

TÜRK P VE I SİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATUTORY
FINANCIAL STATEMENTS FOR THE PERIOD**

**1 JANUARY - 31 DECEMBER 2019
THE INDEPENDENT AUDITOR'S REPORT
(ORIGINALLY ISSUED IN TURKISH)**

TÜRK P VE İ SİGORTA A.Ş.

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

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TÜRK P VE İ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2019 AND 2018

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

| ASSETS | | | Audited | Audited |
|--|-------------|-------------------|-------------------|---------|
| | Notes | 31 December 2019 | 31 December 2018 | |
| I- Current Assets | | | | |
| A- Cash and Cash Equivalents | 14 | 37,582,867 | 18,248,476 | |
| 1- Cash | 2.12 and 14 | 7,560 | 6,301 | |
| 2- Cheques Received | | - | - | |
| 3- Banks | 2.12 and 14 | 37,537,865 | 17,996,303 | |
| 4- Cheques Given and Payment Orders (-) | | - | - | |
| 5- Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months | 2.12 and 14 | 37,442 | 245,872 | |
| 6- Other Cash and Cash Equivalents | | - | - | |
| B- Financial Assets and Financial Investments with Risks on Policyholders | | | | |
| 1- Available for Sale Investments | | - | - | |
| 2- Held to Maturity Investments | | - | - | |
| 3- Trading Investments | | - | - | |
| 4- Loans | | - | - | |
| 5- Provision for Loans (-) | | - | - | |
| 6- Financial Assets at Life Insuree's Risk | | - | - | |
| 7- Company's Shares | | - | - | |
| 8- Provision for financial assets diminution in value (-) | | - | - | |
| C- Receivables from Main Operations | 12.1 | 33,357,570 | 16,999,119 | |
| 1- Due from Insurance Operations | 12.1 | 33,357,570 | 16,999,119 | |
| 2- Provision for Due from Insurance Operations (-) | | - | - | |
| 3- Due from Reinsurance Operation | | - | - | |
| 4- Provision for Due from Reinsurance Operations (-) | | - | - | |
| 5- Premium Deposits | | - | - | |
| 6- Policy Loans | | - | - | |
| 7- Provision for Policy Loans (-) | | - | - | |
| 8- Due from Private Pension Operations | | - | - | |
| 9- Doubtful Receivables from Main Operations | | - | - | |
| 10- Provision for Doubtful Receivables from Main Operations (-) | | - | - | |
| D- Due from Related Parties | | | | |
| 1- Due from Shareholders | | - | - | |
| 2- Due from Associates | | - | - | |
| 3- Due from Subsidiaries | | - | - | |
| 4- Due from Joint-Ventures | | - | - | |
| 5- Due from Personnel | | - | - | |
| 6- Due from Other Related Parties | | - | - | |
| 7- Rediscount on Due from Related Parties (-) | | - | - | |
| 8- Doubtful Receivables from Related Parties | | - | - | |
| 9- Provision for Doubtful Receivables from Related Parties (-) | | - | - | |
| E- Other Receivables | | 468,173 | 597,308 | |
| 1- Leasing Receivables | | - | - | |
| 2- Unearned Leasing Interest Income (-) | | - | - | |
| 3- Deposits and Guarantees Given | | 468,173 | 597,308 | |
| 4- Other Miscellaneous Receivables | | - | - | |
| 5- Rediscount on Other Receivables (-) | | - | - | |
| 6- Other Doubtful Receivables | | - | - | |
| 7- Provision for Other Doubtful Receivables (-) | | - | - | |
| F- Prepaid Expenses and Income Accruals | | 7,568,972 | 3,784,934 | |
| 1- Deferred Acquisition Costs | 17 | 5,918,673 | 2,779,346 | |
| 2- Accrued Interest and Rent Income | | - | - | |
| 3- Income Accruals | | - | - | |
| 4- Other Prepaid Expenses | 47.1 | 1,650,299 | 1,005,588 | |
| G- Other Current Assets | | 28,566 | 1,947 | |
| 1- Prepaid Office Supplies | | 3,080 | 1,947 | |
| 2- Prepaid Taxes and Funds | | - | - | |
| 3- Deferred Tax Assets | | - | - | |
| 4- Job Advances | | 25,486 | - | |
| 5- Advances to Personnel | | - | - | |
| 6- Count Shortages | | - | - | |
| 7- Other Current Assets | | - | - | |
| 8- Provision for Other Current Assets (-) | | - | - | |
| I- Total Current Assets | | 79,006,148 | 39,631,784 | |

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

TÜRK P VE I SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2019 AND 2018

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

| ASSETS | Notes | Audited 31 December 2019 | Audited 31 December 2018 |
|--|-----------|-----------------------------|-----------------------------|
| II- Non-Current Assets | | | |
| A- Receivables from Main Operations | | - | - |
| 1- Due from Insurance Operations | | - | - |
| 2- Provision for Due from Insurance Operations (-) | | - | - |
| 3- Due from Reinsurance Operations | | - | - |
| 4- Provision for Due from Reinsurance Operations | | - | - |
| 5- Premium Deposits | | - | - |
| 6- Policy Loans | | - | - |
| 7- Provision for Policy Loans (-) | | - | - |
| 8- Due from Private Pension Operations | | - | - |
| 9- Doubtful Receivables from Main Operations | | - | - |
| 10- Provision for Doubtful Receivables from Main Operations (-) | | - | - |
| B- Due from Related Parties | | - | - |
| 1- Due from Shareholder | | - | - |
| 2- Due from Associates | | - | - |
| 3- Due from Subsidiaries | | - | - |
| 4- Due from Joint-Ventures | | - | - |
| 5- Due from Personnel | | - | - |
| 6- Due from Other Related Parties | | - | - |
| 7- Rediscount on Due from Related Parties (-) | | - | - |
| 8- Doubtful Receivables from Related Parties | | - | - |
| 9- Provision for Doubtful Receivables from Related Parties (-) | | - | - |
| C- Other Receivables | | 21,772 | 21,772 |
| 1- Leasing Receivables | | - | - |
| 2- Unearned Leasing Interest Income (-) | | - | - |
| 3- Deposits and Guarantees Given | | 21,772 | 21,772 |
| 4- Other Receivables | | - | - |
| 5- Rediscount on Other Receivables (-) | | - | - |
| 6- Other Doubtful Receivables | | - | - |
| 7- Provision for Other Doubtful Receivables (-) | | - | - |
| D- Financial Assets | | - | - |
| 1- Investment Securities | | - | - |
| 2- Associates | | - | - |
| 3- Capital Commitments to Associates (-) | | - | - |
| 4- Subsidiaries | | - | - |
| 5- Capital Commitments to Subsidiaries (-) | | - | - |
| 6- Joint-Ventures | | - | - |
| 7- Capital Commitments to Joint-Ventures (-) | | - | - |
| 8- Financial Assets and Financial Investments at Insurees' Risk | | - | - |
| 9- Other Financial Assets | | - | - |
| 10- Provision for Diminution in Value (-) | | - | - |
| E- Tangible Assets | 6 | 1,695,340 | 465,295 |
| 1- Investment Properties | | - | - |
| 2- Provision for Diminution in Value of Investment Properties (-) | | - | - |
| 3- Property for Operational Usage | | - | - |
| 4- Machinery and Equipment | | - | - |
| 5- Furniture and Fixtures | 6 | 649,204 | 477,603 |
| 6- Motor Vehicles | | - | - |
| 7- Other Tangible Assets (including leasehold improvements) | 6 | 649,182 | 527,410 |
| 8- Leased Assets | 6 | 1,554,985 | - |
| 9- Accumulated Depreciation (-) | 6 | (1,158,031) | (539,718) |
| 10- Advances Given for Tangible Assets | | - | - |
| F- Intangibles Assets | 8 | 2,081 | 1,350 |
| 1- Rights | 8 | 6,247 | 4,798 |
| 2- Goodwill | | - | - |
| 3- Start-up Costs | | - | - |
| 4- Research and Development Expenses | | - | - |
| 5- Other Intangible Assets | | - | - |
| 6- Accumulated Amortization (-) | 8 | (4,166) | (3,448) |
| 7- Advances Given for Intangible Assets | | - | - |
| G- Prepaid Expenses and Income Accruals | | - | - |
| 1- Deferred Acquisition Costs | | - | - |
| 2- Income Accruals | | - | - |
| 3- Other Deferred Expenses | | - | - |
| H- Other Non-Current Assets | 21 ve 35 | 209,094 | 124,970 |
| 1- Effective Foreign Currency Accounts | | - | - |
| 2- Foreign Currency Accounts | | - | - |
| 3- Prepaid Office Supplies | | - | - |
| 4- Prepaid Taxes and Funds | | - | - |
| 5- Deferred Tax Assets | 21 and 35 | 209,094 | 124,970 |
| 6- Other Non-Current Assets | | - | - |
| 7- Other Non-Current Assets Depreciation (-) | | - | - |
| 8- Provision for Diminution in Value of Other Non-Current Assets (-) | | - | - |
| II- Total Non-Current Assets | | 1,928,287 | 613,387 |
| TOTAL ASSETS (I+II) | | 80,934,435 | 40,245,171 |

