

(Convenience translation of independent auditors' report
and unconsolidated financial statements originally issued in Turkish)

Millî Reasürans Türk Anonim Şirketi and its Subsidiary

**Consolidated Financial Statements as of December 31, 2019
together with the Independent Auditor's Report**

February 27, 2020

*This report includes 3 pages of independent auditors'
audit report and 98 pages of consolidated
financial statements and notes to the financial statements*



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(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Millî Reasürans Türk Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Millî Reasürans Türk Anonim Şirketi (the Company) and its subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Financial Reporting Standards decree for the matters not regulated by insurance legislation; "Insurance Accounting and Financial Reporting Legislation".

2) Basis for Opinion

We conducted our audit in accordance with Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

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



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Key audit matter	How our audit addressed the key audit matter
Estimates and assumptions used in calculation of insurance contract liabilities	
<p>As of December 31, 2019, the Company has insurance liabilities of TL 8.447.200.221 representing 66% of the Company's total liabilities. The Company has reflected net provision of TL 5.088.425.481 for the future outstanding claims for insurance contracts. In the calculation of Incurred But Not Reported (IBNR) claims provisions (net amount of TL 2.247.926.454) which is accounted under the outstanding claims reserves, the Company Management has used the actuarial assumptions and estimates detailed in note 2 and 17. Uncertainty of estimation and management judgment containing, IBNR calculations has been considered as a key audit matter.</p>	<p>We have performed the audit procedures related the actuarial assumptions which disclosed in the Note 2 and 17 together with the actuary auditor who is part of our audit team. These procedures are primarily intended to assess whether the estimates and methods that used in the calculation of the outstanding claims reserve by the Group are appropriate. In this context, we have performed the audit procedures related to the recording of the Group's incurred outstanding claims; performed the analytical review, performed detailed testing on the incurred case files which selected randomly; obtained the signed lawyer letters from the Group's attorneys for litigated case files; assessed the average claim amount and opening claim amounts determined by the Group's actuaries; have performed the audit procedures related to the completeness of the data used in the calculation of insurance contract liabilities; assessed the properness of the IBNR calculation method used by the Group for each line of businesses both the relevant claim characteristics and the Group's claim history; performed the recalculation procedure on the amount of IBNR calculated by the Group; reviewed the claim analyzes made by the Group's actuaries and questioned these analyzes in terms of suitability and consistency of both legislation and Group past experience; assessed whether the explanation in the notes of the consolidated financial statements are sufficient.</p>



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Valuation of investment properties and properties for own use and significant information disclosed	
<p>As explained in note 2, 6 and 7, the Group recognizes investment properties and properties for own use at their fair values, after initial recognition. As of December 31, 2019, fair value amount of the investment properties and properties for own use disclosed in the consolidated financial statements amounts to TL 482.776.000 and TL 195.012.000 respectively, as determined by independent appraisal firms and details of the valuation have been disclosed in note 2, 6 and 7. Due to the fact that investment properties and properties for own use are a significant part of the Group's assets and applied valuation methods contain significant judgements and assumptions, we have considered the valuation of properties as a key audit matter.</p>	<p>We assessed the qualifications, competencies and independence of the professional appraisers engaged by the management.</p> <p>In our audit, we assessed whether the valuation methods as applied by appraisers are acceptable for valuation of the underlying property. We reconciled the appraised value for independent sections in the valuation report with disclosed amount in note 6 and 7. In addition, we reconciled standing data included in the valuation report such as rental income, duration of lease contracts, occupancy rates and administration expenses to source documents.</p> <p>Among the other audit procedures we performed, we verified the assumptions used by the external appraisers in their valuations (including the discount rate, the market rent and the expected occupancy rates) against external data. For this assessment we involved internal valuation experts in our audit procedures.</p> <p>Due to the high level of judgment in the valuation of investment property and properties for own use and the existence of alternative assumptions and valuation methods, we assessed if the result of the external valuation is within an acceptable range.</p> <p>We also examined the suitability of the information in the financial statements and explanatory note, given the importance of this information for users of the financial statements.</p>



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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Insurance Accounting and Financial Reporting Legislation and designing, implementing and maintaining internal systems relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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



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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

B) Report on Other Legal and Regulatory Requirements

- 1) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 – December 31, 2019 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Fatih Polat.

Giney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Fatih Polat, SMMM
Associate Partner

February 27, 2020
Istanbul, Turkey

MİLLÎ REASÜRANS TÜRK ANONİM ŞİRKETİ

**CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON THE
CONSOLIDATED FINANCIAL STATEMENT PREPARED AS OF DECEMBER 31, 2019**

We confirm that the consolidated financial statements and related disclosures and footnotes as of December 31, 2019 which were prepared in accordance with the accounting principles and standards in force as per the regulations of Republic of Turkey Ministry of Treasury and Finance are in compliance with the "Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies" and the financial records of our Company.

Istanbul,

February 27, 2020



Şule SOYLU
Assistant General Manager



Özlem CİVAN
Assistant General Manager



Fikret Utku ÖZDEMİR
General Manager



Ertan TAN
Actuary
Registration No: 21

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Millî Reasürans Türk Anonim Şirketi
Consolidated Balance Sheet
As of December 31, 2019
(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

ASSETS			
I- Current Assets	Note	Audited Current Period December 31, 2019	Audited Prior Period December 31, 2018
A- Cash and Cash Equivalents	14	6.391.200.569	5.815.792.507
1- Cash	14	117.671	70.338
2- Cheques Received	14	240.000	-
3- Banks	14	5.803.536.011	5.364.205.897
4- Cheques Given and Payment Orders (-)	14	(35.083)	(79.251)
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	14	587.341.970	451.595.523
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Investments with Risks on Policy Holders	11	2.400.104.814	1.187.594.714
1- Financial Assets Available for Sale	11	2.247.608.666	1.014.996.508
2- Financial Assets Held to Maturity		-	-
3- Financial Assets Held for Trading	11	159.450.716	179.552.746
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders		-	-
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)	11	(6.954.540)	(6.954.540)
C- Receivables From Main Operations	12	2.019.309.386	1.789.651.498
1- Receivables From Insurance Operations	12	1.487.843.012	1.312.946.060
2- Provision for Receivables From Insurance Operations (-)	12	(28.174.144)	(16.172.744)
3- Receivables From Reinsurance Operations	12	362.508.470	304.141.844
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited For Insurance & Reinsurance Companies	12	197.132.048	188.736.338
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Pension Operation		-	-
9- Doubtful Receivables From Main Operations	4,2,12	360.768.832	296.775.530
10- Provisions for Doubtful Receivables From Main Operations (-)	4,2,12	(360.768.832)	(296.775.530)
D- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
E- Other Receivables	12	32.157.258	28.980.211
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given	12	411.381	361.930
4- Other Receivables	12	31.746.817	28.618.281
5- Discount on Other Receivables (-)		(940)	-
6- Other Doubtful Receivables	4,2,12	754.788	409.363
7- Provisions for Other Doubtful Receivables (-)	4,2,12	(754.788)	(409.363)
F- Prepaid Expenses and Income Accruals		646.100.472	589.985.575
1- Deferred Commission Expenses	17	606.023.035	500.778.299
2- Accrued Interest and Rent Income		-	-
3- Income Accruals	4,2,12	39.168.327	88.437.494
4- Other Prepaid Expenses	4,2,12	909.110	769.782
G- Other Current Assets		8.106.719	41.723.245
1- Inventories		1.130.541	1.255.218
2- Prepaid Taxes and Funds	12,19	6.312.824	38.869.531
3- Deferred Tax Assets		-	-
4- Job Advances	12	10.000	624.023
5- Advances Given to Personnel	12	-	-
6- Stock Count Differences		-	-
7- Other Current Assets	12	653.354	974.473
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		11.496.979.246	9.453.727.750

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Balance Sheet
As of December 31, 2019
(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

ASSETS			
	Note	Audited Current Period December 31, 2019	Audited Prior Period December 31, 2018
II- Non-Current Assets			
A- Receivables From Main Operations			
1- Receivables From Insurance Operations		-	-
2- Provision for Receivables From Insurance Operations (-)		-	-
3- Receivables From Reinsurance Operations	4.2.12	68.753.775	44.281.819
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited for Insurance & Reinsurance Companies	4.2.12	96.496.849	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables From Pension Operations		-	-
9- Doubtful Receivables from Main Operations	4.2.12	28.638.564	25.352.034
10- Provision for Doubtful Receivables from Main Operations	4.2.12	(28.638.564)	(25.352.034)
B- Due from Related Parties			
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
C- Other Receivables			
1- Leasing Receivables	4.2.12	326.932	1.627.433
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		326.932	332.552
4- Other Receivables	4.2.12	-	1.419.890
5- Discount on Other Receivables (-)	4.2.12	-	(125.009)
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
D- Financial Assets			
1- Investments In Associates	9	273.779.014	202.752.320
2- Affiliates	9	270.036.755	199.307.030
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries	9	3.742.259	3.445.290
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)		-	-
E- Tangible Fixed Assets			
1- Investment Properties	6.7	482.776.000	455.721.000
2- Diminution in Value for Investment Properties (-)		-	-
3- Buildings for Own Use	6	195.012.000	194.296.000
4- Machinery and Equipments	6	91.841.231	80.830.314
5- Furnitures and Fixtures	6	22.434.892	20.572.714
6- Vehicles	6	6.919.173	4.048.489
7- Other Tangible Assets (Including Leasehold Improvements)	6	28.826.269	26.004.573
8- Leased Tangible Fixed Assets	6	65.358.069	3.858.074
9- Accumulated Depreciation (-)	6	(113.796.716)	(91.527.520)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		-	-
F- Intangible Fixed Assets			
1- Rights	8	227.639.545	150.150.335
2- Goodwill	8	16.250.000	16.250.000
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortizations (-)	8	(145.530.086)	(119.916.179)
8- Advances Regarding Intangible Assets	8	42.185.072	58.674.584
G- Prepaid Expenses and Income Accruals			
1- Deferred Commission Expenses	17	1.444.448	9.445.638
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses	4.2	373.732	200.497
H- Other Non-current Assets			
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	48.255.857	30.913.525
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
II- Total Non-current Assets		1.409.346.056	1.088.183.616
TOTAL ASSETS		12.906.325.302	10.541.911.366

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Balance Sheet
As of December 31, 2019
(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

LIABILITIES			
	Note	Audited Current Period December 31, 2019	Audited Prior Period December 31, 2018
III- Short-Term Liabilities			
A- Borrowings	19,20	63.093.304	53.578.314
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Current Portion of Long Term Borrowings		-	-
5- Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6- Other Financial Assets Issued		-	-
7- Value Differences on Issued Financial Assets (-)		-	-
8- Other Financial Borrowings (Liabilities)	19,20	63.093.304	53.578.314
B- Payables From Main Operations	19	791.892.340	697.369.940
1- Payables Due to Insurance Operations	19	511.069.869	418.003.864
2- Payables Due to Reinsurance Operations	19	59.545.497	65.676.883
3- Cash Deposited by Insurance & Reinsurance Companies	19	5.469.130	9.088.597
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations	19	219.094.708	210.877.517
6- Rediscount on Other Payables From Main Operations (-)		(3.286.864)	(6.276.921)
C- Due to Related Parties	19	368.661	370.388
1- Due to Shareholders	19	131.570	105.548
2- Due to Affiliates	19	-	38.024
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		211.925	214.924
6- Due to Other Related Parties		25.166	11.892
D- Other Payables	19	133.712.351	97.294.815
1- Deposits and Guarantees Received	19	9.790.921	9.454.992
2- Due to SSI regarding Treatment Expenses	19	40.724.732	32.118.883
3- Other Payables	19	83.941.498	56.972.083
4- Discount on Other Payables (-)	19	(744.800)	(1.251.143)
E- Insurance Technical Reserves	17	8.117.368.295	6.772.584.798
1- Unearned Premiums Reserve - Net	17	2.955.076.893	2.482.822.144
2- Unexpired Risk Reserves - Net	17	73.827.230	69.220.581
3- Mathematical Reserves - Net	17	38.691	73.795
4- Outstanding Claims Reserve - Net	17	5.088.425.481	4.220.468.278
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Relevant Provisions	19	136.600.008	57.436.673
1- Taxes and Dues Payable	19	59.876.928	49.975.341
2- Social Security Premiums Payable	19	5.580.063	4.252.897
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		-	-
5- Corporate Tax Liability Provision on Period Profit	19	201.913.417	106.996.427
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	19	(130.770.400)	(103.787.992)
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks		-	-
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs		-	-
H- Deferred Income and Expense Accruals	19	221.449.286	181.605.882
1- Deferred Commission Income	10,19	109.664.368	101.626.238
2- Expense Accruals	19	111.613.442	79.718.689
3- Other Deferred Income	19	171.476	260.955
I- Other Short Term Liabilities	23	2.905.069	2.399.183
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities	23	2.905.069	2.399.183
III - Total Short Term Liabilities		9.467.389.314	7.862.639.993

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Balance Sheet
As of December 31, 2019
(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

LIABILITIES			
IV- Long-Term Liabilities	Note	Audited Current Period December 31, 2019	Audited Prior Period December 31, 2018
A- Borrowings	20	54.555.236	-
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Bonds Issued		-	-
5- Other Issued Financial Assets		-	-
6- Value Differences on Issued Financial Assets (-)		-	-
7- Other Financial Borrowings (Liabilities)	20	54.555.236	-
B- Payables From Main Operations		5.022.541	2.697.759
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations	19	5.022.541	2.697.759
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Discount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		-	-
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses		-	-
3- Other Payables		-	-
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves	17	359.831.926	277.542.294
1- Unearned Premiums Reserve - Net		2.003.959	808.205
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net	17	357.827.967	276.734.089
F- Other Liabilities and Provisions		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks	23	91.557.366	79.817.185
1- Provision for Employment Termination Benefits	23	38.340.411	35.080.373
2- Provisions for Employee Pension Fund Deficits	22,23	53.216.955	44.736.812
H- Deferred Income and Expense Accruals	19	-	32.500
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income	19	-	32.500
I- Other Long Term Liabilities	21	18.464.218	23.769.523
1- Deferred Tax Liability	21	18.464.218	23.769.523
2- Other Long Term Liabilities		-	-
IV- Total Long Term Liabilities		529.431.287	383.859.261

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Balance Sheet
As of December 31, 2019
(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

EQUITY			
V- Equity	Note	Audited Current Period December 31, 2019	Audited Prior Period December 31, 2018
A- Paid in Capital		660.000.000	660.000.000
1- (Nominal) Capital	2.13,15	660.000.000	660.000.000
2- Unpaid Capital (-)		-	-
3- Positive Inflation Adjustment on Capital		-	-
4- Negative Inflation Adjustment on Capital (-)		-	-
5- Unregistered Capital		-	-
B- Capital Reserves	15	155.868.049	144.260.431
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital	15	24.245.511	24.245.511
4- Translation Reserves	15	(34.192.451)	(43.734.932)
5- Other Capital Reserves	15	165.814.989	163.749.852
C- Profit Reserves		832.588.357	344.299.731
1- Legal Reserves	15	155.933.995	123.041.486
2- Statutory Reserves	15	37.967.904	23.673.668
3- Extraordinary Reserves	15	588.605.356	284.629.618
4- Special Funds (Reserves)		-	-
5- Revaluation of Financial Assets	11,15	99.474.816	(38.392.942)
6- Other Profit Reserves	15	21.666.335	22.407.950
7- Subsidiary Capital Correction	15	(71.060.049)	(71.060.049)
D- Previous Years' Profits		167.547.326	302.129.975
1- Previous Years' Profits		167.547.326	302.129.975
E- Previous Years' Losses (-)		-	-
1- Previous Years' Losses		-	-
F- Net Profit of the Period		309.978.881	278.283.572
1- Net Profit of the Period		306.849.687	276.733.853
2- Net Loss of the Period (-)		-	-
3- Net Income not subject to distribution	15	3.129.194	1.549.719
G- Minority Shares		783.522.088	566.438.403
Total Shareholders' Equity		2.909.504.701	2.295.412.112
Total Liabilities and Shareholders' Equity		12.906.325.302	10.541.911.366

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Statement of Income
For the Year Ended December 31, 2019
(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

	Note	Audited Current Period January 1- December 31, 2019	Audited Prior Period January 1- December 31, 2018
I-TECHNICAL SECTION			
A- Non-Life Technical Income		7.084.610.800	6.127.934.961
1- Earned Premiums (Net of Reinsurer Share)		5.486.164.145	4.595.193.500
1.1 - Written Premiums (Net of Reinsurer Share)	17	5.963.834.974	4.964.418.320
1.1.1 - Gross Written Premiums (+)	17	8.074.209.807	6.853.768.074
1.1.2 - Ceded Premiums to Reinsurers (-)	10,17	(1.974.306.774)	(1.768.898.917)
1.1.3 - Ceded Premiums to SSI (-)	17	(136.068.059)	(120.450.837)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	17,29	(473.064.180)	(329.449.972)
1.2.1 - Unearned Premiums Reserve (-)	17	(620.224.279)	(515.420.202)
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)	10,17	136.309.220	181.175.739
1.2.3 - SSI of Unearned Premiums Reserve (+)		10.850.879	4.794.491
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	17	(4.606.649)	(39.774.848)
1.3.1 - Unexpired Risks Reserve (-)	17	20.046.008	(56.044.489)
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+)	10,17	(24.652.657)	16.269.641
2- Investment Income Transferred from Non-Technical Part		1.443.659.274	1.303.922.345
3- Other Technical Income (Net of Reinsurer Share)		103.308.969	158.116.362
3.1 - Gross Other Technical Income (+)		103.304.343	158.100.575
3.2 - Reinsurance Share of Other Technical Income (-)		4.626	15.787
4- Accrued Subrogation and Salvage Income (+)		51.478.412	70.702.754
B- Non-Life Technical Expense (-)		(6.361.708.095)	(5.532.972.288)
1- Total Claims (Net of Reinsurer Share)		(4.661.871.787)	(4.057.956.679)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(3.794.030.739)	(3.384.771.125)
1.1.1 - Gross Claims Paid (-)	17	(4.711.507.952)	(4.058.510.395)
1.1.2 - Reinsurance Share of Claims Paid (+)	10,17	917.477.213	673.739.270
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17,29	(867.841.048)	(673.185.554)
1.2.1 - Outstanding Claims Reserve (-)	17	(1.178.471.053)	(1.273.468.428)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	10,17	310.630.005	600.282.874
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1 - Bonus and Discount Reserve (-)		-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(80.907.453)	(66.314.743)
4- Operating Expenses (-)	32	(1.468.956.696)	(1.263.403.483)
5- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
5.1- Mathematical Reserves (-)		-	-
5.2- Reinsurance Share of Mathematical Reserves (+)		-	-
6.- Other Technical Expenses (-)	47	(149.972.159)	(145.297.383)
6.1.- Gross Other Technical Expenses (-)		(155.791.797)	(149.998.088)
6.2.- Reinsurance Share of Other Technical Expenses (+)		5.819.638	4.700.705
C- Non Life Technical Net Profit (A-B)		722.902.705	594.962.673
D- Life Technical Income		20.239.081	18.813.060
1- Earned Premiums (Net of Reinsurer Share)		16.225.200	15.537.709
1.1 - Written Premiums (Net of Reinsurer Share)	17	15.523.242	18.253.642
1.1.1 - Gross Written Premiums (+)	17	17.323.840	20.314.687
1.1.2 - Ceded Premiums to Reinsurers (-)	10,17	(1.800.598)	(2.061.045)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	17,29	701.958	(2.715.933)
1.2.1- Unearned Premium Reserves (-)	17	856.646	(2.909.016)
1.2.2- Unearned Premium Reserves Reinsurer Share (+)	10,17	(154.688)	193.083
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		-	-
1.3.1- Unexpired Risks Reserves (-)		-	-
1.3.2- Unexpired Risks Reserves Reinsurer Share (+)		-	-
2- Life Branch Investment Income		3.896.284	3.194.833
3- Unrealized Income from Investments		-	-
4-Other Technical Income (Net of Reinsurer Share) (+/-)		117.597	80.518
4.1- Gross Other Technical Income (+/-)		117.597	89.933
4.2- Reinsurance Share of Other Technical Income (+/-)		-	(9.415)
5- Accrued Subrogation and Salvage Income (+)		-	-

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Statement of Income
For the Year Ended December 31, 2019
(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

	Note	Audited Current Period January 1- December 31, 2019	Audited Prior Period January 1- December 31, 2018
I-TECHNICAL SECTION			
E- Life Technical Expense		(16.626.397)	(13.374.290)
1- Total Claims (Net of Reinsurer Share)		(5.541.814)	(5.607.798)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(5.425.659)	(5.968.908)
1.1.1- Gross Claims Paid (-)	17	(6.307.867)	(6.619.434)
1.1.2- Claims Paid Reinsurer Share (+)	10,17	882.208	650.526
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17,29	(116.155)	361.110
1.2.1 - Outstanding Claims Reserve (-)	17	(687.868)	(126.553)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	10,17	571.713	487.663
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1 - Bonus and Discount Reserve (-)		-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	35.104	42.314
3.1- Mathematical Reserves (-)	29	35.104	42.314
3.1.1- Actuarial Mathematical Reserve (-)	29	35.104	42.314
3.1.2- Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-
3.2- Reinsurer Share of Mathematical Reserves (+)		-	-
3.2.1- Reinsurance Share of Actuarial Mathematical Reserve (+)		-	-
3.2.2- Reinsurance Share of Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-
4- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(186.425)	(228.499)
5- Operating Expenses (-)	32	(10.933.262)	(7.580.307)
6- Investment Expenses (-)		-	-
7- Unrealized Losses from Investments (-)		-	-
8- Investment Income Transferred to Non- Technical Part (-)		-	-
F- Life Technical Profit (D-E)		3.612.684	5.438.770
G- Individual Retirement Technical Income			
1- Fund Management Fee		-	-
2- Management Fee Deduction		-	-
3- Initial Contribution Fee		-	-
4- Management Fee In Case Of Temporary Suspension		-	-
5- Withholding tax		-	-
6- Increase in Market Value of Capital Commitment Advances		-	-
7-Other Technical Income		-	-
H- Individual Retirement Technical Expense			
1- Fund Management Expenses (-)		-	-
2- Decrease in Market Value of Capital Commitment Advances (-)		-	-
3- Operating Expenses (-)		-	-
4- Other Technical Expense (-)		-	-
I- Individual Retirement Technical Profit (G-H)			
		-	-

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Statement of Income
For the Year Ended December 31, 2019
(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

	Note	Audited Current Period January 1- December 31, 2019	Audited Prior Period January 1- December 31, 2018
II-NON-TECHNICAL SECTION			
C- Net Technical Income – Non-Life (A-B)		722.902.705	594.962.673
F- Net Technical Income – Life (D-E)		3.612.684	5.438.770
I - Net Technical Income – Pension Business (G-H)		-	-
J- Total Net Technical Income (C+F+I)		726.515.389	600.401.443
K- Investment Income		1.823.293.029	1.987.569.297
1- Income From Financial Investment	4.2	578.365.327	492.185.973
2- Income from Sales of Financial Investments	4.2	95.400.016	133.806.090
3- Revaluation of Financial Investments	4.2	33.395.314	59.476.032
4- Foreign Exchange Gains	4.2	489.708.640	901.481.239
5- Income from Affiliates	4.2	75.745.271	53.479.268
6- Income from Subsidiaries and Joint Ventures	4.2	309.134	255.858
7- Income Received from Land and Building	7	52.719.531	49.194.811
8- Income from Derivatives	4.2	497.591.796	297.457.026
9- Other Investments		58.000	233.000
10- Investment Income transferred from Life Technical Part		-	-
L- Investment Expense		(1.855.485.562)	(1.963.482.363)
1- Investment Management Expenses (including interest) (-)	4.2	(38.276.163)	(2.012.996)
2- Valuation Allowance of Investments (-)	4.2	(4.981.343)	(8.864.845)
3- Losses On Sales of Investments (-)	4.2	(63.644.857)	(47.588.465)
4- Investment Income Transferred to Non-Life Technical Part (-)		(1.443.659.274)	(1.303.922.345)
5- Losses from Derivatives (-)	4.2	(30.741.125)	(66.177.031)
6- Foreign Exchange Losses (-)	4.2	(206.389.927)	(488.165.142)
7- Depreciation Expenses (-)	6.8	(49.626.963)	(31.457.767)
8- Other Investment Expenses (-)		(18.165.910)	(15.293.772)
M- Income and Expenses From Other and Extraordinary Operations		9.333.139	(99.458.473)
1- Provisions Account (+/-)	47	(78.966.046)	(84.220.628)
2- Discount account (+/-)	47	5.376.644	(10.405.221)
3- Mandatory Earthquake Insurance Account (+/-)		-	-
4- Inflation Adjustment Account (+/-)		-	-
5- Deferred Tax Asset Accounts(+/-)	35	69.039.680	2.333.561
6- Deferred Tax Expense Accounts (-)	35	-	(6.968.982)
7- Other Income and Revenues		14.655.659	2.014.470
8- Other Expense and Losses (-)		(772.798)	(2.211.673)
9- Prior Period Income		-	-
10- Prior Period Losses (-)		-	-
N- Net Profit for the Year		501.742.578	418.033.477
1- Profit /(Loss) Before Tax		703.655.995	525.029.904
2- Corporate Tax Liability Provision (-)	35	(201.913.417)	(106.996.427)
3- Net Profit (Loss)		501.742.578	418.033.477
3.1-Groups Profit/(Loss)		309.978.881	278.283.572
3.2-Minority Shares		191.763.697	139.749.905
4- Monetary Gains and Losses		-	-

