

AKSIGORTA A.Ş.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

AKSIGORTA A.Ş.

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

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AKSİGORTA A.Ş.**STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019**

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

Assets	Note	Audited December 31, 2019	Audited December 31, 2018
Total current assets		7,188,629,825	5,371,255,833
Cash and cash equivalents	11	2,063,042,512	1,969,568,662
Financial assets			
Marketable securities:			
- Available for sale at company's risk	10	702,319,600	379,199,276
- Available for sale at insurees' risk	10	1,806,587	1,686,241
- Held for trading at company's risk	10	590,751,326	168,805,442
- Held to maturity at company's risk	10	34,881,722	9,752,674
Premium receivables	12	715,107,728	550,022,938
Due from reinsurers	12	22,369,137	28,966,554
Reinsurance share of insurance liabilities	13	2,830,342,891	2,055,353,150
Deferred acquisition costs	14	176,322,242	120,592,122
Derivative financial assets	2.26	510,490	33,895,401
Other current assets	15	51,175,590	53,413,373
Total non-current assets		167,853,184	114,824,301
Tangible assets	6	23,163,083	24,329,768
Right of use of asset	7	26,128,904	-
Intangible assets	8	60,569,259	55,639,894
Investment properties	9	163,066	-
Equity securities:			
- Available for sale	10	430,032	430,032
Deferred income tax assets	25	57,248,860	34,274,627
Other non-current assets	15	149,980	149,980
Total assets		7,356,483,009	5,486,080,134
Liabilities	Note	Audited December 31, 2019	Audited December 31, 2018
Total current liabilities		6,553,274,709	4,833,306,005
Obligations under repurchase agreements	2.14	47,970,865	49,954,452
Insurance liabilities	18	5,604,293,840	4,138,493,725
Payables to reinsurers	20	596,443,293	446,831,845
Other financial liabilities	2.19	12,806,818	8,494,258
Derivative financial liabilities	2.26	29,597,359	-
Provisions for other liabilities and charges	19	59,947,386	40,333,473
Trade and other payables	20	145,576,602	136,956,745
Current income tax liabilities	25	52,831,979	12,241,507
Lease liabilities	22	3,806,567	-
Total non-current liabilities		32,996,385	6,503,684
Provision for retirement benefit obligation	21	7,052,711	6,503,684
Lease liabilities	22	25,943,674	-
Total equity		770,211,915	646,270,445
Shareholders' equity	16	306,000,000	306,000,000
Legal and other reserves	16	137,889,692	112,230,612
Actuarial loss arising from employee benefit	16	(4,518,213)	(3,602,019)
Available-for-sale investments fund	16	6,588,634	(10,638,677)
Retained earnings/accumulated deficit		324,251,802	242,280,529
Total equity and liabilities		7,356,483,009	5,486,080,134

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

AKSİGORTA A.Ş.

STATEMENT OF INCOME FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019

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

Income Statement	Note	Audited	Audited
		January 1 - December 31, 2019	January 1 - December 31, 2018
Insurance premium revenue	23	3,886,743,705	3,119,392,940
Insurance premium ceded to reinsurers	5, 23	(1,705,948,841)	(1,316,787,242)
Net insurance premium revenue	5, 23	2,180,794,864	1,802,605,698
Investment income	26	399,318,535	323,656,488
Commission income	27	212,487,700	185,468,908
Other operating income	28	8,408,547	8,378,011
Net income		2,801,009,646	2,320,109,105
Insurance claims	24	(2,884,294,561)	(2,282,196,376)
Insurance claims recovered from reinsurers	24	1,286,921,952	911,827,842
Net insurance claims	5, 24	(1,597,372,609)	(1,370,368,534)
Commission expense	27	(556,193,005)	(468,505,878)
Expenses for marketing and administration	29	(230,311,063)	(185,662,429)
Other operating expenses	28	(84,799,090)	(55,800,951)
Insurance claims and expenses		(2,468,675,767)	(2,080,337,792)
Results of operating activities		332,333,879	239,771,313
Foreign exchange gain / (loss), net	30	68,811,681	35,831,035
Profit before tax		401,145,560	275,602,348
Income tax expense	25	(91,555,207)	(62,484,593)
Profit for the year		309,590,353	213,117,755
Earnings per share	15	0.0101	0.0070

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

AKSİGORTA A.Ş.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019

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

Statement of comprehensive income	Note	Audited	Audited
		January 1 - December 31, 2019	January 1 - December 31, 2018
Profit for the year		309,590,353	213,117,755
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Change in available-for-sale financial assets fund, net off deferred tax	16	17,227,311	(10,624,208)
Cash flow hedging, net off deferred tax	16	-	(17,618,782)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		17,227,311	(28,242,990)
Other comprehensive income not being reclassified to profit or loss in subsequent periods:			
Actuarial loss, net off deferred tax	16	(916,194)	(359,192)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		(916,194)	(359,192)
Other comprehensive income, net of tax		16,311,117	(28,602,182)
Total comprehensive income for the year, net of tax		325,901,470	184,515,573

The accompanying notes form an integral part of these financial statements

AKSİGORTA A.Ş.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2019

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

December 31, 2018		Audited						
	Note	Share capital	Available-for-sale investment funds	Legal and other reserves	Actuarial loss arising from employee benefit	Cash flow hedging	Retained earnings	Total
Balances at December 31, 2017	16	306,000,000	(14,469)	95,403,929	(3,242,827)	17,618,782	156,149,457	571,914,872
Profit for the year		-	-	-	-	-	213,117,755	213,117,755
Transfer		-	-	16,826,683	-	-	(16,826,683)	-
Other comprehensive income		-	(10,624,208)	-	(359,192)	(17,618,782)	-	(28,602,182)
Total comprehensive income	16	-	(10,624,208)	16,826,683	(359,192)	(17,618,782)	196,291,072	184,515,573
Dividend payment		-	-	-	-	-	(110,160,000)	(110,160,000)
December 31, 2018	16	306,000,000	(10,638,677)	112,230,612	(3,602,019)	-	242,280,529	646,270,445

December 31, 2019		Audited						
	Note	Share capital	Available-for-sale investment funds	Legal and other reserves	Actuarial loss arising from employee benefit	Cash flow hedging	Retained earnings	Total
Balances at December 31, 2018	16	306,000,000	(10,638,677)	112,230,612	(3,602,019)	-	242,280,529	646,270,445
Profit for the year		-	-	-	-	-	309,590,353	309,590,353
Transfer		-	-	25,659,080	-	-	(25,659,080)	-
Other comprehensive income		-	17,227,311	-	(916,194)	-	-	16,311,117
Total comprehensive income	16	-	17,227,311	25,659,080	(916,194)	-	283,931,273	325,901,470
Dividend payment		-	-	-	-	-	(201,960,000)	(201,960,000)
December 31, 2019	16	306,000,000	6,588,634	137,889,692	(4,518,213)	-	324,251,802	770,211,915

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

AKSİGORTA A.Ş.

STATEMENT OF CASH FLOWS

FOR THE YEAR PERIOD JANUARY 1 - DECEMBER 31, 2019

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

Cash Flow Statement	Note	January 1 - December 31, 2019	January 1 - December 31, 2018
Cash inflows from insurance operations		4,634,970,139	4,239,482,072
Cash outflows from insurance operations		(3,802,854,511)	(3,632,448,738)
Income tax payment		(85,306,670)	(68,591,105)
Cash inflows/(outflows)from operational expenses		(198,278,867)	(195,476,781)
Net cash flows from operating activities		548,530,091	342,965,448
Tangible and intangible asset acquisitions		(29,262,369)	(27,836,438)
Financial asset acquisitions / disposals		(665,305,063)	55,789,461
Interest received		440,888,759	238,202,705
Other cash inflows/(outflows)		(24,585,599)	63,996,935
Net cash flows from investing activities		(278,264,272)	330,152,663
Dividends paid		(201,960,000)	(110,160,000)
Net cash (outflow)/inflows from financing operations		(201,960,000)	(110,160,000)
Net increase/(decrease) in cash and cash equivalents		68,305,819	562,958,111
Cash and cash equivalents at the beginning of the period		1,763,461,138	1,200,503,027
Cash and cash equivalents at the end of the period	11	1,831,766,957	1,763,461,138

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

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2019

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

1. General Information

Aksigorta A.Ş. (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").

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 Hacı Ömer Sabancı Holding A.Ş. ("Sabancı Holding") portfolio was signed with Ageas Insurance International N.V. ("Ageas") at 18 February 2011. At the date of July 29, 2011, 9,482,940,100 units of Company's shares that correspond to 50% of the Sabancı Holding's portfolio have been transferred to Ageas with the sale price (excluding the corrections) of USD 220,029,000. According to the joint administration agreement that signed with Ageas at February 18, 2011, Sabancı Holding's previous administrative controls over the Company are going to remain equally with Ageas.

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 Company is located at Poligon Cad. Buyaka 2 Sitesi No:8 Kule:1 Kat:0-6 Ümraniye 34771, İstanbul.

The Company's main operations include insurance activities based on non-life insurance branches, including primarily fire, marine, accident, personal accident, engineering, agriculture and health.

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

	December 31, 2019	December 31, 2018
Top and middle management	130	112
Other personel	534	627
Total	664	739

Remuneration and fringe benefits provided to top management such as; chairman and members of the board of directors, managing director and assistant managing directors amount to TL 7,418,631 in total for January 1 - December 31, 2019 (January 1 - December 31, 2018: TL 6,208,932).

Financial statements include only one company (Aksigorta A.Ş.) and the Company does not have any subsidiaries or affiliates as of December 31, 2019 (December 31, 2018: None).

The Company's financial statements as of December 31, 2019 are approved and authorized for issuance as of January 30, 2020 by the Board of Directors.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements at December 31, 2019 have been prepared in accordance with International Financial Reporting Standard as defined by IAS 1.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019**

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

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira (“TL”) in accordance with the Insurance Law numbered 5684 and the regulations issued for insurance and reinsurance companies by the Undersecretariat of Treasury which is also the functional currency of the Company. These financial statements are based on the statutory records, with adjustments and reclassifications, for the purpose of fair presentation in accordance with IFRS.

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise its judgements in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to financial statements are disclosed Note 3.