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

TÜRK P VE İ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2019 AND 2018

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

LIABILITIES

| | Notes | Audited 31 December 2018 | Audited 31 December 2018 |
|---|-----------------------|-----------------------------|-----------------------------|
| III- Current Liabilities | | | |
| A- Financial Liabilities | 20 | 306,500 | - |
| 1- Due to Credit Institutions | | - | - |
| 2- Leasing Payables | | 306,500 | - |
| 3- Deferred Leasing Costs (-) | | - | - |
| 4- Short Term Instalments of Long Term Borrowings | | - | - |
| 5- Issued Debt Securities | | - | - |
| 6- Other Issued Debt Securities | | - | - |
| 7- Value Differences of Other Issued Debt Securities (-) | | - | - |
| 8- Other Financial Payables (Liabilities) | | - | - |
| B- Payables from Main Operations | 19 | 6,304,678 | 5,435,438 |
| 1- Payables from Insurance Operations | 4 and 19 | 6,304,678 | 5,435,438 |
| 2- Payables from Reinsurance Operations | | - | - |
| 3- Premium Deposits | | - | - |
| 4- Payables from Private Pension OperationsEmeklilik Faaliyetlerinden Borçlar | | - | - |
| 5- Payables from Other Operations | | - | - |
| 6- Rediscount on Payables from Other Operations (-) | | - | - |
| C- Due to Related Parties | | 1,793 | 28 |
| 1- Due to Shareholders | 4, 19 and 45 | - | 13 |
| 2- Due to Associates | | - | - |
| 3- Due to Subsidiaries | | - | - |
| 4- Due to Joint-Ventures | | - | - |
| 5- Due to Personnel | 4 and 19 | 1,793 | 15 |
| 6- Due to Other Related Parties | | - | - |
| D- Other Payables | 4, 19 and 47.1 | 191,650 | 164,893 |
| 1- Deposits and Guarantees Received | | - | - |
| 2- Payable to SSI medical expense | | - | - |
| 3- Other Miscellaneous Payables | 4, 19 and 47.1 | 191,650 | 164,893 |
| 4- Rediscount on Other Payables | | - | - |
| E- Insurance Technical Provisions | | 43,129,841 | 19,193,814 |
| 1- Unearned Premium Reserve - Net | 4 and 17 | 37,356,354 | 15,828,140 |
| 2- Unexpired Risks Reserve - Net | | - | - |
| 3- Mathematical Reserve - Net | | - | - |
| 4- Outstanding Claim Provision - Net | 4 and 17 | 5,773,487 | 3,365,674 |
| 5- Bonus and Rebate Provision - Net | | - | - |
| 6- Other Technical Reserves - Net | | - | - |
| F- Taxes and Other Fiscal Liabilities | | 2,655,618 | 407,723 |
| 1- Taxes and Funds Payable | | 433,449 | 256,496 |
| 2- Social Security Withholdings Payable | | 114,832 | 65,713 |
| 3- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities | | - | - |
| 4- Other Taxes and Fiscal Liabilities | | - | - |
| 5- Corporate Tax Provision and Other Fiscal Liabilities | 35 | 3,522,598 | 1,720,647 |
| 6- Prepaid tax and other liabilities on current year profit(-) | 35 | (1,415,261) | (1,635,133) |
| 7- Other Taxes and Fiscal Liabilities Provision | | - | - |
| G- Provisions for Other Risks | | - | - |
| 1- Provision for Employment Termination Benefits | | - | - |
| 2- Provision for Social Aid Fund Asset Shortage | | - | - |
| 3- Provision for Expense Accruals | | - | - |
| H- Deferred Income and Expense Accruals | 19 | 814,954 | 542,526 |
| 1- Deferred Commission Income | 10, 17 and 19 | 784,954 | 517,526 |
| 2- Expense Accruals | 19 | 30,000 | 25,000 |
| 3- Other Deferred Income | | - | - |
| I- Other Current Liabilities | | - | - |
| 1- Deferred Tax Liabilities | | - | - |
| 2- Count Overages | | - | - |
| 3- Other Current Liabilities | | - | - |
| III- Total Current Liabilities | | 53,405,034 | 25,744,422 |

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

TÜRK P VE I SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2019 AND 2018

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

LIABILITIES

| | Notes | Audited 31 December 2019 | Audited 31 December 2018 |
|---|-----------|-----------------------------|-----------------------------|
| IV- Non-Current Liabilities | | | |
| A- Financial Liabilities | 20 | 920,348 | - |
| 1- Due to Credit Institutions | | - | - |
| 2- Leasing Payables | 20 | 920,348 | - |
| 3- Deferred Leasing Costs (-) | | - | - |
| 4- Issued Debt Securities | | - | - |
| 5- Other Issued Debt Securities | | - | - |
| 6- Value Differences of Other Issued Debt Securities (-) | | - | - |
| 7- Other Financial Payables (Liabilities) | | - | - |
| B- Payables from Main Operations | | - | - |
| 1- Payables from Insurance Operations | | - | - |
| 2- Payables from Reinsurance Operations | | - | - |
| 3- Premium Deposits | | - | - |
| 4- Payables from Private Pension Operations | | - | - |
| 5- Payables from Other Operations | | - | - |
| 6- Rediscount on Payables from Other Operations (-) | | - | - |
| C- Due to Related Parties | | - | - |
| 1- Due to Shareholders | | - | - |
| 2- Due to Associates | | - | - |
| 3- Due to Subsidiaries | | - | - |
| 4- Due to Joint-Ventures | | - | - |
| 5- Due to Personnel | | - | - |
| 6- Due to Other Related Parties | | - | - |
| D- Other Payables | | - | - |
| 1- Deposits and Guarantees Received | | - | - |
| 2- Payable to SSI medical expense | | - | - |
| 3- Other Miscellaneous Payables | | - | - |
| 4- Rediscount on Other Payables | | - | - |
| E- Insurance Technical Provisions | | - | - |
| 1- Unearned Premium Reserve - Net | | - | - |
| 2- Unexpired Risks Reserve - Net | | - | - |
| 3- Mathematical Reserve - Net | | - | - |
| 4- Outstanding Claim Provision - Net | | - | - |
| 5- Bonus and Rebate Provision - Net | | - | - |
| 6- Other Technical Reserves - Net | | - | - |
| F- Other Liabilities and Related Provisions | | - | - |
| 1- Other Payables | | - | - |
| 2- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities | | - | - |
| 3- Other Taxes and Fiscal Liabilities Provision | | - | - |
| G- Provisions for Other Risks | 22 | 365,582 | 216,131 |
| 1- Provision for Employment Termination Benefits | 22 | 365,582 | 216,131 |
| 2- Provision for Social Aid Fund Asset Shortage | | - | - |
| H- Long term Deferred Income and Expense Accruals | | - | - |
| 1- Deferred Commission Income | | - | - |
| 2- Expense Accruals | | - | - |
| 3- Short term Other Deferred Income | | - | - |
| I- Other Non-Current Liabilities | | - | - |
| 1- Deferred Tax Liabilities | | - | - |
| 2- Other Non-Current Liabilities | | - | - |
| IV- Total Non-Current Liabilities | | 1,285,930 | 216,131 |

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

TÜRK P VE İ SİGORTA A.Ş.