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Statement of Cash Flows
for the Period Ended December 31, 2019
(Currency: Turkish Lira ("TL"))

	Note	Audited Current Period January 1- December 31, 2019	Audited Prior Period January 1- December 31, 2018
A. CASH FLOWS FROM THE OPERATING ACTIVITIES			
1. Cash inflows from the insurance operations		7.776.671.232	6.217.874.160
2. Cash inflows from the reinsurance operations		1.571.917.139	1.560.801.817
3. Cash inflows from the pension operations		-	-
4. Cash outflows due to the insurance operations (-)		(7.338.793.029)	(6.691.818.297)
5. Cash outflows due to the reinsurance operations (-)		(1.448.974.575)	(948.559.583)
6. Cash outflows due to the pension operations (-)		-	-
7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)		560.820.767	138.298.097
8. Interest payments (-)		-	-
9. Income tax payments (-)		(101.422.128)	(158.987.951)
10. Other cash inflows		2.299.539.321	725.532.183
11. Other cash outflows (-)		(2.194.565.685)	(965.050.706)
12. Net cash generated from the operating activities		564.372.275	(260.208.377)
B. CASH FLOWS FROM THE INVESTING ACTIVITIES		-	-
1. Sale of tangible assets		3.565.828	671.758
2. Purchase of tangible assets (-)	6, 8	(81.350.177)	(69.401.522)
3. Acquisition of financial assets (-)	11	(5.733.643.991)	(3.118.445.825)
4. Sale of financial assets	11	4.934.081.400	3.545.769.400
5. Interest received		720.989.451	681.114.162
6. Dividends received		2.799.628	9.536.171
7. Other cash inflows		988.214.384	1.292.565.031
8. Other cash outflows (-)		(843.439.083)	(2.117.367.345)
9. Net cash generated from the investing activities		(8.782.560)	224.441.830
C. CASH FLOWS FROM THE FINANCING ACTIVITIES		-	-
1. Issue of equity shares		-	-
2. Cash inflows from the loans to policyholders		-	-
3. Payments of financial leases (-)		-	-
4. Dividend paid (-)		(102.671.238)	(75.598.370)
5. Other cash inflows		-	-
6. Other cash outflows (-)		-	(2.032.534)
7. Cash generated from the financing activities		(102.671.238)	(77.630.904)
D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS		95.825.621	1.556.929
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)		548.744.098	(111.840.522)
F. Cash and cash equivalents at the beginning of the period	14	3.172.687.291	3.284.527.813
G. Cash and cash equivalents at the end of the period (E+F)	14	3.721.431.389	3.172.687.291

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Statement of Changes in Equity
for the Period Ended December 31, 2019

(Currency: Turkish Lira ("TL"))

Audited Changes in Equity – December 31, 2018

	Note	Paid-in capital	Equity Share Owned by Company	Revaluation of financial assets	Inflation Adjustment on Capital	Currency translation reserves	Legal reserves	Statutory Reserves	Other reserves and retained earnings	Net profit/(Loss) for the year	Retained earnings	Total equity before minority shares	Minority share	Total
I – Balance at the end of the previous year – December 31, 2016	15	660.000.000	-	52.911.805	-	(28.441.170)	104.543.229	14.966.872	288.358.779	189.520.109	295.707.526	1.577.567.150	487.082.315	2.064.649.465
II – Change in Accounting Standards		-	-	-	-	-	141.091	-	2.516.746	149.360	(703.162)	2.104.035	-	2.104.035
III – Restated balances (I+II) – January 1, 2018		660.000.000	-	52.911.805	-	(28.441.170)	104.684.320	14.966.872	290.875.525	189.669.469	295.004.364	1.579.671.185	487.082.315	2.066.753.500
A- Capital increase (A1+A2)		-	-	-	-	-	-	-	-	-	-	-	-	-
1- In cash		-	-	-	-	-	-	-	-	-	-	-	-	-
2- From reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
B - Effects of changes in group structure		-	-	-	-	-	-	-	-	-	-	-	-	-
C – Purchase of own shares		-	-	-	-	-	-	-	-	-	-	-	-	-
D – Gains or losses that are not included in the statement of income		-	-	-	-	-	-	-	28.070.557	(4.243.480)	4.142.862	27.969.939	1.554.267	29.524.206
E – Change in the value of financial assets	15	-	-	(91.304.747)	-	-	-	-	-	-	-	(91.304.747)	(34.293.700)	(125.598.447)
F – Currency translation adjustments		-	-	-	-	(15.293.762)	-	-	-	-	-	(15.293.762)	-	(15.293.762)
G – Other gains or losses		-	-	-	-	-	-	-	(787)	(357.015)	5.324	(352.478)	(297.285)	(649.763)
H – Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-	-	-
I – Net profit for the year		-	-	-	-	-	-	-	-	278.283.572	-	278.283.572	139.749.905	418.033.477
J – Other reserves and transfers from retained earnings	38	-	-	-	-	-	18.357.166	8.706.796	105.027.587	(135.068.974)	2.977.425	-	-	-
K – Dividends paid	38	-	-	-	-	-	-	-	-	(50.000.000)	-	(50.000.000)	(27.357.099)	(77.357.099)
IV - Balance at the end of the year – December 31, 2018	15	660.000.000	-	(38.392.942)	-	(43.734.932)	123.041.486	23.673.668	423.972.882	278.283.572	302.129.975	1.728.973.709	566.438.403	2.295.412.112

Audited Changes in Equity – December 31, 2019

	Note	Paid-in capital	Equity Share Owned by Company	Revaluation of financial assets	Inflation Adjustment on Capital	Currency translation reserves	Legal reserves	Statutory Reserves	Other reserves and retained earnings	Net profit/(Loss) for the year	Retained earnings	Total equity before minority shares	Minority share	Total
I – Balance at the end of the previous year – December 31, 2018	15	660.000.000	-	(38.392.942)	-	(43.734.932)	123.041.486	23.673.668	423.972.882	278.283.572	302.129.975	1.728.973.709	566.438.403	2.295.412.112
II – Change in Accounting Standards		-	-	-	-	-	-	-	-	-	-	-	-	-
III – Restated balances (I+II) – January 1, 2019		660.000.000	-	(38.392.942)	-	(43.734.932)	123.041.486	23.673.668	423.972.882	278.283.572	302.129.975	1.728.973.709	566.438.403	2.295.412.112
A- Capital increase (A1+A2)		-	-	-	-	-	-	-	-	-	-	-	-	-
1- In cash		-	-	-	-	-	-	-	-	-	-	-	-	-
2- From reserves		-	-	-	-	-	-	-	-	-	-	-	-	-
B - Effects of changes in group structure		-	-	-	-	-	-	-	-	-	-	-	-	-
C – Purchase of own shares		-	-	-	-	-	-	-	-	-	-	-	-	-
D – Gains or losses that are not included in the statement of income		-	-	-	-	-	-	-	(460.176)	130.091.467	(130.085.166)	(453.874)	2.957.266	2.503.391
E – Change in the value of financial assets	15	-	-	137.867.758	-	-	-	-	-	-	-	137.867.758	67.768.855	205.636.613
F – Currency translation adjustments		-	-	-	-	9.542.481	-	-	-	-	-	9.542.481	-	9.542.481
G – Other gains or losses		-	-	-	-	-	-	-	441	66.211	7.007	73.659	8.357	82.016
H – Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-	-	-
I – Net profit for the year		-	-	-	-	-	-	-	-	309.978.881	-	309.978.881	191.763.696	501.742.577
J – Other reserves and transfers from retained earnings	38	-	-	-	-	-	32.892.509	14.294.236	305.758.995	(348.441.250)	(4.504.490)	-	-	-
K – Dividends paid	38	-	-	-	-	-	-	-	-	(60.000.000)	-	(60.000.000)	(45.414.489)	(105.414.489)
IV- Balance at the end of the year – December 31, 2019	15	660.000.000	-	99.474.816	-	(34.192.451)	155.933.995	37.967.904	729.272.142	309.978.881	167.547.326	2.125.982.614	783.522.088	2.909.504.701

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Statement of Profit Distribution
for the Period Ended December 31, 2019

(Currency: Turkish Lira ("TL"))

	Note	Audited Current Period December 31, 2019 ^(*)	Audited Prior Period December 31, 2018
I. PROFIT DISTRIBUTION			
1.1. CURRENT YEAR PROFIT ^(**)		350.548.490	309.275.069
1.2. TAX AND FUNDS PAYABLE	35	(37.227.141)	(27.682.983)
1.2.1. Corporate Income Tax(Income Tax)	35	(37.227.141)	(27.682.983)
1.2.2. Income tax deduction		-	-
1.2.3. Other taxes and Duties		-	-
A. NET PROFIT(1.1 – 1.2)		313.321.349	281.592.086
1.3. PREVIOUS PERIOD LOSSES (-)			
1.4. FIRST LEGAL RESERVE		(15.666.067)	(14.079.604)
1.5. STATUTORY FUND (-)		-	-
B. NET PROFIT DISTRIBUTION [(A-(1.3 + 1.4 + 1.5)]		297.655.282	267.512.482
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	(26.751.248)
1.6.1. Holders of shares		-	(26.751.248)
1.6.2. Holders of Preferred shares		-	-
1.6.3. Holders of Redeemed shares		-	-
1.6.4. Holders of Participation Bond		-	-
1.6.5. Holders of Profit and Loss sharing certificate		-	-
1.7. DIVIDEND TO PERSONNEL (-)		-	(3.378.675)
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	(33.248.752)
1.9.1. Holders of shares		-	(33.248.752)
1.9.2. Holders of Preferred shares		-	-
1.9.3. Holders of Redeemed shares		-	-
1.9.4. Holders of Participation Bond		-	-
1.9.5. Holders of Profit and Loss sharing certificate		-	-
1.10. SECOND LEGAL RESERVE (-)		-	(3.037.868)
1.11. STATUTORY RESERVES (-)		-	-
1.12. EXTRAORDINARY RESERVES		-	(201.095.939)
1.13. OTHER RESERVES		-	-
1.14. SPECIAL FUNDS		-	-
II. DISTRIBUTION OF RESERVES			
2.1. DISTRIBUTION OF RESERVES		-	-
2.2. SECOND LEGAL RESERVES (-)		-	-
2.3. COMMON SHARES (-)		-	-
2.3.1. Holders of shares		-	-
2.3.2. Holders of Preferred shares		-	-
2.3.3. Holders of Redeemed shares		-	-
2.3.4. Holders of Participation Bond		-	-
2.3.5. Holders of Profit and Loss sharing certificate		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III. PROFIT PER SHARE			
3.1. HOLDERS OF SHARES		-	281.592.086
3.2. HOLDERS OF SHARES (%)		-	42.6655
3.3. HOLDERS OF PREFERRED SHARES		-	-
3.4. HOLDERS OF PREFERRED SHARES (%)		-	-
IV. DIVIDEND PER SHARE			
4.1. HOLDERS OF SHARES		-	60.000.000
4.2. HOLDERS OF SHARES (%)		-	9,0909
4.3. HOLDERS OF PREFERRED SHARES		-	-
4.4. HOLDERS OF PREFERRED SHARES (%)		-	-

(*) Since the profit distribution proposal for the year 2019 has not prepared by the Board of Directors, profit distribution table has not been filled yet .

(**) The dividend to be paid to personnel amounting to TL 3.939.929, which is allocated in accordance with TAS 19, has also been added to the December 31, 2019 period profit. In the financial statements prepared in accordance with the equity method in accordance with TAS 27 - Consolidated and Individual Financial Statements standard, 3.129.194 TL Non-Distribution Period Profit, which comes from the accounting of Anadolu Hayat Emeklilik by equity method, has not been subject to Profit Distribution.

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

1 General information

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

As of December 31, 2019, the shareholder having direct or indirect control over the shares of Millî Reasürans Türk Anonim Şirketi (the “Company”) is Türkiye İş Bankası AŞ Group (“İş Bankası”) having 77,06% of the outstanding shares.

The Company was established in February 26, 1929 and has been operating since in July 19, 1929.

On September 30, 2010, the Company purchased 35,53% shares of Anadolu Sigorta Anonim Şirketi with nominal value of TL 177.650.110 from İş Bankası amounting to TL 248.710.154. The transaction is realized on the weighted average price on İstanbul Stock Exchange wholesale market. With the purchase, the share of the Company at Anadolu Sigorta increased to 57,31% and investment increased to TL 286.550.106.

The consolidated financial statements as of December 31, 2019 include the Company and its subsidiary Anadolu Sigorta (together with “the Group”).

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

The Company was registered in Turkey in July 16, 1929 and has the status of “Incorporated Company”. The address of the Company’s registered office is Maçka Cad. No: 35 34367 Şişli İstanbul.

1.3 Main operations of the Company

The Company is primarily engaged in reinsurance and retrocession businesses in domestic and international markets. In 2007, the Company opened a branch in Singapore upon the completion of the necessary local formalities according to the local legislation. Singapore branch has been operating since 2008.

The subsidiary of the Company, Anadolu Sigorta operates in almost all non-life insurance branches consisting of mainly casualty, health, land vehicles, aircraft, ships, marine, fire and natural disasters, general losses, credits, financial losses, and legal protection. As at December 31, 2019, the Company serves through 2.298 agencies of which 2.198 authorized and 100 unauthorized agencies. (December 31, 2018: 2.220 authorized 99 unauthorized total 2.319 agencies)

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

The Company and its subsidiary Anadolu Sigorta conduct their operations in accordance with the Insurance Law No. 5684 (the “Insurance Law”) issued in June 14, 2007 dated and 26552 numbered Official Gazette and the communiqués and other regulations in force issued by Republic of Turkey Ministry of Treasury and Finance (the “Ministry of Treasury and Finance”) based on the Insurance Law.

1 General information (continued)

1.4 Details of the Company's operations and nature of field of activities (continued)

The purpose and activities of the Company as stated at the Articles of Association of the Company are as follows:

- Providing life and non-life reinsurance and other related products and services in all insurance branches and sub-branches to Turkish and foreign insurance companies;
- Managing and participating in reinsurance operations of Pools,
- Purchasing, selling, constructing and renting real estates,
- Purchasing debt instruments and shares issued by all sorts of commercial, industrial and financial institutions and government agencies as well as providing capital or participating in the establishment of such institutions to provide a consistent, secure and adequate financial income,
- In addition to these, carrying out other operations upon recommendation by the Board of Directors and resolution of the General Meeting which are deemed to be beneficial and material for the Company and are not prohibited by the law.

Anadolu Sigorta is incorporated in Turkey and operates in insurance branches as mentioned above Note 1.3 Business of the Company. Anadolu Sigorta's shares have been listed on the Istanbul Stock Exchange ("BIST"). In accordance with Paragraph 5 Article 136 in Section VIII of the Capital Markets Law numbered 6362, insurance companies have to comply with their own specific laws and regulations in matters of establishment, supervision/oversight, accounting and independent auditing standards; therefore, Anadolu Sigorta performs its operations accordingly.

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

The average number of the personnel during the year in consideration of their categories is as follows:

	December 31, 2019	December 31, 2018
Top executive	13	12
Managers	72	70
Assistant managers	189	181
Contracted personnel	6	6
Advisors	2	2
Specialist/ Senior/ Other personnel	1.250	1.201
Total	1.532	1.472

1.6 Remuneration and similar benefits provided to top management

For the year ended December 31, 2019, wages and similar benefits provided to the top management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers is amounting to TL 17.301.542. (December 31, 2018: TL 15.180.272).

1 General information (*continued*)

1.7 Keys used in the distribution of investment income and operating expenses (personnel, administrative, research and development, marketing and selling, services rendered from third parties and other operating expenses) in the financial statements

Procedures and principles related to keys used in the financial statements of the companies are determined in accordance with the January 4, 2008 dated and 2008/1 numbered “Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan” issued by the Republic of Turkey Ministry of Treasury and Finance.

In accordance with the above mentioned Communiqué, insurance and reinsurance companies are allowed to transfer technical section operating expense to insurance section through methods determined by Republic of Turkey Ministry of Treasury and Finance or by the Company itself. In accordance with the approval of the Republic of Turkey Ministry of Treasury and Finance, dated March 6, 2008 and numbered 10222, known and exactly distinguishable operating expenses are distributed to related branches directly and services rendered from third parties and other operating expenses in accordance with the gross premiums written for the last three years.

Income from the assets invested against non-life technical provisions is transferred to technical section from non-technical section; remaining income is transferred to the non-technical section. Income are distributed to the sub-branches in accordance with the percentage calculated by dividing “net cash flow” to the “total net cash flow”, net cash flow being net of reinsurer share and calculated by deducting net losses paid from net written premiums.

Income from the assets invested against mathematical provisions is recorded under technical section; remaining income is transferred to the non-technical section.

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

The accompanying financial statements comprise the consolidated financial information of the Company. Consolidation principles are further discussed in note 2.2 - *Consolidation*.

As at December 31 2019, the Company owns 57.31% of its subsidiary, Anadolu Anonim Türk Sigorta Şirketi (“Anadolu Sigorta”) are included in the scope of consolidation by line-by-line method. Anadolu Hayat Emeklilik AŞ (“Anadolu Hayat”) is associate of Anadolu Sigorta and is consolidated by equity method with share of 21.00% (effective percentage of share: %12,46) and Mıtaş Turizm İnşaat Ticaret A.Ş. is associate of the Company and is consolidated by equity method with share of 77.00% in the consolidated financial statements as at December 31, 2019 and 2018.

Anadolu Sigorta as a subsidiary company of the Group, is operating in almost all of the none-life insurance branches composed of casualty, health, general losses, land vehicless liability, aircraft liability, general liability, credits, financial losses and legal protection.

The activities of Anadolu Hayat involve providing individual and group insurance and reinsurance services relating to group life, individual life, retirement and related personal Casualty branches, establishing retirement funds, developing internal rules and regulations related to these funds, carrying out retirement, annual income insurance, portfolio management and custody contracts for the assets of the funds held in custody.

The Mıtaş Sports Complex has been serving the insurance sector since 1986 with its facilities in various sports, particularly tennis. The International Insurance Tennis Tournament has been held every June at this Complex since 1986, providing a unique environment for local and foreign reinsurers and brokers. In addition to tennis and basketball courses organized every year for youngsters, private tennis lessons are available for adults in the Complex.

1 General information (continued)

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

Trade name of the Company	: Milli Reasürans Türk Anonim Şirketi
Registered address of the head office	: Maçka Cad. No:35 34367 Şişli/İstanbul
The web page of the Company	: www.millire.com

There has been no change in the aforementioned information subsequent to the previous reporting date.

1.10 Subsequent events

There has been no change in the Company's operations, documentation and records or policies after the reporting date.

The financial statements for the period January 1 – December 31, 2019 have been approved by the Board of Directors on 27 February 2020.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

In accordance with Article 136(5) in Section VIII of the Capital Markets Law, numbered 6362 Anadolu Sigorta which is the subsidiaries of the Company and Anadolu Hayat which is the affiliates of the Group complies with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting. Therefore, the Group maintains its books of account and prepares its financial statements in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), and other accounting and financial reporting principles, statements and guidance (collectively "the Reporting Standards") in accordance with the "Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies" as promulgated by the Republic of Turkey Ministry of Treasury and Finance based on Article 18 of the Insurance Law and Article 11 of the 4632 numbered Individual Pension Savings and Investment System Law ("Individual Retirement Law").

In the Article 4 of related regulation, procedures and principles related to insurance contracts, recognition of subsidiaries, jointly controlled associations and associates and formation of consolidated financial statements, financial statements disclosed to public, and explanations related to these statements will be determined by Communiqués issued by Republic of Turkey Ministry of Treasury and Finance.

The form and content of financial statements of companies is regulated by "Communiqué on Presentation of Financial Statements" that is published in Official Gazette dated April 18, 2008 and numbered 26851 in order for comparison of financial statements with previous period and other companies' financial statements.

Financial statements are prepared with the regulations regarding accounting and financial reporting in force the insurance legislation, in matters not regulated by these financial statements are prepared in accordance with the provisions of Turkish Accounting Standards.

Additional paragraph for convenience translation to English

The differences between the accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying consolidated financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries other than Turkey and IFRS.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

Accounting in hyperinflationary countries

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

With respect to the declaration of the Republic of Turkey Ministry of Treasury and Finance with the article dated April 4, 2005 and numbered 19387, consolidated financial statements as of December 31, 2004 are adjusted for the opening balances of 2005 in accordance with the section with respect to inflation accounting of the Capital Markets Board (“CMB”) Communiqué No: 25 of Series XI, “Communiqué on Accounting Standards in Capital Market” published in the Official Gazette dated January 15, 2003 and numbered 25290. Inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Republic of Turkey Ministry of Treasury and Finance. Accordingly, as at December 31, 2019, non-monetary assets and liabilities and items included in shareholders’ equity including paid-in capital recognized or recorded before January 1, 2005 are measured as restated to December 31, 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders’ equity including paid-in capital recognized or recorded after January 1, 2005 are measured at their nominal values.

Other accounting policies

The Company recorded premiums, commissions and claims accruals based on the notifications sent by the insurance and reinsurance companies after the closing of their balances. Premiums, commissions and claims accruals are recorded in the accompanying financial statements with the three-month delay. Therefore, related income statement balances include last quarter results for the year ended December 31, 2018 and nine-month results as at and for the period ended September 30, 2019 and accordingly related balance sheet balances as of December 31, 2019 do not reflect the actual position. According to the letter dated August 31, 2010 and numbered B.02.1.HZN.0.10.03.01/42139 sent by the Republic of Turkey Ministry of Treasury and Finance to the Company, it is stated that account statements sent by the ceding companies are subject to possible delays and the Republic of Turkey Ministry of Treasury and Finance is considered special situations of the reinsurance companies in their regulations.

Information regarding other accounting policies is disclosed above in “Note 2.1.1 - *Information about the principles and the specific accounting policies used in the preparation of the financial statements*” and each under its own caption in the following sections of this report.

2.1.3 Valid and presentation currency

The accompanying consolidated financial statements are presented in TL, which is the Group’s valid reporting currency.

2.1.4 Rounding scale of the amounts presented in the financial statements

Financial information presented in TL, has been rounded to the nearest TL values.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

The accompanying consolidated financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until December 31, 2004, except for the financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments, self-used buildings and investment properties recorded in tangible assets and associates which are measured at their fair values unless reliable measures are available.

2.1.6 Accounting policies, changes in accounting estimates and errors

Accounting of fire and earthquake premiums obtained from foreign reinsurance treaties on the basis of branches

Fire and earthquake premiums obtained from foreign reinsurance treaties could not be accounted on the basis of branches in the previous years due to limitations imposed by local legislation of the foreign countries, notification characteristics of the treaties and total premiums used by foreign companies in the reconciliation process. Therefore, all premiums obtained from aforementioned treaties are accounted on the fire branch. According to the letter dated August 2, 2011 and numbered B.02.1.HZN.0.10.03.01/38732 sent by the Republic of Turkey Ministry of Treasury and Finance to the Company, it is allowed to use average rate calculated over separately reported fire and earthquake premiums for unclassified premiums of proportioned treaties. Furthermore, according to the letter dated August 12, 2011 sent by the Republic of Turkey Ministry of Treasury and Finance to the Company, prospective application as at June 30, 2011 effective from January 1, 2011 is allowed since retrospective application is impossible. Accordingly, financial statements prepared as of December 31, 2019, premiums obtained from foreign proportioned treaties are accounted on the basis of average earthquake premium ratio calculated from foreign proportioned treaties over the period of January 1, 2019 – December 31, 2019. The same ratio is used for unproportioned reinsurance treaties in accordance with the Communiqué released on July 28, 2010 and numbered 27655 “Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves”. Distribution of commissions and claims between the fire and earthquake branches is parallel with the aforementioned method.