Comparative information and restatement of prior period financial statements

The Company’s statement of financial position as of December 31, 2019 is presented in comparison with its statement of financial position as of December 31, 2018; statement of comprehensive income, statement of changes in equity and statement of cash flows for the period between January 1 -December 31, 2019 are presented in comparison with its statement of comprehensive income, statement of changes in equity and statement cash flows for the period between January 1 - December 31, 2018.

2.2 Adoption of New and Revised Standards

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2019 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2019. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

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

- **Amendment to IFRS 9, ‘Financial instruments’;** effective from annual periods beginning on or after 1 January 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 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

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

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019**

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

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

The new standards, amendments and interpretations (Continued)

- **IFRS 16, ‘Leases’;** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15 ‘Revenue from Contracts with Customers’ is also applied. This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right of use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

From 1 January 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

NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019

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

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

The new standards, amendments and interpretations (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 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 25% for local currency liabilities.

January 1, 2019

Lease liabilities under IAS 17	58,360,359
Short term leases recognised on a straight line basis as expense(-)	(18,880)
Total Lease liabilities under IFRS 16 (Undiscounted)	58,341,479
Total Lease liabilities under IFRS 16 (Discounted)	31,004,961
Short term lease liabilities	1,937,578
Long term lease liabilities	29,067,383

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2019.

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
Furniture and fixtures	550,969	-
Vehicles	3,391,179	6,080,531
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 1 January - 31 December 2019.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019**

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

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

The new standards, amendments and interpretations (Continued)

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

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

- **Annual improvements 2015-2018;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
 - IFRS 3, ‘Business combinations’, – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - IFRS 11, ‘Joint arrangements’, – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12, ‘Income taxes’ – a company accounts for all income tax consequences of dividend payments in the same way.
 - IAS 23, ‘Borrowing costs’ – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The Company assesses the effects on financial situation and performance. There is no impact on the Company’s financial situation and performance.

- **Amendments to IAS 19, ‘Employee benefits’ on plan amendment, curtailment or settlement’;** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
 - use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
 - recognise 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 recognised because of the impact of the asset ceiling.

The Company assesses the effects on financial situation and performance. There is no impact on the Company’s financial situation and performance.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019**

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

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

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

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

Improvement will be valid for the periods after January 1, 2020. The Company assesses the effects of the standards on the financial situation and performance.

- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 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.

Change will be valid for the periods after January 1, 2020. The changes are not applicable for the Company. There is no impact on the Company's financial situation and performance.

- **IFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2022. 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.

Standard will be implemented for the periods after January 1, 2022. The Company assesses the effects of the standard on the financial situation and performance.

2.3 Consolidation

The Company has no subsidiaries or joint ventures within the scope of consolidation in accordance with "IFRS 10- Consolidated Financial Statements" as of December 31, 2019 (December 31, 2018: None).

2.4 Segment Reporting

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

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019**

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

2. Summary of significant accounting policies (Continued)**2.5 Foreign currency translation**

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

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

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

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

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

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

	December 31, 2019		December 31, 2018	
	US Dollar / TL	Euro / TL	US Dollar / TL	Euro / TL
Bid Rates	5.9402	6.6506	5.2609	6.0280
Ask Rates	5.9598	6.6725	5.2783	6.0479

2.6 Tangible Assets

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019**(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of significant accounting policies (Continued)**2.6 Tangible Assets (Continued)**

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
Leasehold Improvements	5 years

2.7 Investment properties

The buildings and lands of the Company held for the purpose of receiving rent or an increase in value or both instead of being used in the operations of the Company or being sold within the normal business course are classified as investment properties. The investment properties are carried at acquisition cost by deducting the accumulated depreciation. Investment properties are amortised by the straight-line method over their estimated useful lives. If there are indicators of impairment on investment properties, a review is made in order to determine possible impairment and as a result of this review, if the property's carrying amount is greater than its estimated recoverable amount, the property's carrying amount is written down immediately to its recoverable amount by accounting for an impairment provision. The recoverable amount is the higher of the future cash inflows from the existing use of the investment property and the fair value of the property after cost of sale. The Company does not have an impairment booking for its investment properties as of December 31, 2019.

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

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

2.8 Intangible assets***Intangible assets acquired***

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

Computer software

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

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

Useful life:

Rights

5 years

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2019

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

2. Summary of significant accounting policies (Continued)

2.9 Financial assets

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

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

Loans and receivables (Premium receivables)

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

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

Available-for-sale financial assets

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019**

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

2. Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

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

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.

Financial assets held for trading

Financial assets held for trading are valued at their fair values and gain/loss arising is recorded in profit or loss. Interest income earned on trading securities and the difference between their acquisition costs and fair values are recorded as interest income in the statement of income. In case of sales of such securities before their maturity, the gains/losses on such sales are recorded under trading income/losses.

2.10 Reclassification of financial assets

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

2.11 Impairment of Assets

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

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019**

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

2. Summary of significant accounting policies (Continued)**2.12 Related party**

Parties are considered related to the Company if;

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

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

In the financial statements and related notes dated December 31, 2019 and 2018, the Company management, groups associated to H.Ö. Sabancı Holding and Ageas Insurance International N.V. are defined as related parties.

2.13 Offsetting Financial Instruments

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

2.14 Cash and cash equivalents

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

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

	December 31, 2019	December 31, 2018
Banks	1,356,583,321	1,485,633,722
Credit Card Receivables	706,459,191	483,934,940
Less: Interest accrual	(2,557,348)	(11,676,242)
Less: Blocked deposits	(228,718,207)	(194,431,282)
Total	1,831,766,957	1,763,461,138

As of December 31, 2019, the Company has repo transactions in the amount of TL 47,970,865 (December 31, 2018: TL 49,954,452) which is accounted in "obligations under repurchase agreements".

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019**

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

2. Summary of significant accounting policies (Continued)**2.15 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:

Name of shareholders	December 31, 2019		December 31, 2018	
	Share	Share amount	Share	Share amount
H. Ömer Sabancı Holding A.Ş.	36.00	110,160,000	36.00	110,160,000
Ageas Insurance International NV	36.00	110,160,000	36.00	110,160,000
Publicly quoted shares	28.00	85,680,000	28.00	85,680,000
Total	100.00	306,000,000	100.00	306,000,000

The Company has accepted the registered capital system set out in accordance with the provisions of Law No: 2499 and applied the system as of June 15, 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As of December 31, 2019, the Company's registered share capital is TL 500,000,000 (December 31, 2018: TL 500,000,000).

2.16 Insurance and investment contracts

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2019

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

2. Summary of significant accounting policies (Continued)

2.16 Insurance and investment contracts (Continued)

Unearned Premium Reserve

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

Deferred Commission Expense and Income

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

Liability Adequacy Test

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

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019**

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

2. Summary of significant accounting policies (Continued)

2.16 Insurance and investment contracts (Continued)

Outstanding claims provision

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

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

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

The appropriate development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claim cost for each accident year. The choice of selected factors for each accident year of each class of business depends on the best estimate of the Company. Considering the uncertainty about the amount and timing of claims, the Company made the estimation of claims development considering starting from the year of 2003 and a tail factor is used for some branches for future developments. The Company performs the ultimate liability estimation for large claims separately which are determined as large claims by using certain statistical methods since these claims have different claim development patterns. Additionally, the ultimate liability calculations are performed on gross basis and the net amounts are determined according to historical ceding rates on each accident quarter or applicable reinsurance treaties are applied to ultimate losses for each branch. A provision is calculated and accounted for unallocated loss adjustment expenses (“ULAE”) refer to general overhead expenses associated with the claims-handling process, and particularly the costs of investigating, handling, paying, and resolving claims. The estimation for ULAE is calculated using the rate of historical expenses to total claim amounts. The methods which were selected by the Company for each branch, the results of related calculations as of December 31, 2019 and 2018, the methods to calculate net of reinsurance results and the limits which are used for the big claims eliminations are disclosed in Note 16.

Reinsurance agreements

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

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

2. Summary of significant accounting policies (Continued)

2.16 Insurance and investment contracts (Continued)

Reinsurance agreements (Continued)

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

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

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

Premiums Transferred to Social Security Institution

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

The liability of the insurance companies with respect to the service costs to be incurred in the context of abovementioned articles has been determined in accordance with the provisions of “The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated 27 August 2011 (“The Regulation”), “The Communiqué on the Principles of the Implementation of the Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated September 15, 2011 and numbered 2011/17 (the “Communiqué numbered 2011/17”) and “The Communiqué on the Accounting of Payments to Social Security Institution (“SSI”) with respect to Treatment Expenses and Introduction of New Account Codes to Insurance Account Chart” dated October 17, 2011 (the “Communiqué numbered 2011/18”), the regulation(the “Communiqué 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 communiqué about changes related “the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated April 30, 2012 and numbered 2012/6 (the “Communiqué numbered 2012/6”). Within this framework, the Group is required to cede a certain amount of premiums to be determined in accordance with the Regulation and the Communiqué numbered 2011/17 to SSI in relation to policies issued as of February 25, 2011 the notice numbered 2012/3 and the communiqué numbered 2012/6 in “Compulsory Transportation”, “Compulsory Traffic” and “Compulsory Motor Personal Accident” branches regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law. Based on the aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI in January 1 - December 31, 2019 account period as TL 135,165,977 (January 1 - December 31, 2018: TL 100,356,222) and an unearned premium reserve amounting to TL 76,801,473 as of December 31, 2019 (December 31, 2018: TL 53,437,849); classified under “Ceded Premiums”.

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2. Summary of significant accounting policies (Continued)

2.16 Insurance and investment contracts (Continued)

Premiums Transferred to Social Security Institution (Continued)

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

2.17 Insurance contracts and investment contracts with discretionary participation feature

None (December 31, 2018: None).

2.18 Investment contracts without discretionary participation feature

None (December 31, 2018: None).

2.19 Borrowings

As of December 31, 2019, the Company has an interest free loan in the amount of TL 12,806,818. The loan has a maturity of one day and is accounted in "Other Financial Liabilities" in the financials (31 December 2018: TL 8,494,258).

2.20 Current and deferred income tax

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

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

In Turkey, advance tax returns are calculated and accrued on a quarterly basis. The advance corporate income tax rate used in 2018 and 2017 is 20 %. Losses are allowed to be carried maximum 5 years in order to deduct from the taxable profit of the following years.