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

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

SHAREHOLDERS' EQUITY

| | Notes | Audited 31 December 2019 | Audited 31 December 2018 |
|--|--------------------|-----------------------------|-----------------------------|
| V- Shareholders' Equity | | | |
| A- Share Capital | 2.13 and 15 | 13,500,000 | 8,250,000 |
| 1- (Nominal) Capital | 2.13 and 15 | 13,500,000 | 8,250,000 |
| 2- Unpaid Capital (-) | | - | - |
| 3- Adjustments to Share Capital | | - | - |
| 4- Adjustments to Share Capital (-) | | - | - |
| 5- Capital Not Yet Registered | | - | - |
| B- Capital Reserves | | | |
| 1- Share Premium | | - | - |
| 2- Profit from Stock Abrogation | | - | - |
| 3- Sales Profits to be Added to the Capital | | - | - |
| 4- Foreign Currency Translation Differences | | - | - |
| 5- Other Capital Reserves | | - | - |
| C- Profit Reserves | | 206,627 | (33,777) |
| 1- Legal Reserves | | 304,227 | 16,157 |
| 2- Statutory Reserves | | - | - |
| 3- Extraordinary Reserves | | - | - |
| 4- Special Funds (Reserves) | | - | - |
| 5- Valuation of Financial Assets | | - | - |
| 6- Other Profit Reserves | 15 | (97,600) | (49,934) |
| D- Retained Earnings | | 530,325 | 306,993 |
| 1- Retained Earnings | | 530,325 | 306,993 |
| E- Accumulated Deficit (-) | | | |
| 1- Accumulated Deficit | | - | - |
| F- Net Profit for the Period | | 12,006,519 | 5,761,402 |
| 1- Net Profit for the Period | | 12,006,519 | 5,761,402 |
| 2- Net Loss for the Period (-) | | - | - |
| 3- Profit not subject to Distribution | | - | - |
| V- Total Shareholders' Equity | | 26,243,471 | 14,284,618 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (III+IV+V) | | 80,934,435 | 40,245,171 |

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

TÜRK P VE I SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2019 AND 2018

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

| TECHNICAL PART | | | Audited 1 January - 31 December 2019 | Audited 1 January - 31 December 2019 |
|--|-----------|--|--|--|
| | Notes | | | |
| A- Non-Life Technical Income | | | 41,942,812 | 23,137,524 |
| 1- Earned Premiums (Net of Reinsurers' Share) | | | 41,913,153 | 23,137,524 |
| 1.1- Written Premiums (Net of Reinsurers' Share) | 24 | | 63,441,367 | 29,222,685 |
| 1.1.1- Gross Written Premium (+) | 24 | | 96,623,167 | 53,049,662 |
| 1.1.2- Reinsurers' Share of Gross Written Premium | 10 and 24 | | (33,181,800) | (23,826,977) |
| 1.1.3- Premiums Ceded to SSI (-) | | | - | - |
| 1.2- Change in Unearned Premiums Reserve | | | - | - |
| (Net of Reinsurers' Share and Reserves Carried Forward) (+/-) | 17 | | (21,528,214) | (6,085,161) |
| 1.2.1- Unearned Premiums Reserve (-) | 17 | | (19,969,718) | (7,400,256) |
| 1.2.2- reinsurers' Share of Unearned Premiums Reserve (+) | 10 and 17 | | (1,558,496) | 1,315,095 |
| 1.3- Change in Unexpired Risks Reserve | | | - | - |
| (Net of Reinsurers' Share and Reserves Carried Forward) (+/-) | | | - | - |
| 1.3.1- Unexpired Risks Reserve (-) | | | - | - |
| 1.3.2- Reinsurers' Share of Unexpired Risks Reserve (+) | | | - | - |
| 2- Investment Income Transferred from Non-Technical Part | | | - | - |
| 3- Other Technical Income - (Net of Reinsurers' Share) | | | 29,659 | - |
| 3.1- Gross Other Technical Income (+) | | | 29,659 | - |
| 3.2- Reinsurers' Share of Other Gross Technical Income (-) | | | - | - |
| 4- Claim Recovery and Salvage Income Accruals (+) | | | - | - |
| B- Non-Life Technical Expense (-) | | | (31,098,869) | (20,927,505) |
| 1- Incurred Claims - (Net of Reinsurer's Share) | | | (14,351,375) | (9,789,887) |
| 1.1- Paid Claims - (Net of Reinsurer's Share) | | | (11,943,562) | (7,618,597) |
| 1.1.1- Gross Paid Claims (-) | | | (36,202,749) | (17,457,715) |
| 1.1.2- Reinsurers' Share of Gross Paid Claims (+) | 10 | | 24,259,187 | 9,839,118 |
| 1.2- Change in Outstanding Claims | | | - | - |
| (Net of Reinsurers' Share and Reserves Carried Forward) (+/-) | | | (2,407,813) | (2,171,290) |
| 1.2.1- Outstanding Claims Provision (-) | | | 2,369,783 | (8,524,132) |
| 1.2.2- Reinsurers' Share of Outstanding Claims Provision (+) | 10 | | (4,777,596) | 6,352,842 |
| 2- Change in Bonus and Rebate Provision | | | - | - |
| (Net of Reinsurers' Share and Reserves Carried Forward) (+/-) | | | - | - |
| 2.1- Bonus and Rebate Provision (-) | | | - | - |
| 2.2- Reinsurers' Share of Bonus and Rebate Provision (+) | | | - | - |
| 3- Change in Other Technical Reserves | | | - | - |
| (Net of Reinsurers' Share and Reserves Carried Forward) (+/-) | | | - | - |
| 4- Operating Expenses (-) | 31 and 32 | | (16,747,494) | (11,137,618) |
| 5- Change in Mathematical Reserves | | | - | - |
| (Net of Reinsurer's Share and Reserves Carried Forward) (+/-) | | | - | - |
| 5.1- Mathematical Reserves (-) | | | - | - |
| 5.2- Net of Reinsurer's Share and Reserves Carried Forward (+) | | | - | - |
| 6- Other Technical Expenses (-) | | | - | - |
| 6.1- Gross Other Technical Expenses (-) | | | - | - |
| 6.2- Reinsurers' Share of Other Gross Technical Expenses (+) | | | - | - |
| C- Net Technical Income- Non-Life (A - B) | | | 10,843,943 | 2,210,019 |
| D- Life Technical Income | | | | |
| 1- Earned Premiums (Net of Reinsurers' Share) | | | - | - |
| 1.1- Written Premiums (Net of Reinsurers' Share) | | | - | - |
| 1.1.1- Gross Written Premiums (+) | | | - | - |
| 1.1.2- Reinsurers' Share of Written Premiums (-) | | | - | - |
| 1.2- Change in Unearned Premiums Reserve | | | - | - |
| (Net of Reinsurers' Share and Returned Reserve) (+/-) | | | - | - |
| 1.2.1- Unearned Premiums Reserve (-) | | | - | - |
| 1.2.2- Reinsurers' Share of Unearned Premiums Reserve (+) | | | - | - |
| 1.3- Change in Unexpired Risks Reserve | | | - | - |
| (Net of Reinsurers' Share and Returned Reserve) (+/-) | | | - | - |
| 1.3.1- Unexpired Risks Reserve (-) | | | - | - |
| 1.3.2- Reinsurers' Share of Unexpired Risks Reserve (+) | | | - | - |
| 2- Life Investment Income | | | - | - |
| 3- Unrealized Investment Income | | | - | - |
| 4- Other Technical Income - (Net of Reinsurers' Share) (+/-) | | | - | - |
| E- Life Technical Expense | | | | |
| 1- Incurred Claims - (Net of Reinsurer's Share) (+/-) | | | - | - |
| 1.1- Paid Claims (Net of Reinsurer's Share) (-) | | | - | - |
| 1.1.1- Gross Paid Claims (-) | | | - | - |
| 1.1.2- Reinsurer's Share of Gross Paid Claims (+) | | | - | - |
| 1.2- Change in Outstanding Claims | | | - | - |
| (Net of Reinsurer's Share and Returned Reserve) (+/-) | | | - | - |
| 1.2.1- Outstanding Claims Provision (-) | | | - | - |
| 1.2.2- Reinsurer's Share of Outstanding Claim Provisions (+) | | | - | - |
| 2- Change in Bonus and Rebate Provision | | | - | - |
| (Net of Reinsurers' Share and Returned Reserve) (+/-) | | | - | - |
| 2.1- Bonus and Rebate Provision (-) | | | - | - |
| 2.2- Reinsurers' Share of Bonus and Rebate Provision (+) | | | - | - |
| 3- Change in Mathematical Reserves | | | - | - |
| (Net of Reinsurers' Share and Returned Reserve) (+/-) | | | - | - |
| 3.1- Mathematical Reserves (-) | | | - | - |
| 3.1.1- Actuarial Mathematical Reserves (+/-) | | | - | - |
| 3.1.2- Profit Share Reserve (For Permanent Life Insurance Policies) | | | - | - |
| 3.2- Reinsurers' Share of Mathematical Reserves (+) | | | - | - |
| 3.2.1- Reinsurer's Share of Actuarial Mathematical Reserves (+) | - | | - | - |
| 3.2.2- Reinsurer's Share of Profit Share Reserve (for Permanent Life Insurance Policies) (+) | | | - | - |
| 4- Change in Other Technical Reserves | | | - | - |
| (Net of Reinsurer's Share and Returned Reserve) (+/-) | | | - | - |
| 5- Operating Expenses (-) | | | - | - |
| 6- Investment Expenses (-) | | | - | - |
| 7- Unrealized Investment Expense (-) | | | - | - |
| 8- Investment Income Transferred to Non-Life Technical Part (-) | | | - | - |
| F- Net Technical Income - Life (D - E) | | | | |
| G- Private Pension Technical Income | | | | |
| 1- Fund Management Income | | | - | - |
| 2- Management Expense Charge | | | - | - |
| 3- Entrance Fee Income | | | - | - |
| 4- Management Expense Charge in case of Suspension | | | - | - |
| 5- Special Service Expense Charge | | | - | - |
| 6- Capital Allowance Value Increase Income | | | - | - |
| 7- Other Technical Income | | | - | - |
| H- Private Pension Technical Expense | | | | |
| 1- Fund Management Expense (-) | | | - | - |
| 2- Capital Allowance Value Decrease Expense (-) | | | - | - |
| 3- Operating Expenses (-) | | | - | - |
| 4- Other Technical Expenses (-) | | | - | - |
| I- Net Technical Income - Private Pension (G - H) | | | | |