According to the letter dated January 12, 2012 and numbered B.02.1.HZN.0.10.03.01/854 sent by the Republic of Turkey Ministry of Treasury and Finance to the Company, determination of final claims for the last business year used in IBNR calculation has been changed as of December 31, 2011. Accordingly, the final premium amount earned for the last business year is determined by considering premium development factors since premiums may be accrued in the following years under the terms of the agreements. Based on the calculated final premium amount of the last business year, unearned premium reserves and earned premiums are determined. Aforementioned earned premium amount is multiplied by the average of claim/premium ratio of the previous years to determine final claims amount of the last business year. IBNR is calculated by subtracting the paid and reported claims of the last business year from the final claims amount determined by the aforementioned method. In addition, IBNR amounts reported by sedan companies are taken into consideration and in order to prevent duplicate provision; paid claims, outstanding claims reserve and premiums of reported claims are excluded from the data set used in the calculation of IBNR. The Company determined final IBNR amount by adding reported IBNR amounts to IBNR amounts calculated from the data prepared in accordance with the principals mentioned above.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.6 Accounting policies, changes in accounting estimates and errors (continued)

According to 16th article of “Circular on Actuarial Chain Ladder Method (2010/12)” dated September 20, 2010 and announced by Republic of Turkey Ministry of Treasury and Finance, ACML calculation should be made through main branches. However, as of December 31, 2012, the Company has calculated ACML reserve for General Damages main branch as two separate subbranches namely agriculture and non agriculture branches. Because, Agriculture and Engineering subbranches under General Damages main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Damages branch produces unreliable and improper results. The Company applied to Republic of Turkey Ministry of Treasury and Finance on January 17, 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Damages branch as agriculture and non-agriculture sub branches separately. Republic of Turkey Ministry of Treasury and Finance has given permission the Company in order to calculate IBNR reserve for General Damages within two sub branches with the letter dated January 28, 2013 and numbered 24179134. As at December 31, 2019, the Company recognised the amount that arose due to change in calculation method for IBNR on General Damages branch.

Significant changes in accounting policies and significant accounting misstatements are applied retrospectively and prior period financial statements are restated. If the changes in accounting estimates are for only one period, they are applied prospectively both in the current period when the change is made and in the future period if the change is made.

Critical accounting judgements used in applying the Company’s accounting policies are explained in 3 – *Significant accounting estimates and requirements*.

Miltaş Turizm İnşaat Ticaret A.Ş., which is the subsidiary of the Company, is subject to the exceptions predicted in the Consolidation Communiqué; As the total assets of the subsidiary are less than one percent of the Company's total assets, they are excluded from the scope of full consolidation and the retrospective effects of the amendments using the equity method defined in the relevant TFRS are shown below:

Restatement of detailed the balance sheet as of January 1, 2018:

Detailed Balance Sheet	Previously Reported	Restated	Effect	(*)
	January 1, 2018	January 1, 2018		
II- Non-Current Assets	927.983.192	930.087.227	2.104.035	B
D- Financial Assets	197.258.522	199.362.557	2.104.035	B
4- Subsidiaries	1.092.707	3.196.742	2.104.035	B
V- Equity	2.064.649.465	2.066.753.500	2.104.035	B
C- Profit Reserves	303.156.167	305.814.004	2.657.837	B
1- Legal Reserves	104.543.229	104.684.320	141.091	B
6- Other Profit Reserves	21.866.864	24.383.610	2.516.746	B
D- Previous Years' Profits	295.707.526	295.004.364	(703.162)	B
1- Previous Years' Profits	295.707.526	295.004.364	(703.162)	B
F- Net Profit of the Period	189.520.109	189.669.469	149.360	B
1- Net Profit of the Period	189.520.109	189.669.469	149.360	B

2 Summary of significant accounting policies (continued)

2.2 Consolidation

“Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Individual Pension Companies” issued by the Republic of Turkey Ministry of Treasury and Finance in the Official Gazette dated 31 December 2008 and numbered 27097 (“the Circular for Consolidation”) requires that insurance, reinsurance and individual pension companies issue consolidated financial statements starting from 31 March 2009. The Company consolidated its subsidiary Anadolu Sigorta by using line-by-line method.

Anadolu Hayat which is associate of Anadolu Sigorta and Miltaş which is the subsidiary of the Company are consolidated by the equity method.

The Company has not consolidated Miltaş Turizm A.Ş., the subsidiary of the Company, based on the exception specified in the Circular for Consolidation; as the amount of total assets of such subsidiary was below 1% of total assets of the Company. The Company accounted for Miltaş as of December 31, 2019 and 2018 by the equity method as mentioned above.

Subsidiaries are entities controlled by the Company.. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

The subsidiary, Anadolu Sigorta included in consolidation and effective shareholding percentages of the Company are as follows. The information related to the associate of the Company, Anadolu Hayat and Mitaş which are consolidated using equity method is presented in Note 9.

	Company	Direct and indirect controlling interest	Direct controlling interest	Total assets	Shareholders' equity	Prior period profit	Current period profit
December 31, 2019	Anadolu Sigorta (consolidated)	%57,31	%57,31	9.439.606.053	1.827.674.315	72.459.667	449.200.726
December 31, 2018	Anadolu Sigorta (consolidated)	%57,31	%57,31	7.576.987.749	1.319.162.272	80.319.522	324.506.976

Transactions eliminated on consolidation

Anadolu Sigorta's balance sheet and income statement is consolidated by line-by-line method and the book value of Anadolu Sigorta in the Company's accounts and the capital amount in the Anadolu Sigorta accounts are eliminated. Intra-group balances and transactions between the Company and Anadolu Sigorta, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The accounting policies of subsidiary have been changed when necessary to align them with the policies adopted by the Company.

Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Net profit or loss of subsidiary, applicable to the non-controlling interest are presented under "Non-controlling interest" account under consolidated statement of income.

2 Summary of significant accounting policies (continued)

2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. As of December 31, 2019 and 2018, the Company operates in life and non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

2.4 Foreign currency transactions

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

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

2.5 Tangible assets

Except buildings for own use, tangible assets are recorded at their historical costs that have been adjusted according to the inflation rates until the end of December 31, 2004. There have been no other inflationary adjustments for these tangible assets for the following years and therefore they have been recorded at their costs indexed to the inflation rates for December 31, 2004. Tangible assets that have been purchased after January 1, 2005 have been recorded at their costs excluding their exchange rate differences and finance expenses less impairment losses if any.

The Group has started to show based on the revaluation model by measuring over fair value as of the third quarter of the 2015 year by making changes in the use of the property which is measuring the cost model in the financial statements before.

Buildings for own use are recognized by fair value that are determined in valuations made by independent valuation experts who have professional competency by reducing their values accumulated depreciation. Accumulated depreciation at the date of revaluation is deducted from gross book value and net amount is brought to values after revaluation.

2 Summary of significant accounting policies (continued)

2.5 Tangible assets (continued)

Increase arising from the revaluation of lands and buildings for own use are presented under the other capital reserves in the equity excluding tax. As a result of property based evaluation, value decreases that correspond the previous period value increases are deducted from related fund; other decreases are recognized in income statement.

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net carrying value and the proceeds from the disposal of related tangible assets and reflected to the statement of income of the related period.

Lands are not amortised due to their unlimited useful life. Tangible assets are depreciated on a straight-line basis over their estimated useful lives (3-15 years) over the cost of the asset or revaluated amounts.

Maintenance and repair costs incurred in the ordinary course of the business are recorded as expense.

There are no pledges, mortgages and other encumbrances on tangible fixed assets.

There are no changes in accounting estimates that have significant effect on the current period or that are expected to have significant effect on the following periods.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets at cost.

Depreciation rates and estimated useful lives are as follows

Tangible assets	Estimated useful lives (years)	Depreciation rates (%)
Buildings for own use	50	2,0
Fixtures and installations	3 - 16	6,7 - 33,3
Machinery and equipment	3 - 16	6,3 - 33,3
Vehicles	5	20,0
Other tangible assets (includes leasehold improvements)	5 - 10	10,0 - 20,0
Leased Assets	3 - 10	10,0 - 25,0

2 Summary of significant accounting policies (continued)

2.6 Investment property

Investment properties are held either to earn rentals and/or for capital appreciation or for both.

Investment properties are initially recorded at cost and subsequently measured at their fair values. The changes which result of fair value valuation recognised in the income statement.

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.

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.

The fair value on the date of change in the usage is considered as cost in the reclassification recognition when investment property that measured with fair value is reclassified as a tangible asset.

2.7 Intangible assets

The Group's intangible assets consist of computer software, goodwill and advances on intangible assets.

Intangible assets are recorded at cost in compliance with the "TAS 38 – Accounting for intangible assets". The cost of the intangible assets purchased before December 31, 2004 are restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

The Group differentiates the depreciation shares of intangible assets based on their useful lives, using the straight-line method, over their cost values. The amortization period of intangible assets is between 3 and 15 years.

Costs associated with developing or maintaining computer software programs are recognized as expense when incurred. Costs that are directly associated with the development of identifiable and unique software products that are controlled by the Group 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 (not exceeding three years).

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gain or losses on the disposal of an entity includes the carrying amount of goodwill relating to the entity disposed of.

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocations made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arises.

The Group has acquired the health portfolio of Anadolu Hayat Emeklilik A.Ş. as of August 31, 2004 with all of its rights and liabilities. The value at acquisition of the portfolio amounting to TL 16.250.000 is capitalized as goodwill by the Group.

2 Summary of significant accounting policies (continued)

2.8 Financial assets

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Securities are recognized and derecognized at the date of settlement.

Financial assets are classified in four categories; as financial assets held for trading, available-for-sale financial assets, held to maturity financial assets, and loans and receivables.

Financial assets at fair value through profit or loss are presented as financial assets held for trading in the accompanying consolidated financial statements and trading securities and derivatives are included in this category. Financial assets at fair value through profit or loss measured at their fair values and gain/loss arising due to changes in the fair values of related financial assets are recorded in the statement of income. Interest income earned on trading purpose financial assets and the difference between their fair values and acquisition costs are recorded as interest income in the statement of income. In case of disposal of such financial assets before their maturities, the gains/losses on such disposal are recorded under trading income/losses. Accounting policies of derivatives are detailed in note 2.10 – Derivative financial instruments.

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

Held to maturity financial assets are the financial assets with fixed maturities and fixed or pre-determined payment schedules that the Company has the intent and ability to hold until maturity, excluding loans and receivables. Subsequent to initial recognition, held to maturity financial assets and loans and receivables are measured at amortized cost using effective interest rate method less impairment losses, if any. The Company has no financial assets that are not allowed to be classified as held to maturity financial assets for two years due to the tainting rules applied for the breach of classification rules.

Available-for-sale financial assets are the financial assets other than assets held for trading purposes, held-to-maturity financial assets and loans and receivables.

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Unrecognized gains or losses derived from the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in “Revaluation of financial assets” under shareholders’ equity. Upon disposal, the realized gain or losses are recognized directly in the consolidated statement of income.

The determination of fair values of financial instruments not traded in an active market is determined by using valuation techniques. Observable market prices of the quoted financial instruments which are similar in terms of interest, maturity and other conditions are used in determining the fair value..

In the accompanying consolidated financial statements, Anadolu Hayat, associate of the Group, and Miltas , subsidiaries of the Group , has been consolidated by using the equity method of accounting.

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

2 Summary of significant accounting policies (continued)

2.9 Impairment on assets

Impairment on financial assets

Financial assets or group of financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the Group estimates the amount of impairment. Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) (“loss event(s)”) incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

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

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

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

Impairment on tangible and intangible assets

On each balance sheet date, the Group evaluates whether there is an indication of impairment of fixed assets. If there is an objective evidence of impairment, the asset’s recoverable amount is estimated in accordance with the “TAS 36 – Impairment of Assets” and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

Rediscount and provision expenses of the year are detailed in *Note 47*.

2 Summary of significant accounting policies (continued)

2.10 Derivative financial instruments

Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 – Financial Instruments: Recognition and measurement.

The Company recognizes the profit and loss that arise from the Swap contracts in statement of income.

Derivative financial instruments are initially recognized at their fair value.

The receivables and liabilities arising from the derivative transactions are recognized under the off-balance sheet accounts through the contract amounts.

Derivative financial instruments are subsequently remeasured at fair value and positive fair value differences are presented either as “income accruals” and negative fair value differences are presented as “other financial liabilities” in the accompanying financial statements. All unrealized gains and losses on these instruments are included in the statement of income.

2.11 Offsetting of financial assets

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

Income and expenses are presented on a net basis only when permitted by the Reporting Standards, or for gains and losses arising from a group of transactions resulting from the Group’s similar activities like trading transactions.

2.12 Cash and cash equivalents

Cash and cash equivalents, which is the basis for the preparation of the statement of cash flows includes cash on hand, cheques received, other cash and cash equivalents, demand deposits and time deposits at banks having an original maturity less than 3 months which are ready to be used by the Group or not blocked for any other purpose.

2 Summary of significant accounting policies (continued)

2.13 Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group. As of December 31, 2019 and 2018, the share capital and ownership structure of the Company are as follows:

Name	December 31, 2019		December 31, 2018	
	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)
Türkiye İş Bankası A.Ş.	508.573.072	77,06	505.810.925	76,64
Milli Reasürans TAŞ Mensupları Yardımlaşma Sandığı Vakfı	69.604.854	10,55	69.604.854	10,55
Groupama Hayat A.Ş. *	38.809.894	5,88	38.809.894	5,88
Ankara Doğal Elektrik Üretim ve Ticaret A.Ş.	22.240.456	3,37	22.240.456	3,37
T.C. Ziraat Bankası A.Ş.	16.430.944	2,49	16.430.944	2,49
Other	4.340.780	0,65	7.102.927	1,07
Paid Capital	660.000.000	100,00	660.000.000	100,00

(*) As of April 12, 2019, the name of Groupama Emeklilik A.Ş. is changed to Groupama Hayat A.Ş.

Sources of capital increases during the period

The company has not performed capital increase as of December 31, 2019 (December 31, 2018: None).

Privileges on common shares representing share capital

There are no privileges on common shares representing share capital.

Registered capital system in the Company

None.

Repurchased own shares by the Company

None.

2 Summary of significant accounting policies (continued)

2.14 Insurance and investment contracts - classification

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

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

The Group acts as a reinsurer when writing insurance from an insurance company (cedent) on the basis of reinsurance contracts and cedes insurance business to another retrocessionaire (the retrocedant) on the basis of retrocession contracts.

As at the reporting date, the Group does not have a contract which is classified as an investment contract.

2.15 Insurance contracts and investment contracts with discretionary participation feature

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

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

As of balance sheet date, the Group does not have any insurance or investment contracts that contain a DPF.

2.16 Investment contracts with discretionary participation feature

As of the reporting date, the Group does not have any insurance contracts and investment contracts without discretionary participation feature.

2.17 Liabilities

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

2 Summary of significant accounting policies (continued)

2.18 Income taxes

Corporate tax

Statutory income is subject to corporate tax at 22%. (However, according to the Provisional Article 10 added to the Corporate Tax Law, the corporate tax rate of 20% is calculated as 22% for the corporate earnings for the fiscal periods starting in the related year for the institutions whose special accounting periods are assigned to the taxation periods of 2018, 2019 and 2020 will be implemented. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

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

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

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the last day of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

According to Turkish tax legislation, financial losses on the returns can be offset against period income for up to 5 years. However, financial losses cannot be offset against previous years' profits.

Deferred tax

In accordance with TAS 12 – *Income taxes*, deferred tax assets and liabilities are recognized on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

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

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot be retrospectively offset against the profits of previous years.

2 Summary of significant accounting policies (continued)

2.18 Income taxes (continued)

Deferred tax (continued)

In case where gains/losses resulting from the revaluation of the assets are recognized in the statement of income, then the related current and/or deferred tax effects are also recognized in the statement of income. On the other hand, if such gains/losses are recognized as an item under equity, then the related current and/or deferred tax effects are also recognized directly in the equity.

Since the applicable tax rate has been changed to 22% for the 3 years beginning from January 1, 2018, 22% tax rate is used in the deferred tax calculation of December 31, 2018 and 2019 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

Transfer pricing

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

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

2 Summary of significant accounting policies (continued)

2.19 Employee benefits

Pension and other post-retirement obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his/her dependants will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Employees of the Company are the members of “Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı (“Milli Reasürans Pension Fund”) and the employees of Anadolu Sigorta are the members of Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı (“Anadolu Anonim Pension Fund”) which is established in accordance with the temporary Article 20 of the Social Security Act No: 506.

As per the temporary sub article No: 20 of the Article 73 of the Social Security Law, pension funds should be transferred to the Social Security Institution within three years after the publication of the aforementioned Law published in the Official Gazette numbered 26870 and dated May 8, 2008 . Decree of the Council of Ministers about two years extending transfer duration, was published in the Official Gazette on April 9, 2011. Based on this, expiration date has been extended to May 8, 2013 from the expiration date on 8 May 2011. On March 8, 2012, “Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees” numbered 28227, was published on Official Gazette and 4th article of this act changed “two years” phrase as “four years” which takes part on second sentence of first clause of 20th article of the code numbered 5510. Also, under the scope of Decree of the Council of Ministers numbered 2013/4617 was published on Official Gazette numbered 28636, on May 3, 2013 and 20th temporary article of the Social Security Laws numbered 506 banks, insurance and reinsurance companies, chambers of commerce, stock markets or participants of pension funds and salary or income provided ones and their shareholders’ transfer duration has been extended one year to the Social Security Institution by Decree of the Council of Ministers.

Employees of the Company are the members of “Milli Reasürans Türk Anonim Şirketi Memurları Emekli ve Sağlık Sandığı (“Milli Reasürans Pension Fund”) which is established in accordance with the temporary Article 20 of the Social Security Act No: 506. As per the temporary sub article No: 20 of the Article 73 of the Social Security Law, pension funds should be transferred to the Social Security Institution within three years after the publication of the a aforementioned Law published in the Official Gazette numbered 26870 and dated May 8, 2008. The related three-year transfer period has been prolonged for two years by the Cabinet decision, which was published on the Official Gazette dated April 9, 2011. Accordingly, the three-year period expired on May 8, 2011 was extended to May 8, 2015. The principles and applications of the transfer will be determined by the Decree of the Council of Ministers separately.

Lastly, first paragraph of temporary 20th article of 5510 numbered Law, article 51 of the law regarding changing of several laws and delegated legislations and the law of occupational health and safety which are published in April 23, 2015 dated Official Gazette is changed as following.

Funds participating, pensioned or endowed and beneficiaries of the established funds for the personnel of banks, insurance and reinsurance companies, chambers of commerce, chamber of industries, stock exchanges or is organized by them under the temporary 20th article of law no. 506, Council of Ministers is entitled to determine the date of transfer to Social Security Institution. As of the transfer date, fund participatings are regarded as social insurant in accordance with the (a) sub clause of first sub articles of 4th article of related law.

In accordance with the Act, as of the transfer date, present value of the liabilities will be determined by considering the income and expense of the pension fund.

The cash value of the obligations of the pension fund for each member of the fund including members left the fund as of the transfer date will be calculated according to following assumptions:

- a) Technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and
- b) Gains and losses of the funds stems from benefits covered by the aforementioned Law taken into accounts to calculate present value of the obligations.

2 Summary of significant accounting policies (continued)

2.19 Employee benefits (continued)

Employee termination benefits

In accordance with existing Turkish Labor Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as of December 31, 2019 is TL 6.380 (December 31, 2018: TL 5.434).

The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 – *Employee Benefits*. The major actuarial assumptions used in the calculation of the total liability as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Discount rate	%4,20	%4,22
Expected rate of salary/limit increase	%7,20-10,30	%11,30
Estimated employee turnover rate	%2,00-3,29	%2,00-3,29

The above expected rate of salary/limit increase is determined according to the annual inflation expectations of the government.

Other benefits

The Group has provided for undiscounted short-term employee benefits earned during the year as per services rendered in compliance with *TAS 19* in the accompanying financial statements.

2.20 Provisions

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Group discloses the contingent asset.

2.21 Revenue recognition

Written premiums

Written premiums represent premiums taken from insurance and reinsurance companies as a reinsurance company. Premiums ceded to retrocession companies are accounted as “written premiums, ceded” in the profit or loss statement. Written premiums are recorded upon the receipt of quarterly statements of accounts from ceding companies in treaties whereas facultative accounts are registered upon the receipt of monthly payrolls.

2 Summary of significant accounting policies (continued)

2.21 Revenue recognition (continued)

Claims paid

Claims paid represent payments of the Group as a reinsurance company when risks taken from insurance and reinsurance companies are realized. Claims are recognized as expense upon the receipt of notifications. Notifications have not specific periods and depend on the initiative of the insurance and reinsurance companies.

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

Subrogation, salvage and quasi income

According to the Circular 2010/13 dated September 20, 2010; the Company may account for income accrual for subrogation receivables without any voucher after the completion of the claim payments made to the insurer. If the amount cannot be collected from the counterparty insurance company, the Company provides provision for uncollected amounts due for six months. If the counter party is not an insurance Company, the provision is provided after four months. As at the reporting date, in accordance with the related circular the Company provided TL 55.051.547 (December 31, 2018: TL 53.427.320) subrogation receivables and recorded TL 61.848.008 (December 31, 2018: TL 60.020.233) (Note 12) net subrogation and salvage receivables under receivables from main operations. The Company provided allowance for uncollected subrogation receivables amounting to TL 28.174.144 (December 31, 2018: TL 16.172.744) (Note 12) in accordance with circular.

For the years ended December 31, 2019 and 2018, salvage and subrogation collected are as follows:

	December 31, 2019	December 31, 2018
Land Vehicles	488.773.672	423.241.868
Land Vehicleless Liability	9.773.051	17.588.788
Fire and Natural Disasters	3.697.414	5.764.609
Marine	1.046.428	1.825.561
General Damages	592.116	539.786
General Liability	59.570	522.635
Sea Vehicles	22.492	1.708.765
Casualty	1.725	29.510
Credit	-	43.431
Total	503.966.468	451.264.953

2 Summary of significant accounting policies (continued)

2.21 Revenue recognition (continued)

Subrogation, salvage and quasi income (continued)

As of December 31, 2019 and 2018, accrued subrogation and salvage income per branches is as follows:

	December 31, 2019	December 31, 2018
Land Vehicles	36.130.567	37.986.441
Land Vehicles Liability	16.014.366	14.347.839
Fire and Natural Disasters	7.752.757	4.819.028
General Damages	824.538	1.052.905
Marine	705.698	1.546.994
Casualty	232.701	232.209
Sea Vehicles	131.857	34.817
General Liability	55.524	-
Total	61.848.008	60.020.233

Commission income and expenses

As further disclosed in Note 2.24 - *Reserve for unearned premiums*, commissions paid to the insurance and reinsurance companies as a reinsurance company and the commissions received from the reinsurance companies are recognized over the life of the contract by deferring commission income and expenses within the calculation of reserve for unearned premiums for the policies produced before January 1, 2008 and recognizing deferred commission income and deferred commission expense in the financial statements for the policies produced after January 1, 2008.

Interest income and expenses

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

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

Trading income/expense

Trading income/expense includes gains and losses arising from disposals of financial assets held for trading purpose and available-for-sale financial assets. Trading income and trading expenses are recognized as "Income from disposal of financial assets" and "Loss from disposal of financial assets" in the accompanying consolidated financial statements.

Dividends

Dividend income is recognized when the Group's right to receive payment is ascertained.

2 Summary of significant accounting policies (continued)

2.22 Leasing transactions

Tangible assets acquired by way of finance leasing are recognised in tangible assets and the obligations under finance leases arising from the lease contracts are presented under finance lease payables account in the financial statements. In the determination of the related assets and liabilities, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs of leasing agreements are expanded in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through financial lease and in the expected future benefits, the leased assets are valued with net realisable value. Depreciation for assets obtained through financial lease is calculated in the same manner as tangible assets.

Summary of the new standards, amendments and interpretations:

Set out below are the new accounting policies of the Group upon adoption of TFRS 16.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

2 Summary of significant accounting policies (continued)

2.22 Leasing transactions (continued)

The right of use which is calculated on leasing agreements is accounted under “Property, Plant and Equipment” account.

The interest expense on the lease obligation is accounted under “Investment Management Expense - Including Interest”, and the depreciation expense of the usage right asset is accounted under “Depreciation and Amortization Expenses ”

Information on the duration of the operating leases and discount rates applied are as follows:

Assets subject to operational leasing	Contract Period (Year)	Discount Rate - TL (%)
Buildings	2-10 years	1,94-24,42

2.23 Dividend distribution

It is decided in Ordinary General Assembly Meeting of the Company, held on March 25, 2019, to make a dividend payment of TL 60.000.000 to shareholders and to allocate remaining balance as voluntary reserves from the net period income amounting to TL 278.213.412, from 2018 activities of the Company, after the legal reserves are allocated and TL 59.981.259 has been paid in cash and TL 18.741 has been recognized in due to shareholders account under short term liabilities.

