expenses and Losses” account after deducting the sales amount, the provision reserved for the subsidiary is recognized under the “Non-subject Provisions” account.

(***) The company has started to monitor the amount of the security fund provision in accordance with the legislation in operating expenses, which are part of the technical income / expense.

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF PROFIT DISTRIBUTION AS OF DECEMBER 31, 2019

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

AKSİGORTA ANONİM ŞİRKETİ			
Profit Distribution Statement			
	Note	Audited Current Period (01/01/2019 - 31/12/2019)	Audited Current Period (01/01/2018 - 31/12/2018)
I. Distribution of profit for the period			-
1.1. Profit for the period			294,313,834
1.2. Taxes payable and legal liabilities			66,694,754
1.2.1. Corporation tax (Income tax)			66,694,754
1.2.2. Income tax deduction			-
1.2.3. Other taxes and legal liabilities			-
A. Net profit for the period (1.1 - 1.2)			227,619,080
1.3. Previous years' losses (-)			-
1.4. First legal reserve			11,380,954
1.5. Legal reserves kept in the company (-)			-
B. Net distributable Profit for the period [a - (1.3 + 1.4 + 1.5)]			216,238,126
1.6. First dividend to shareholders (-)			15,300,000
1.6.1. To common shareholders			15,300,000
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 board of directors (-)			-
1.10. Second dividends to shareholders (-)			-
1.10.1. To common shareholders			182,272,126
1.10.2. To preferred shareholders			182,272,126
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 (-)			18,666,000
1.12. Statutory reserves (-)			-
1.13. Extraordinary reserves			-
1.14. Other reserves			-
1.15. Special funds			-
II. Distribution from reserves			-
2.1. Distributed reserves			4,387,874
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 employees (-)			-
2.5. Dividends to 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			201,960,000
4.2. To common shareholders (%)			-
4.3. To preferred shareholders			-
4.4. To preferred shareholders (%)			-

(*) Profit Distribution table for December 31, 2018 was presented as approved by the General Assembly held on March 14, 2019.

(**) The profit distribution proposal for 2019 has not been filled as the General Assembly meeting has not been held as of the date of the financial statements.

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