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

TÜRK P VE I SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2019 AND 2018

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

NON-TECHNICAL PART

| | Notes | Audited 1 January - 31 December 2019 | Audited 1 January - 31 December 2018 |
|--|-----------|--|--|
| C- Net Technical Income-Non-Life (A-B) | | 10,843,943 | 2,210,019 |
| F- Net Technical Income-Life (D-E) | | - | - |
| I- Net Technical Income-Private Pension (G-H) | | - | - |
| J- Total Net Technical Income (C+F+I) | | 10,843,943 | 2,210,019 |
| K- Investment Income | | 13,953,012 | 16,807,741 |
| 1- Income from Financial Investments | 26 | 1,679,673 | 1,562,915 |
| 2- Income from Sales of Financial Investments | | - | - |
| 3- Valuation of Financial Investments | 26 | 31,017 | (1,900) |
| 4- Foreign Exchange Gains | 36 | 12,242,322 | 15,246,726 |
| 5- Income from Associates | | - | - |
| 6- Income from Subsidiaries and Joint-Ventures | | - | - |
| 7- Income from Land and Buildings | | - | - |
| 8- Income from Derivatives | | - | - |
| 9- Other Investments | | - | - |
| 10- Investment Income Transferred from Life Technical Part | | - | - |
| L- Investment Expense (-) | | (9,249,574) | (11,487,661) |
| 1- Investment Management Expenses (Interest included) (-) | 34 | (268,552) | - |
| 2- Diminution in Value of Investments (-) | | - | - |
| 3- Loss from Realization of Financial Investments (-) | | - | - |
| 4- Investment Income Transferred to Non-Life Technical Part (-) | | - | - |
| 5- Loss from Derivatives (-) | | - | - |
| 6- Foreign Exchange Losses (-) | 36 | (8,278,664) | (11,283,949) |
| 7- Depreciation Expenses (-) | 6 and 8 | (619,031) | (126,446) |
| 8- Other Investment Expenses (-) | | (83,327) | (77,266) |
| M- Income and Expenses from Other Operations and Extraordinary Operations (+/-) | | (18,264) | (48,050) |
| 1- Provisions (+/-) | 47.5 | (89,869) | (106,624) |
| 2- Rediscounts (+/-) | | - | - |
| 3- Special Insurance Account (+/-) | | - | - |
| 4- Inflation Adjustment (+/-) | | - | - |
| 5- Deferred Tax Assets (+/-) | | 72,208 | 116,463 |
| 6- Deferred Tax Liabilities Expenses (-) | 21 and 35 | - | - |
| 7- Other Income | | 38,226 | - |
| 8- Other Expenses (-) | | (38,829) | (57,889) |
| 9- Prior Year's Income | | - | - |
| 10- Prior Year's Expenses (-) | | - | - |
| N- Net Profit/(Loss) for the Period | 37 | 12,006,519 | 5,761,402 |
| 1- Profit/(Loss) for the Period | | 15,529,117 | 7,482,049 |
| 2- Corporate Tax Provision and Other Fiscal Liabilities (-) | 35 | (3,522,598) | (1,720,647) |
| 3- Net Profit/(Loss) for the Period | | 12,006,519 | 5,761,402 |
| 4- Inflation Adjustment | | - | - |

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

TÜRK P VE İ SİGORTA A.Ş.

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

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

| | Notes | Audited 1 January - 31 December 2019 | Audited 1 January - 31 December 2018 |
|---|-------------|--|--|
| A- CASH GENERATED FROM MAIN OPERATIONS | | | |
| 1- Cash inflows from insurance operations | | 120,948,566 | 62,575,242 |
| 2- Cash inflows from reinsurance operations | | - | - |
| 3- Cash inflows from private pension operations | | - | - |
| 4- Cash outflows from insurance operations (-) | | (102,909,491) | (58,576,150) |
| 5- Cash outflows from reinsurance operations (-) | | - | - |
| 6- Cash outflows from private pension operations (-) | | - | - |
| 7- Net cash from main operations (A1+A2+A3-A4-A5-A6) | | 18,039,075 | 3,999,092 |
| 8- Interest payment (-) | | - | - |
| 9- Income tax payment (-) | | (1,415,261) | (1,635,133) |
| 10- Other cash inflows | - | - | - |
| 11- Other cash outflows (-) | | (2,663,274) | (398,689) |
| 12- Net cash used in main operations | | 13,960,540 | 1,965,270 |
| B- CASH FLOWS FROM INVESTING OPERATIONS | | | |
| 1- Sale of tangible assets | | - | - |
| 2- Tangible assets purchases (-) | 6 | (294,822) | (56,910) |
| 3- Financial assets purchases (-) | | - | - |
| 4- Sales of financial assets | | - | - |
| 5- Interest received | | 1,679,673 | 1,562,915 |
| 6- Dividends received | | - | - |
| 7- Other cash inflows | | - | - |
| 8- Other cash outflows (-) | | (48,506) | (68,758) |
| 9- Net cash from investing activities | | 1,336,345 | |
| C- CASH FLOWS FROM FINANCING OPERATIONS | | | |
| 1- Issue of shares | 15 | - | 2,250,000 |
| 2- Cash flows due to the borrowings | | - | - |
| 3- Leasing payments (-) | | (618,944) | - |
| 4- Dividends paid (-) | | - | - |
| 5- Other cash inflows | | - | - |
| 6- Other cash outflows (-) | | - | - |
| 7- Net cash from financing activities | | (618,944) | 2,250,000 |
| D- EFFECT OF EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS | | 2,012,731 | 1,563,564 |
| E- Net increase in cash and cash equivalents | | 16,697,184 | 7,216,081 |
| F- Cash and cash equivalents at the beginning of the period | | 15,065,737 | 7,849,656 |
| G- Cash and cash equivalents at the end of the period (E+F) | 2.12 | 31,762,921 | 15,065,737 |

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

TÜRK P VE İ SİGORTA A.Ş.