2.24 Unearned premiums reserve

In accordance with the “Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves” (“Communiqué on Technical Reserves”) which was issued in 26606 numbered and August 7, 2007 dated Official Gazette and put into effect starting from January 1, 2008, the reserve for unearned premiums represents the proportions of the gross written premiums without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the reporting date for all short-term insurance policies. Nonetheless;

Unearned premium reserves are calculated on the basis of 1/8 for reinsurance and retrocession transactions that are not subject to basis of day or 1/24 due to application limitations,

For commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves.

In line with the Communiqué on Technical Reserves, the calculation of unearned premium reserve is performed as follows by the Group: for proportional reinsurance contracts, on the basis of 1/8 over the ceded premiums for treaty and facultative contracts, for commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves and for non-proportional reinsurance contracts, on the basis on day by considering beginning and ending of the contracts. The Company calculates reserve for unearned premiums for ceded premium as retrocedant on the same basis.

2 Summary of significant accounting policies (continued)

2.24 Unearned premiums reserve (continued)

Unearned premiums reserve is calculated for all insurance contracts except for the contracts for which the mathematical reserve is provided. Unearned premiums reserve is also calculated for the annual premiums of the annually renewed long term insurance contracts.

In accordance with the “Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves” (“Communiqué on Technical Reserves”) which was issued in 26606 numbered and August 7, 2007 dated Official Gazette and put into effect starting from 1 January 2008, the reserve for unearned premiums represents the proportions of the gross written premiums without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the reporting date for all short-term insurance policies. For commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves.

Since the Communiqué on Technical Reserves was effective from January 1, 2008, the Republic of Turkey Ministry of Treasury and Finance issued July 4, 2007 dated and 2007/3 numbered “Circular to Assure the Compliance of the Technical Reserves of Insurance, Reinsurance and Pension Companies With the Insurance Law No.5684” (“Compliance Circular”) to regulate the technical provisions between the issuance date and enactment date of the Communiqué on Technical Reserves. In accordance with the Compliance Circular, it is stated that companies should consider earthquake premiums written after June 14, 2007 in the calculation of the reserve for unearned premiums while earthquake premiums were deducted in the calculation of the reserve for unearned premiums before. Accordingly, the Company has started to calculate reserve for unearned premiums for the earthquake premiums written after June 14, 2007, while the Company had not calculated reserve for unearned premiums for the earthquake premiums written before June 14, 2007.

According to the 2009/9 Numbered Circular Related to Application of Technical Reserves issued on March 27, 2009 which published by Republic of Turkey Ministry of Treasury and Finance reserve for unearned premiums is calculated by taking into account that all policies become active at 12:00 at noon and end at 12:00 at noon.

According to the Communiqué on Technical Reserves, for the calculation of unearned premium reserves of foreign currency indexed insurance agreements, foreign currency selling exchange rates announced by Turkish Central Bank will be used, unless there is a specified exchange rate in the agreement.

According to the “Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves” published in Official Gazette no 27655 dated July 28, 2010; there is no change in the calculation of reserve for unearned premiums for reinsurance companies.

As of the reporting date, the Group has provided unearned premiums reserve amounting to TL 3.899.597.423 (December 31, 2018: TL 3.280.229.790) and reinsurer share in unearned premiums reserve amounting TL 868.053.967 (December 31, 2018: TL 732.987.716) Furthermore, unearned premiums reserve includes Social Security Institution (“SSI”) share amounting to TL 74.462.604 (December 31, 2018: TL 63.611.725).

2 Summary of significant accounting policies (continued)

2.25 Outstanding claims reserves

Claims are recorded in the year in which they occur, based on reported claims or on the basis of estimates when not reported. Outstanding claims reserve represents the estimate of the total reported costs of notified claims on an individual case basis at the reporting date as well as the corresponding handling costs. Incurred but not reported claims (“IBNR”) are also provided.

Claims incurred before the accounting periods but reported subsequent to those dates are considered as incurred but not reported (“IBNR”) claims.

December 5, 2014 dated “Circular regarding Outstanding Claims Reserve (2014/16)” and 2010/12 numbered “Circular regarding actuarial chain ladder method” of Republic of Turkey Ministry of Treasury and Finance is abolished except Article 9 and 10. According to circular that explains ACML measurement method, insurance and reinsurance companies calculate ACML with six different methods as “Standard Chain, Damage/Premium, Cape Cod, Frequency/Intense, Munich Chain and Bornhuetter-Ferguson.

The selection of data to be used, correction operations, selection of the most appropriate method and growth factors and interference to growth factors is made by the Company’s actuaries by using actuarial methods on the basis of branches. This matter is detailed in the actuarial report that is sent to Republic of Turkey Ministry of Treasury and Finance according to Article 11 of Actuaries Regulation. Actuary of Anadolu Sigorta selects the correct factors for the actuarial analysis and to write back and to calculate the damage growth factors.

In the compulsory traffic branch the physical and bodily damages, and in the General Responsibility branch the employer’s liability, medical injury compensation, professional liability and other liability branches are being analyzed separately.

The Company’s actuary uses %9 which is the latest statutory rate of interest in the Official Gazette for the discount process in accordance with "General Instructions Regarding The Cash Flow From Outstanding Claim Reserves And Their Discounts" numbered 2016/22 which regulates the processes involving the discount of cash flow from outstanding claims reserve.

Anadolu Sigorta has used the gradual transition curve which was published by the Republic of Turkey Ministry of Treasury and Finance "General Instructions Regarding to the Changes in the General Instructions Regarding Outstanding Claim Reserves (2014/16)" which was published in February 29th, 2016 with the number 2016/11. The company has used these gradual transition curve with 100% accuracy and has reflected the calculations on the official statements as of December 31, 2016 and has continued to use same method in the current period.

Anadolu Sigorta, according to Provisional Article 12 of the Regulation on the Amendment of the Regulation on Tariff Implementation Principles in the Compulsory Motor Insurance for Compulsory Liability for Land Vehicles, published in the Official Gazette dated July 11, 2017 and numbered 30121, the "Risk Insured Pool" has been established for those vehicle groups with high damage frequencies. In this context, the premiums and damages related to the traffic insurance policies issued within the scope of the pool starting on April 12, 2017 have started to be shared among insurance companies within the framework of the principles determined by the Undersecretariat of Turkish Motor Vehicle Office.

“Summary Actuarial Evaluation Report with respect to Final Claim/Premium Range of Risky Insurance”, shared by TMTB, was based while calculating IBNR for pool portfolio, transferred and taken over in scope of the pooling application in question of Anadolu Sigorta.

After the change in legislation, by the Turkish Motor Vehicles office (TMTB) within the scope of monthly declarations, accounting records were created on premiums, damages and commission amounts transferred the pool and transferred to the pool according to its share, and also accounting was made for the amounts for the period not yet communicated by the Turkish Motor Vehicles office.

2 Summary of significant accounting policies (continued)

2.25 Outstanding claims reserves (continued)

Except for the life branch, outstanding claims reserves consists of claims are recorded in the year in which they occur, based on reported claims and the difference between the result of the actuarial chain ladder method whose content and application criteria stated by the Republic of Turkey Ministry of Treasury and Finance and reported but not settled claims are considered as incurred but not reported (“IBNR”) claims. Actuarial chain ladder method may be differentiated by the Republic of Turkey Ministry of Treasury and Finance for reinsurance companies due to their special conditions. Methods for the calculation of provision for incurred but not reported claims are determined by the Republic of Turkey Ministry of Treasury and Finance in the life-branch. The ACML methods selected for each branch is provided in the following section. The Group could not perform big claim elimination by Box Plox.

Branches	December 31, 2019		December 31, 2018	
	Milli Reasürans	Anadolu Sigorta	Milli Reasürans	Anadolu Sigorta
Fire and Natural Disasters	Standard Chain	Standard Chain	Standard Chain	Standard Chain
General Damages ^(*)	Standard Chain	Standard Chain	Standard Chain	Standard Chain
General Liability	Standard Chain	Cape Cod	Standard Chain	Cape Cod
Land Vehicles Liability	Standard Chain	Cape Cod	Standard Chain	Cape Cod
Marine	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Sea Vehicles	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Land Vehicles	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Casualty	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Health	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Air Vehicles	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Legal Protection	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Sea Vehicles Liabilities	Sector Average (Insurance Association of Turkey 09/2019)	Standard Chain	Sector Average (Insurance Association of Turkey 09/2018)	Standard Chain
Air Vehicles Liability	Sector Average (Insurance Association of Turkey 09/2019)	Standard Chain	Sector Average (Insurance Association of Turkey 09/2018)	Standard Chain
Fidelity Guarantees	Sector Average (Insurance Association of Turkey 09/2019)	-	Sector Average (Insurance Association of Turkey 09/2018)	--
Financial Losses	Sector Average (Insurance Association of Turkey 09/2019)	Standard Chain	Sector Average (Insurance Association of Turkey 09/2018)	Standard Chain
Credit	Sector Average (Insurance Association of Turkey 09/2019)	Standard Chain	Sector Average (Insurance Association of Turkey 09/2018)	Standard Chain
Life	Sector Average (Insurance Association of Turkey 09/2019)	-	Sector Average (Insurance Association of Turkey 09/2018)	--
Facultative Third Party Liability	-	Standard Chain	-	Standard Chain

(*)Two separate calculations have been made as agriculture and non agriculture sub branches. (Milli Reasürans T.A.Ş.).

The Company, as a reinsurance company, selects data, adjustments, applicable methods and development factors by itself over the data obtained from insurance companies on a branch basis via actuarial methods. According to the article 11 clause 5 of “Circular on Actuarial Report for Non-Life Insurance Branch” dated 6 November 2008, selections and results should be assess in detail in actuarial report by the actuary.

The Company does not have sufficient data for ships, aircraft liability, Fidelity Guarantees, financial losses, credits and life branches. Furthermore, claim development tables have irregular distribution for the aforementioned branches. Therefore, the Company prefers to use sector average in the actuarial chain ladder method.

According to December 5, 2014 dated “Circular regarding Outstanding Claims Reserves (2014/16)” of Republic of Turkey Ministry of Treasury and Finance, the Company constitutes data by taking base of acceptance year rather than Casualty period for the reason of characteristic of reinsurance operations in course of ACML calculation and calculates ACML once in a year as of year end. The methods indicated in the table are calculated according to paid claim.

Anadolu Sigorta has established rules on sharing of premium and damage with respect to Compulsory Financial Liability Insurance regarding Medical Malpractice in accordance with the Communique on Making Amendments on the Communique on Procedures and Principles regarding Corporate Contribution in Compulsory Financial Liability Insurance related to Medical Malpractice (2010/1), which has entered into force through being published on Official Gazette dated October 7, 2017 and numbered 30203. It was decided that Güneş Sigorta A.Ş., which has a license for General Liability Insurance, shall carry out transactions regarding aforementioned allocation. In this scope, premium and damage amounts, which are associated with policies, issued as of October 1, 2017, are commenced to be allocated amount insurance companies in the framework of principles, determined by Ministry of Treasury and Finance

Anadolu Sigorta has issued accounting records based on premium, damage and commission amounts, which were transferred to/from the pool proportionally in scope of the monthly receipts, which are finally submitted by Güneş Sigorta A.Ş upon the respective amendment in the legislation and moreover, it has ensured that amounts, whose receipts have not been submitted yet, are included in the financial statements through carrying our related studies.

2 Summary of significant accounting policies (continued)

2.25 Outstanding claims reserves (continued)

Salvage and subrogation income which will be deducted in the calculation of ACML stated by the Under secretariat should be based on collected amount (collected amount includes interest income over salvage and subrogation income, expertise, consultant and lawsuit expenses). Collections are taken into account according to their collection period.

In accordance with December 5, 2014 dated and 2014/16 numbered “Circular for Outstanding Claims Reserve” of Republic of Turkey Ministry of Treasury and Finance, ACML calculation should be on main branch. However, as at December 31, 2012, the Company has calculated ACML reserve for General Losses main branch as two separate sub branches namely agriculture and non agriculture branches. Because, Agriculture and Engineering sub branches under General Losses main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Losses branch produces unreliable and improper results. The Company applied to Republic of Turkey Ministry of Treasury and Finance on January 17, 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Losses branch as agriculture and non agriculture sub branches separately. Republic of Turkey Ministry of Treasury and Finance has given permission the Company in order to calculate IBNR reserve for General Losses within two sub branches with the letter dated January 28, 2013 and numbered 24179134. As of December 31, 2019, the Company recognised the amount that arose due to change in calculation method for IBNR on General Losses branch.

With the Circular 2017/7 announced by the Republic of Turkey Ministry of Treasury and Finance regarding “the discount of net cash flow from outstanding claim files”. Since the discount of “Land Vehicle Liability” and “General Liability” branches has become compulsory, according to the Article 1 of the circular, this is considered as a change of accounting policies and financial statements have been retrospectively restated. Companies are able to discount net cash flow from outstanding claim files according to the methods outlined by the circular.

As of the reporting date, as a result of actuarial chain ladder method; Milli Reasürans except Singapore branch recorded 100% of additional negative IBNR amounting to 196.418.267 (31 December 2018: TL 207.059.238 negative IBNR). As of the reporting date, TL 27.469.420 (31 December 2018: TL 32.558.565) of IBNR provision is recorded for Singapore branch.

2 Summary of significant accounting policies (continued)

2.25 Outstanding claims reserves(continued)

In accordance with “Circular Related to Information on Calculation of Incurred But Not Reported Claims Reserve” and dated November 26, 2011, companies may decrease their outstanding claims reserve balances based on the winning ratio of the sub-branches calculated from the last five years claims. Winning ratio used for decrease in outstanding claims reserves could not exceed 25% (15% for the new sub-branches which do not have five year data). Based on the aforementioned regulation, the Company calculated winning ratio from the last five year data set and TL 310.299.527 (December 31, 2018: TL 254.976.831) as IBNR and TL 69.640.888 (December 31, 2018: TL 40.568.170) as reinsurer’s share of IBNR is excluded from outstanding claims reserve balance.

The calculated winning ratio of the Company, as at 31 December 2019 is within 0%-100% range (December 31, 2018: 0%-100%). Winning ratios used in and amounts decreased from outstanding claims reserves are as follows:

December 31, 2019			
Branch	Earnings Ratios Used	Gross Amount Decreased	Net Amount Decreased
General Liability	25%	131.147.505	104.581.659
Land Vehicles Liability (MTPL)	13%	97.917.703	91.736.667
Fire and Natural Disasters	25%	39.198.805	18.546.407
Land Vehicles	25%	14.322.158	14.232.684
General Damages	25%	5.544.145	3.011.228
Marine	25%	5.254.726	2.078.970
Casualty	25%	3.883.834	2.526.200
Sea Vehicles	25%	8.782.563	827.059
Credit	25%	774.891	774.891
Legal Protection	24%	43.498	43.498
Air Vehicles Liability	17%	3.429.699	2.299.376
Total		310.299.527	240.658.639

December 31, 2018			
Branch	Earnings Ratios Used	Gross Amount Decreased	Net Amount Decreased
General Liability	25%	101.800.905	88.183.585
Land Vehicles Liability (MTPL)	11%	90.400.461	87.817.173
Fire and Natural Disasters	25%	34.151.960	17.293.818
Land Vehicles	25%	12.126.277	12.027.885
General Damages	25%	5.249.453	2.809.065
Marine	25%	5.321.412	2.115.594
Casualty	22%	3.468.583	2.178.506
Sea Vehicles	25%	1.734.746	1.260.001
Credit	25%	712.439	712.439
Legal Protection	25%	10.595	10.595
Total		254.976.831	214.408.661

2 Summary of significant accounting policies (Continued)

2.26 Mathematical reserves

In accordance with the Communiqué on Technical Reserves, companies operating in life and non-life insurance branches are obliged to allocate adequate mathematical reserves based on actuarial basis to meet liabilities against policyholders and beneficiaries for long-term life, health and personal Casualty insurance contracts. Actuarial mathematical reserves, according to formulas and basis in approved technical basis of tariffs for over one year-length life insurance, are calculated by determining the difference between present value of liabilities that the Company meets in future and current value of premiums paid by policyholder in future (prospective method).

Mathematical reserves are recorded based on the data sent by ceding companies.

2.27 Unexpired risk reserves

In accordance with the Communiqué on Technical Reserves, while providing unearned premiums reserve, in each accounting period, the companies should perform adequacy test covering the preceding 12 months due to the probability that future claims and compensations of the outstanding policies may be in excess of the unearned premiums reserve already provided. In performing this test, it is required to multiply the unearned premiums reserve, net with the expected claim/premium ratio. Expected claim/premium ratio is calculated by dividing incurred losses (outstanding claims reserve, net at the end of the period + claims paid, net – outstanding claims reserve, net at the beginning of the period) to earned premiums (written premiums, net + unearned premiums reserve, net at the beginning of the period – unearned premiums reserve, net at the end of the period).

According to the “Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves” published in Official Gazette no 28356 dated 17 July 2012; besides the net unexpired risk reserves detailed in the above, gross unexpired risk reserve is also calculated. The test is performed on main branch basis and in case where the net and gross expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the unearned premiums reserve of that main branch is added to the reserves of that branch. Difference between the gross and net amount is represents reinsurer’s share. Premiums paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. In order to eliminate the misleading impact of change in calculation method of outstanding claims reserves , outstanding claims reserves of the previous period is calculated by the new method and the amount calculated by the new method as outstanding claims reserves at the beginning of the period is used for calculation of reserve for unexpired risk.

Unexpired risks reserve is calculated on the basis of main branches, within the context of circular of Republic of Turkey Ministry of Treasury and Finance, numbered 2012/15 and dated December 10, 2012.

According to the Circular numbered 2011/18, the Company excluded both the premiums and claims transferred to SSI from calculation of reserve for unexpired risks in Land Vehicles Third Party Liability, Compulsory Third Party Liability Insurance for Road Passenger Transportation and Compulsory Road Passenger Transportation Personal Casualty branches.

According to the Circular numbered 2015/30, the opening outstanding claims reserve amount used in the determination of the expected loss premium ratio, which is set for outstanding risk reserves calculation is redefined in a manner consistent with the current period as of December 31, 2019.

In addition to the method stated above with the circular numbered 2019/5 of the Ministry of Treasury and Finance, it is reported that the calculation of the unexpired risk reserves for all branches can be made by the following method.

Net and gross unexpired risk reserves is calculated by multiplying the exceeding portion of the expected discounted claim/premium ratio with the net and gross unearned premiums reserve of that main branch is added to the reserves of that branch in case where the net and gross expected discounted claim/premium ratio that is calculated on the basis of Casualty year and by including indirect reinsurance contracts is higher than 85%.

2 Summary of significant accounting policies (Continued)

2.27 Reserve for unexpired risk (Continued)

Subsidiary of the Company, Anadolu Sigorta, has determined gross provision for unexpired risks through multiplying exceeding portion with gross UPR and net provision for unexpired risks amount through multiplying such exceeding part with net UPR if the discounted final claim/ premium ratio, calculated based on year of casualty and through including indirect reinsurance contracts, is over 85%.

	December 31, 2019		December 31, 2018	
	Gross URR	Net URR	Gross URR	Net URR
RSH – Taken over	29.193.639	29.193.639	34.426.354	21.859.726
TKU Pool – Taken over	10.603.298	10.603.298	50.237.586	31.800.761
Total	39.796.937	39.796.937	84.663.940	53.660.487

With the Circular 2017/7 announced by Republic of Turkey Ministry of Treasury and Finance regarding “the discount of net cash flow from outstanding claim files”. Since the discount of “Land Vehicle Liability” and “General Liability” branches has become compulsory, according to the Article 1 of the circular, this is considered as a change of accounting policies and financial statements have been retrospectively restated. Companies are able to discount net cash flow from outstanding claim files according to the methods outlined by the circular.

According to the related test, as at the reporting date, the Group has provided net unexpired risk reserves amounting to TL 73.827.230 in the accompanying consolidated financial statements (December 31, 2018: TL 69.220.581).

In order to ensure the elimination of misleading impact, caused by the amended outstanding claims reserve calculation method, on unexpired risk reserve, outstanding claims reserve of previous period is also calculated by the new method and amount, calculated based on aforementioned new method, is used in unexpired risk reserves account as the provision for carry-over outstanding claims reserve.

2.28 Equalization reserves

In accordance with the Communiqué on Technical Reserves put into effect starting from January 1, 2008, the companies should provide equalization provision in credit insurance and earthquake branches to equalize the fluctuations in future possible claims and for catastrophic risks. Equalization provision, started to be provided in 2008, is calculated as 12% of net written premiums in credit insurance and earthquake branches. In the calculation of net premiums, fees paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. The companies should provide equalization provision up to reaching 150% of the highest premium amount written in a year within the last five years. In case where claims incurred, the amounts below exemption limits as stated in the contracts and the share of the reinsurance firms cannot be deducted from equalization provisions. Claims payments are deducted from first year’s equalization provisions by first in first out method.

With the Communiqué released on July 28, 2010 and numbered 27655 “Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves”, ceded premiums of earthquake and credit for non-proportional reinsurance contracts covered multiple branches should be calculated according to percentage of premiums of those branches within the total premiums unless the Company is determined any other methods. Share of earthquake and credit premium of written premiums for non-proportional reinsurance contracts is based on share of earthquake and credit premiums of proportional reinsurance contracts. In accordance with the Communiqué on Technical Reserves, the Company considers 11% of net death premium (including damage payments) as earthquake premium and 12% of that amount is calculated as equalization provision since the Company not having sufficient data for calculation. After five financial years, in case that provision amount is less than previous year amount depending on written premiums, the difference is recognized in other profit reserves under equity. This amount recorded in equity can either be kept under reserves or can also be used in capital increase or paying claims.

2 Summary of significant accounting policies (Continued)

2.28 Equalization reserves (Continued)

Equalization provisions are presented under “other technical reserves” within long term liabilities in the accompanying consolidated financial statements. As at the reporting date, the Group has recognized equalization provision amounting to TL 357.827.967 (December 31, 2018: TL 276.734.089).

As of December 31, 2019, the Group has deducted TL 9.650.545 (December 31, 2018: TL 5.834.920) from equalization provision in consequence of realized earthquake losses.

2.29 Related parties

Parties are considered related to the Group if;

(a) Directly, or indirectly through one or more intermediaries, the party:

- Controls, is controlled by, or is under common control with the Group (this includes parent, subsidiaries and fellow subsidiaries);
- Has an interest in the Group that gives it significant influence over the Group; or
- Has joint control over the Group;

(b) The party is an associate of the Group;

(c) The party is a joint venture in which the Group is a venturer;

(d) The party is member of the key management personnel of the Group and its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d);

(f) The party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or

(g) The party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

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

A number of transactions are entered into with related parties in the normal course of business.

2.30 Earnings per share

Earnings per share presented in the income statement are calculated by dividing the net profit into the weighted average number of the outstanding shares throughout the financial year. Companies in Turkey can increase their capital by distributing “bonus shares” to shareholders from the prior years’ profit. Such “bonus share” distributions are considered as issued shares in the earnings per share calculations. Accordingly, weighted average number of the outstanding shares used in this calculation is found by considering the retrospective effects of the outstanding shares distributions.

2.31 Subsequent events

Post-balance sheet events that provide additional information about the Group’s position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

2 Summary of significant accounting policies (Continued)

2.32 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 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 1 January 2019. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2019 are as follows

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group elected to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

Impact on the *consolidated* statement of financial position (increase/(decrease)) as at 1 January 2019:

Assets

Property, plant and equipment (right-of-use assets) TL 61.670.167

Liabilities

Lease liabilities TL 61.670.167

2 Summary of significant accounting policies (continued)

2.32 The new standards, amendments and interpretations (continued)

Amendments to IAS 28 “Investments in Associates and Joint Ventures” (Amendments)

In October 2017, the IASB issued amendments to IAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

IFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with IAS 28 Investments in Associates and Joint Ventures. In this amendment, IASB clarified that the exclusion in IFRS 9 applies only to interests a company accounts for using the equity method. A company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the the Group.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in “IAS 12 Income Taxes” when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

- (a) whether an entity considers uncertain tax treatments separately;
- (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- (d) how an entity considers changes in facts and circumstances.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB issued Annual Improvements to IFRS Standards 2015–2017 Cycle, amending the following standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 *Income Taxes* — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 *Borrowing Costs* — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalisation rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

2 Summary of significant accounting policies (continued)

2.32 The new standards, amendments and interpretations (continued)

Plan Amendment, Curtailment or Settlement” (Amendments to IAS 19)

On 7 February 2018, the IASB published Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. These amendments are applied for annual periods beginning on or after 1 January 2019.