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

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

2. Summary of significant accounting policies (Continued)

2.20 Current and deferred income tax (Continued)

Deferred Income Tax

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

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

2.21 Employee benefits

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

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

2.22 Provisions

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

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

Liabilities that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity are classified as contingent liabilities and not included in the financial statements (Note 19).

2.23 Revenue recognition

Written premium

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

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

2. Summary of significant accounting policies (Continued)

2.23 Revenue recognition (Continued)

Reinsurance commissions

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. Reinsurance commission income is recognized in the financial statements on an accrual basis by allocating the deferred commission income over commissions received.

Claim recovery and salvage income

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

Dividend income

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

2.24 Interest income and expense

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

2.25 Dividend distribution

Listed companies distribute dividend in accordance with the Communiqué No. II-19,1 issued by the Capital Market Board (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.

NOTES TO THE FINANCIAL STATEMENTS

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2. Summary of significant accounting policies (Continued)

2.26 Derivative financial instruments

The Company uses foreign currency swap contracts. The Company uses end of period market exchange rates and interest rates to calculate market value of foreign exchange swap contracts. As of December 31, 2019, there is a registered financial instruments amounting to TRY 1,085,032,639 which costed to TRY 1,114,629,998 (31 December 2018: 1.068.791.711).

As of December 31, 2019, the Company has accrued loss of TRY 29,597,359 arising from valuation of derivative financial instruments (31 December 2018: 33,895,401 gain).

During the period between January 1 - December 31, 2019, total income resulting from short-term swap contracts’ market valuation has been accounted under “investment income” in the income statement. During the period between January 1 - December 31, 2019, TL 155,026,807 total income resulting from short-term swap contracts’ realization has been booked under the income statement as an income from derivatives (January 1- December 31,2018 : TL 99,960,587).

3. Critical accounting estimates and judgements

Preparation of financial statements requires the use of estimations and assumptions which may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the statement of financial position date and reported amounts of income and expenses during the financial period. Accounting estimates and assumptions are continuously evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Although the estimations and assumptions are based on the best knowledge of the management for existing events and operations, they may differ from the actual results.

The estimation of the ultimate liability for technical expenses that can be incurred for the existing insurance contracts is one of the most critical accounting estimates. Estimation of the insurance liabilities, by nature, includes the evaluation of several uncertainties.

4. Management of insurance and financial risk

Insurance risk

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. On principle, 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.

AKSİGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

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

4. Management of insurance and financial risk (Continued)

Insurance risk (Continued)

The Company's gross insurance guarantees given to insureds are summarized as below:

Branch	December 31, 2019	December 31, 2018
Motor Third Party Liability	30,947,452,871,905	20,830,248,339,935
Health	19,184,808,633,587	13,785,470,579
Fire	1,108,881,267,915	774,813,336,135
General Losses	401,874,537,958	343,647,533,783
Marine	229,031,409,773	203,454,329,909
Motor Own Damage	120,500,080,048	83,398,602,747
Other	475,059,000,141	335,917,036,209
Total	52,467,607,801,327	22,585,264,649,297

(a) Market risk

i. Cash flow and market interest rate risk

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 is related to 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.

	December 31, 2019	December 31, 2018
Total	Effect on profit and profit reserves	
Market interest rate increase / (decrease)		
+1%	(6,705,683)	(226,353)
-1%	7,942,645	253,313

ii. Foreign currency risk

The Company is exposed to foreign exchange risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated assets and liabilities. These risks are monitored by the analysis of exchange rate position. The details of the Company's foreign currency denominated assets and liabilities as of December 31, 2019 and 2018 are disclosed below:

December 31, 2019			
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	2,405,752	5.9402	14,290,648
EUR	2,401,308	6.6506	15,970,139
GBP	130,106	7.7765	1,011,769
CHF	100,218	6.0932	610,648
Other	943	0,0543	52
Total			31,883,256

AKSİGORTA A.Ş.**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019**

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

4. Management of insurance and financial risk (Continued)**(a) Market risk (Continued)****ii. Foreign currency risk (Continued)**

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
CHF	96,229	6.0932	586,340
Total			385,079,999

Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	30,724,479	5.9402	182,509,552
Total			182,509,552

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)
Total			(86,474,462)

Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(49,015,172)	5.9402	(291,159,925)
EUR	(7,960,738)	6.6506	(52,943,684)
Other			(1,964,017)
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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AKSİGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

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

4. Management of insurance and financial risk (Continued)

ii. Foreign currency risk (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
Total			40,615,765
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
Total			255,955,170
Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	23,320,119	5.2609	122,684,814
Total			122,684,814
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

Sensitivity to foreign currency 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	
Total	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)

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2019

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

4. Management of insurance and financial risk (Continued)

iii. Price risk

The Company is exposed to price risk due to its investments in fair value price of marketable securities. Securities are held for strategical purposes rather than trading purposes. These investments are not actively traded by the Company.

As of the reporting date, if data used in the valuation method is increased/decreased by 10% and all variables remain fixed, since the Company's equity investments are classified as available for sale assets and if they are not disposed of or impaired, net profit/loss would not be affected.

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

(b) Credit Risk

Credit risk is the risk that counterparties may be unable to meet the terms of their agreements. Credit risk is managed by guarantees received and procedures applied for the selection of the counterparties. 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, guarantees received for these receivables and provision for doubtful receivables in Note 10.

Main reinsurance companies worked with as of December 31, 2019 and 2018 and their latest ratings are as follows:

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

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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

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

4. Management of insurance and financial risk (Continued)

(c) 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.

The maturity analysis of financial assets and liabilities as of December 31, 2019 is as follows:

December 31, 2019	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	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	77,610,043	702,319,600
Financial assets held for trading	448,138,096	-	-	-	-	142,613,230	590,751,326
Financial assets held to maturity	-	-	-	34,881,722	-	-	34,881,722
Investments on policyholders' risk	-	-	-	1,806,587	-	-	1,806,587
Receivables from main operations	235,458,533	200,768,514	248,829,307	30,051,374	-	-	715,107,228
Due from reinsurance companies	-	22,369,137	-	-	-	-	22,369,137
Reinsurers' share of insurance liabilities	1,183,084,258	947,174,701	523,442,442	164,782,779	11,858,711	-	2,830,342,891
Equity securities	-	-	-	-	-	430,032	430,032
Derivative financial assets	-	-	510,490	-	-	-	510,490
Other assets	-	227,497,832	-	-	-	-	227,497,832
Total Assets	2,829,693,450	2,494,817,598	908,018,094	647,065,996	68,271,782	241,192,937	7,189,059,857
Obligations under repurchase agreements	47,970,865	-	-	-	-	-	47,970,865
Financial liabilities	-	12,806,818	3,806,567	-	-	-	16,613,385
Insurance liabilities	2,151,565,258	1,907,803,325	1,211,135,551	313,295,091	20,494,615	-	5,604,293,840
Due to reinsurers	283,517,463	182,770,356	117,966,682	12,188,792	-	-	596,443,293
Provisions for other liabilities and charges	-	-	56,664,751	1,230,851	-	2,051,784	59,947,386
Trade and other payables	21,696,551	138,326,863	67,982,526	-	-	-	228,005,940
Total liabilities and shareholders' equity	2,504,750,137	2,241,707,362	1,457,556,077	326,714,734	20,494,615	2,051,784	6,553,274,709
Liquidity surplus/(deficit)	324,943,313	253,110,236	(549,537,983)	320,351,262	47,777,167	239,141,153	635,785,148

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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

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

4. Management of insurance and financial risk (Continued)

(c) Liquidity risk (Continued)

The maturity analysis of financial assets and liabilities as of December 31, 2018 is as follows:

December 31, 2018	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	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	110,705,441	145,757,862	52,382,624	192,053,371	548,004,718
Financial assets held to maturity	-	-	-	9,752,674	-	-	9,752,674
Investments on policyholders' risk	-	-	-	1,686,241	-	-	1,686,241
Receivables from main operations	173,197,383	185,593,559	153,796,825	37,435,171	-	-	550,022,938
Due from reinsurance companies	-	28,966,554	-	-	-	-	28,966,554
Reinsurers' share of insurance liabilities	720,110,812	577,060,478	665,232,795	85,291,524	7,657,541	-	2,055,353,150
Equity securities	-	-	-	-	-	430,032	430,032
Derivative financial assets	-	-	33,895,401	-	-	-	33,895,401
Other assets	-	174,005,495	-	-	-	-	174,005,495
Total Assets	1,382,273,507	1,590,385,687	1,850,463,881	279,923,472	60,040,165	208,599,153	5,371,685,865
Obligations under repurchase agreements	49,954,452	-	-	-	-	-	49,954,452
Insurance liabilities	1,250,723,542	1,072,135,412	1,662,070,037	140,913,416	12,651,318	-	4,138,493,725
Due to reinsurers	36,696,709	71,438,385	338,696,751	-	-	-	446,831,845
Trade and other payables	14,557,153	28,338,768	155,130,062	-	-	-	198,025,983
Total liabilities and shareholders' equity	1,351,931,856	1,171,912,565	2,155,896,850	140,913,416	12,651,318	-	4,833,306,005
Liquidity surplus/(deficit)	30,341,651	418,473,122	(305,432,969)	139,010,056	47,388,847	208,599,153	538,379,860

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2019

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

4. Management of insurance and financial risk (Continued)

Fair value of the 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.

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.

Fair Value Hierarchy

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

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

	December 31, 2019	Level 1	Level2	Level 3
Available for sale at company's risk	702,319,600	702,319,600	-	-
Held for trading at company's risk	590,751,326	590,751,326	-	-
Held to maturity at company's risk	34,881,722	34,881,722	-	-
Available for sale at insurees' risk	1,806,587	1,806,587	-	-
Equity securities, net	430,032	-	-	430,032
Total	1,330,189,267	1,329,759,235	-	430,032

	December 31, 2018	Level 1	Level2	Level 3
Available for sale at company's risk	379,199,276	379,199,276	-	-
Held for trading at company's risk	168,805,442	168,805,442	-	-
Held to maturity at company's risk	9,752,674	9,752,674	-	-
Available for sale at insurees' risk	1,686,241	1,686,241	-	-
Equity securities, net	430,032	-	-	430,032
Total	559,873,665	559,443,633	-	430,032

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019**

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

4. Management of insurance and financial risk (Continued)

Capital management

The Company’s objective in capital management is to safeguard the Company’s ability to continue as a going concern so that it can continue 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. As of June 30, 2019, the Company’s required capital is TL 670,438,613 (December 31, 2018: TL 611,076,664).