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

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

| Statements of Changes in Shareholders' Equity - Audited (*) | | | | | | | | | | | |
|--|-------------------|---------------------|------------------------------|------------------|--|----------------|--------------------|------------------------------------|-------------------------|-------------------------|-------------------|
| | Capital | Paid in Capital (-) | Valuation Increase in Assets | Capital Reserves | Foreign Currency Translation Differences | Legal Reserves | Statutory Reserves | Other Reserves and Retained Profit | Net Loss for Period (-) | Accumulated Deficit (-) | Total |
| I- Balances as previously reported (31/12/2017) | 6,000,000 | - | - | - | - | - | - | (39,904) | 1,742,476 | (1,419,326) | 6,283,246 |
| A- Capital Increase (A1 + A2) | 2,250,000 | - | - | - | - | - | - | - | - | - | 2,250,000 |
| 1- Cash (Note 2.13) | 2,250,000 | - | - | - | - | - | - | - | - | - | 2,250,000 |
| 2- From internal resources | - | - | - | - | - | - | - | - | - | - | - |
| B- Treasury shares of the company | - | - | - | - | - | - | - | - | - | - | - |
| C- Gain and losses not recognized in the income statement | - | - | - | - | - | - | - | - | - | - | - |
| D- Value increase in the assets | - | - | - | - | - | - | - | - | - | - | - |
| E- Foreign currency translation differences | - | - | - | - | - | - | - | - | - | - | - |
| F- Other income and losses | - | - | - | - | - | - | - | (10,030) | - | - | (10,030) |
| G- Inflation adjustments | - | - | - | - | - | - | - | - | - | - | - |
| H- Net loss for the period (-) (Note 37) | - | - | - | - | - | - | - | - | 5,761,402 | - | 5,761,402 |
| I- Dividends paid | - | - | - | - | - | - | - | - | - | - | - |
| J- Transfers | - | - | - | - | - | 16,157 | - | - | (1,742,476) | 1,726,319 | - |
| II- Balances at the period end (31/12/2018) (I+A+B+C+D+E+F+G+H+I+J) | 8,250,000 | - | - | - | - | 16,157 | - | (49,934) | 5,761,402 | 306,993 | 14,284,618 |
| Statements of Changes in Shareholders' Equity - Audited (*) | | | | | | | | | | | |
| | Capital | Paid in Capital (-) | Valuation Increase in Assets | Capital Reserves | Foreign Currency Translation Differences | Legal Reserves | Statutory Reserves | Other Reserves and Retained Profit | Net Loss for Period (-) | Accumulated Deficit (-) | Total |
| I- Balances as previously reported (31/12/2018) | 8,250,000 | - | - | - | - | 16,157 | - | (49,934) | 5,761,402 | 306,993 | 14,284,618 |
| A- Capital Increase (A1 + A2) | 5,250,000 | - | - | - | - | - | - | - | - | (5,250,000) | - |
| 1- Cash (Note 2.13) | - | - | - | - | - | - | - | - | - | - | - |
| 2- From internal resources | 5,250,000 | - | - | - | - | - | - | - | - | (5,250,000) | - |
| B- Treasury shares of the company | - | - | - | - | - | - | - | - | - | - | - |
| C- Gain and losses not recognized in the income statement | - | - | - | - | - | - | - | (47,666) | - | - | (47,666) |
| D- Value increase in the assets | - | - | - | - | - | - | - | - | - | - | - |
| E- Foreign currency translation differences | - | - | - | - | - | - | - | - | - | - | - |
| F- Other income and losses | - | - | - | - | - | - | - | - | - | - | - |
| G- Inflation adjustments | - | - | - | - | - | - | - | - | - | - | - |
| H- Net loss for the period (-) (Note 37) | - | - | - | - | - | - | - | - | 12,006,519 | - | 12,006,519 |
| I- Dividends paid | - | - | - | - | - | - | - | - | - | - | - |
| J- Transfers | - | - | - | - | - | 288,070 | - | - | (5,761,402) | 5,473,332 | - |
| II- Balances at the period end (31/12/2019) (I+A+B+C+D+E+F+G+H+I+J) | 13,500,000 | - | - | - | - | 304,227 | - | (97,600) | 12,006,519 | 530,325 | 26,243,471 |

(*) Detailed explanations for the Shareholders' Equity balances are disclosed in Note 15.

The accompanying notes form an integral part of these financial statements

TÜRK P VE I SİGORTA A.Ş.

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

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

1. General information

1.1 Name of the parent Company: As of 31 December 2019 and 2018 share of Group A of Türk P ve I Sigorta A.Ş. ("Company") belongs to Ziraat Sigorta A.Ş., share of Group B belongs to Güneş Sigorta A.Ş., share of Group C belongs to Türkiye Halk Bankası A.Ş. and share of group D belongs to Omur Denizcilik A.Ş., Metropole Denizcilik and Ticaret Ltd. Şti. and Vitsan Denizcilik A.Ş. jointly.

1.2 Legal residence of the Company, its legal structure, the country of incorporation and the address of its registered office: The Company was registered on 31 December 2013 in İstanbul, and started its operations after the declaration of its articles of incorporation on the Trade Registry Gazette on 8 January 2014. The Company has obtained a certificate, in accordance with the requirements of the Insurance Legislation, in order to operate in the vessels liability branch on 18 February 2014. The registered address of the Company is Muhittin Üstündağ Cad. No: 21 Koşuyolu Kadıköy 34718 İstanbul/Türkiye.

1.3 Nature of operations: The Company is operating in accordance with the Insurance Law No: 5684 and has operations in vessels liability branch.

1.4 Explanation of the activities and characteristics of main operations of the corporation: Disclosed in Notes 1.2 and 1.3.

1.5 Average number of employees during the period by category:

| | 31 December 2019 | 31 December 2018 |
|-------------------|------------------|------------------|
| Senior Management | 3 | 4 |
| Other personnel | 21 | 18 |
| Total | 24 | 21 |

1.6 Total salaries and benefits paid to the chairman and members of the board of directors, general manager, general coordinator, assistant general managers and other executive management during the current period: Total amount of wages and other benefits provided for the general managers and assistant general managers recognized as the top management of the Company is TRY 2,587,902 (31 December 2018: TRY 2,241,038).

1.7 Criteria set for the allocation of investment incomes and operating expenses (personnel, management, research and development, marketing and sales, outsourcing utilities and services and other operating expenses) at financial statements: The Company allocates the investment income and personnel, management, research and development, marketing and selling, outsourced benefits and services and other operational expenses related to the technical accounts in accordance with the Republic of Turkey Ministry of Treasury and Finance's Circular on the "Fundamentals of the Procedures and Principles of the Criteria's" dated 4 January 2008 and used in Prepared Financial Statements pursuant to Insurance Uniformed Chart of Accounts and Circular Clauses No 2010/9 and dated 9 August 2010.

1.8 Whether financial statements include only one firm or group of firms: The financial statements include only one company (Türk P ve I Sigorta A.Ş.).

1.9 Name and other identification information of the reporting firm and changes in this information since the previous balance sheet date: Name and other identification information of the Branch are disclosed in Notes 1.1, 1.2 and 1.3.

1.10 Events occurred after the balance sheet date: The financial statements for the period 1 January - 31 December 2019 are signed and approved on 13 May 2020 by General Manager Ufuk Teker and Assistant General Manager Abdullah Kara under the authorization of Board of Directors. Events occurred after the balance sheet date are explained in Note 46.

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

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

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

The Branch prepares its financial statements in accordance with the Insurance Law numbered 5684 and the regulations issued for insurance and reinsurance companies by the Ministry of Treasury and Finance.

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

According to the “Regulation on Financial Reporting of Insurance and Reinsurance Companies and Pension Companies” issued on 14 July 2007 and effective from 1 January 2008, except for the communiqués which may be issued by the Ministry of Treasury and Finance, operations of insurance companies shall be accounted for in accordance with the Turkish Accounting Standards (“TAS”) and the Turkish Financial Reporting Standards (“TFRS”) as issued by the Turkish Accounting Standards Board (“TASK”) and other regulations, communiqués and explanations issued by the Ministry of Treasury and Finance regarding “Insurance Accounting and Financial Reporting Regulations” issues. With reference to the notice of the Ministry of Treasury and Finance No. 9 dated 18 February 2008, “TAS 1- Financial Statements and Presentation”, “TAS 27 - Consolidated and Unconsolidated Financial Statements”, “TFRS 1 - Transition to TFRS” and “TFRS 4- Insurance Contracts” have been scoped out of this application. In addition, the companies are obliged to comply with the Communiqué on the Preparation of the Consolidated Financial Statement of Insurance and Reinsurance Companies and Pension Companies dated 31 December 2008 and published in official gazette numbered 27097 effective from 31 March 2009. The Company does not have any affiliates for consolidation in this respect.

As of 31 December 2019, the Company calculates and recognizes its insurance technical provisions in its financial statements in accordance with the “Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested” (“Regulation on Technical Reserves”), which is published in Official Gazette dated 28 July 2010 and numbered 27655 and changes on this regulation were published in Official Gazette dated 17 July 2012 and numbered 28356 and other regulations issued for insurance and reinsurance companies by the Ministry of Treasury and Finance (Note 2.24).

Financial statements were prepared in TRY denomination by taking the cost principle into consideration.

Where necessary, comparative figures have been reclassified to conform to the presentation of the current year financial statements.

Accounting policies and measurement principles that are used in the preparation of the financial statements are explained in the notes from 2.2 to 2.24 below;

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

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

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

Changes in Turkish Financial Reporting Standards:

Accounting policies and measurement principles that are used in the preparation of the financial statements are applied in-line with the previous years' except for TFRYK cooments and new standards and amendments summarized below that are applicable as of 31 December 2019.