The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

Summary of significant accounting policies (continued)

2.32 The new standards, amendments and interpretations (continued)

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively.

Earlier application is permitted. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

2 Summary of significant accounting policies (continued)

2.32 The new standards, amendments and interpretations (continued)

Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform

The amendments issued to IFRS 9 and IAS 39 which are effective for periods beginning on or after 1 January 2020 provide certain reliefs for 4 fundamental matters in connection with interest rate benchmark reform. These reliefs are related to hedge accounting as follows:

- Highly probable requirement
- Prospective Assessments
- Retrospective Assessments
- Separately identifiable risk components

Reliefs used as a result of amendments in IFRS 9 and IAS 39 is aimed to be disclosed in financial statements based on the amendments made in IFRS 7. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

Amendments to IAS 1- Classification of Liabilities as Current and Non-Current Liabilities

23 January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments issued to IAS 1 which are effective for periods beginning on or after 1 January 2022, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

3 Significant accounting estimates and requirements

The notes given in this section are provided to addition/supplement the commentary on the management of insurance risk note 4.1 – Management of insurance risk and note 4.2 – Financial risk management.

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

- Note 4.1 – Management of insurance risk
- Note 4.2 – Financial risk management
- Note 7 – Investment properties
- Note 9 – Investments in subsidiaries
- Note 10 – Reinsurance assets/liabilities
- Note 11 – Financial assets
- Note 12 – Loans and receivables
- Note 17 – Insurance contract liabilities and reinsurance assets
- Note 17 – Deferred acquisition costs
- Note 19 – Trade and other payables and deferred income
- Note 21 – Deferred income taxes
- Note 23 – Provision for other liabilities and charges

4 Management of insurance and financial risk

4.1 Management of insurance risk

Objective of managing risks arising from insurance (reinsurance) contracts and policies used to minimize such risks

Reinsurance risk is defined as a possibility of financial loss due to inappropriate and insufficient application of reinsurance techniques in the activities of taking insurance contract responsibility partially or completely.

Potential risks that may be exposed in transactions are described, classified and managed based on the requirements set out in the Company's "Regulative Framework on the Risk Management Activities, Risk Management Policies and Implementation Procedures and Principles of the Risk Management" issued by the approval of the Board of Directors.

The main objective of the "Regulative Framework on the Risk Management Activities, Risk Management Policies and Implementation Procedures and Principles of the Risk Management" is to determine the risk measurement, assessment, and control procedures and maintain consistency between the Company's asset quality and limitations allowed by the insurance standards together with the Company's risk tolerance of the accepted risk level assumed in return for a specific consideration. In this respect, instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

Reinsurance risk is measured by quantitative methods and kept under pre-specified limits based on the "Limit over Acceptable Reinsurance Risk and Maximum Custody Share Limit" updated and approved annually by the Board of Directors.

Reinsurance risk is monitored regularly according to criteria described in the "Limit over Acceptable Reinsurance Risk and Maximum Custody Share Limit" policy and results are analysed by the Risk Committee and reported to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability

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

Insurance risk is defined as coverage for exposures that exhibit a possibility of financial loss due to applying inappropriate and insufficient insurance techniques. Main reasons of insurance risk exposure result from the risk selection and inaccurate calculation of insurance coverage, policy terms and fee or inaccurate calculation of coverage portion kept within the Group and coverage portion transfers to policyholders and transfer conditions.

Instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

4 Management of insurance and financial risk (continued)

4.1 Management of insurance risk (continued)

Objective of managing risks arising from insurance (reinsurance) contracts and policies used to minimize such risks (continued)

Risk tolerance is determined by Board of Directors by considering the Groups long-term strategies, equity resources, potential returns and economical expectations, and it is presented by risk limitations. Authorization limitations during policy issuing include authorizations for risk acceptances granted based on geographical regions in relation to unacceptable special risks or pre-approved acceptable special risks, insurance coverage to agencies, district offices, technical offices, assistant general managers and top management in the policy issuance period and authorizations for claim payment granted to district offices, claim management administration, automobile claims administration and Claim Committee established by the managing director and assistant managing director in the claim payment period.

Whatsoever, risk acceptance is based on technical income expectations under the precautionary principle. In determining insurance coverage, policy terms and fee, these expectations are based accordingly.

It is essential that all the authorized personnel in charge of executing policy issuance transactions, which is the initial phase of insurance process, should ensure to gather or provide all the accurate and complete information to issue policies in order to obtain evidence on the acceptable risks that the Group can tolerate from the related insurance transactions. On the other hand, decision to be made on risk acceptance will be possible by transferring the coverage to the reinsurers and/or coinsurers and considering the terms of the insurance policy.

In order to avoid destructive losses over Group's financial structure, company transfers the exceeding portion of risks assumed over the Group's risk tolerance and equity resources through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies. Insurance coverage and policy terms of reinsurance are determined by assessing the nature of each insurance branch

Sensitivity to insurance risk

Insurance risks do not generally have significant unrecoverable losses in the course of ordinary transactions, except for risks associated with earthquake and other catastrophic risks. Therefore, there is a high sensitivity to earthquake and catastrophic risks.

The case of potential claims' arising from earthquake and other catastrophic risks exceeding the maximum limit of the excess of loss agreements, such risks are treated as the primary insurance risks and are managed based on the precautionary principle. Maximum limit of excess of loss agreements is determined based on the worst case scenario on the possibility of an earthquake in terms of its severity and any potential losses incurred in accordance with the generally accepted international earthquake models.

4 Management of insurance and financial risk (continued)

4.1 Management of insurance risk (continued)

Insurance risk concentrations

The Group's gross and net insurance risk concentrations (after reinsurance) in terms of insurance branches are summarized as below:

Branches	December 31, 2019		
	Gross total claims liability (*)	Reinsurance share of total claims liability	Net total claims liability
Land Vehicles Liability	1.147.132.099	(222.298.884)	924.833.215
Land Vehicles	769.928.845	(4.116.796)	765.812.049
Fire and Natural Disasters	907.754.242	(180.566.480)	727.187.762
Health	672.148.717	(37.946.849)	634.201.868
General Damages	531.705.389	(95.853.717)	435.851.672
General Liability	114.399.766	(17.357.975)	97.041.791
Sea Vehicles	145.393.312	(64.253.374)	81.139.938
Marine	64.346.326	(19.131.539)	45.214.787
Casualty	37.420.502	(4.583.387)	32.837.115
Air Vehicles	256.064.429	(229.485.354)	26.579.075
Financial Losses	52.888.453	(33.344.584)	19.543.869
Life	6.307.867	(882.208)	5.425.659
Fidelity Guarantees	6.148.381	(4.119.721)	2.028.660
Air Vehicles Liability	3.820.485	(2.552.384)	1.268.101
Credits	2.206.515	(1.866.169)	340.346
Legal Protection	150.491	-	150.491
Total	4.717.815.819	(918.359.421)	3.799.456.398

Branches	December 31, 2018		
	Gross total claims liability (*)	Reinsurance share of total claims liability	Net total claims liability
Land Vehicles Liability	1.019.615.451	(171.591.278)	848.024.173
Land Vehicles	846.284.750	(17.468.973)	828.815.777
Fire and Natural Disasters	711.809.536	(126.285.294)	585.524.242
Health	565.574.715	(32.170.327)	533.404.388
General Damages	427.442.407	(79.219.640)	348.222.767
General Liability	150.961.531	(66.244.727)	84.716.804
Sea Vehicles	71.428.970	(20.696.660)	50.732.310
Casualty	54.389.627	(7.190.014)	47.199.613
Marine	75.791.257	(31.462.960)	44.328.297
Air Vehicles	77.958.925	(67.604.041)	10.354.884
Life	6.619.434	(650.525)	5.968.909
Financial Losses	3.740.744	(1.822.917)	1.917.827
Fidelity Guarantees	739.320	(10)	739.310
Air Vehicles Liability	50.877.464	(50.452.669)	424.795
Credits	1.667.314	(1.529.761)	137.553
Sea Vehicles Liability	128.186	-	128.186
Legal Protection	100.198	-	100.198
Total	4.065.129.829	(674.389.796)	3.390.740.033

(*) Total claims liability includes outstanding claims reserve (paid).

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

In the current year, there are no material changes in the assumptions of measurement of insurance assets and liabilities.

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk

Introduction and overview

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

- credit risk
- liquidity risk
- market risk

The Group is subject to credit risk, market risk (foreign currency risk, interest rate risk and price risk in relation with financial investments) and liquidity risk due to assets and liabilities. The Group's exposure to each of the above risks is assessed according to "Application Principles in Respect of Risk Limits".

The Group monitors its receivables by obtaining comprehensive information about the debtors and debtors' activities. The risk over investment portfolio is managed by measuring and reporting the market risk daily, reassessing the results validity and applying different scenario analyses. The Group's exposure to each of the above risks is measured by Internal Control and Risk Management Service independently, reported to Board of Directors and units of İş Bankası through the Risk Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if counterparties (parties issued financial instrument, insurance companies, reinsurance companies and other debtors) having business relationship with the Group fails to meet its contractual obligations. The Group manages this credit risk by regularly assessing reliability of the counterparties.

Credit risk is measured by both quantitative and qualitative methods and the weighted reinsurers in retrocession programs, credit ratings of them that indicate their financial strengths and their financial positions are analysed.

Reinsurance contracts are the most common method to manage insurance risk. This does not, however, discharge the Group's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of the reinsurance contract.

Doubtful receivables are monitored quarterly.

In addition, concentration of the investment portfolio is assessed quarterly.

The results evaluated by the Risk Committee and reported regularly to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Credit risk (continued)

Net book value of the assets that is exposed to credit risk is shown in the table below.

	December 31, 2019	December 31, 2018
Cash and cash equivalents (Note 14) (*)	6.391.117.981	5.815.801.420
Receivables from main operations (Note 12)	2.184.560.010	1.833.933.317
Financial assets and financial investments with risks on policyholders (Note 11) (**)	2.132.398.647	1.009.552.468
Reinsurer share in outstanding claims reserves (Note 10), (Note 17)	1.507.010.830	1.195.809.112
Prepaid taxes and funds (Note 12)	6.312.824	38.869.531
Income accruals (Note 12)	39.168.327	88.437.494
Other receivables (Note 12)	32.484.190	30.607.644
Other current asset (Note 12)	10.000	624.023
Total	12.293.062.809	10.013.635.009

(*) Cash on hands balance amounting to TL 111.671 are not included (December 31, 2018: TL 70.338).

(**) Equity shares amounting to TL 267.706.195 are not included (December 31, 2018: TL 178.042.246).

December 31, 2019 and 2018, the aging of the receivables from main operations and related provisions are as follows:

	December 31, 2019		December 31, 2018	
	Gross amount	Provision	Gross amount	Provision
Not past due	1.835.968.805	-	1.466.861.226	-
Past due 0-30 days	269.419.754	(4.212.086)	263.048.540	(2.288.174)
Past due 31-60 days	25.794.218	(2.229.697)	37.375.749	(2.525.052)
Past due 61-90 days	10.660.653	(2.223.380)	17.223.622	(2.004.030)
More than 90 days (*)	460.298.120	(408.916.377)	387.724.488	(331.483.052)
Total	2.602.141.550	(417.581.540)	2.172.233.625	(338.300.308)

(*) As per the February 3, 2005 dated and B.02.1.HM.O.SGM.0.3.1/01/05 numbered Circular issued by the Republic of Turkey Ministry of Treasury and Finance, in case where subrogation is subject to claim/legal action, related subrogation amount is recognized as doubtful receivables and allowance for doubtful receivables is provided by the same amount in the financial statements. Related amounts are presented in "More than 90 days" line in the above table.

The movements of the allowances for impairment losses for receivables from main operations during the period are as follows:

	December 31, 2019	December 31, 2018
Provision for receivables from insurance operations at the beginning of the year	322.127.564	244.199.179
Collections during the period (Note 47)	(252.935)	(596.362)
Impairment losses provided during the period (Note 47)	3.410.377	2.440.564
Impairment losses provided for subrogation – salvage receivables during the period (Note 47)	60.946.654	68.986.591
Valuation of doubtful receivables (Note 47)	3.175.736	7.097.592
Provision for receivables from insurance operations at the end of the year	389.407.396	322.127.564

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Credit risk (continued)

The movements of the allowances for impairment losses for other receivables are as follows:

	December 31, 2019	December 31, 2018
Provision for other receivables at the beginning of the year	409.363	53.177
Collections during the period (Note 47)	(17.075)	-
Provision for impairment allocated during the period (Note 47)	362.500	356.186
Provision for other receivables at the end of the year	754.788	409.363

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset as a result of the imbalance between the Group's cash inflows and outflows in terms of maturity and volume.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities.

In respect of this risk which is measured by quantitative methods, any liquidity deficit is observed via the maturity analysis of assets and liabilities in the statement of balance sheet. Furthermore, liquidity structure of the Group is monitored by using the following basic indicators in respect of liquidity ratios:

- Liquid Assets / Total Assets
- Liquidity Ratio
- Current Ratio
- Premium and Reinsurance Receivables / Total Assets

The results evaluated by the Risk Committee and reported regularly to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

Management of the liquidity risk

The Group considers the maturity match between asset and liabilities for the purpose of avoiding liquidity risk and ensure that it will always have sufficient liquidity to meet its liabilities when due.

4 Management of insurance and financial risk (continued)**4.2 Management of financial risk (continued)***Management of the liquidity risk (continued)*

Maturity distribution of monetary assets and liabilities:

December 31, 2019	Book value	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Assets						
Cash and cash equivalents	6.391.200.569	2.821.351.594	2.677.471.665	660.407.885	231.969.425	-
Financial assets and financial investments with risks on policyholders ^(*)	2.132.398.647	1.299.191.075	34.503.036	86.402.134	16.173.675	696.128.727
Receivables from main operations	2.184.560.010	233.721.305	657.317.793	514.783.011	582.703.841	196.034.060
Other receivables and current assets	79.911.537	68.104.402	4.309.675	2.251.662	4.918.866	326.932
Total monetary assets	10.788.070.763	4.422.368.376	3.373.602.169	1.263.844.692	835.765.807	892.489.719
Liabilities						
Financial liabilities	117.648.540	14.167.858	26.434.197	15.734.893	6.756.356	54.555.236
Payables arising from main operations	796.914.881	309.065.564	118.866.995	138.672.977	225.286.804	5.022.541
Due to related parties	368.661	368.661	-	-	-	-
Other liabilities	133.712.351	74.031.537	50.129.893	-	9.550.921	-
Insurance technical reserves (**)	5.088.425.481	238.171.334	434.251.593	303.790.155	426.862.650	3.685.349.749
Provisions for taxes and other similar obligations	136.600.008	136.600.008	-	-	-	-
Provisions for other risks and expense accruals	206.075.877	39.939.221	23.601.047	-	78.276.864	64.258.745
Total monetary liabilities	6.479.745.799	812.344.183	653.283.725	458.198.025	746.733.595	3.809.186.271

(*) Equity shares amounting to TL 267.706.195 are not included.

(**) Outstanding claims reserve is presented as short term liabilities in the accompanying consolidated financial statements whereas maturity distribution is presented according to projected payment dated in the above table.

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Management of the liquidity risk (continued)

December 31, 2018	Book value	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
<u>Assets</u>						
Cash and cash equivalents	5.815.792.507	2.502.337.674	2.041.525.765	986.955.328	284.973.740	-
Financial assets and financial investments with risks on policyholders ^(*)	1.009.552.468	432.870.107	18.042.720	39.715.838	35.745.940	483.177.863
Receivables from main operations	1.833.933.317	246.008.892	531.636.401	514.426.226	489.745.036	52.116.762
Other receivables and current assets	160.483.444	148.505.577	3.641.414	2.062.089	4.646.931	1.627.433
Total monetary assets	8.819.761.737	3.329.722.250	2.594.846.300	1.543.159.481	815.111.647	536.922.058
<u>Liabilities</u>						
Financial liabilities	53.578.314	51.045.641	2.527.565	5.108	-	-
Payables arising from main operations	700.067.699	249.736.427	97.059.335	139.499.409	211.074.769	2.697.759
Due to related parties	370.388	370.388	-	-	-	-
Other liabilities	97.294.815	48.408.998	39.430.825	-	-	9.454.992
Insurance technical reserves (**)	4.220.468.278	229.614.168	451.260.591	267.699.186	339.868.250	2.932.026.083
Provisions for taxes and other similar obligations	57.436.673	57.436.673	-	-	-	-
Provisions for other risks and expense accruals	161.935.057	39.516.670	15.330.447	-	25.659.629	81.428.311
Total monetary liabilities	5.291.151.224	676.128.965	605.608.763	407.203.703	576.602.648	3.025.607.145

(*) Equity shares amounting to TL 178.042.246 are not included.

(**) Outstanding claims reserve is presented as short term liabilities in the accompanying consolidated financial statements whereas maturity distribution is presented according to projected payment dated in the above table.

Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Foreign currency risk

The Group is exposed to foreign currency risk through insurance and reinsurance transactions in foreign currencies.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the reporting periods, foreign currency assets and liabilities evaluated by the Central Bank of the Republic of Turkey's spot purchase rates and the differences arising from foreign currency rates are recorded as foreign exchange gain or loss in the statement of operations.

The Group's exposure to foreign currency risk is as follows:

December 31, 2019	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	385.454.283	2.987.287.874	8.106.868	3.380.849.025
Financial assets and financial investments with risks on policyholders	630.606.290	45.903.303	-	676.509.593
Receivables from main operations	512.251.594	161.241.702	291.060.361	964.553.657
Total foreign currency assets	1.528.312.167	3.194.432.879	299.167.229	5.021.912.275
Liabilities:				
Payables arising from main operations	(223.426.526)	(49.438.829)	(27.715.306)	(300.580.661)
Insurance technical reserve ^(*)	(647.544.475)	(252.029.594)	(226.936.001)	(1.126.510.070)
Financial Liabilities	(226.054.310)	(2.951.667.120)	-	(3.177.721.430)
Total foreign currency liabilities	(1.097.025.311)	(3.253.135.543)	(254.651.307)	(4.604.812.161)
Net financial position	431.286.856	(58.702.664)	44.515.922	417.100.114
December 31, 2018				
Assets:				
Cash and cash equivalents	449.524.875	69.200.637	8.058.407	526.783.919
Financial assets and financial investments with risks on policyholders	291.955.528	44.130.994	-	336.086.522
Receivables from main operations	414.414.079	167.123.461	192.189.831	773.727.371
Total foreign currency assets	1.155.894.482	280.455.092	200.248.238	1.636.597.812
Liabilities:				
Payables arising from main operations	(168.696.157)	(73.220.617)	(12.937.850)	(254.854.624)
Insurance technical reserve ^(*)	(477.490.117)	(229.031.016)	(155.025.195)	(861.546.328)
Total foreign currency liabilities	(646.186.274)	(302.251.633)	(167.963.045)	(1.116.400.952)
Net financial position	509.708.208	(21.796.541)	32.285.193	520.196.860

^(*) According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated July 28, 2010; foreign currency denominated claims provisions evaluated by the Central Bank of the Republic of Turkey's spot sales rates.

TL equivalents of the related monetary amounts denominated in foreign currencies are presented in the above table.

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Foreign currency risk (continued)

Foreign currency rates used for the translation of foreign currency denominated monetary assets and liabilities as of December 31, 2019 and 2018 are as follows:

	At the end of the period		Average	
	US Dollar	Euro	US Dollar	Euro
December 31, 2019	5,9402	6,6506	5,6712	6,3481
December 31, 2018	5,2609	6,0280	4,8301	5,6789

Exposure to foreign currency risk

A 20 percent depreciation of the TL against the following currencies as of December 31, 2019 would have increased or decreased equity and profit or loss (excluding tax effects) by the amounts shown below (December 31, 2018: 20 percent depreciation of the TL). This analysis assumes that all other variables, in particular interest rates, remain constant. In case of a 20 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

	December 31, 2019		December 31, 2018	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
US Dollar	(39.863.887)	86.257.371	43.550.536	101.941.642
Euro	(20.921.194)	(11.740.533)	(13.185.507)	(4.359.308)
Others	8.903.184	8.903.184	6.457.039	6.457.039
Total, net	(51.881.897)	83.420.023	36.822.068	104.039.372

^(*) Equity effect also includes profit or loss effect of 20% depreciation of TL against related currencies (December 31, 2018: 20% depreciation of TL).

Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands.

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Exposure to interest rate risk (continued)

As at reporting date; the interest rate profile of the Group's interest earning financial assets and interest bearing financial liabilities are detailed as below:

	December 31, 2019	December 31, 2018
Financial assets		
<i>Financial assets with fixed interest rates:</i>		
Cash at banks (Note 14) ^(*)	6.756.715.734	5.991.429.695
Available for sale financial assets – Private sector bonds (Note 11)	5.768.417.484	5.342.227.631
Available for sale financial assets – Government bonds (Note 11)	398.650.528	221.150.459
Cash deposited to insurance and reinsurance companies (Note 12)	282.705.065	231.514.841
Held for trading financial assets – other (Note 11)	293.628.897	188.736.338
	13.313.760	7.800.426
<i>Financial assets with variable interest rate:</i>		
Available for sale financial assets – Private sector bonds (Note 11)	159.495.590	135.011.390
Available for sale financial assets – Government bonds (Note 11)	134.156.068	110.843.331
	25.339.522	24.168.059
Financial liabilities:		
<i>Financial liabilities with fixed interest rate:</i>		
Funds from repo transactions (Note 20)	117.648.540	53.578.314
Payables from operating leases (Note 34)	-	50.700.491
Expense Accruals From Derivative Contracts (Note 20)	58.175.787	
	59.472.753	2.877.823

^(*) Demand deposits amounting to TL 35.118.527 are not included (December 31, 2018: TL 21.978.266).

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Fair value information

The estimated fair values of financial instruments have been determined using available market information, and where it exists, appropriate valuation methodologies.

The Group has classified its financial assets as held for trading or available for sale, As at the reporting date, available for sale financial assets and financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying consolidated financial statements.

Group management estimates that the fair value of other financial assets and liabilities are not materially different than their carrying values.

Classification relevant to fair value information

IFRS 7 – *Financial instruments: Disclosures* requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Group. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires the utilization of observable market data, if available.

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Classification relevant to fair value information (continued)

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

	December 31, 2019			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Available for sale financial assets (Note 11) (*)	1.498.093.510	740.295.183	-	2.238.388.693
Financial assets held for trading (Note 9)	135.592.200	23.858.516	-	159.450.716
Associates	-	270.036.755	-	270.036.755
Subsidiaries	-	3.742.259	-	3.742.259
Total financial assets	1.633.685.710	1.037.932.713	-	2.671.618.423
Tangible assets:				
Investment properties (Note 6)	-	482.776.000	-	482.776.000
Owner occupied properties (Note 6)	-	195.012.000	-	195.012.000
Total tangible assets	-	677.788.000	-	677.788.000
Total	1.633.685.710	1.715.720.713	-	3.349.406.423

	December 31, 2018			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Available for sale financial assets (Note 11) (*)	894.766.318	111.010.219	-	1.005.776.537
Financial assets held for trading (Note 9)	73.091.120	106.461.626	-	179.552.746
Associates	-	199.307.030	-	199.307.030
Subsidiaries	-	3.445.290	-	3.445.290
Total financial assets	967.857.438	420.224.165	-	1.388.081.603
Tangible assets:				
Investment properties (Note 6)	-	455.721.000	-	455.721.000
Owner occupied properties (Note 6)	-	194.296.000	-	194.296.000
Total tangible assets	-	650.017.000	-	650.017.000
Total	967.857.438	1.070.241.165	-	2.038.098.603

(*) As of December 31, 2019, securities that are not publicly traded amounting to TL 2.265.431 (December 31, 2018: TL 2.265.431) have been measured at cost.

The reconciliation for fair value measurement Level 3 of available for sale financial assets is as follow:

	December 31, 2019	December 31, 2018
Available for sale financial assets at the beginning of the period	-	67.311.993
Valuation increase / (decrease) (Valuation of financial assets)	-	(67.311.933)
Available for sale financial assets at the end of the period	-	-

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Equity share price risk

Equity share price risk is defined as the risk of decreasing the market price of equity shares as a result of a decline in index.