5. Segment information

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

Numerical limits in “IFRS 8 - Operating Segments” is also considered as the reporting to the chief operating decision-maker in the determination of segments and the premium production and net technical income of the segments are considered while determining a separate operating segment.

The Company has been operating in Turkey. Since the effect of the foreign operations on financial statements is extremely low, geographic segment information is not given.

AKSİGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

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

5. Segment information (Continued)

Segment results for period January 1 - December 31, 2019 is as follows:

January 1 - December 31, 2019	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	198,460,906	26,036,755	790,485,988	945,053,310	104,813,409	89,624,302	26,320,194		2,180,794,864
Earned Premiums (Net of Reinsurer Share)	198,460,906	26,036,755	790,485,988	945,053,310	104,813,409	89,624,302	26,320,194		2,180,794,864
Premiums (Net of Reinsurer Share)	218,642,705	26,408,473	894,548,312	1,143,140,224	106,999,028	112,683,711	29,971,980		2,532,394,433
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(20,181,799)	(371,718)	(104,062,324)	(198,086,914)	(2,185,619)	(23,059,409)	(3,651,786)		(351,599,569)
TECHNICAL EXPENSES	(153,436,833)	(14,580,242)	(795,337,322)	(1,057,120,633)	(72,556,017)	(63,029,973)	(91,718,500)		(2,247,779,520)
Total Claims (Net of Reinsurer Share)	(73,675,330)	(10,679,392)	(565,737,489)	(844,969,145)	(23,593,977)	(10,988,640)	(67,728,636)		(1,597,372,609)
Claims Paid (Net of Reinsurer Share)	(80,514,379)	(6,481,825)	(550,746,568)	(592,262,043)	(24,800,008)	(8,926,877)	(8,086,354)		(1,271,818,054)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	6,839,049	(4,197,567)	(14,990,921)	(252,707,102)	1,206,031	(2,061,763)	(59,642,282)		(325,554,555)
Commission income/(expenses) (Net)	(25,523,011)	(1,833,575)	(134,087,212)	(103,834,112)	(25,925,435)	(33,527,505)	(18,974,455)		(343,705,305)
Operating Expenses	(48,012,675)	(1,250,489)	(76,393,007)	(65,014,335)	(19,748,556)	(15,702,269)	(4,189,732)		(230,311,063)
Other Operating Income / Expenses	(6,225,817)	(816,786)	(19,119,614)	(43,303,041)	(3,288,049)	(2,811,559)	(825,677)		(76,390,543)
Technical Profit	45,024,073	11,456,513	(4,851,334)	(112,067,323)	32,257,392	26,594,329	(65,398,306)	-	(66,984,656)
Investment income	-	-	-	-	-	-	-	399,318,535	399,318,535
Foreign exchange income	-	-	-	-	-	-	-	68,811,681	68,811,681
Tax expense	-	-	-	-	-	-	-	(91,555,207)	(91,555,207)
Net Profit / (Loss)	45,024,073	11,456,513	(4,851,334)	(112,067,323)	32,257,392	26,594,329	(65,398,306)	376,575,009	309,590,353

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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

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

5. Segment information (Continued)

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

January 1 - December 31, 2019	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	142,865,323	27,350,861	651,470,186	725,574,297	80,061,086	86,236,664	89,047,281	-	1,802,605,698
Earned Premiums (Net of Reinsurer Share)	142,865,323	27,350,861	651,470,186	725,574,297	80,061,086	86,236,664	89,047,281	-	1,802,605,698
Premiums (Net of Reinsurer Share)	145,060,043	27,712,038	656,512,798	884,093,701	77,558,864	79,191,708	88,688,395	-	1,958,817,547
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(2,194,720)	(361,177)	(5,042,612)	(158,519,404)	2,502,222	7,044,956	358,886	-	(156,211,849)
TECHNICAL EXPENSES	(120,848,312)	(12,538,309)	(771,136,111)	(770,041,675)	(96,669,881)	(62,961,612)	(52,294,973)	-	(1,886,490,873)
Total Claims (Net of Reinsurer Share)	(66,307,610)	(6,694,782)	(588,667,373)	(629,627,558)	(53,640,278)	(8,284,951)	(17,145,982)	-	(1,370,368,534)
Claims Paid (Net of Reinsurer Share)	(49,337,326)	(5,458,696)	(584,467,228)	(370,051,610)	(17,891,474)	(6,488,223)	(16,753,599)	-	(1,050,448,156)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(16,970,284)	(1,236,086)	(4,200,145)	(259,575,948)	(35,748,804)	(1,796,728)	(392,383)	-	(319,920,378)
Commission income/(expenses) (Net)	(22,666,657)	(3,527,982)	(108,969,549)	(71,534,657)	(25,932,263)	(36,434,402)	(13,971,460)	-	(283,036,970)
Operating Expenses	(27,640,687)	(1,505,090)	(59,823,543)	(47,580,314)	(14,724,985)	(15,848,911)	(18,538,899)	-	(185,662,429)
Other Operating Income / Expenses	(4,233,358)	(810,455)	(13,675,646)	(21,299,146)	(2,372,355)	(2,393,348)	(2,638,632)	-	(47,422,940)
Technical Profit	22,017,011	14,812,552	(119,665,925)	(44,467,378)	(16,608,795)	23,275,052	36,752,308	-	(83,885,175)
Investment income	-	-	-	-	-	-	-	323,656,488	323,656,488
Foreign exchange income	-	-	-	-	-	-	-	35,831,035	35,831,035
Tax expense	-	-	-	-	-	-	-	(62,484,593)	(62,484,593)
Net Profit / (Loss)	22,017,011	14,812,552	(119,665,925)	(44,467,378)	(16,608,795)	23,275,052	36,752,308	297,002,930	213,117,755

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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

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

6. Tangible assets

As of December 31, 2019 and 2018 tangible assets movement and its accumulated depreciation is as follows:

Costs:	January 1, 2019	Additions	Disposals	Transfers	December 31, 2019
Property for operational use	1,598,569	-	-	-	1,598,569
Motor vehicles	2,720,001	-	-	-	2,720,001
Furniture and fixtures and leased tangible assets	23,741,539	4,680,142	(808,931)	-	27,612,750
Other tangible assets (including leasehold improvements)	21,052,437	316,837	(21,657)	-	21,347,617
Total	49,112,546	4,996,979	(830,588)	-	53,278,937
Accumulated depreciation: (-)					
Property for operational use	(569,248)	(32,697)	-	-	(601,945)
Motor vehicles	(5,962)	(544,000)	-	-	(549,962)
Furniture and fixtures and leased tangible assets	(14,906,985)	(3,140,454)	671,494	-	(17,375,945)
Other tangible assets	(9,300,583)	(2,295,548)	8,129	-	(11,588,002)
Total	(24,782,778)	(6,012,699)	679,623	-	(30,115,854)
Net book value	24,329,768				23,163,083
Costs:	January 1, 2018	Additions	Disposals	Transfers	December 31, 2018
Property for operational use	1,598,569	-	-	-	1,598,569
Motor vehicles	-	2,720,001	-	-	2,720,001
Furniture and fixtures and leased tangible assets	23,957,267	562,303	(778,031)	-	23,741,539
Other tangible assets (including leasehold improvements)	21,412,252	487,572	(847,387)	-	21,052,437
Total	46,968,088	3,769,876	(1,625,418)	-	49,112,546
Accumulated depreciation: (-)					
Property for operational use	(537,189)	(32,059)	-	-	(569,248)
Motor vehicles	-	(5,962)	-	-	(5,962)
Furniture and fixtures and leased tangible assets	(12,652,946)	(2,962,400)	708,361	-	(14,906,985)
Other tangible assets	(7,580,602)	(2,338,200)	618,219	-	(9,300,583)
Total	(20,770,737)	(5,338,621)	1,326,580	-	(24,782,778)
Net book value	26,197,351	(1,568,745)	(298,838)	-	24,329,768

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

Total depreciation expense is TL 33,510,804 (January 1 - December 31, 2018: TL 20,363,001).

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7. Right of use of asset

The Company's right-of use assets movement is as follows:

Right of use assets	January 1, 2019	Additions	Disposals	December 31, 2019
Real estate	27,717,430	-		27,717,430
Furniture & fixture	-	574,924	-	574,924
Motor vehicles	6,080,531	-	-	6,080,531
	33,797,961	574,924	-	34,372,885
Accumulated depreciation	January 1, 2019	Period charge	Disposals	December 31, 2019
Real estate	-	(5,530,674)	-	(5,530,674)
Furniture & fixture	-	(23,955)	-	(23,955)
Motor vehicles	-	(2,689,352)	-	(2,689,352)
	-	(8,243,981)	-	(8,243,981)
Net book value	33,797,961			26,128,904

8. Intangible assets

Costs:	January 1, 2019	Additions	Disposals	Transfers	December 31, 2019
Rights	111,808,560	21,315,146	(595,996)	1,656,548	134,184,258
Advances given for intangible assets	1,949,163	3,196,473	-	(1,656,548)	3,489,088
Total	113,757,723	24,511,619	(595,996)	-	137,673,346
Accumulated depreciation: (-)					
Rights	(58,117,829)	(19,246,232)	259,974	-	(77,104,087)
Total	(58,117,829)	(19,246,232)	259,974	-	(77,104,087)
Net book value	55,639,894				60,569,259
Costs:	January 1, 2018	Additions	Disposals	Transfers	December 31, 2018
Rights	87,041,349	22,896,917	(3,828)	1,874,122	111,808,560
Advances given for intangible assets	2,600,646	1,222,639	-	(1,874,122)	1,949,163
Total	89,641,995	24,119,556	(3,828)	-	113,757,723
Accumulated depreciation: (-)					
Rights	(43,097,276)	(15,024,380)	3,827	-	(58,117,829)
Total	(43,097,276)	(15,024,380)	3,827	-	(58,117,829)
Net book value	46,544,719				55,639,894

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

9. Investment properties

Costs:	January 1,2019	Additions	Disposals	Transfers	December 31,2019
Property for operational use	-	170,958	-	-	170,958
Total	-	170,958	-	-	170,958
Accumulated depreciation: (-)					
Property for operational use	-	(7,892)	-	-	(7,892)
Total	-	(7,892)	-	-	(7,892)
Net book value		163,066			163,066

As of 31 December 2018, the Company does not have any investment properties.