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

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

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

Amendment to IAS 28, 'Investments in associates and joint venture'; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

The Company will apply the standard for 31 December 2019 financial statements from 1 January 2019. As of the reporting date, the Company continues to work on the impact analysis.

Accounting policy changes originating from the mentioned standards and the effects of the application of the related standards for the first time are explained in note 2.5.

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

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

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

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

- IFRIC 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.
- Annual improvements 2015-2017; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
 - IFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - IFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
 - IAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
 - use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
 - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

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

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

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

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

- Amendments to IAS 1 and IAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs:
 - use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
 - clarify the explanation of the definition of material; and
 - incorporate some of the guidance in IAS 1 about immaterial information.
- Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- Amendments to TFRS 9, TAS 39 and TFRS 7 - Interest rate benchmark reform; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.
- IFRS 17, ‘Insurance contracts’; effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The effects of this standard on the financial position and performance of the Company are evaluated

2.2 Consolidation

The Company does not have any subsidiaries in the scope of the “Communiqué on the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Pension Companies” published in Official Gazette dated 31 December 2008 and numbered 27097 which is effective from 31 March 2009.

2.3 Segment Reporting

The Company operates only in Turkey and only in non-life insurance business, treated as a single reportable segment as of 31 December 2019 and 2018. The Company does not perform segment reporting in the scope of “IFRS 8 - Segment Reporting”, since it is not a listed company.

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

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

2. Summary of Significant Accounting Policies (Continued)

2.4 Foreign Currency Translation

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

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

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

2.5 Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Since lands have an infinite life, they are not depreciated. Depreciation is calculated using the straight-line method over the estimated useful life of the tangible assets. The depreciation periods which are based on estimated useful lives of tangible assets are as follows:

| | |
|------------------------|------------|
| Furniture and fixture | 3-15 years |
| Leasehold improvements | 5 years |
| Financial Lease Assets | 1-10 years |

If there are indicators of impairment on tangible assets, a review is made in order to determine possible impairment and as a result of this review, if an asset's carrying amount is greater than its estimated recoverable amount, the asset's carrying amount is written down immediately to its recoverable amount by accounting for an impairment provision. Gains and losses on disposals of property and equipment are included in other non-operational income and expenses accounts (Note 6).

Right of use asset

At inception of a contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, the Company shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

- a) the amount of the initial measurement of the lease liability,
- b) any lease payments made at or before the commencement date, less any lease incentives received,
- c) any initial direct costs incurred by the Company,

As long as it is not certain that relevant asset will be transferred to Company at the end of its lease term, Company subject relevant right of use asset to amortization from the beginning of lease term until the end of its useful life. Right of use assets are subjected to impairment assessment.

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

2. Summary of Significant Accounting Policies (Continued)

2.5 Property and Equipment (Continued)

Lease Liabilities

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payment:

- (a) Fixed payments,
- (b) Variable lease payments subject to benchmark or ratio,
- (c) Contingenceis expected to be paid by Company
- (d) Purchase price if it is certain that Company will use purchasing option and
- (e) Payment of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Variable lease payments which are not subject to benchmark or ratio are recognised as expense at the relevant financial period.

The Company determines the revised discount rate for the remainder of the lease period as the rate in which the implicit interest rate in the lease can be easily determined. In case it cannot be determined easily, the Company determines the alternative borrowing interest rate on the date of re-evaluation

The company measures the lease obligation as follows the lease starts:

- (a) Increases the carrying value to reflect the interest on the lease obligation,
- (b) Reduces the carrying value to reflect the rent payments made.

In addition, if there is a change in the lease period, a change in fixed lease payments or a change in the assessment of the option to purchase the asset, the value of the lease liability is re-measured.

In short-term leases and low-value leases, the company applies the short-term lease registration exemption to short-term machinery and equipment lease contracts. (an asset with a rental period of 12 months or less from the start date and without a purchase option. At the same time, it applies the exemption of accounting for the low value asset to office equipment, the rental value of which is considered to be of low value. Short term lease agreements and lease agreements of low value assets are recorded as expense according to the linear method during the lease period.

The Company has applied IFRS 16 "Leases" standard which replaces TAS 17 "Leases as of 1 January 2019. The Company has not restated comparable amounts for the previous year using the simplified transition application. With this method, all right-of-use assets are measured at the amount of the lease payables (adjusted for the prepaid or accrued lease costs) at the time of application..

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2. Summary of Significant Accounting Policies (Continued)**2.5 Property and Equipment (Continued)**

During the initial application, the Company recognized a lease liability for leases previously classified as operational leases in accordance with TAS 17. These liabilities are measured at the present value of the remaining lease payments discounted using the alternative borrowing interest rates as of 1 January 2019. The right of use assets is accounted for at an amount equal to the lease liabilities (adjusted according to the amount of the prepaid or accrued lease payments) within the scope of the simplified transition application in the related standard. The weighted average of alternative borrowing rates used for the same period are 21% and 3%.

| | 1 January 2019 |
|---|-----------------------|
| Total Lease liabilities under IFRS 16 (Undiscounted) | 2,296,262 |
| Total Lease Liabilities under IFRS 16 (discounted with alternative borrowing rate) | 1,554,985 |
| Short-term lease liabilities | 355,209 |
| Long-term lease liabilities | 1,199,776 |

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

| | 31 December 2019 | 1 January 2019 |
|----------------------------------|-------------------------|-----------------------|
| Properties | 938,307 | 1,172,883 |
| Vehicles | 115,694 | 382,102 |
| Total right of use assets | 1,054,001 | 1,554,985 |

The company has TRY 500,984 depreciation expense with regards to booked right of use assets and between 1 January - 31 December 2019.

2.6 Investment Property

The company does not have investment property as of 31 December 2019 (31 December 2018: None).

2.7 Intangible Assets

Intangible assets consist of the information systems and software acquired by the Company. Intangible assets are recognized at acquisition cost and amortized by the straight-line method over their estimated useful lives after their acquisition date. If impairment exists, carrying amounts of the intangible assets are written down immediately to their recoverable amounts. The amortization periods of intangible assets are 3 years (Note 8).

2.8 Financial Assets

The Branch classifies for its financial assets as "Loans and receivables (Receivables from main operations)". Receivables from main operations are the receivables arising from insurance agreements and they are classified as financial assets in the financial statements.

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

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

2. Summary of Significant Accounting Policies (Continued)

2.8 Financial Assets (Continued):

Loans and receivables (Receivables from main operations):

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

The Company accounts for a provision for its receivables based on evaluations and estimations of the management. The Company sets its estimations in accordance with the risk policies and the principle of prudence by considering the structure of current receivable portfolio, financial structure of policyholders and intermediaries, non-financial data and economic conditions. The Company does not have provision for receivables as of 31 December 2019 and 2018 (Note 12).

2.9 Impairment of Assets

The details about the impairment of assets are explained in the notes in which the accounting policies of the relevant assets are explained. Mortgages or guarantees on assets are explained in Note 43, provisions for receivables which are overdue and provision expenses for the period are explained in Note 47.5.

2.10 Derivative Financial Instruments

None (31 December 2018: None).

2.11 Offsetting Financial Instruments

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

2.12 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, demand deposits held at banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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

| | 31 December 2019 | 31 December 2018 |
|--|-------------------------|-------------------------|
| Cash | 7,560 | 6,301 |
| Banks | 37,537,865 | 17,996,303 |
| Bank Guaranteed Credit Card Receivables | | |
| with Maturities Less Than Three Months | 37,442 | 245,872 |
| Less - Interest Accrual | (49,846) | (18,829) |
| Less - Blocked deposits (*) (Note 17 and 43) | (5,770,100) | (3,163,910) |
| Total Cash and Cash Equivalents | 31,762,921 | 15,065,737 |

(*) The aforementioned change in blocked bank deposits is transferred from main operations in the cash flow statement into the other cash outflows.