The effect on Group income as a result of 10% change in the fair value of equity instruments held as held for trading financial assets (traded at İstanbul Stock Exchange) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows (excluding tax effect):

	December 31, 2019		December 31, 2018	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
Financial assets held for trading	(2.735.839)	(2.735.839)	(1.911.061)	(1.911.061)
Available for sale financial assets	-	(23.808.237)	-	(15.666.621)
Total, net	(2.735.839)	(26.544.076)	(1.911.061)	(17.577.682)

^(*) Equity impact includes impact of change of conjectural interest rates on income statement.

Gain and losses from financial assets

<i>Gains and losses recognized in the statement of income, net:</i>	December 31, 2019	December 31, 2018
Interest income from bank deposits	496.992.303	461.155.750
Foreign exchange gains	489.708.640	901.481.239
Interest income from debt securities classified as available-for-sale financial assets	102.941.894	3.789.449
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (Note 15)	(3.674.113)	78.640.548
Income from derivative transactions	497.591.796	297.457.026
Income from participates	75.745.271	53.479.268
Interest income from debt securities classified as held to maturity financial investments	-	-
Income from debt securities classified as held for trading financial assets	10.167.315	19.054.279
Interest income from debt securities classified as held for trading financial assets	-	-
Income from equity shares	5.875.210	19.950.973
Interest income from repos	53.026	613.305
Income from subsidiaries	309.134	255.858
Income from investment funds	30.033.219	55.909.817
Other	10.599.975	2.913.533
Income from investment funds reclassified as available for sale financial assets	54.171.828	43.440.441
Investment income	1.770.515.498	1.938.141.486
Loss from derivative transactions	(30.741.125)	(66.177.031)
Foreign exchange losses	(206.389.927)	(488.165.142)
Loss from valuation of financial assets	(4.981.343)	(8.864.845)
Loss from disposal of financial assets	(63.644.857)	(47.588.465)
Investment management expenses (including interest)	(38.276.163)	(2.012.996)
Investment expenses	(344.033.415)	(612.808.479)
Investment income, net	1.426.482.083	1.325.333.007
<i>Financial gains and losses recognized in equity, net::</i>	31 December 2019	31 December 2018
Fair value changes in available for sale financial assets (Note 15)	134.193.645	(12.664.199)
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (Note 15)	3.674.113	(78.640.548)
Total	137.867.758	(91.304.747)

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Capital management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements required by the Republic of Turkey Ministry of Treasury and Finance
- To safeguard the Company's ability to continue as a going concern

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Individual Pension Companies" issued by Republic of Turkey Ministry of Treasury and Finance on August 23, 2015 dated and 29454 numbered; the Company measured its minimum capital requirement as TL 581.406.867 (December 31, 2018: TL 467.082.690) as of December 31, 2019. As of December 31, 2019 and 2018, the capital amount of the Company presented in the unconsolidated financial statements are TL 2.135.840.889 and TL 1.736.300.262 respectively and capital surplus of the Company is amounting to TL 1.403.336.796 (December 31, 2018: TL 1.079.355.016) according to the communiqué.

As of June 30, 2019, required equity amount determined in calculations over consolidated financial statements of Company's subsidiary Anadolu Sigorta, is amounted TL1.483.636.300 . As of 30 June 2019, the amount of raw equity in Anadolu Sigorta's unconsolidated financial statements is 320.004.520 TL above the required equity amount calculated in accordance with the regulation.

5 Segment information

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

Business segment

Financial information of the Group is presented on life and non-life basis in the accompanying consolidated financial statements.

Geographical segment

The main geographical segment which the Group operates is Turkey. Hence, the Group has not disclosed report on geographical segments.

6 Tangible assets

Movement in tangible assets in the period from January 1 to December 31, 2019 is presented below:

	January 1, 2019	Addition	Foreign currency translation effect(*)	Disposals	Transfers	Corrections	Valuation differences	December 31, 2019
<i>Cost:</i>								
Investment properties (Note 7)	455.721.000	157.865	-	(85.000)	-	-	26.982.135	482.776.000
Buildings for own use	194.296.000	-	-	-	-	-	716.000	195.012.000
Machinery and equipment	80.830.314	12.438.871	-	(1.435.729)	-	7.775	-	91.841.231
Furniture and fixtures	20.572.714	2.369.750	160.219	(610.516)	(53.100)	(4.175)	-	22.434.892
Land Vehicleless	4.048.489	2.943.851	98.466	(171.633)	-	-	-	6.919.173
Other tangible assets (including leasehold improvements)	26.004.573	2.860.440	-	(91.844)	53.100	-	-	28.826.269
Leased tangible assets	3.858.074	-	-	-	-	-	-	3.858.074
Operating Lease Buildings	-	61.670.167	321.653	(491.825)	-	-	-	61.499.995
	785.331.164	82.440.944	580.338	(2.886.547)	-	3.600	27.698.135	893.167.634
<i>Accumulated depreciation:</i>								
Buildings for own use	215.408	794.744	-	-	-	-	(283.278)	726.874
Machinery and equipment	48.783.505	12.243.345	-	(1.410.895)	-	-	-	59.615.955
Furniture and fixtures	16.878.708	1.339.490	154.415	(608.779)	-	-	-	17.763.834
Land Vehicleless	874.192	1.284.429	63.597	(56.438)	-	-	-	2.165.780
Other tangible assets (including leasehold improvements)	20.917.633	1.574.068	-	(91.844)	-	-	-	22.399.857
Leased tangible assets	3.858.074	-	-	-	-	-	-	3.858.074
Operating Lease Buildings	-	7.196.904	69.438	-	-	-	-	7.266.342
	91.527.520	24.432.980	287.450	(2.167.956)	-	-	(283.278)	113.796.716
Net book value	693.803.644							779.370.918

(*) Foreign currency translation effect resulted from Singapore Branch.

6 Tangible Assets (continued)

Movement in tangible assets in the period from January 1 to December 31, 2018 is presented below:

	January 1, 2018	Addition	Foreign currency translation effect(*)	Disposals	Transfers	Valuation differences	December 31, 2018
Cost:							
Investment properties (Note 7)	427.026.000	1.174.094	-	-	-	27.520.906	455.721.000
Buildings for own use	161.310.000	25.370	-	-	-	32.960.630	194.296.000
Machinery and equipment	56.957.217	25.839.164	-	(1.779.631)	(186.436)	-	80.830.314
Furniture and fixtures	19.688.504	1.248.487	355.977	(720.254)	-	-	20.572.714
Land Vehicless	1.894.818	2.466.399	215.830	(528.558)	-	-	4.048.489
Other tangible assets (including leasehold improvements)	23.486.838	2.401.622	-	(70.323)	186.436	-	26.004.573
Leased tangible assets	3.858.074	-	-	-	-	-	3.858.074
	694.221.451	33.155.136	571.807	(3.098.766)	-	60.481.536	785.331.164
Accumulated depreciation:							
Buildings for own use	488.331	624.497	-	-	-	(897.420)	215.408
Machinery and equipment	39.756.867	10.774.145	-	(1.698.998)	(48.509)	-	48.783.505
Furniture and fixtures	15.700.278	1.514.223	334.603	(670.396)	-	-	16.878.708
Land Vehicless	843.715	422.723	91.626	(483.872)	-	-	874.192
Other tangible assets (including leasehold improvements)	17.234.737	3.704.710	-	(70.323)	48.509	-	20.917.633
Leased tangible assets	3.858.074	-	-	-	-	-	3.858.074
	77.882.002	17.040.298	426.229	(2.923.589)	-	(897.420)	91.527.520
Net book value	616.339.449						693.803.644

(*) Foreign currency translation effect resulted from Singapore Branch.

The Group's buildings for own use is valued over fair value as of December 31, 2019 and 2018 year-end and subjected to valuation in this context. Expertise reports regarding this property are prepared by CMB licenced Property Valuation Company in September 2018. There is no pledge over Company's buildings for own use. Milli Reasürans, the Company's buildings for own use is valued over fair value as of 2018. Expertise reports regarding this property are prepared by independent professional valuation specialists authorized by CMB in September 2018.

As of December 31, 2019, the fair values (excluding VAT) and net carrying values of buidings for own use are presented below:

Owner occupied land and buildings	Expertise date	Expertise value	Net Book Value (December 31, 2019)	Net Book Value (December 31, 2018)
Headquarter	September 2018	179.340.000	178.640.659	179.200.132
İzmir Regional Headquarter	December 2019	8.100.000	8.081.870	7.557.233
Adana Regional Headquarter	December 2019	1.960.000	1.958.237	1.888.815
Lefkoşe Cyprus Branch	December 2019	4.219.000	4.215.177	4.135.509
Adana Office	December 2019	320.000	319.486	298.454
Other	December 2019	1.073.000	1.069.696	1.000.449
Total		195.012.000	194.285.125	194.080.592

Fair value measurement

The fair values of self-used land and buildings were determined by market comparison technique. The fair value measurement of owner occupied land and buildings is classified as Level 2.

As of December 31, 2019 and 2018, there is no mortgage on Group's tangible assets.

7 Investment properties

Additions and disposals for investment properties is given “6- Tangible Assets” note in table of current period movement of tangible assets.

Investment properties are started to be presented by fair value method as of December 31, 2018 and 2019 on balance sheet and the Company’s investment properties gained TL 26.982.135 amount of value in 2019 in the context of expertise report prepared by independent professional valuation specialists authorized by Capital Markets Board. For the year ended December 31 2019, the Group has rental income from investment properties amounting to TL 25.737.396 (December 31, 2018: TL 21.673.905).

As of December 31, 2019, inflation adjusted cost and carrying amounts of the Company’s investment properties are amounting to TL 482.776.000 (December 31, 2018: TL 455.721.000)

Property based value of expertise report (excluding VAT) and fair values of investment properties are as follows. Expertise reports regarding these properties are prepared by independent professional valuation specialists authorized by CMB in September 2019. There is no mortgage on Group’s investment properties.

As of December 31, 2019 and 2018, details of investment properties and the fair values are as follows:

	December 31, 2019 Net book value	December 31, 2018 Net book value	Date of expertise report	Value of expertise report
Operating Center Rental Offices	196.140.000	189.260.000	December 2019	196.140.000
Suadiye Fitness Center	40.270.000	36.175.000	December 2019	40.270.000
Tunaman Garage	133.875.000	121.500.000	December 2019	133.875.000
Villa Office Block	45.600.000	45.100.000	December 2019	45.600.000
Çifteler Land	6.000	6.000	December 2019	6.000
Other buildings	66.885.000	63.680.000	December 2019	66.885.000
Net book value	482.776.000	455.721.000		482.776.000

Fair value measurement

The fair values of investment properties were determined by market comparison technique. The fair value measurement of owner occupied land and buildings is classified as Level 2.

8 Intangible Assets

Movement in intangible assets in the period from January 1 to December 31, 2019 is presented below:

	January 1, 2019	Additions	Transfers	Foreign currency translation effects ^(*)	Disposals	December 31, 2019
Cost:						
Other intangible assets	150.150.335	5.902.730	71.166.182	420.298	-	227.639.545
Goodwill	16.250.000	-		-	-	16.250.000
Advances given for intangible assets	58.674.584	54.676.670	(71.166.182)	-	-	42.185.072
	225.074.919	60.579.400		420.298	-	286.074.617
Accumulated amortization:						
Other intangible assets	119.916.179	25.193.983		419.924	-	145.530.086
	119.916.179	25.193.983		419.924	-	145.530.086
Net book value	105.158.740					140.544.531

^(*) Foreign currency translation effect resulted from Singapore Branch.

8 Intangible assets (continued)

Movement in intangible assets in the period from January 1 to December 31, 2018 is presented below:

	January 1, 2018	Additions	Transfers	Foreign currency translation effects ^(*)	Disposals	December 31, 2018
Cost:						
Other intangible assets	126.607.897	6.247.046	16.374.117	921.275	-	150.150.335
Goodwill	16.250.000	-	-	-	-	16.250.000
Advances given for intangible assets	45.049.361	29.999.340	(16.374.117)	-	-	58.674.584
	187.907.258	36.246.386		921.275	-	225.074.919
Accumulated amortization:						
Other intangible assets	104.579.269	14.417.469	-	919.441	-	119.916.179
	104.579.269	14.417.469	-	919.441	-	119.916.179
Net book value	83.327.989					105.158.740

(*) Foreign currency translation effect resulted from Singapore Branch.

9 Investments in associates

	December 31, 2019		December 31, 2018	
	Book value	Participation rate %	Book value	Participation rate %
Anadolu Hayat Emeklilik A.Ş.	270.036.755	21,00	199.307.030	21,00
Affiliates, net	270.036.755		199.307.030	
Miltaş Turizm İnşaat Ticaret Anonim Şirketi	3.742.259	77,00	3.445.290	77,00
Subsidiaries, net	3.742.259		3.445.290	
Total financial asset	273.779.014		202.752.320	

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the year	Audited	Period
Subsidiaries:						
Miltaş Turizm İnşaat Ticaret AŞ	5.196.104	4.860.077	-	401.473	Unaudited.	December,31 2019
Associates:						
Anadolu Hayat Emeklilik AŞ (consolidated)	27.146.994.547	1.285.889.319	99.448.038	360.691.768	Audited.	December, 31 2019

In the current period TL 75.745.271 (December 31, 2018: 53.479.268) of income is obtained from associates and TL 309.134 of income is obtained from subsidiaries (December 31, 2018: TL 255.858) through equity accounted consolidation method.

10 Reinsurance assets and liabilities

As of December 31, 2019 and 2018, outstanding reinsurance assets and liabilities of the Group in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	December 31, 2019	December 31, 2018
Unearned premiums reserves, ceded (Note 17)	868.053.967	732.987.716
Outstanding claims reserve, ceded (Note 4.2), (Note 17)	1.507.010.830	1.195.809.112
Receivables from reinsurance companies (Note 12)	143.868.474	122.576.181
Cash deposited to reinsurance companies	293.628.897	188.736.338
Total	2.812.562.168	2.240.109.347

There are no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	December 31, 2019	December 31, 2018
Payables to the reinsurers related to premiums written (Note 19)	503.446.108	421.304.226
Deferred commission income (Note 19)	109.664.368	101.626.238
Cash deposited by reinsurance companies	4.871.763	8.527.925
Commission payables to the reinsurers related to written premiums (Note 19)	10.626.863	3.966.136
Total	628.609.102	535.424.525

Gains and losses recognized in the consolidated statement of income in accordance with existing insurance and retrocession contracts are as follows:

	December 31, 2019	December 31, 2018
Premiums ceded during the period (Note 17)	(1.976.107.372)	(1.770.959.962)
Unearned premiums reserve, ceded at the beginning of the period (Note 17)	(732.987.716)	(551.618.894)
Unearned premiums reserve, ceded at the end of the period (Note 17)	868.053.967	732.987.716
Earned premiums, ceded (Note 17)	(1.841.041.121)	(1.589.591.140)
Claims paid, ceded during the period (Note 17)	918.359.421	674.389.796
Outstanding claims reserves, ceded at the beginning of the period (Note 17)	(1.195.809.112)	(595.038.575)
Outstanding claims reserves, ceded at the end of the period (Note 17)	1.507.010.830	1.195.809.112
Incurred claims, ceded (Note 17)	1.229.561.139	1.275.160.333
Commission income accrued from reinsurers during the period (Note 32)	219.921.607	248.982.078
Deferred commission income at the beginning of the period (Note 19)	101.626.238	77.376.043
Deferred commission income at the end of the period (Note 19)	(109.664.368)	(101.626.238)
Commission income earned from reinsurers (Note 32)	211.883.477	224.731.883
Changes in unexpired risk reserves, reinsurers' share (Note 17)	(24.652.657)	16.269.641
Total, net	(424.249.162)	(73.429.283)

11 Financial assets

As of December 31, 2019 and 2018, the Group's financial assets are detailed as follows:

	December 31, 2019	December 31, 2018
Available for sale financial assets	2.247.608.666	1.014.996.508
Financial assets held for trading	159.450.716	179.552.746
Impairment loss on available for sale financial assets	(6.954.540)	(6.954.540)
Total	2.400.104.842	1.187.594.714

As of December 31, 2019 and 2018, the Group's financial assets held for trading are detailed as follows:

	December 31, 2019			
	Nominal value	Cost	Fair value	Book value
<i>Debt instruments:</i>				
Other TL	-	13.310.217	13.313.760	13.313.760
	-	13.310.217	13.313.760	13.313.760
<i>Non-fixed income financial assets:</i>				
Investment funds	-	77.430.047	107.307.443	107.307.443
Equity shares	-	27.805.318	27.358.390	27.358.390
Derivative guarantees	-	11.638.912	11.471.123	11.471.123
	-	116.874.277	146.136.956	146.136.956
Total financial assets held for trading	-	130.184.494	159.450.716	159.450.716
	December 31, 2018			
	Nominal value	Cost	Fair value	Book value
<i>Debt instruments:</i>				
Other TL	-	7.795.343	7.800.426	7.800.426
	-	7.795.343	7.800.426	7.800.426
<i>Non-fixed income financial assets:</i>				
Investment funds		108.810.773	146.293.529	146.293.529
Equity shares		22.802.751	19.110.609	19.110.609
Derivative guarantees		6.259.952	6.348.182	6.348.182
		137.873.476	171.752.320	171.752.320
Total financial assets held for trading		145.668.819	179.552.746	179.552.746

11 Financial assets (continued)

As of December 31, 2019 and 2018, the Group's available for sale financial assets are detailed as follows:

December 31, 2019				
	Nominal value	Cost	Fair value	Book Value
<i>Debt instruments:</i>				
Government bonds – TL	203.645.804	200.229.115	216.169.741	216.169.741
Government bonds – USD	19.880.400	57.683.355	63.085.074	63.085.074
Government bonds – EUR	4.000.000	26.072.226	28.789.772	28.789.772
Private sector bonds – USD	318.470.984	353.401.000	386.505.158	386.505.158
Private sector bonds- TL	150.640.000	150.381.407	153.255.978	153.255.978
Impairment loss on private sector bonds			(6.954.540)	(6.954.540)
		787.767.103	840.851.183	840.851.183
<i>Non-fixed income financial assets:</i>				
Equity shares		165.537.729	240.347.804	240.347.804
Investment funds		1.108.128.409	1.159.455.139	1.159.455.139
		1.273.666.138	1.399.802.943	1.399.802.943
Total available for sale financial assets		2.061.433.241	2.240.654.126	2.240.654.126
December 31, 2018				
	Nominal value	Cost	Fair value	Book Value
<i>Debt instruments:</i>				
Government bonds – TL	198.089.739	189.770.611	176.440.026	176.440.026
Government bonds – USD	87.330.940	98.641.422	79.242.874	79.242.874
Private sector bonds – TL	93.990.000	93.358.310	95.339.659	95.339.659
Private sector bonds- USD	228.707.105	219.165.166	212.712.655	212.712.655
Private sector bonds – EUR	30.350.980	30.138.814	30.896.016	30.896.016
Impairment loss on private sector bonds			(6.954.540)	(6.954.540)
		631.074.323	587.676.690	587.676.690
<i>Non-fixed income financial assets:</i>				
Investment funds		165.508.575	158.931.638	158.931.638
Equity shares		243.137.401	261.433.640	261.433.640
		408.645.976	420.365.278	420.365.278
Total available for sale financial assets		1.039.720.299	1.008.041.968	1.008.041.968

All debt instruments presented above are traded in the capital markets, As of December 31, 2019, equity shares classified as available for sale financial assets with a carrying amount of TL 2.265.431 TL are not publicly traded (December 31, 2018: TL 2.265.431).

There is no debt security issued during the period or issued before and paid during the period by the Group.

Value increases in financial assets including equity shares classified as available for sale financial assets and subsidiaries for the last 3 years (including tax effects):

Year	Change in value increase	Total increase in value
2019	137.867.758	99.474.816
2018	(91.304.747)	(38.392.942)
2017	21.553.666	52.911.805

11 Financial assets (continued)

As of December 31, 2019 and 2018, there is no financial assets held to maturity.

As of December 31, 2019 and 2018, the movement of the financial assets is presented below:

	31 December 2019		Total
	Trading	Available-for-Sale	
Balance at the beginning of the period	179.552.746	1.008.041.968	1.187.594.714
Acquisitions during the period	1.911.737.578	3.821.906.413	5.733.643.991
Disposals (sale and redemption)	(1.972.103.440)	(2.961.977.960)	(4.934.081.400)
Change in the fair value of financial assets	40.263.832	359.052.564	399.316.396
Change in amortized cost of the financial assets	-	6.565.585	6.565.585
Bonus shares acquired	-	7.065.556	7.065.556
Balance at the end of the period	159.450.716	2.240.654.126	2.400.104.842

	31 December 2018		Total
	Trading	Available-for-Sale	
Balance at the beginning of the period	347.535.150	1.207.066.038	1.554.601.188
Acquisitions during the period	909.540.934	2.208.904.891	3.118.445.825
Disposals (sale and redemption)	(1.081.735.265)	(2.464.034.135)	(3.545.769.400)
Change in the fair value of financial assets	4.211.927	47.168.242	51.380.169
Change in amortized cost of the financial assets	-	1.300.960	1.300.960
Bonus shares acquired	-	7.635.972	7.635.972
Balance at the end of the period	179.552.746	1.008.041.968	1.187.594.714

11 Financial assets (continued)

Details of the financial assets issued by related parties of the Group are as follows:

	December 31, 2019			
	Nominal value	Cost	Fair value	Book value
Available for sale financial assets – Investment funds	-	958.243.329	1.001.253.233	1.001.253.233
Available for sale financial assets – Private sector bonds	110.083.786	102.507.233	112.038.548	112.038.548
Available for sale financial assets – Private sector bonds	25.000.000	25.000.000	26.200.250	26.200.250
Financial assets held for trading – Investment funds	-	71.657.767	101.481.176	101.481.176
Available for sale financial assets – Equity shares	-	62.508.033	77.776.570	77.776.570
Available for sale financial assets – Private sector bonds	12.420.000	69.114.084	74.327.048	74.327.048
Total	-	1.289.030.446	1.393.076.825	1.393.076.825

	December 31, 2018			
	Nominal value	Cost	Fair value	Book value
Available for sale financial assets – Private sector bonds	76.951.184	73.255.316	74.238.986	74.238.986
Available for sale financial assets – Private sector bonds	9.000.000	8.428.500	8.759.700	8.759.700
Available for sale financial assets – Investment funds		230.903.832	249.190.611	249.190.611
Available for sale financial assets – Equity shares		62.508.033	50.045.854	50.045.854
Financial assets held for trading – Investment funds		103.272.965	140.574.851	140.574.851
Total	85.951.184	478.368.646	522.810.002	522.810.002

As of December 31, 2019 and 2018, there is no financial assets blocked in favour of the Republic of Turkey Ministry of Treasury and Finance as a guarantee for the insurance activities.

12 Loans and receivables

	December 31, 2019	December 31, 2018
Receivables from main operations (Note 4.2)	2.184.560.010	1.833.933.317
Prepaid taxes and funds (Note 19), (Note 4.2)	6.312.824	38.869.531
Income accruals (Note 4.2)	39.168.327	88.437.494
Other receivables (Note 4.2)	32.484.190	30.607.644
Other current assets (Note 4.2)	10.000	624.023
Total	2.262.535.351	1.992.472.009
Short-term receivables	2.096.957.795	1.946.562.757
Medium and long-term receivables	165.577.556	45.909.252
Total	2.262.535.351	1.992.472.009

As at 31 December 2019 and 2018, receivables from main operations are detailed as follows:

	December 31, 2019	December 31, 2018
Receivables from insurance companies	192.271.606	148.133.885
Receivables from reinsurance companies (Note 10)	162.784.152	122.576.181
Receivables from agencies, brokers and intermediaries	76.206.486	77.713.598
Total receivables from reinsurance operations, net	431.262.245	348.423.664
Receivables from agencies, brokers and other intermediaries	1.167.036.824	1.047.189.149
Receivables from insurance and reinsurance companies	28.031.706	21.511.252
Long term receivable which is bank guarantee and three months credit card	198.701.172	143.082.277
Salvage and subrogation receivables (Note 2.21)	61.848.008	60.020.233
Receivables from policyholders	32.225.302	41.143.149
Total receivables from insurance operations, net	1.487.843.012	1.312.946.060
Cash deposited to insurance and reinsurance companies (Note 4.2)	293.628.897	188.736.338
Provisions for receivables from insurance operations – subrogation receivables (Note 2.21)	(28.174.144)	(16.172.745)
Doubtful receivables from main operations – premium receivables	63.483.134	57.039.003
Provision for doubtful receivables from main operations – premium receivables	(63.483.134)	(57.039.003)
Doubtful receivables from insurance operations – subrogation receivables	325.924.262	265.088.561
Provisions for doubtful receivables from insurance operations – subrogation receivables	(325.924.262)	(265.088.561)
Receivables from main operations	2.184.560.010	1.833.933.317

As of December 31, 2019 and 2018, mortgages and collaterals obtained for receivables are disclosed as follows:

	December 31, 2019	December 31, 2018
Mortgage notes	113.964.477	79.813.638
Letters of guarantees	97.755.103	120.487.796
Other guarantees	79.931.851	78.125.186
Government bonds and treasury bills	2.878.656	2.878.656
Total	294.530.087	281.305.276

12 Loans and receivables (continued)

Provisions for overdue receivables and receivables not due yet

- a) Receivables under legal or administrative follow up (due): TL 63.483.134 for main operations (December 31, 2018: TL 57.039.003) and TL 754.788 (December 31, 2018: TL 409.363) for other receivables.
b) Provision for premium receivables (due): None (December 31, 2018: None).
c) Provision for subrogation receivables: TL 354.098.406 (December 31, 2018: TL 281.261.306).