10. Financial assets

Available for sale marketable securities:

December 31, 2019			
	Cost Value	Fair Value	Book Value
Private bonds	326,266,711	333,690,554	333,690,554
Eurobonds	152,806,509	152,749,578	152,749,578
Equities	70,267,685	77,976,955	77,976,955
Government bonds	133,150,541	137,902,513	137,902,513
Total	682,491,446	702,319,600	702,319,600
December 31, 2018			
	Cost Value	Fair Value	Book Value
Private bonds	218,835,732	233,265,994	233,265,994
Eurobonds	134,782,226	122,684,814	122,684,814
Equities	24,215,782	23,247,732	23,247,732
Government bonds	736	736	736
Total	377,834,476	379,199,276	379,199,276

Held to maturity marketable securities

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

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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

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

10. Financial assets (Continued)

Financial assets at insurees' risk:

December 31, 2019			
	Cost Value	Fair Value	Book Value
Government bonds	1,647,665	1,806,587	1,806,587
Total	1,647,665	1,806,587	1,806,587

December 31, 2018			
	Cost Value	Fair Value	Book Value
Government bonds	1,647,665	1,686,241	1,686,241
Total	1,647,665	1,686,241	1,686,241

Held for trading marketable securities

December 31, 2019			
	Cost Value	Fair Value	Book Value
Reverse repo	447,999,882	448,138,096	448,138,096
Investment funds	116,663,610	142,613,230	142,613,230
Total	564,663,492	590,751,326	590,751,326

December 31, 2018			
	Cost Value	Fair Value	Book Value
Investment funds	142,717,574	168,805,442	168,805,442
Total	142,717,574	168,805,442	168,805,442

Equity shares under available-for-sale investments:

In 28 June, 2019, the Company has sold Merter BV with a 25% participation rate for 1 Euro to Apollo European Real Estate III Coöperatief U.A. ve Apollo European Real Estate III (EU) Coöperatief U.A (December 31, 2018: 25%).

List of the investments and fair values is as below:

December 31, 2019			
	Cost Value	Fair Value	Book Value
<i>Equity investments</i>			
Tarsim	430,032	-	430,032
Total	430,032	-	430,032

December 31, 2018			
	Cost Value	Fair Value	Book Value
<i>Equity investments</i>			
Merter BV (*)	30,116,653	-	-
Tarsim	430,032	-	430,032
Total	30,546,685	-	430,032

(*) The Company has booked the impairment provision for Merter BV, one of the affiliates, amounting to TL 30.116.653 in its financial statements as of December 31, 2018.

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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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

10. Financial assets (Continued)

The foreign currency analysis of financial assets is as follows:

As at December 31, 2019, the Company has Eurobonds with the carrying value of USD 30,724,479 (Note 4, Foreign currency risk) (December 31, 2018: USD 23,320,119).

The maturity analysis of financial assets is as follows:

As at December 31, 2019 and 2018, the remaining contractual maturities of financial assets are as follows:

December 31, 2019

	No stated maturity	0-3 months	3 months to 1 year	1-5 years	More than 5 years	Total
Private sector bonds	24,027,260	40,394,339	68,891,883	341,605,188	35,548,722	510,467,392
Investment funds	142,613,230	-	-	-	-	142,613,230
Equity shares	77,976,955	-	-	-	430,032	78,406,987
Government bonds	5,240,800	513,400	46,097,459	78,977,908	19,733,995	150,563,562
Reverse repo	448,138,096	-	-	-	-	448,138,096
						1,330,189,267
Total	697,996,341	40,907,739	114,989,342	420,583,096	55,712,749	67

December 31, 2018

	No stated maturity	0-3 months	3 months to 1 year	1-5 years	More than 5 years	Total
Private sector bonds	-	43,900,690	110,705,440	145,757,861	55,586,817	355,950,808
Investment funds	168,805,442	-	-	-	-	168,805,442
Equity shares	23,247,732	-	-	430,032	-	23,677,764
Government bonds	-	-	1,686,977	9,752,674	-	11,439,651
Total	192,053,174	43,900,690	112,392,417	155,940,567	55,586,817	559,873,665

Movement of financial assets:

As at December 31, 2019 and 2018, the movements of financial assets are as follows:

2019							
	Available for sale financial assets(*)	Equity shares (**)	Held to maturity	Investment funds	Life portfolio	Reverse repo	Total
Opening, January 1	379,199,276	430,032	9,752,674	168,805,442	1,686,241	-	559,873,665
Purchases (+)	1,177,127,431	-	35,133,048	164,874,444	-	448,138,096	1,825,273,019
Sales (-)	(977,082,498)	-	(16,830,800)	(215,877,806)	(204,036)	-	(1,209,995,140)
Gain / (loss)	123,075,391	-	6,826,800	24,811,150	324,382	-	155,037,723
Closing, December 31	702,319,600	430,032	34,881,722	142,613,230	1,806,587	448,138,096	1,330,189,267

(*) Available for sale financial assets include TL 77,976,955 of equity investments as of 31.12.2019 (TL 23,247,732 as of 31.12.2018).

(**) Equity shares consist of TARSIM shares of Ak Sigorta A.Ş.

2018							
	Available for sale financial assets	Equity shares(**)	Held to maturity	Investment funds	Life portfolio	Reverse repo	Total
Opening, January 1	283,669,959	346,211	-	232,976,958	2,514,414	-	519,507,542
Purchases (+)	181,388,302	83,821	9,752,674	240,659,031	-	-	431,883,828
Sales (-)	(153,198,988)	-	-	(333,921,064)	(828,173)	-	(487,948,225)
Gain / (loss)	67,340,003	-	-	29,090,517	-	-	96,430,520
Closing, December 31	379,199,276	430,032	9,752,674	168,805,442	1,686,241	-	559,873,665

AKSİGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

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

11. Cash and cash equivalents

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

	December 31, 2019	December 31, 2018
Cash at banks	1,356,583,321	1,485,633,722
-time deposits	1,336,043,689	1,469,517,973
-demand deposits	20,539,632	16,115,749
Bank guaranteed credit card receivables with maturity less than 3 months	706,459,191	483,934,940
Total cash and cash equivalents	2,063,042,512	1,969,568,662

The maturities of the Company's time deposits as of December 31, 2019 are less than six months (December 31, 2018: Less than six months).

Cash and cash equivalents that are included in the statements of cash flows for the periods January 1 - December 31, 2019 and January 1 - December 31, 2019 are as follows:

	December 31, 2019	December 31, 2018
Total cash and cash equivalents	2,063,042,512	1,969,568,662
Interest accrual on cash at banks (-)	(2,557,348)	(11,676,242)
Blocked time deposits	(178,718,207)	(144,431,282)
Blocked credit card receivables	(50,000,000)	(50,000,000)
Cash and cash equivalents per statement of cash flow	1,831,766,957	1,763,461,138

Weighted average interest rates of time deposits:

	December 31, 2019	December 31, 2018
TL	10.65 - 18	18,00 - 30.00
USD	1.25	1,15 - 3,75
EUR	0.20 - 0.35	1,40 - 2,85

As at December 31, 2019 and 2018 detail of cash and cash equivalents per currency are as follows:

	December 31, 2019	December 31, 2018
Foreign currency denominated		
- demand deposits	2,925,614	9,197,224
- time deposits	1,182,010,224	1,061,423,358
Turkish Lira		
- demand deposits	17,615,212	6,918,525
- time deposits	154,032,271	408,094,615
- bank guaranteed credit card receivables with maturity less than 3 months	706,459,191	483,934,940
Total cash and cash equivalents	2,063,042,512	1,969,568,662

AKSİGORTA A.Ş.**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019**

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

12. Premium receivables and due from reinsurers

As at December 31, 2019 and 2018 premium receivables and due from reinsurers are as follows:

	December 31, 2019	December 31, 2018
Receivables from intermediaries	716,040,449	543,880,157
Receivables from reinsurance companies	22,369,137	28,966,554
Due from insurance operations	738,409,586	572,846,711
Other receivables	517,651	340,483
Receivables from reinsurance and insurance companies	738,927,237	573,187,194
Doubtful receivables from main operations - gross	32,475,839	32,693,245
Receivables from main operations - gross	771,403,076	605,880,439
Provision for receivables from insurance operations	(10,109,859)	(3,874,390)
Provision for doubtful receivables from main operations	(23,816,352)	(23,016,557)
Total provision amount for doubtful receivables	(33,926,211)	(26,890,947)
Total premium receivables and due from reinsurers	737,476,865	578,989,492

The aging of premium receivables is as follows:

	December 31, 2019	December 31, 2018
Overdue	41,505,217	40,884,162
Up to 3 months	299,888,465	229,774,615
3 to 6 months	225,547,935	190,490,316
6 months to 1 year	135,772,008	63,383,949
Over 1 year	68,689,451	81,347,397
Receivables from insurance operations - gross	771,403,076	605,880,439
Provision for receivables from insurance operations (-)	(10,109,859)	(3,874,390)
Provisions for receivables from main operations (-)	(23,816,352)	(23,016,557)
Total provision amount for doubtful receivables	(33,926,211)	(26,890,947)
Total premium receivables and due from reinsurers	737,476,865	578,989,492

The movement of provision for doubtful receivables from insurance operations is as follows

	December 31, 2019	December 31, 2018
Opening balance - January 1	(26,890,947)	(26,293,936)
Net change for the period	(7,035,264)	(597,011)
Closing balance, December 31	(33,926,211)	(26,890,947)

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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

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

12. Premium receivables and due from reinsurers (Continued)

The aging of the overdue but not impaired receivables from policyholders and agencies are as follows:

	December 31, 2019	December 31, 2018
Up to 3 months	9,029,378	8,190,917
Over 3 months	17,891,095	36,047,030
Total	26,920,473	44,237,947

As at December 31, 2019 and 2018, the details of guarantees and collaterals obtained are as follows:

	December 31, 2019		December 31, 2018	
Types of guarantee	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 guarantee	3,002,608	-	-	-
Government Bonds and Equity Shares	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

The Company has utilisable guarantes and collaterals in the amount of TL 32,501,435 (31 December 2018: TL 35,967,624).