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

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2. Summary of Significant Accounting Policies (Continued)

2.13 Share Capital

As of 31 December 2019 and 2018 the capital of the company composed of A, B, C and D groups of shares and the distribution of the capital is as follow:

| Name of Shareholders | Group | 31 December 2019 | | 31 December 2018 | |
|---|-------|------------------|-------------------|------------------|------------------|
| | | Share Ratio (%) | Share Amount | Share Ratio (%) | Share Amount |
| Omur Denizcilik A.Ş. | D | 36.75 | 4,961,250 | 36.75 | 3,031,875 |
| Ziraat Sigorta A.Ş. | A | 16.67 | 2,250,000 | 16.67 | 1,375,000 |
| Güneş Sigorta A.Ş. | B | 16.67 | 2,250,000 | 16.67 | 1,375,000 |
| Türkiye Halk Bankası A.Ş. | C | 16.67 | 2,250,000 | 16.67 | 1,375,000 |
| Metropole Denizcilik ve Ticaret Ltd. Şti. | D | 7.50 | 1,012,500 | 7.50 | 618,750 |
| Vitsan Denizcilik A.Ş. | D | 5.75 | 776,250 | 5.75 | 474,375 |
| Total | | 100.00 | 13,500,000 | 100.00 | 8,250,000 |

Company's capital increased from TRY 8,250,000 to TRY 13,500,000 from internal resources of the company by the decision of General Assembly in 29 April 2019. The capital increase is declared in official gazette numbered 9833 in 21 May 2019. (2018: Capital increased to TRY 8,250,000 from TRY 6,000,000 by cash in General Assembly in 22 March 2018. The capital increase is declared in official gazette numbered 9556 in 11 April 2018.)

As of 31 December 2019 there are no privileges granted for the shares that represent the capital (31 December 2018: None). Other information about the Company's share capital is explained in Note 15.

2.14 Insurance and Investment Contracts - Classification

Insurance contracts accepts a significant insurance risk, assuming that the policyholder is willing to compensate the policyholder for any unforeseeable event that may cause a negative impact on the policyholder. Insurance risk does not cover financial risks. All premiums received within the scope of insurance contracts are recognized as income under the written premiums account. The main insurance contracts generated by the company are vessels liability, vessel and third party liability policies and reinsurance contracts.

By vessel liability insurance all type of water vehicles are secured in case of damage, which caused by owner of the vessel to third parties. However, the damage that may occur during construction of vessels and during launch of vessels is also covered by the vessel insurance. Damage caused by fire, burning, explosion, grounding, overtightness, sitting, storm, capsizing, conflict with another ship or boat, rescue costs arising from insured risks, litigation and counting costs, hidden defects in boats and machinery, damage to the boat during loading or unloading, excursions outside the scope of the war and strike are excluded.

In vessels insurance, hull insurance are the type of insurance that protects the body, machinery and equipment of the craft against voyage, voyage, iron or during repair and maintenance.

Third party liability insurance pays compensation within the guarantee limit if the insured person is legally responsible in the case of injuries and deaths that may occur to third parties.

Pay only based on changes in one or more of a particular interest rate, financial instrument price, commodity price, exchange rate, interest or price indices, credit rating or credit index, or other variables, taking into account the status of a non-financial variable whose variable is not specific to one of the parties to the contract. Contracts that are foreseen to be made are classified as investment contracts.

As of the end of the reporting period, the Company does not have a contract classified as an investment contract that guarantees a predetermined risk.

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

2. Summary of Significant Accounting Policies (Continued)

2.14 Insurance and Investment Contracts - Classification (Continued)

Reinsurance Agreements

Insurance contracts accepts a significant insurance risk, assuming that the policyholder is willing to compensate the policyholder for any unforeseeable event that may cause a negative impact on the policyholder. Insurance risk does not cover financial risks. All premiums received within the scope of insurance contracts are recognized as income under the written premiums account. The main insurance contracts generated by the company are vessels liability, vessel and third party liability policies and reinsurance contracts.

The Company has separate division and reinsurance agreements, separately in the watercraft liability branch in which it operates. The damage conservation ratio of the bilateral agreements is 5%, and the conservation amount is based on the damage transfer principle, which does not exceed a maximum of 100,000 USD. The damage conservation of non-proportional agreements is based on the damage transfer principle, which does not exceed a maximum of 200,000 USD. The Company can hold a conservation share in variable rates depending on the risk, considering the collateral limits in some of the policies it produces. In the watercraft branch, there is an over-loss reinsurance agreement, which is a reinsurance type that exceeds the retention share and up to a certain amount is the responsibility of the reinsurer. The Company also has several voluntary reinsurance agreements on the basis of insurance contracts for certain risks.

Premiums paid in excess of the loss reinsurance agreements are accounted for on an accrual basis during the related period. Premiums and claims transferred under other contracts are reflected in the records on the same basis as the income and liabilities arising from the related insurance contracts.

2.15 Insurance Contracts and Investment Contracts with Discretionary Participation Feature

Optional voluntary participation in insurance and investment contracts is a contract-based right to have the following additional benefits in addition to guaranteed benefits.

- (i) Candidate to constitute a substantial part of the total benefits based on the contract;
- (ii) The amount and timing of the contract is in the discretion of the issuer; and
- (iii) The contract is based on the following:
 - (1) Performance of a specific pool of contracts or a specific type of contract;
 - (2) Investment income of realized and / or unrealized amount of a pool of assets held by the issuer; or
 - (3) The profit or loss of the contract issuer, the fund or any other companies.

As of the end of the reporting period, the company does not have insurance or investment contracts that have discretionary participation feature (31 December 2018: None).

2.16 Investment Contracts without Discretionary Participation Feature

As of the end of the reporting period, the company does not have insurance or investment contracts that have discretionary participation feature (31 December 2018: None).

2.17 Borrowings

None (31 December 2018: None).

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2. Summary of Significant Accounting Policies (Continued)

2.18 Taxes

Corporate Tax

Corporate tax for 2019 is payable at a rate of 22% in Turkey (2018: 22%). Corporate tax rate is applied on tax base which is the income of the Company adjusted for certain disallowable expenses, exempt income (such as dividend income) and other deductions in accordance with tax legislation. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 22% on their corporate income. Advance Tax is declared by 14th and is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by the corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government.

According to Turkish tax legislation, tax losses on the returns can be offset against period income for up to 5 years. However, tax losses cannot be offset against retained earnings.

There is no such application for the reconciliation of payable taxes with the tax authority. Corporate tax returns are submitted to the related tax office by the 25th day of the 4th month following the month when the accounting period ends.

In tax reviews authorized bodies can review the accounting records for the past five years and if errors are detected, tax amounts may change due to tax assessment.

Deferred Tax

The deferred tax liability or asset is determined by calculating the tax effects on the "temporary differences" between the values of assets and liabilities shown in the financial statements and the amounts taken into account in accordance with TAS 12 - Income Taxes Standard. According to tax legislation, the differences that do not affect the financial or commercial profit that occurred at the acquisition date of the assets and liabilities are excluded from this calculation.

If the valuation differences arising from the valuation of the assets are recognized in the income statement, the current period corporate tax and deferred tax income or expense are also recognized in the income statement. If the valuation differences arising from the valuation of the related assets are accounted directly in the equity accounts, the related tax effects are accounted directly in the equity accounts also.

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Law on the Amendment of Some Tax Acts and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2019 and 2018 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards. (Notes 21 and 35)

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2. Summary of Significant Accounting Policies (Continued)

2.19 Employee Benefits

The Company accounts for its liability related to employment termination and vacation benefits accordance with “Turkish Accounting Standards Regarding Employee Benefits” (“IAS 19”). Employment termination is classified in balance sheet under the account “Provision for Employment Termination Benefits” and vacation benefits are classified in balance sheet under the account “Expense Accruals”.

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

As a result of the amendment to IAS 19, effective from annual periods beginning on or after 1 January 2013, Actuarial gain and loss that occurs from calculation regarding the liability of employee benefits shall be directly accounted for under equity. Within this context, the services and interest costs regarding the calculations of provision for employment termination benefits are accounted for under income statements and the actuarial gain and loss are accounted for under equity as “Other Profit Reserves” (Note 22).

2.20 Provisions

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

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

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

2.21 Accounting for Revenues

Written Premiums

Written premiums represent premiums on policies written during the year, net of cancellations. As disclosed in Note 2.24, premium income is recognized in the financial statements on accrual basis by allocating the unearned premium provision over written premiums.

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2. Summary of Significant Accounting Policies (Continued)

2.21 Accounting for Revenues (Continued)

Reinsurance Commissions

Commission income received in relation to ceded premiums to reinsurance companies is accrued in the related period and classified in technical part under operating expenses in the income statement. As disclosed in Note 2.24, reinsurance commission income is recognized in the financial statements on an accrual basis by allocating the deferred commission income over commissions received.

Interest Income

Interest income is recognized by using the effective interest rate method on an accrual basis.

Subrogation and Salvage Income

In accordance with the Circular about recourse and salvage incomes numbered 2010/13 and dated September 20, 2010; the Company can accrue income for subrogation and salvage receivables up to the guarantee limit of insurance companies, if acquittance or payment receipt is received from policyholders or third parties are noticed by insurance companies.