The Company's receivables from and payables to shareholders, associates and subsidiaries are detailed in *Note 45 – Related party transactions*.

The details of the receivables and payables denominated in foreign currencies and foreign currency rates used for the translation are presented in *Note 4.2– Financial risk management*.

13 Derivative financial assets

As of December 31, 2019, the Company has derivative financial instruments recognized in the financial assets held for trading amounting to TL 11.471.123 (December 31, 2018: TL 6.348.182).

As of December 31, 2019, the Company has accounted in income accruals and other financial liabilities amounting to TL 24.850.393 (December 31, 2018: TL 77.683.687) that is increase in value and TL (59.472.753) TL (December 31, 2018: TL (2.877.823)) that is decrease in value respectively, due to forward foreign currency agreement.

14 Cash and cash equivalents

As of December 31, 2019 and December 31, 2018, the details of the cash and cash equivalents are as follows:

	December 31, 2019		December 31, 2018	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	117.671	70.338	70.338	68.699
Cheques received	240.000	-	-	-
Bank deposits	5.803.536.011	5.364.205.897	5.364.205.897	4.328.461.218
Cheques given and payment orders	(35.083)	(79.251)	(79.251)	(87.620)
Bank guaranteed credit card receivables with maturities less than three months	587.341.970	451.595.523	451.595.523	399.367.075
Cash and cash equivalents in the balance sheet	6.391.200.569	5.815.792.507	5.815.792.507	4.727.809.372
Bank deposits – blocked ^(*)	(467.204.688)	(567.003.815)	(567.003.815)	(483.583.442)
Time deposits with maturities longer than 3 months	(2.191.076.064)	(2.054.680.462)	(2.054.680.462)	(945.825.944)
Interest accruals on banks deposits	(11.488.428)	(21.420.939)	(21.420.939)	(13.872.173)
Cash and cash equivalents presented in the statement of cash flows	3.721.431.389	3.172.687.291	3.172.687.291	3.284.527.813

^(*) As of December 31, 2019, cash collateral amounting to TL 447.225.909 is kept in favour of the Republic of Turkey Ministry of Treasury and Finance and TL 19.978.279 is kept in favour of Agricultural Insurance Pool as a guarantee for the insurance activities of Anadolu Sigorta. (31 December 2018: TL 567.003.315).

14 Cash and cash equivalents (continued)

As of December 31, 2019 and 2018, bank deposits are further analysed as follows:

	December 31, 2019	December 31, 2018
Foreign currency denominated bank deposits		
- time deposits	3.351.095.077	2.824.786.884
- demand deposits	29.673.971	17.017.671
Bank deposits in Turkish Lira		
- time deposits	2.417.322.407	2.517.440.747
- demand deposits	5.444.556	4.960.595
Bank deposits	5.803.536.011	5.364.205.897

15 Equity

Paid in Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group having 77.06% of outstanding shares. As of December 31, 2019 and 2018, the shareholding structure of the Company is presented below:

Name	December 31, 2019		December 31, 2018	
	Shareholding amount(TL)	Shareholding rate (%)	Shareholding amount(TL)	Shareholding rate (%)
Türkiye İş Bankası A.Ş.	508.573.072	77,06	505.810.925	76,64
Millî Reasürans T.A.Ş. Mensupları Yardımlaşma Sandığı Vakfı	69.604.854	10,55	69.604.854	10,55
Groupama Hayat A.Ş.*	38.809.894	5,88	38.809.894	5,88
Ankara Doğal Elektrik Üretim ve Ticaret A.Ş. (*)	22.240.456	3,37	22.240.456	3,37
T.C. Ziraat Bankası A.Ş.	16.430.944	2,49	16.430.944	2,49
Other	4.340.780	0,65	7.102.927	1,07
Paid in capital	660.000.000	100,00	660.000.000	100,00

(*) As of April 12, 2019, the name of Groupama Emeklilik A.Ş. is changed to Groupama Hayat A.Ş.

As of December 31, 2019, the issued share capital of the Group is TL 660.000.000 (December 31, 2018: TL 660.000.000) and the share capital of the Group consists of 66.000.000.000 (December 31, 2018: 66.000.000.000 shares) issued shares with TL 0,01 nominal value each. There are no privileges over the shares of the Group.

There are not any treasury shares held by the Group itself or by its subsidiaries or associates.

There are not any treasury shares issued which will be subject to sale in accordance with forward transactions and contracts.

15 Equity (continued)

Equity method consolidation

As of December 31, 2019 and 2018, in the accompanying consolidated financial statements of the Group, Anadolu Hayat, 21% and Miltaş, 77% of shares is owned by the Group are consolidated by using the equity method.

Legal Reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

The movements of legal reserves are as follows:

	December 31, 2019	December 31, 2018
Legal reserves at the beginning of the period	123.041.486	104.684.320
Transfer from profit	32.892.509	18.357.166
Legal reserves at the end of the period	155.933.995	123.041.486

As of December 31, 2019 and 2018, "Other Reserves and Retained Earnings" includes extraordinary reserves, sales profits to be capitalized and buildings for own use revaluation differences.

As at December 31, 2019 and 2018, "Other Reserves and Retained Earnings" are detailed as below:

	December 31, 2019	December 31, 2018
Other profit reserves	24.424.400	24.481.758
Extraordinary reserves	588.605.356	284.629.618
Other capital reserves	165.814.989	163.749.852
Sales profits to be capitalized	24.245.511	24.245.511
Other earnings and losses	(2.758.065)	(2.073.808)
Subsidiary capital correction	(71.060.049)	(71.060.049)
Total	729.272.142	423.972.882

Other capital reserves

According to TAS 16 – "Property Plant and Equipment", property, plant and equipment are initially recorded at cost and can be subsequently measured at their fair values. The Company has started to show based on the revaluation model by measuring over fair value as of the third quarter of 2015 by making changes in the use of the property which is measuring the cost model in the financial statements before.

In accordance with tax legislation, 75% of profits from sales of participation shares and 50% of profits from sales real estates included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years..

Anadolu Sigorta, as of December 31, 2019, the tax exempt which obtained thanks to sale of participation shares and real estate in 2010, 2011, 2013, 2014, 2015, 2016 and 2017 years respectively, amounting to TL 8.081.516, TL 80.025, TL 647.763, TL 920.272, TL 2.541.500, TL 15.094 and TL 838.049 and real estate revaluation funds of 2018 and 2019 and the profit not subject to distribution for 2018 are classified as other capital reserves.

15 Equity (continued)

Legal reserves (continued)

Other capital reserves (continued)

Milli Reasürans, according to expertise reports, fair value of property for use is calculated as TL 179.340.000 and revaluation differences amounting to TL 162.300.435 is recognized in ‘Other Capital Reserves’ account under equity as TL 146.070.394 with net tax effect in financial statements as of December 31, 2019 (December 31, 2018: TL 146.070.394). As of 31 December 2019, Non-Distributable Profit amount recognized according to the equity method is TL 19.744.595. (December 31, 2018: TL 17.679.458).

Extraordinary reserves

The movement of extraordinary reserves is as follows:

	December 31, 2019	December 31, 2018
Extraordinary reserves at the beginning of the period	284.629.618	179.927.446
Transfer from profit	303.975.738	104.702.172
Extraordinary reserves at the end of the period	588.605.356	284.629.618

Subsidiary capital correction

On September 30, 2010, the Company purchased 35.53% shares of Anadolu Sigorta Anonim Şirketi with nominal value of TL 177.650.110 from İş Bankası amounting to TL 248.710.154. As Anadolu Sigorta and the Company are under common control and when information transfer and structure is considered, Anadolu Sigorta is accepted as a part of the Company’s operations. This subsidiary under common control is recorded at cost in the financial statements. In the business combination of subsidiary under common control, the purchasing company is not obliged to, but has the permission to reflect the effects of business combination the prior year financial statements. In business combinations under common control, shares are transferred from one company to the other in the same group and independent third parties are not included in the transaction and purchasing price is not determined on fair value, the application is determined by the management’s decision. The Company management decided not to reflect the effects of the business combination in the comparative financial statements. The difference between purchase price and net asset value amounting to TL (71.060.049), is recorded under “Subsidiary Capital Correction” account under equity.

Other profit reserves

In accordance with the July 4, 2007 dated and 2007/3 numbered Compliance Circular issued by the Republic of Turkey Ministry of Treasury and Finance, it was stated that the companies would not further provide earthquake provision for the year 2007. However, it was also stated that earthquake provisions provided in previous periods (earthquake provision in the financial statements as at December 31, 2006) should be transferred to the reserve accounts under equity in accordance with the 5th Temporary Article of the Insurance Law. The companies had to transfer total amount of provisions, including earthquake provisions reserved as at December 31, 2006 and related gains obtained from investment of these amounts, to the account called as “549.01 – transferred earthquake provisions” which would be opened as at September 1, 2007 within Uniform Chart of Account and the reserves amount should not be subject to dividend distribution or should not be transferred to other accounts.

15 Equity (continued)

Other profit reserves (continued)

According to revision on TAS 19, actuarial profit and losses that recognized in income statement in termination indemnity calculation before, is recognized in “Other Profit Reserves” account under equity in current period financial statements. As of December 31, 2019, TL (2.758.065) (31 December 2018: TL (2.073.808 TL)), of actuarial gains and losses, which are presented in profit or loss is presented under “other profit reserves”. As of 31 December 2019, other profit reserves amount recognized according to the equity method is TL 24.424.400 (December 31, 2018: TL 24.481.758).

Profit for the period that is extraneous from the distribution

In accordance terms of tax legislation 50% portion of the gains from sales real estate and 75% portion of the gains from subsidiaries are exempt from corporate tax on condition that it has kept in a special fund account at least five years. Exempt gains cannot be transferred to another account except to add capital or in any way cannot be withdrawn from the business in five years. In the direction of sector announcement made by Treasury dated October 27, 2008 and numbered 2008/41, for the year ended December 31, 2016, the Company categorized the TL 23.723.323 profit on sale from the sale of the properties realized on April 10, 2015 under the company’s equity as “sales profits to be capitalized” and “other capital reserves” under the equity for the current period. As of 31 December 2019, sales profits to be capitalized amount recognized according to the equity method is TL 522.188 (December 31, 2018: TL 522.188). As of December 31, 2019, non-distributable profit is accounted for using the equity method is TL 3.129.194 (December 31, 2018: TL 1.549.719.)

Statutory reserves

After the allocation of first legal reserves and first dividend to shareholders, reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly. As of December 31, 2019, total funds allocated is amounting TL 37.967.904 (December 31, 2018: TL 23.673.668), and there’s not any fund allocated from current period profit in current period.

Foreign currency translation differences

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. As at December 31, 2019, foreign currency translation reserve amounting to TL 34.192.451 loss (December 31, 2018: TL 43.734.932 loss) stems from Singapore Branch whose functional currency is US Dollars.

Valuation of financial assets

As of December 31, 2019 and 2018, changes in fair values that stem from securities classified as available for sale financial assets that present share in capital and associates are detailed as below:

	December 31, 2019	December 31, 2018
Fair value reserves at the beginning of the period	(38.392.942)	52.911.805
Change in the fair value during the period (Note 4.2)	140.101.037	(34.148.167)
Deferred tax effect (Note 4.2)	(5.099.087)	4.183.047
Net gains transferred to the statement of income (Note 4.2)	3.674.113	(78.640.548)
Deferred tax effect (Note 4.2)	(808.305)	17.300.921
Fair value reserves at the end of the period	99.474.816	(38.392.942)

16 Other reserves and equity component of discretionary participation

As of December 31, 2019 and 2018, other reserves are explained in detail in Note 15 – Equity above.

As of December 31, 2019 and 2018, the Group does not hold any insurance or investment contracts which contain a DPF.

17 Insurance contract liabilities and reinsurance assets

Estimation of the ultimate payment for the outstanding claims is one of the most important accounting assumptions of the Company. Estimation of the insurance contract liabilities contains several ambiguities by nature. The Company makes calculation of the related insurance technical provisions accordance with the Insurance Legislation and reflects them into consolidated financial statements as mentioned in Note 2 – *Summary of significant accounting policies.*

As of December 31, 2019 and 2018, technical reserves of the Group' are as follows:

	December 31, 2019	December 31, 2018
Unearned premiums reserves, gross	3.899.597.423	3.280.229.790
Unearned premiums reserves, ceded (Note 10)	(868.053.967)	(732.987.716)
Unearned premiums reserves, SSI share	(74.462.604)	(63.611.725)
Unearned premiums reserves, net	2.957.080.852	2.483.630.349
Outstanding claims reserve, gross	6.595.436.311	5.416.277.390
Outstanding claims reserve, ceded (Note 10)	(1.507.010.830)	(1.195.809.112)
Outstanding claims reserve, net	5.088.425.481	4.220.468.278
Unexpired risk reserves	89.355.440	109.401.448
Unexpired risk reserves, ceded	(15.528.210)	(40.180.867)
Unexpired risk reserves, net	73.827.230	69.220.581
Equalization reserves, net ^(*)	357.827.967	276.734.089
Other technical reserves, net	357.827.967	276.734.089
Life mathematical reserves	38.691	73.795
Total technical reserves, net	8.477.200.221	7.050.127.092
Short-term	8.117.368.295	6.772.584.798
Medium and long-term	359.831.926	277.542.294
Total technical reserves, net	8.477.200.221	7.050.127.092

As of December 31, 2019 and 2018, movements of the insurance liabilities and related reinsurance assets are presented belows:

	December 31, 2019			
	Gross	Ceded	SSI Share	Net
Unearned premiums reserve				
Unearned premiums reserve at the beginning of the period	3.280.229.790	(732.987.716)	(63.611.725)	2.483.630.349
Written premiums during the period	8.091.533.647	(1.976.107.372)	(136.068.059)	5.979.358.216
Earned premiums during the period	(7.471.816.014)	1.841.041.121	125.217.180	(5.505.557.713)
Unearned premiums reserve at the end of the period	3.899.947.423	(868.053.967)	(74.462.604)	2.957.430.852

17 Insurance liabilities and reinsurance assets (continued)

	December 31, 2018			
	Gross	Ceded	SSI Share	Net
Unearned premiums reserve				
Unearned premiums reserve at the beginning of the period	2.761.900.572	(551.618.894)	(58.817.233)	2.151.464.445
Written premiums during the period	6.874.082.761	(1.770.959.962)	(120.450.837)	4.982.671.962
Earned premiums during the period	(6.355.753.543)	1.589.591.140	115.656.345	(4.650.506.058)
Unearned premiums reserve at the end of the period	3.280.229.790	(732.987.716)	(63.611.725)	2.483.630.349

	December 31, 2019		
	Gross	Ceded	Net
Outstanding claims reserves			
Outstanding claims reserve at the beginning of the period	5.416.277.390	(1.195.809.112)	4.220.468.278
Claims reported during the period and changes in the estimations of outstanding claims reserves provided at the beginning of the period	5.896.974.740	(1.229.561.139)	4.667.413.601
Claims paid during the period	(4.717.815.819)	918.359.421	(3.799.456.398)
Outstanding claims reserve at the end of the period	6.595.436.311	(1.507.010.830)	5.088.425.481

	December 31, 2018		
	Gross	Ceded	Net
Outstanding claims reserves			
Outstanding claims reserve at the beginning of the period	4.142.682.408	(595.038.575)	3.547.643.833
Claims reported during the period and changes in the estimations of outstanding claims reserves provided at the beginning of the period	5.338.724.811	(1.275.160.333)	4.063.564.478
Claims paid during the period	(4.065.129.829)	674.389.796	(3.390.740.033)
Outstanding claims reserve at the end of the period	5.416.277.390	(1.195.809.112)	4.220.468.278

Total amount of guarantee that should be placed by the Group for life and non-life branches and guarantees placed for the life and non-life branches in respect of related assets

As the Company is a reinsurance company, there is not any guarantee that should be placed. The details given below are the amounts of guarantees for Anadolu Sigorta A.Ş.

	December 31, 2019		
	Should be placed ^(*)	Placed	Book value
<i>Non-life:</i>			
Bank deposits (Note 14)	494.545.433	447.110.868	447.225.909
Total	494.545.433	447.110.868	447.225.909

17 Insurance liabilities and reinsurance assets (continued)

Total amount of guarantee that should be placed by the Group for life and non-life branches and guarantees placed for the life and non-life branches in respect of related assets (continued)

	December 31, 2018		
	Should be placed ^(*)	Placed	Book value
<i>Non-life:</i>			
Bank deposits (Note 14)	453.845.445	566.555.904	567.003.315
Total	453.845.445	566.555.904	567.003.315

(*) Insurance companies and pension companies, which are carrying out activities in life insurance and personal accident insurance branches, are required to allocate their guarantees within two months following capital adequacy calculation periods in accordance with article 7 of Regulation on Financial Structure of Insurance and Reassurance Companies and Pension Companies, regulating allocating and releasing of guarantees. Companies issue capital adequacy statement twice in June and December periods in accordance with “Regulation on Measurement and Review of Capital Adequacy of Insurance and Reassurance and Pension Companies” and submit such statements to Ministry of Treasury and Finance within 2 months.

Total amount of insurance risk on a branch basis

Total amount of insurance risk on branch basis for non-life insurance branch is not kept by the Group.

Group’s number of life insurance policies, additions, disposals during the year and the related mathematical reserves

None.

Distribution of new life insurance policyholders in terms of numbers and gross and net premiums as individual or group during the period

None.

Distribution of mathematical reserves for life insurance policyholders who left the Group’s portfolio as individual or group during the period

None.

Pension investment funds established by the Group and their unit prices

None.

Number and amount of participation certificates in portfolio and circulation

None.

Portfolio amounts in terms of number of new participants, left or cancelled participants, and existing participants for individuals and groups

None.

17 Insurance liabilities and reinsurance assets (continued)

Valuation methods used in profit share calculation for saving life contracts with profit sharing

None.

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups

None.

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups which were transferred from other insurance companies during the year

None.

Distribution of individual and group participants and their gross and net contributions which were transferred from life insurance portfolio to private pension portfolio during the year

None.

Distribution of individual and group participants which were cancelled or transferred to other insurance companies in terms of their numbers and gross and net contributions

None.

Profit share distribution rate of life insurances

None.

Deferred commission expenses

The Group capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As of December 31, 2019, short-term prepaid expenses amounting to TL 606.023.035 (December 31, 2018: TL 500.778.298) consist of deferred acquisition cost; deferred commission expenses amounting to TL 555.184.994 (December 31, 2018: TL 461.641.048) and other prepaid expenses amounting to TL 50.838.041 (December 31, 2018: TL 39.137.250). Long-term prepaid expenses amounting TL 1.444.448 (December 31, 2018: TL 9.445.638) are composed of other prepaid expenses.

	December 31, 2019	December 31, 2018
Deferred commission expenses at the beginning of the period	461.641.048	384.974.032
Commissions accrued during the period (<i>Note 32</i>)	1.254.393.951	914.371.048
Commissions expensed during the period	(1.160.850.005)	(837.704.032)
Deferred commission expenses at the end of the period	555.184.994	461.641.048

(*) Commission expenses accounted under reinsurance commissions are included.

Individual pension funds

None.

18 Investment contract liabilities

None.

19 Trade and other payables and deferred income

	December 31, 2019	December 31, 2018
Financial payables	117.648.540	53.578.314
Payables from main operations	796.914.881	700.067.699
Other payables	133.712.351	97.294.815
Short/long term deferred income and expense accruals	221.449.286	181.638.382
Taxes and other liabilities and similar obligations	136.600.008	57.436.673
Due to related parties (Note 45)	368.661	370.388
Total	1.406.693.727	1.090.386.271
Short-term liabilities	1.347.115.950	1.087.656.012
Long-term liabilities	59.577.777	2.730.259
Total	1.406.693.727	1.090.386.271

As of December 31, 2019, other payables amounting to TL 133.712.351 (December 31, 2018: TL 97.294.815) consist of treatment cost payables to SSI amounting to TL 39.979.932 (December 31, 2018: TL 30.867.740) payables to Tarsim and DASK and outsourced benefits and services amounting to TL 83.941.498 (December 31, 2018: TL 56.972.083) and deposits and guarantees received amounting to TL 9.790.921 (December 31, 2018: 9.454.992).

Payables arising from main operations of the Group as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Payables to reinsurance companies (Note 10)	503.446.108	421.304.226
Payables to agencies, brokers and intermediaries	72.191.799	65.074.280
Cash deposited by insurance and reinsurance companies	5.469.130	9.088.597
Total payables arising from reinsurance and insurance operations	581.107.037	495.467.103
Payables arising from other operating activities	215.807.844	204.600.596
Payables arising from main operations	796.914.881	700.067.699

Corporate tax liabilities and prepaid taxes are disclosed below:

	December 31, 2019	December 31, 2018
Corporate tax liabilities	(201.913.417)	(106.996.427)
Taxes paid during the period	137.083.224	142.657.523
Corporate tax assets, net	(64.830.193)	35.661.096

Total amount of investment incentives which will be benefited in current and forthcoming periods

None.

20 Financial liabilities

	31 December 2019	31 December 2018
Expense accruals arising from derivative contracts (Note 13) (**)	59.472.753	2.877.823
Payables from operating leases (Note 34) (***)	58.175.787	-
<i>Short-term</i>	3.620.551	-
<i>Medium and long-term</i>	54.555.236	-
Payables from repo transactions (*)	-	50.700.491
Total	117.648.540	53.578.314

(*) As of the reporting date, there is no balance arising from cash loans and debts to money markets (As of December 31, 2018, the Company has financial debt amounting TL 50.700.491 arising from repo / Takasbank Money Market transactions).

(**) As of December 31, 2019, the Group's expense accrual details amounting to TL 59.472.753 arising from derivative contracts are explained in Note 13 (December 31, 2018: TL 2.877.823).

(***) As of December 31, 2019, the Group's operating leases are explained in the Note 34 - Financial Costs.

21 Deferred taxes

As of December 31, 2019 and 2018, deferred tax assets and liabilities are attributable to the following::

	December 31, 2019	December 31, 2018
	Deferred tax assets / (liabilities)	Deferred tax assets / (liabilities)
Unexpired risk reserves	16.241.991	15.228.528
Provision for the pension fund deficits	10.643.391	8.947.362
Equalization reserves	53.535.621	41.127.247
Provisions for employee termination benefits	8.307.197	7.543.894
Other provisions	19.583.644	14.837.226
Subrogation provision	6.198.312	3.558.004
Discount of receivables and payables	(336.314)	522.078
TAS adjustment differences in depreciation	(10.658.223)	(3.159.259)
Profit commission accruals	(2.723.769)	(2.028.998)
Subrogation receivables from third parties	(6.931.925)	(5.651.737)
Valuation differences in financial assets	(3.022.005)	(15.377.031)
Time deposits	91.793	192.055
Other	1.866.480	1.598.347
Valuation of real estate	(63.004.554)	(60.193.714)
Deferred tax assets/(liabilities), net	29.791.639	7.144.002

As of December 31, 2019, the Group does not have deductible tax losses. (December 31, 2018: None.)

Movement of deferred tax assets as of December 31, 2019 and 2018 are given below:

	December 31, 2019	December 31, 2018
Opening balance at January 1	7.144.002	(5.078.019)
Recognized in profit or loss	69.039.680	(4.635.421)
Recognized in equity	(46.392.043)	16.857.442
Closing balance at December 31	29.791.639	7.144.002

22 Retirement benefit obligations

Employees of the Company are the members of “Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı (“Milli Reasürans Pension Fund”) and the employees of Anadolu Sigorta are the members of Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı (“Pension Fund of Anadolu Anonim Türk Sigorta Şirketi”) which has been founded in accordance with the Article 20 of the Social Securities Act No: 506.