13. Reinsurance share of insurance liabilities

As at December 31, 2019 and 2018 reinsurance share of insurance liabilities are as follows:

Reinsurance Share	December 31, 2019	December 31, 2018
Reinsurers' share of outstanding claims (Note 18)	1,879,234,499	1,325,805,074
Reinsurers' share of unearned premiums (Note 18)	951,108,392	729,548,076
Total	2,830,342,891	2,055,353,150

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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

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14. Deferred acquisition costs

As at December 31, 2019 and 2018 movements of deferred acquisition costs are as follows:

	December 31, 2019	December 31, 2018
Deferred acquisition costs, gross January 1	120,592,122	119,453,993
Change	55,730,120	1,138,129
Deferred acquisition costs, gross December 31	176,322,242	120,592,122

15. Other assets

As at December 31, 2019 and 2018 short term other assets are as follows:

	December 31, 2019	December 31, 2018
Claim recovery receivables	23,142,748	21,848,139
Receivable from Agricultural Insurance Pool	8,888,272	12,961,070
Prepaid taxes and funds	7,610,410	5,416,876
Prepaid expenses/Short	2,568,275	5,062,036
Receivable from Turkish Natural Catastrophe Insurance Pool	5,232,500	4,489,770
Other	3,733,385	3,635,482
Total short term other assets	51,175,590	53,413,373

	December 31, 2019	December 31, 2018
Claim recovery receivables	31,126,674	29,909,283
Provision for claim recovery (-)	(7,983,926)	(8,061,144)
Claim recovery receivables under legal follow-up	109,552,591	83,717,544
Provision for net claim recovery receivables under legal follow-up (-)	(109,552,591)	(83,717,544)
Subrogation receivables	23,142,748	21,848,139

As at December 31, 2019 and 2018 long term other assets are as follows:

	December 31, 2019	December 31, 2018
Prepaid expenses /Long term	149,980	149,980
Total long term other assets	149,980	149,980

16. Equity

As of December 31, 2019, the Company's total amount of nominal shares is 30,600,000,000 (December 31, 2018: 30,600,000,000) which has all been paid. The face value of the Company's common stocks is TL 0,01 each and the total nominal amount is TL 306,000,000 (December 31, 2018: TL 306,000,000).

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

16. Equity (Continued)

Movement of common stocks at opening balance and closing balance is as follows:

	January 1, 2019		Issued Capital		Amortised		December 31, 2019	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000
Total	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000
	January 1, 2018		Issued Capital		Amortised		December 31, 2018	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000
Total	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000

Movement of legal reserves is as follows:

Legal Reserves	2019	2018
Opening balance, January 1	112,230,612	95,403,929
Addition related to profit for the period	25,659,080	16,826,683
Closing balance, December 31	137,889,692	112,230,612

Actuarial gain / (loss)

In accordance with changes regarding "IAS 19 - Employee Benefits" effective as of January 1, 2013, net-off deferred tax actuarial loss amounting to TL 5,647,766 (net off deferred tax: TL 4,518,213) resulting from retirement pay liability calculation has been accounted to extraordinary reserves under equity (December 31, 2018: TL 4,502,524 (net off deferred tax: TL 3,602,019)).

Movement of actuarial loss arising from employee benefit is as follows:

Actuarial Loss	2019	2018
Opening balance, January 1	4,502,524	4,053,534
Change for the period	1,145,242	448,990
Closing balance, December 31	5,647,766	4,502,524

Available for sale investments fund:

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

Available for sale investments fund	2019	2018
Opening balance, January 1	(10,638,677)	(14,469)
Increase/decrease in value recognized under the shareholders' equity in the current period	17,227,311	(10,624,208)
Closing balance, December 31	6,588,634	(10,638,677)

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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

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

16. Equity (Continued)

Hedge Accounting

The Company recognizes the changes in value of hedged asset by the foreign currency differences under equity. As of December 31, 2019 The Company has no hedge assets.(December 31, 2018 : None).

17. Earning Per Share

Shareholder of the company's earnings per share calculation is as follows:

	2019	2018
Profit for the year	309,590,353	213,117,755
Weighted average number of shares with nominal value of TL 0.01 nominal value per share	30,600,000,000	30,600,000,000
Earnings per share	0.0101	0.0070

As of December 31, 2019 capital of the Company consists of 30,600,000,000 shares with nominal value of TL 0.01 (December 31, 2018: 30,600,000,000 shares with nominal value of TL 0.007).

18. Insurance liabilities

Insurance liabilities as at December 31, 2019 and 2018 are as follows:

Gross	December 31, 2019	December 31, 2018
Outstanding claims provision	3,246,299,107	2,367,199,719
Reserve for unearned premiums	2,356,539,449	1,769,723,313
Life actuarial mathematical reserves	1,302,184	1,326,272
Life profit share provision	144,687	147,364
Bonus and rebates provision	8,413	97,057
Total	5,604,293,840	4,138,493,725
Reinsurance Share	December 31, 2019	December 31, 2018
Reinsurers' share of outstanding claims	1,879,234,498	1,325,805,074
Reinsurers' share of unearned premiums	951,108,393	729,548,076
Total	2,830,342,891	2,055,353,150
Net	December 31, 2019	December 31, 2018
Net outstanding claims	1,367,064,609	1,041,394,645
Net unearned premiums	1,405,431,056	1,040,175,237
Life actuarial mathematical reserves	1,302,184	1,326,272
Life profit share provision	144,687	147,364
Bonus and rebates provision	8,413	97,057
Total	2,773,950,949	2,083,140,575

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18. Insurance liabilities

Movements in insurance liabilities and reinsurance assets Outstanding Claims:

	2019		
	Gross	Reinsurers' share	Net
Opening balance, January 1	2,367,199,719	(1,325,805,074)	1,041,394,645
Net change	879,099,388	(553,429,424)	325,669,964
Closing balance - December 31	3,246,299,107	(1,879,234,498)	1,367,064,609
	2018		
	Gross	Reinsurers' share	Net
Opening balance, January 1	1,606,010,832	(884,582,068)	721,428,764
Net change	761,188,887	(441,223,006)	319,965,881
Closing balance - December 31	2,367,199,719	(1,325,805,074)	1,041,394,645

Unearned Premium Reserve:

	2019		
	Gross	Reinsurers' share	Net
Opening balance - January 1	1,769,723,313	(729,548,076)	1,040,175,237
Net change	586,816,136	(221,560,317)	365,255,819
Closing balance - December 31	2,356,539,449	(951,108,393)	1,405,431,056
	2018		
	Gross	Reinsurers' share	Net
Opening balance - January 1	1,606,010,832	(884,582,067)	721,428,765
Net change	163,712,481	155,033,990	318,746,471
Closing balance - December 31	1,769,723,313	(729,548,077)	1,040,175,236

Life mathematical provisions:

	2019		2018	
	Number of Policies	Mathematical Reserves	Number of Policies	Mathematical Reserves
Opening balance, January 1	181	1,473,636	195	1,609,127
Addition/(leavings) in the current period	(9)	(26,765)	(14)	(135,491)
Closing balance, December 31	172	1,446,871	181	1,473,636

Mathematical reserves amounting to TL 1,302,184 (December 31, 2018: TL 1,326,272) and reserves for the policies with financial assets at insureds' risk amounting to TL 144,687 (December 31, 2018: TL 147,364) and cancelled policies together with their mathematical reserves are included in the table above.

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18. Insurance liabilities (Continued)

Subrogation income:

The amounts of the net salvage and subrogation income which are collected and the accrued income amounts from salvage and subrogation receivables with respect to the claims paid by the Company are as follow:

Claim recovery accruals	December 31, 2019			December 31, 2018		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Motor Own Damage	23,429,417	-	23,429,417	24,876,295	-	24,876,295
MTPL	7,170,979	(286,586)	6,884,393	4,246,439	(507,324)	3,739,115
Fire	1,242,057	(510,410)	731,647	1,062,428	(186,425)	876,003
Watercraft	33,584	(8,396)	25,188	-	-	-
General Losses	114,875	(93,533)	21,342	239,492	(183,528)	55,964
General Liability	21,022	(790)	20,232	115,551	(79,713)	35,838
Marine	48,076	(35,249)	12,827	347,783	(35,845)	311,938
Financial Losses	3,256	(1,628)	1,628	-	-	-
Suretyship	-	-	-	14,130	-	14,130
Total	32,063,266	(936,592)	31,126,674	30,902,118	(992,835)	29,909,283
Claim recovery collections	December 31, 2019			December 31, 2018		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Motor Own Damage	214,908,496	(820)	214,907,676	209,470,121	-	209,470,121
MTPL	9,232,283	(373,776)	8,858,507	6,314,630	(294,645)	6,019,985
Marine	5,672,117	(3,002,323)	2,669,794	2,429,948	(677,614)	1,752,334
Fire	6,420,064	(4,424,592)	1,995,472	4,342,443	(2,317,410)	2,025,033
General Losses	163,244	(112,271)	50,973	539,228	(240,590)	298,638
General Liability	73,730	(43,603)	30,127	57,476	(13,357)	44,119
Water Craft	34,502	(24,152)	10,350	16,945	(4,986)	11,959
Suretyship	11,527	(6,124)	5,403	137,216	(93,443)	43,773
Legal Expenses	3,769	-	3,769	12,886	-	12,886
Accident	-	-	-	36,000	-	36,000
Total	236,519,732	(7,987,661)	228,532,071	223,356,893	(3,642,045)	219,714,848

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18. Insurance liabilities (Continued)

Claims development tables

The Company prepares the claim development table in accordance with the Regulation on Technical Reserves. As at December 31, 2019 and 2018, claim development table of the Company is as follows:

	2012 and earlier	2013	2014	2015	2016	2017	2018	2019	Total
Claims realized in the accident period	4,399,290,662	673,019,738	838,172,102	841,913,192	930,621,837	1,366,238,878	1,564,047,984	2,299,878,599	12,913,182,992
1 year later	1,073,657,248	160,181,399	239,937,131	216,699,946	420,934,178	793,577,616	606,370,322		3,511,357,840
2 years later	335,711,333	84,819,582	144,014,862	126,303,760	345,579,004	633,208,482			1,669,637,023
3 years later	256,374,126	67,301,174	120,606,234	110,917,361	344,631,786				899,830,681
4 years later	236,621,010	65,886,722	133,086,346	113,024,946					548,619,024
5 years later	192,667,494	65,079,638	151,210,707						408,957,839
6 years later	186,024,109	70,146,042							256,170,151
7 years later	187,520,045	-							187,520,045
8 years later	131,351,106	-							131,351,106
9 years later	97,757,350	-							97,757,350
10 years later	68,863,070	-							68,863,070
11 years later	52,139,784	-							52,139,784
12 years later	38,219,312	-							38,219,312
13 years later	28,372,809	-							28,372,809
14 years later	22,267,604	-							22,267,604
Total incurred gross provision for outstanding claims as at December 31, 2019	7,306,837,062	1,186,434,295	1,627,027,382	1,408,859,205	2,041,766,805	2,793,024,976	2,170,418,306	2,299,878,599	20,834,246,630

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18. Insurance liabilities (Continued)

	2011 and earlier	2012	2013	2014	2015	2016	2017	2018	Total
Claims realized in the accident period	3,039,542,224	805,358,245	673,026,038	838,172,102	841,913,192	930,621,837	1,366,238,878	1,564,047,984	10,058,920,500
1 year later	848,514,061	202,466,775	160,175,099	239,937,131	216,699,946	420,934,178	793,577,616		2,882,304,806
2 years later	280,941,496	63,973,783	84,819,582	144,014,862	126,303,760	345,579,004			1,045,632,487
3 years later	215,574,089	54,371,895	67,301,174	120,606,234	110,917,361				568,770,753
4 years later	195,198,133	51,998,615	65,886,722	133,086,346					446,169,816
5 years later	158,347,256	47,498,155	65,079,638						270,925,049
6 years later	146,796,078	48,136,076							194,932,154
7 years later	144,367,135								144,367,135
8 years later	108,751,795								108,751,795
9 years later	79,322,305								79,322,305
10 years later	54,942,962								54,942,962
11 years later	41,028,231								41,028,231
12 years later	26,993,482								26,993,482
13 years later	23,124,160								23,124,160
14 years later	1,582,919								1,582,919
Total incurred gross provision for outstanding claims as at December 31, 2018	5,365,026,326	1,273,803,544	1,116,288,253	1,475,816,675	1,295,834,259	1,697,135,019	2,159,816,494	1,564,047,984	15,947,768,554

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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2019

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18. Insurance liabilities (Continued)

Additional reserves in accordance with ultimate liability calculations:

Line of Businesses	Applied Method	December 31, 2019		Applied Method	December 31, 2018	
		Gross Additional	Net Additional		Gross Additional	Net Additional
		Provision	Provision		Provision	Provision
Motor Third Party Liability	FS	658,290,473	658,290,473	FS	469,201,269	469,201,269
Fire	BF	17,298,485	(800,489)	BF	8,977,040	(1,603,399)
Health	SCL	776,358	775	SCL	638,476	11,809
General Loss	BF	10,814,816	281,819	BF	12,530,010	306,358
Marine	BF	(2,229,694)	(707,912)	BF	1,035,874	(159,238)
Motor Own Damage	SCL	(7,048,377)	(7,048,377)	SCL	(15,663,332)	(15,663,332)
General Liability		119,748,673	32,107,540	SCL/Loss Ratio	84,270,336	27,964,168
Other	SCL	7,267,753	1,116,206	SCL	2,904,185	78,174
Total		804,918,487	683,240,035		563,893,858	480,135,809

The Company actuary determined the threshold values regarding the peak claims considered as significant claims using the plot analysis. With this method the files, exceeds the determined limits considered as significant claims. The claim process of these files is different from other files. For these files, additional provision calculations were performed and added to the provisions. As of December 31, 2019 and 2018, large claim limits are as follows;

Line of Businesses	2019		2018	
	Ultimate Loss	Large Claim Level	Ultimate Loss	Large Claim Level
Fire	BF	999,999	BF	999,999
General Loss	BF	999,999	BF	999,999
Marine	BF	499,999	BF	499,999
Personal Accident	BF	299,999	BF	299,999
Motor Vehicle Facultative Third Party Liability	FS	149,999	FS	149,999
Financial Losses	SCL	50,000	SCL	50,000
General Third Party Liability	SCL	200,000	SCL	200,000

In branches where significant claim determination is performed, additional provision calculations were performed for these files added to the Outstanding Claims Provisions. Additional gross amounts, as the LoBs are as follows.

Line of Businesses	Gross Additional Amount	Net IBNR
Fire and Natural Disaster	20,738,191	1,441,844
General Liability	23,457,451	3,136,464
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

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19. Provisions for other liabilities and charges

The details of provisions that are classified under provisions for expense accruals in statement of financial position are as follows:

	December 31, 2019	December 31, 2018
Commission provision	28,447,678	16,206,481
Security fund provision	13,656,077	10,312,123
Performance premium provision	8,433,529	7,131,516
Expense accruals	5,528,924	1,847,440
Unused vacation provision	2,051,784	1,833,998
Legal disputes provision	1,230,851	1,831,997
BITT provision	393,929	1,003,932
Other	204,614	165,986
Total	59,947,386	40,333,473

Commitments and contingent liabilities which are not recognised as liabilities are disclosed in Note 33 and 34.

The movement of the commission provisions are as follows:

	December 31, 2019	December 31, 2018
Opening balance, January 1	16,206,481	13,551,374
Change during the year, net	12,241,197	2,655,107
Total	28,447,678	16,206,481

The movement of the performance premium provision are as follows:

	December 31, 2019	December 31, 2018
Opening balance, January 1	7,131,516	7,412,366
Change during the year, net	1,302,013	(280,850)
Total	8,433,529	7,131,516

The movement of the security fund provision are as follows:

	December 31, 2019	December 31, 2018
Opening balance, January 1	10,312,123	5,767,191
Change during the year, net	3,343,954	4,544,932
Total	13,656,077	10,312,123

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19. Provisions for other liabilities and charges (Continued)

The movement of the unused vacation provision are as follows:

	December 31, 2019	December 31, 2018
Opening balance, January 1	1,833,999	1,317,303
Change during the year, net	217,785	516,695
Total	2,051,784	1,833,998

The movement of the expense accruals are as follows:

	December 31, 2019	December 31, 2018
Opening balance, January 1	1,847,440	1,820,496
Change during the year, net	3,681,484	26,944
Total	5,528,924	1,847,440

20. Payables to reinsurers, trade and other payables

	December 31, 2019	December 31, 2018
Payables to reinsurers	554,050,816	418,719,301
Payables to SSI regarding medical expenses	42,392,477	28,112,544
Payables due to main operations	596,443,293	446,831,845
Payables to contracted institutions	48,821,504	54,098,804
Taxes payable	40,603,094	31,884,957
Payables to suppliers	27,539,894	26,701,130
Payables to Turkish Catastrophe Insurance Pool	23,480,700	18,902,758
Other	5,131,410	5,369,096
Total other short term payables	145,576,602	136,956,745
Total financial liabilities trade and other payables, deferred income	742,019,895	583,788,590

Movement of SSI regarding medical expenses is as follows:

	2019	2018
Opening Balance, 1 January	28,112,544	24,110,925
Premiums Ceded to SSI	135,165,977	100,356,222
Premium payments to SSI in the current period	(120,886,044)	(96,354,603)
Closing balance, December 31	42,392,477	28,112,544

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21. Provision for retirement benefit obligation

	December 31, 2019	December 31, 2018
Provision for employment termination benefits	7,052,711	6,503,684
Total	7,052,711	6,503,684

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 6 March 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. IAS 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 15.40% (December 31, 2018: 20.30%) and a discount rate of 11.70% (December 31, 2018: 16.40%), 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 retirement pay is also taken into account.

However, during this estimation, the employee termination benefits mentioned in subparagraph 5 of paragraph 1 of article 14 of the Labor Law numbered 1475 to be made in accordance with other conditions excluding the ages stipulated in clauses (a) and (b) of subparagraph A of paragraph one of article 60 of the Law numbered 506 or due to termination of employees on their own will after having completed the insurance period required for retirement pension (15 years) and the number of premium payment days (3600 days) have been excluded from the payments to be incurred by the Company.

As the maximum liability is updated semi-annually, the maximum amount of TL 6,730 effective from January 1, 2020 has been taken into consideration in calculation of provision from employment termination benefits (As of January 1, 2019, the ceiling on severance pay is TL 6,017 per month).

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

	2019	2018
Opening balance, January 1	6,503,684	6,172,934
Charge for the period	1,749,671	1,156,310
Actuarial gain/loss	1,145,242	448,990
Retirement payments	(2,345,886)	(1,274,550)
Closing balance, December 31	7,052,711	6,503,684

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22. Lease liabilities

As at December 31, 2019 and January 1, 2019; lease liabilities are as follows:

	December 31, 2019	January 1, 2019
Short-term lease liabilities (undiscounted)	12,599,956	10,236,560
Discount amount of short - term lease liabilities (-)	(8,793,389)	(1,822,202)
Total short term lease liabilities	3,806,567	8,414,358
Long term lease liabilities (undiscounted)	36,383,769	48,104,919
Discount amount of short - term lease liabilities (-)	(10,440,095)	(25,514,316)
Total long term lease liabilities	25,943,674	22,590,603
Total lease liabilities	29,750,241	31,004,961

Movement of lease liabilities for the period ended December 31, 2019 and January 1, 2019 are as follows:

	2019
Opening balance, January 1	-
IFRS 16 impact	31,004,961
Lease payments	(9,570,804)
Interest payments	8,316,084
Closing balance, December 31	29,750,241

23. Net insurance premium income

The distribution of premium income is as follows:

	January 1, 2019	December 31, 2019		January 1, 2018	December 31, 2018	
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Written premium	4,473,559,840	(1,941,165,407)	2,532,394,433	3,417,291,899	(1,458,473,352)	1,958,818,547
Change in unearned premium reserve	(586,816,135)	235,216,566	(351,599,569)	(297,898,959)	141,686,110	(156,212,849)
Total premium revenue	3,886,743,705	(1,705,948,841)	2,180,794,864	3,119,392,940	(1,316,787,242)	1,802,605,698
Motor Third Party Liability	1,475,727,417	(332,587,193)	1,143,140,224	1,148,315,009	(264,221,308)	884,093,701
Motor Own Damage	947,640,470	(53,092,158)	894,548,312	697,318,864	(40,806,066)	656,512,798
Fire	1,017,415,537	(798,772,832)	218,642,705	603,427,863	(458,367,820)	145,060,043
Health	391,037,059	(278,353,348)	112,683,711	276,667,894	(197,476,186)	79,191,708
General Losses	347,336,157	(240,337,129)	106,999,028	286,340,038	(208,781,174)	77,558,864
Marine	93,817,971	(67,409,498)	26,408,473	75,240,696	(47,528,658)	27,712,038
Life	-	-	-	500	-	500
Other	200,585,229	(170,613,249)	29,971,980	329,981,035	(241,292,140)	88,688,895
Total	4,473,559,840	(1,941,165,407)	2,532,394,433	3,417,291,899	(1,458,473,352)	1,958,818,547

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24. Insurance claims and claims recovered from reinsurers

December 31, 2019			
	Gross	Reinsurers' Share	Net
Paid Claims	2,066,484,084	(794,666,030)	1,271,818,054
Change in outstanding claims	879,099,388	(553,429,424)	325,669,964
Change in mathematical reserves	(26,765)	-	(26,765)
Bonus and rebates provision	(61,262,146)	61,173,502	(88,644)
Total	2,884,294,561	(1,286,921,952)	1,597,372,609

December 31, 2018			
	Gross	Reinsurers' Share	Net
Paid Claims	1,459,520,042	(409,071,886)	1,050,448,156
Change in outstanding claims	761,188,887	(441,223,006)	319,965,881
Change in mathematical reserves	(135,491)	-	(135,491)
Bonus and rebates provision	61,622,938	(61,532,950)	89,988
Total	2,282,196,376	(911,827,842)	1,370,368,534

25. Taxes

As at December 31, 2019 and 2018 prepaid income taxes are netted off with the current income tax payable as stated below:

	December 31, 2019	December 31, 2018
Income taxes payable	125,897,142	66,694,754
Prepaid income taxes	(73,065,163)	(54,453,247)
Tax payable/(asset)	52,831,979	12,241,507

Deferred tax

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

The details of deferred tax assets and liabilities are as follows:

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Discounting in outstanding claims	252,705,356	168,009,941	55,595,178	36,962,187
Doubtful receivable provisions	34,734,800	3,874,390	7,641,656	852,366
Derivative asset valuation	30,321,953	-	6,670,829	-
General expense provision	20,409,677	3,552,177	4,490,129	781,479
Claim handling	19,168,182	14,999,175	3,833,636	2,999,835
Bonus provision	8,433,527	7,131,518	1,855,376	1,568,934
Employment termination benefit	7,052,711	6,503,684	1,410,542	1,300,737
Leased assets	3,621,337	-	796,694	-
Unused vacation provision	2,051,782	1,834,000	451,392	403,480
Impairment on financial assets	-	30,116,655	-	6,625,664
Financial assets valuation effect accounted under equity	(8,235,792)	13,298,346	(1,647,158)	2,925,636
Useful life of tangible and intangible assets	(11,328,416)	(18,331,327)	(2,492,252)	(4,032,892)
Equalization reserve	(95,692,472)	(74,904,423)	(21,052,344)	(16,478,973)
Other	(1,524,090)	1,664,427	(304,818)	366,174
Total deferred tax assets / liabilities	261,718,555	157,748,563	57,248,860	34,274,627

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25. Taxes (Continued)

Deferred tax (Continued)

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

Actual tax expense reconciliation is as follow:

	2019	2018
Profit before deferred tax and corporate tax	401,145,560	275,602,348
Tax Rate	22%	22%
Calculated tax expense (-)	(88,252,023)	(60,632,517)
Tax rate change effect	108,170	(430,057)
The effect of non-deductible expenses	(3,411,354)	(1,422,019)
Total tax expenses	(91,555,207)	(62,484,593)

26. Investment Income

Investment income for the year ended December 31, 2019 and 2018 are as follows:

	January 1- December 31, 2019	January 1- December 31, 2018
Cash and cash equivalents interest income	106,400,781	134,572,208
Investment Income from derivatives	155,026,807	99,960,587
Available for sale interest income	137,890,947	89,123,693
Total	399,318,535	323,656,488

27. Commission income and expenses

Commission income and expenses for the year ended December 31, 2019 and 2018 are as follows:

	January 1- December 31, 2019	January 1- December 31, 2018
Commissions Income	212,487,700	185,468,908
Commissions Expense	(556,193,005)	(468,505,878)
Total	(343,705,305)	(283,036,970)

28. Other operating income and expenses

Other operating income for the year ended December 31, 2019 and 2018 are as follows:

	January 1- December 31, 2019	January 1- December 31, 2018
Income from assistance services	5,678,324	5,939,710
State supported agriculture insurances commissions	1,356,101	1,135,070
Other	1,374,122	1,303,231
Total	8,408,547	8,378,011

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28. Other operating income and expenses (Continued)

Other operating expenses for the year ended December 31, 2019 and 2018 are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Donation expense	(20,675,000)	(15,960,000)
Provision for doubtful receivables	(32,822,837)	(15,937,735)
Security fund provision	(13,656,077)	(10,312,123)
Bank expenses	(8,462,577)	(6,068,798)
Portfolio management fee	(3,858,176)	(2,312,055)
Retirement pay provision	(1,749,671)	(1,156,310)
Unused vacation provision	(480,190)	(734,404)
Disallowable expenses	(354,370)	(532,217)
Other	(2,740,192)	(2,787,309)
Total	(84,799,090)	(55,800,951)

29. Expenses by nature

	January 1 - December 31, 2019	January 1 - December 31, 2018
Personnel expenses (*)	(108,318,094)	(86,697,215)
Depreciation expenses	(33,510,804)	(20,363,001)
Assistance expenses	(27,541,991)	(16,995,143)
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)
Transportation expenses	(4,465,507)	(6,340,803)
Social relief expenses (*)	(5,655,130)	(4,247,148)
Repair and maintenance	(3,881,967)	(2,764,470)
Rent expenses	(2,628,714)	(9,969,274)
Outsourcing service expenses	(2,590,906)	(3,458,983)
Communication expenses	(1,885,827)	(1,367,610)
Other	(5,670,743)	(5,759,675)
Total	(230,311,063)	(185,662,429)

(*) Personnel expenses for the year ended December 31, 2019 and 2018 are as follows:

	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	(113,973,224)	(90,944,363)

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30. Foreign exchange gain / (loss), net

Foreign exchange gain / (loss), net for the year ended December 31, 2019 and 2018 are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Foreign exchange gains (+)	230,548,082	314,166,805
Foreign exchange losses (-)	(161,736,401)	(278,335,770)
Foreign exchange gains, net	68,811,681	35,831,035

31. Blocked securities and bank deposits

Under Insurance Law, insurance companies are obliged to deposit investments within two months in a blocked account with a state bank in favour of Undersecretariat of Treasury. Accordingly the following guarantees have been issued to the Turkish Treasury based on the financial results:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Blocked bank deposits	228,718,207	194,431,282
Blocked securities	1,806,587	1,686,241
Total	230,524,794	196,117,523

32. Related parties

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

Due from /to related parties	December 31, 2019	December 31, 2018
Shareholder's subsidiaries	58,379,601	62,857,652
Shareholders	44,663	61,264
Total	58,424,264	62,918,916

Banks

	December 31, 2019	December 31, 2018
Shareholder's subsidiaries	484,545,450	322,410,622
Total	484,545,450	322,410,622

Marketable securities

	December 31, 2019	December 31, 2018
Shareholder's subsidiaries	27,149,232	48,709,250
Total	27,149,232	48,709,250

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32. Related parties (Continued)

Investment funds

	December 31, 2019	December 31, 2018
Shareholder's subsidiaries	142,613,289	168,805,699
Total	142,613,289	168,805,699

Written Premium

	December 31, 2019	December 31, 2018
Shareholder's subsidiaries	171,870,456	154,398,316
Shareholders	2,349,511	1,854,495
Total	174,219,967	156,252,811

Claims Paid

	December 31, 2019	December 31, 2018
Shareholder's subsidiaries	46,014,074	50,063,599
Total	46,014,074	50,063,599

Investment Income

	December 31, 2019	December 31, 2018
Shareholder's subsidiaries	78,335,240	85,857,323
Total	78,335,240	85,857,323

Commission Expense

	December 31, 2019	December 31, 2018
Shareholder's subsidiaries	126,568,178	109,359,530
Total	126,568,178	109,359,530

33. Commitments

Provision for lawsuit

Provision for lawsuit against the Company is classified under insurance liabilities and premium receivables.

As at December 31, 2019 and 2018, details of the provision for lawsuit against to the Company are as follows:

	December 31, 2019	December 31, 2018
Outstanding claims under litigation	712,591,573	483,639,563
Subrogation receivable litigations, gross	131,094,166	111,065,416
Trade receivable litigations and executions	8,946,215	5,290,428
Total	852,631,954	599,995,407

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34. Contingencies

As at December 31, 2019 and 2018, total insurance risk accepted by the Company under normal courses of the insurance business is detailed in Note 4.

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 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. The Company has interviewed with the Large Taxpayers Office on February 15, 2019. Due to there is no agreement, the Company has filed a suit against the institution the Large Taxpayers Office. From the suits related to Banking Insurance Transaction Tax on salvage transaction in 2009, 2010, 2011 and 2012, the Tax Court has given the rule for the benefit of the Company. Suits related to the years of 2011 and 2012 continue at the Tax Court.

35. Subsequent events

Due to the violation of the 32nd article of the Insurance Law and other related legislative rule of our agency Akbank TAŞ, the Ministry of Treasury and Finance decided to temporarily cease the insurance operations for 15 days between 30 January 2020 - 13 February 2020. The decision to stop the insurance operations in Akbank TAŞ will not have a significant impact on our Company's activities and financial statements.

The decision made in favor of the Company with regards to the BITT in 2012 recovery transactions by the Tax Court has been officially finalized.

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