As per the provisional article No: 23 of the Banking Law No: 5411, pension funds of the banks which were established within the framework of Social Security Institution Law, should be transferred to the Social Security Institution within three years after the publication of the prevailing Banking Law enacted on November 1, 2005. However, the said article of the Banking Law has been vetoed by the President on November 2, 2005 and the execution of the article was ceased based on the Supreme Court’s decision numbered E.2005/39, K.2007/33 and dated March 22, 2007 effective from March 31, 2007. Supreme Court asserted possible losses on acquired rights of employees of pension fund as reason for cancellation decision.

Following annulment of the temporary Article 23 of the Banking Law, the new law “Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees” was published in the Official Gazette dated May 8, 2008 and came into force. The new law requires transfer of the participants or beneficiaries of pension funds to Social Security Institution as at the effective date of the Act within 3 years and prescribe the extension period of the transfer as maximum of two years upon the order of the Cabinet. Accordingly, the three-year period expired on May 8, 2011 was extended to the May 8, 2013. On March 8, 2012, “Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees” numbered 28227, was published on Official Gazette and 4th article of this act changed “two years” phrase as “four years” which takes part on second sentence of first clause of 20th article of the code numbered 5510. Also, under the scope of Decree of the Council of Ministers numbered 2013/4617 was published on Official Gazette numbered 28636, on May 3, 2013 and 20th temporary article of the Social Security Laws numbered 506 banks, insurance and reinsurance companies, chambers of commerce, stock markets or participants of pension funds and salary or income provided ones and their shareholders’ transfer duration has been extended one year to the Social Security Institution by Decree of the Council of Ministers.

Under the scope of Decree of Turkish Ministry of Labour and Social Security numbered 174, according to 20th temporary article of the Social Security Laws numbered 5510, the Council of Ministers postpone transfer of the funds until May 8, 2015 with the decision of The Council of Ministers dated February 24, 2015.

Lastly, first paragraph of temporary 20th article of 5510 numbered Law, article 51 of the law regarding changing of several laws and delegated legislations and the law of occupational health and safety which are published in April 23, 2015 dated Official Gazette is changed as following.

“Council of minister is entitled to determine the Social Security Intuition’s turnover date for banks, assurance and reinsurance companies, chamber of commerce and industry, stock markets or pension fund’ partnerships that is constituted by them for union employees along with monthly income endowed people and their rights holder within the scope of 506 numbered law’ provisional 20. Article. Pension fund contributors as of the transfer date and considered insured by the first paragraph of Article 4 of this law.

In accordance with the Act, as of the transfer date, present value of the liabilities will be determined by considering the income and expense of the pension fund.

On the other hand, the application made on June 19, 2008 by the Republican People’s Party to the Constitutional Court for the annulment and motion for stay of some articles, including the first paragraph of the provisional article 20 of the Law, which covers provisions on transfers, was rejected in accordance with the decision taken at the meeting of the afore-mentioned court on March 30, 2011.

22 Retirement benefit obligations (continued)

As per the temporary sub article No: 20 of the Article 73 of the above mentioned law also includes the following:

- technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and
- uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by the entities who transfer the funds.

In accordance with the law; after fund affiliates along with monthly salary and/or revenue endowed people and their rights holder transfer to Social Security Institution, these people's uncovered social rights and payments is paid, even if it is written in the foundation's obligation which they are belong to, by funds and fund affiliate's employer institutions.

The benefits stated in the settlement deeds of pension fund but not subject to transfer will continue to be covered by the pension funds.

The technical financial position of the Milli Reasürans Pension Fund is audited by the registered actuary in accordance with the Article 21 of the Insurance Law and Actuary Act. As per the calculations based on the above mentioned assumptions, actuarial and technical deficit amounting to TL 53.216.955 TL (December 31, 2018: TL44.736.812) is accounted as "Provision for pension fund deficits" in the accompanying consolidated financial statements.

An actuarial report has been obtained from registered actuary regarding calculation of the amount to be paid to the Social Security Institution by the Company in accordance with the new law. The CSO 1980 mortality table for December 31, 2019 and the TSI 2013 mortality table for December 31, 2018 9.8% of technical deficit interest rate are taken into account in the calculation of the said technical deficit. No real increase / decrease is anticipated in salary and health expenses. The health benefits to be paid will be considered by the Group management due to the changes in the Social Security Institution legislation and other regulations. As of December 31, 2019 and 2018, technical deficit from pension funds comprised the following.

	December 31, 2019	December 31, 2018
Net present value of total liabilities other than health	(154.412.630)	(133.663.392)
Net present value of insurance premiums	36.399.424	29.450.709
Net present value of total liabilities other than health	(118.013.206)	(104.212.683)
Net present value of health liabilities	(18.531.186)	(16.741.096)
Net present value of health premiums	19.953.802	16.332.152
Net present value of health liabilities	1.422.616	(408.944)
Pension fund assets	63.373.635	59.884.815
Amount of actuarial and technical deficit	(53.216.955)	(44.736.812)

Plan assets are comprised of the following items:

	December 31, 2019	December 31, 2018
Cash and cash equivalents	51.228.641	48.840.924
Associates	10.648.699	9.682.845
Other	1.496.295	1.361.046
Total plan assets	63.373.635	59.884.815

Up to date, as per the actuarial calculation performed, there has not been any deficit in Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı and Anadolu Sigorta has made no payment for this purpose. It is believed that the assets of this institution are adequate enough to cover its total obligations; therefore this shall not constitute any additional liability on Anadolu Sigorta.

23 Provision for other liabilities and expense accruals

As of December 31, 2019 and 2018, the provisions for other risks are disclosed as follows:

	December 31, 2019	December 31, 2018
Provision for pension fund deficits (<i>Note 22</i>)	53.216.955	44.736.812
Provision for employee termination benefits	38.340.411	35.080.373
Provision for unused vacation	2.905.069	2.399.183
Total provision for other risks	94.462.435	82.216.368

Movement of provision for employee termination benefits during the period is presented below:

	December 31, 2019	December 31, 2018
Provision at the beginning of the period	35.080.373	29.233.214
Interest cost (<i>Note 47</i>)	4.280.225	3.073.462
Service cost (<i>Note 47</i>)	2.429.854	2.326.182
Payments during the period (<i>Note 47</i>)	(4.378.995)	(2.710.704)
Actuarial gain/ loss	928.954	3.158.219
Provision at the end of the period	38.340.411	35.080.373

24 Net insurance premium revenue

Net insurance premium revenue for non-life branches is presented in detailed in the accompanying consolidated statement of income.

25 Fee revenue

None.

26 Investment income

Investment income is presented in Note 4.2 – *Financial risk management*.

27 Net income accrual on financial asset

Net realized gains on financial assets are presented in Note 4.2 – *Financial risk management*.

28 Assets held at fair value through profit or loss

Presented in “*Note 4.2 – Financial Risk Management*”.

29 Insurance rights and claims

	December 31, 2019	December 31, 2018
Claims paid, net off reinsurers’ share	(3.799.456.398)	(3.390.740.033)
Changes in outstanding claims reserves, net off reinsurers’ share	(867.957.203)	(672.824.445)
Changes in unearned premium reserves, net off reinsurers’ share	(472.362.222)	(332.165.904)
Change in equalization reserves	(81.093.878)	(66.543.242)
Change in life mathematical reserves, net off reinsurers’ share	35.104	42.314
Changes in unexpired risks reserves, net off reinsurers’ share	(4.606.649)	(39.774.848)
Total	(5.225.441.246)	(4.502.006.158)

30 Investment contract benefits

None.

31 Other expenses

The allocation of the expenses with respect to their nature or function is presented in Note 32 – *Expenses by nature* below.

32 Operating expenses

For the years ended December 31, 2019 and 2018, the operating expenses are disclosed as follows:

	December 31, 2019	December 31, 2018
Commission expenses (<i>Note 17</i>)	996.680.788	837.704.032
<i>Commissions to the intermediaries accrued during the period (Note 17)</i>	1.083.550.914	914.371.048
<i>Changes in deferred commission expenses (Note 17)</i>	(86.870.126)	(76.667.016)
Employee benefit expenses (<i>Note 33</i>)	291.494.818	239.728.958
Foreign exchange losses	30.188.546	70.480.481
Administration expenses	140.528.715	155.172.151
Commission income from reinsurers (<i>Note 10</i>)	(211.883.477)	(224.731.883)
<i>Commission income from reinsurers accrued during the period (Note 10)</i>	(219.921.607)	(248.982.078)
<i>Change in deferred commission income (Note 10)</i>	8.038.130	24.250.195
Advertising and marketing expenses	28.727.445	18.968.329
Outsourced benefits and services	25.179.548	21.559.689
Commission expenses from reinsurance transactions (<i>Note 10</i>)	164.169.217	116.479.375
<i>Commissions from reinsurance transactions during the period (Note 10)</i>	170.843.037	127.915.936
<i>Change in deferred reinsurance commission expenses (Note 10)</i>	(6.673.820)	(11.436.561)
Other	14.804.358	35.622.658
Total	1.479.889.958	1.270.983.790

33 Employee benefit expenses

As of December 31 2019 and 2018, employee benefit expenses are disclosed as follows:

	December 31, 2019	December 31, 2018
Wages and salaries	211.068.619	179.381.299
Employer's share in social security premiums	56.028.392	40.460.148
Pension fund benefits	5.362.795	5.044.995
Other	19.035.012	14.842.516
Total (Note 32)	291.494.818	239.728.958

34 Financial costs

As of December 31, 2019, interest expense arising from the leases that the Group has subject to TFRS 16 Leasing Standards amounting to TL 12.262.383 has accounted under "Investment Management Expenses - Including Interest"; amortization expense amounting to TL 7.196.904 has been accounted under "Depreciation and Amortization Expense" accounts (January 1 – December 31, 2018: None).

As of December 31, 2019, discounted repayment plans for the Group's operating leases are as follows (December 31, 2018: None):

	Operating lease repayments - TL
Up to 1 year	3.620.551
1 - 2 years	2.813.212
2 – 3 years	3.500.198
3 – 4 years	4.354.946
4 – 5 years	5.387.487
Over 5 years	38.499.393
Total	58.175.787

35 Income tax

Income tax expense in the accompanying consolidated financial statements is as follows:

	December 31, 2019	December 31, 2018
<i>Current tax expense provision:</i>		
Corporate tax provision	(201.913.417)	(106.996.427)
<i>Deferred taxes:</i>		
Origination and reversal of temporary differences	69.039.680	(4.635.421)
Total income tax expense/(income)	(132.873.737)	(111.631.848)

A reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended December 31, 2019 and 2018 is as follows:

	2019	Tax rate	2018	Tax rate
		(%)		(%)
Profit before taxes	634.616.315		529.665.325	
Taxes on income per statutory tax rate	139.615.589	22,00	116.526.372	22,00
Tax exempt income	(63.502.257)	(10,01)	(60.400.133)	(11,40)
Non-deductible expenses	56.760.405	8,95	55.505.609	10,48
Total tax expense recognized in consolidated profit or loss	132.873.737	20,94	111.631.848	21,08

36 Net foreign exchange gains

Net foreign exchange gains are presented in Note 4.2 – *Financial Risk Management* above.

37 Earnings per share

Earnings per share are calculated by dividing Group's net profit of the year to the weighted average number of shares.

	2019	2018
Net profit/loss for the period	309.978.881	278.283.572
Weighted average number of shares	66.000.000.000	66.000.000.000
Earnings/losses per share (TL)	0,0047	0,0042

38 Dividends per share

Dividend distribution policy of the Company stated its Articles of Association are as follows:

Net profit for the year presents remaining amount of total income of the year after deducting operating expenses, amortisation, provisions, taxes and other similar obligations and prior year losses if any. Net profit is divided and distributed in accordance with order as follows.

- 5% of legal reserve is divided from annual net profit, until it reaches 20% of share capital.
- Amounts described by a and b clauses of 2nd paragraph of 519th article of the Turkish Commercial Law will be added to general legal reserves, after legal limit is reached.
- 10% of the remaining net profit amount is distributed to shareholders, as first dividend.
- If the company has acquired his share, according to 520th article of the Turkish Commercial Law, legal reserve is divided to meet the acquiring amount.
- Reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly,
- After the allocation of first legal reserves, first dividend to shareholders and statutory reserves, up to 3% of the remaining amount not exceeding three-wages is distributed to personnel.
- After the allocation of above mentioned reserves and dividends, second dividend to shareholders might be allocated, based on the suggestion of the Board of Directors and decision of the General Assembly.
- According to c clause of 2nd paragraph of 519th article of the Turkish Commercial Law, 10% of total amount distributed to people have share of profit will be added to general legal reserves.
- The fate of remaining amount will be determined by the General Assembly.

Judgements of 3rd paragraph of 519th article of Turkish Commercial Law are reserved.

Other legal reserves can not be divided, profit can not be transferred to next year and share of profit can not be distributed to workers, unless legal reserves have to be divided according to laws and first dividend for shareholders is divided, in accordance with the Articles of Association.

It is decided in Ordinary General Assembly Meeting of the Company, held on March 25, 2019, to make a cash dividend payment of TL 60.000.000 to shareholders and to allocate remaining balance as voluntary reserves from the net period income amounting to TL 278.213.412, from 2018 activities of the Company, after the legal reserves are allocated.

Paid dividend amount is reflected to financial statements as liability in the period it is declared by the Company.

39 Cash generated from operations

The cash flows from operating activities are presented in the accompanying consolidated statement of cash flows.

40 Convertible bond

None.

41 Redeemable preference shares

None.

42 Risks

In the normal course of its operations, the Group is exposed to legal disputes, claims and challenges, which mainly stem from its insurance operations. The necessary income/expense accruals for the revocable cases against/on behalf of the Group are provided under outstanding claims reserves in the accompanying consolidated financial statements.

As of December 31, 2019, total amount of the claims that the Group face is TL 1.716.620.953 in gross (December 31, 2018: TL 1.776.535.000). The Group provided outstanding claims reserves in the consolidated financial statements by considering collateral amounts.

As of December 31, 2019, ongoing law suits prosecuted by the Company's subsidiary Insurance Company against the third parties amounting TL 409.892.582 (December 31, 2018: TL 455.213.000).

Anadolu Anonim Türk Sigorta Şirketi Mensupları Dayanışma Vakfı" was established by Anadolu Anonim Türk Sigorta Şirketi in accordance with the Turkish Commercial and Civil Laws which is examined by Tax Audit Committee inspectors due to the Company payments what are fulfilled obligations to the foundation owing to deed of the foundation and the related act. As a result of this investigation, an examination was reported for periods of 2007, 2008, 2009, 2010 and 2011.

The final legal process which is related the period of 2007 and 2008 is expected to result in the Company's favour and the amount of provision TL 12.768.684 which was published on the Official Gazette dated November 12, 2014. December 2013 and after the condition of the provision is evaluated later ongoing development of the legal process. There is a provision amount of TL 4.360.015 (December 31, 2018: TL 4.007.764) related with this process.

An examination related to payments made for Company's liabilities in frame of related regulations to "Milli Reasürans Türk Anonim Şirketi Mensupları Yardımlaşma Sandığı Vakfı" that established by Milli Reasürans Türk Anonim Şirketi in accordance with the Turkish Commercial and Civil Laws is realized by Tax Inspection Board inspectors. As a result of this investigation, a tax audit report is issued for the periods 2007, 2008, 2009, 2010 and 2011 with the claim that liability amounts shall be taxed at cost principle and be taxable for income tax withholding and stamp tax.

Legal process has been started for the years 2007, 2008, 2009, 2010, 2011 and the later years and the payment regarding to the revenue authorities was paid. As of the report date, there is no recognized provision.

43 Commitments

Details of the guarantees given by the Group in non-life insurance branches are shown in Note 17.

44 Business combinations

None.

45 Related party transactions

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

The related party balances as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Türkiye İş Bankası AŞ	1.774.359.555	2.056.738.212
Other	3.137	1.883
Banks	1.774.362.692	2.056.740.095
Investment funds founded by İş Portföy Yönetimi A.Ş. (Note 11)	1.085.620.877	376.530.484
Bond issued by Türkiye Sınai Kalkınma Bankası A.Ş. (Note 11)	41.955.002	52.951.656
Eurobond issued by Türkiye İş Bankası (Note 11)	74.327.048	
Equity shares of the related parties (Note 11)	77.776.570	50.045.854
Bond issued by Türkiye İş Bankası (Note 11)	96.283.796	21.287.330
Investment funds founded by İşbank AG (Note 11)	17.113.532	13.234.978
Bond issued by İş Finansal Kiralama A.Ş. (Note 11)	-	8.759.700
Financial assets	1.393.076.825	522.810.002
İş Gayrimenkul Yatırım Ortaklığı A.Ş. – TFRS 16 Operating leases	1.956.528	-
Financial liabilities	1.956.528	-
Türkiye İş Bankası A.Ş.	469.586.257	426.011.481
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	5.181.827	3.539.765
Ziraat Sigorta A.Ş.	3.586.897	2.872.372
Groupama Sigorta A.Ş.	3.416.718	-
Anadolu Hayat Emeklilik A.Ş.	930.395	1.094.136
İstanbul Umum Sigorta A.Ş.	169.977	161.487
HDI Sigorta A.Ş.	102.879	
Ziraat Hayat ve Emeklilik	86.250	-
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	87.846	-
Receivables from main operations	483.149.046	433.679.241
Türkiye İş Bankası A.Ş.	11.021.482	8.419.250
Axa Sigorta A.Ş.	4.481.577	10.596.518
Allianz Sigorta A.Ş.	1.836.870	582.788
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	1.519.469	693.757
Şişecam Sigorta Aracılık Hizmetleri AŞ	696.535	407.838
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	65.482	-
İstanbul Umum Sigorta A.Ş.	22.541	22.993
Groupama Sigorta A.Ş.	-	609.487
Güven Sigorta T.A.Ş.	-	209.260
Ziraat Hayat ve Emeklilik	-	18.039
Anadolu Hayat Emeklilik A.Ş.	-	278.417
Payables from main operations	19.810.655	21.838.347
Due to personnel	211.925	214.924
Due to shareholders	131.570	105.548
Due to subsidiaries	-	38.024
Due to other related parties	25.166	11.892
Due to related parties	368.661	370.388

45 Related party transactions (continued)

No guarantees have been taken against receivables from related parties.

There are no doubtful receivables and payables from/to shareholders, subsidiaries and joint ventures.

There are no guarantees, commitments, guarantee letters, advances and endorsements given in favor of shareholders, associates and subsidiaries.

The transactions with related parties during the years ended December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Türkiye İş Bankası A.Ş.	845.874.415	761.904.845
Ziraat Sigorta A.Ş.	24.283.392	18.439.443
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	21.067.933	18.305.225
Groupama Sigorta A.Ş.	18.950.974	2.939.670
Anadolu Hayat Emeklilik A.Ş.	7.714.571	6.255.998
Axa Sigorta A.Ş.	1.493.921	8.928.768
HDI Sigorta A.Ş.	631.473	-
Ziraat Hayat ve Emeklilik	444.848	290.000
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	122.159	96.696
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	7.768	-
Güven Sigorta T.A.Ş.	-	(222)
Allianz Sigorta A.Ş.	(5.197)	355.191
Premium received	920.586.257	817.515.614
Groupama Sigorta A.Ş	760	15.878
Axa Sigorta A.Ş	582	6688
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	426	7003
Güven Sigorta TAŞ	189	2380
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	165	-
HDI Sigorta A.Ş.	40	-
Premiums ceded	2.162	31.949
HDI Sigorta A.Ş.	(12)	-
Güven Sigorta	(24)	-
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	(38)	-
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	(55)	(72.656)
Groupama Sigorta A.Ş.	(67)	(284)
Axa Sigorta A.Ş.	(91)	(172)
Commissions received	(287)	(73.112)
Türkiye İş Bankası A.Ş.	82.199.913	75.251.737
Ziraat Sigorta A.Ş	5.872.836	4.525.564
Groupama Sigorta A.Ş.	4.167.015	461.648
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	4.204.632	3.573.459
Anadolu Hayat Emeklilik A.Ş.	434.254	170.168
Axa Sigorta A.Ş	141.462	1.917.506
Hdi Sigorta A.Ş.	100.488	-
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	31.312	-
Allianz Sigorta A.Ş	11.611	69.543
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	1.165	-
Güven Sigorta T.A.Ş.	-	3
Commissions given	97.164.688	85.969.628

45 Related parties transactions (continued)

	December 31, 2019	December 31, 2018
Axa Sigorta A.Ş.	6.508.049	24.591.209
Ziraat Sigorta A.Ş.	7.724.930	6.879.276
Allianz Sigorta A.Ş.	1.999.105	2.318.683
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	1.937.515	4.924.629
Groupama Sigorta A.Ş.	1.507.011	2.818.246
Anadolu Hayat Emeklilik A.Ş.	1.270.970	389.733
Ziraat Hayat ve Emeklilik	704.475	456.788
Güven Sigorta T.A.Ş.	416.584	461.340
Hdi Sigorta A.Ş.	163.922	-
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	118	-
Claims paid	22.232.679	42.839.904
İstanbul Umum Sigorta A.Ş.	16.564	65.852
Güven Sigorta T.A.Ş.	13.938	163.000
Allianz Sigorta A.Ş.	11.525	48.908
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	7.651	-
Groupama Sigorta A.Ş.	(19.547)	164.940
Axa Sigorta A.Ş.	(33.949)	197.781
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	(40.506)	42.109
Reinsurance's share of claims paid	(48.759)	682.590
Anadolu Hayat Emeklilik A.Ş.	260.401	222.777
Allianz Sigorta A.Ş.	122.530	136.561
Ziraat Sigorta A.Ş.	113.157	258.981
Groupama Sigorta A.Ş.	43.842	48.543
Axa Sigorta A.Ş.	41.981	1.394.118
Hdi Sigorta A.Ş.	19.160	-
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	5.384	21.262
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	2.535	-
Ziraat Hayat ve Emeklilik A.Ş.	2.049	-
Güven Sigorta T.A.Ş.	1.405	6.405
İstanbul Umum Sigorta A.Ş.	1.200	2.520
Other income	613.644	2.091.167
İş Merkezleri Yönetim ve İşletim A.Ş. – Office service cost	7.500.919	5.900.277
İş Gayrimenkul Yatırım Ortaklığı A.Ş. – IFRS 16 interest expense	678.267	-
Yatırım Finansman Menkul Değerler – management commission	584.816	-
İş Portföy Yönetimi – management commission	312.361	220.355
Axa Sigorta A.Ş.	132.217	302.204
Allianz Sigorta A.Ş.	75.604	80.431
Ziraat Sigorta A.Ş.	18.633	1.126
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	9.710	-
Güven Sigorta A.Ş.	7.786	25.177
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	6.241	641.708
Hdi Sigorta A.Ş.	5.710	-
İstanbul Umum Sigorta A.Ş.	4.005	11.744
Groupama Sigorta A.Ş.	3.378	54.044
Anadolu Hayat Emeklilik A.Ş.	698	2.001
Other expenses	9.340.345	7.239.067

46 Subsequent events

Subsequent events are disclosed in note 1.10 - *Subsequent events*.

47 Other

Items and amounts classified under the “other” account in financial statements either exceeding 20% of the total amount of the group to which they relate or 5% of the total assets in the balance sheet

They are presented in the related notes above.

Payables to employees and receivables from employees presented under accounts, “other receivables” and “other short or long term payables”, and which have balance more than 1% of the total assets

None.

Subrogation recorded in “Off-Balance Sheet Accounts

None.

Real rights on immovable and their values

None.

Explanatory note for the amounts and nature of previous years’ income and losses

None.

Information about the other technical expenses in the income statement

The amounting to TL 140.222.386 (31 December 2018: TL 139.447.460) which is the part of other technical expenses in the income statement of amounting to TL 149.972.159 (31 December 2018: TL 145.297.383) is the assistance services, postponement of these amounts and their technical expenses.

As of and for the year ended December 31, 2019 and 2018, details of discount and provision expenses are as follows:

	December 31, 2019	December 31, 2018
Provision expense for doubtful receivables (<i>Note 4.2</i>)	(67.539.019)	(78.512.916)
Provision for pension fund deficits (<i>Note 23</i>)	(8.480.143)	(5.401.697)
Provision expense for employee termination benefits (<i>Note 23</i>)	(2.331.085)	(2.688.940)
Provision expenses for unused vacation (<i>Note 23</i>)	(505.886)	(520.275)
Terminated provision income/ (expense)	252.776	8.425.669
Other provision expenses (<i>Note 4.2</i>)	(362.689)	(5.166.283)
Impairment loss on financial assets	-	(356.186)
Provision expenses	(78.966.046)	(84.220.628)

	December 31, 2019	December 31, 2018
Rediscount income / (expense) from main operations receivables	45.201.232	33.824.128
Rediscount income / (expense) from main operations payables	(39.824.588)	(44.229.349)
Total of rediscounts	5.376.644	(10.405.221)