There is no recourse and salvage income collected between January 1 - December 31, 2019 and 2018.

2.22 Leases

Leases are accounted for in accordance with IFRS 16 as explained in note 2.5..

2.23 Dividend Distribution

Dividend liabilities are recognized as a liability in the financial statements in the period in which the dividends are declared as a component of dividend distribution.

2.24 Technical Provisions

Unearned Premium Reserve

Unearned premium reserve is calculated on a daily basis for all policies in force as of balance sheet date for unearned portions of premium written. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12.00 noon and finish at 12.00 noon again. According to “Regulation on Technical Reserves”, unearned premium reserves and the reinsurers’ share of the unearned premium reserves of policies written are calculated and accounted as the unearned portion of the premiums and ceded premiums to reinsurers without deducting commissions or any other expenses, on an accrual and on a gross basis (Note 17).

In accordance with the Technical Reserves Regulation, the foreign exchange sales rates declared in the Official Gazette of the Turkey on the date of accrual of the relevant premium are taken into consideration in the calculation of the unearned premiums for insurance contracts.

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2. Summary of Significant Accounting Policies (Continued)

2.24 Technical Provisions (Continued)

Deferred Commission Expenses and Deferred Commission Incomes

Within the framework of the Circular numbered 2007/25 and dated 28 December 2007 published by Ministry of Treasury and Finance, the unearned portion of commissions paid to agencies for the written premiums and commissions received from reinsurers for the ceded premium, are recorded as in deferred commission expenses and deferred commission income, respectively on the balance sheet, and as operating expenses on a net basis in the income statement (Note 17).

Outstanding Claims Provision

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

As of 31 December 2019, for outstanding claims provision accrued and calculated; the difference between the amount determined by content and application principles, Technical Provisions Regulation and circular No. 2014/16 and dated 5 December 2014, related to “Outstanding Claims Reserve” which was went into effect on 1 January 2015 is recognized as an incurred but not reported claim amount. According to the circular No. 2014/16 and dated 5 December 2014, related to “Outstanding Claims Reserve” that went into effect on 1 January 2015, which was published by the Ministry of Treasury and Finance, the Circular on “Actuarial Chain Ladder Method” numbered 2010/12 and valid until 31 December 2014 is repealed with the exception of Articles 9 and 10, and since 1 January 2015 for incurred but not reported claims reserve according to the best estimates determined within the framework of the Company's actuarial opinions, the provision is calculated. According to the said circular, the selection of the data used in the calculations related to the incurred but not reported claims, the correction procedures, the selection of the most appropriate method and development factors and the intervention to the development factors are made by the Company actuary using actuarial methods. In the calculation of incurred but not reported claims, Standard Chain, Damage / Premium, Cape Cod, Frequency Intensity, Munich Chain or Bornhuetter-Ferguson actuarial chain ladder methods (“ACLM”) will be used and companies have the right to choose one of these methods for each branch.

In accordance with circular No. 2014/16 related to “Outstanding Claims Reserve” and circular No. 2014/16 related to “Outstanding Claims Reserve” the standard chain method has been used in the calculation of the claims incurred but not reported as of 31 December 2019. According to this; As of 31 December 2019, a gross additional amount of incurred but not reported damages amount is TRY 1,806,464 (31 December 2018: TRY 3,353,538).

In the Water Vessel branch, during the calculation of incurred but not reported claims and loss amounts, the sector averages as of 30 September 2019 have been used within the judgements of the Company's actuary since the sufficient claim data has not yet originated in order to make a sound calculation according to actuary chain ladder method as indicated in the circular No. 2014/16 and dated 5 December 2014, related to “Outstanding Claims Reserve” which was went into effect on 1 January 2015. According to this: as of 30 September 2019 for this branch the ratio of total actualized but not reported provision for outstanding claims to total provision for outstanding claims multiply filed provision outstanding claims is TRY 540,932 as of 31 December 2019 (31 December 2018: TRY 529,190), according to gross realized but not reported loss provisions.

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2. Summary of Significant Accounting Policies (Continued)

2.24 Technical Provisions (Continued)

Outstanding Claims Provision (Continued)

Third party in the Financial Liability Against Persons branch, as there is not enough damage data to perform a healthy calculation according to the actuarial chain ladder methods determined in the “Circular for Provision for Claims” dated 5 December 2014 and numbered 2014/16, which entered into force on 1 January 2015. As of 31 December 2019, the sector averages obtained as of 31 December 2019 were used in the calculation of the compensation amount realized for this branch but not reported. According to this; As of 31 December 2019, the ratio of the total realized but not reported compensation amounts to the total outstanding claims reserve for the third party liability liability is multiplied by the outstanding claim provision recorded in the Company records as of 30 September 2019; As of 31 December 2019, a gross amount of TRY 2,908 (31 December 2018: None) has been realized but not reported.

Within the current reinsurance contracts, the reinsurance share that was incurred but not reported was calculated as of 31 December 2019 TRY 1,849,602 (31 December 2018: TRY 3,549,098) (Note 17).

For branches with insufficient damage data, an outstanding claims reserve table is prepared by the Company’s actuary for five years from the date that those branches first started for operation, so as to measure the adequacy of the outstanding claims reserve amounts, at the end of every each period. During the preparation of the adequacy table, all the portions of expense along with the incurred but not reported claims reserve accrued and determined on account are taken into consideration. Within this context, the ratio of the booked outstanding claims reserve to total virtually paid claim amount including all the portions of expense regarding the files subject to these reserves, shows the outstanding claims reserve adequacy ratio. In case the outstanding claims reserve adequacy ratio related to these branches would be above 100%, the adequacy ratio difference amount is found by multiplying the difference between this ratio and the 100% ratio with the current period outstanding claims reserve. The final current period booked outstanding claims reserve is calculated by adding the adequacy ratio difference amount to every each branch separately. Within this framework, as of 31 December 2019 for the Water Vessel branch that is subject to calculation by the actuary of the Company as a result of the outstanding claims reserve adequacy calculation, it has determined that there is no net additional outstanding claims reserve adequacy reserve exists. (31 December 2018: None) (Note 17).

In accordance with circular, “Circular About to Discount the Net Cash Flow from Outstanding Claim Provision” numbered 2016/22 and dated 10 June 2016 companies have been provided with the opportunity to discount their net cash flows that are calculated by the Company's outstanding insurance provision. As a result of the calculations made by the Company, as of 31 December 2019, taking into account the cash flow rates of the sector, the Company did not discount the net outstanding claims provision (31 December 2018: TRY 32,956).

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2. Summary of Significant Accounting Policies (Continued)

2.24 Technical Provisions (Continued)

Unexpired Risk Reserve

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

As of 31 December 2019, the Company did not have a reserve for continuing risks (31 December 2018: None).

3. Critical Accounting Estimates and Judgements

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

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

Income Taxes

Use of significant judgment is necessary in several situations, for transactions and calculations during the normal course of business which may impact the ultimate taxation amount. The Company recognizes deferred tax assets for carry forward tax losses or to be realized through future taxable income and liabilities for anticipated tax expenses based on estimates of whether additional taxes will be due. In case where the ultimate tax consequences are different from the amounts recorded currently, such differences may have an impact on the income taxes and deferred tax assets and liabilities.

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4. Management of Insurance and Financial Risk***Insurance risk***

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of the insurance contracts, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. The Company determines its insurance underwriting strategy based on the type of insurance risk accepted and the claims incurred.

The Company's pricing mainly depends on statistical analysis and outputs from historical data and/or on some mortality/disability/morbidity tables assumed to be best fit for the related product. The Company manages the aforementioned risks by its overall underwriting strategy and via reinsurance agreements, which the Company is a party to.

The concentration of insurance risk (maximum insured loss) under each branch is summarized below:

| | 31 December 2019 | 31 December 2018 |
|-----------------------|--------------------------|--------------------------|
| Vessels liability | 1,630,719,477,777 | 1,229,870,395,574 |
| Vessel | 19,508,705,986 | 6,272,627,040 |
| Third party liability | - | 151,155,780 |
| Total | 1,650,228,183,763 | 1,236,294,178,394 |

Compulsory Financial Liability Insurance Premium and Damage Sharing

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

The company recorded the premiums and compensation amounts received from the Pool within the scope of the Company's share within the scope of the regulation, taking into account the monthly receipts finalized and transmitted by the assigned company. The Company has canceled the Compulsory Liability License for Medical Malpractice on June 15, 2018, and the amount of TRY682,838 received from the pool in 2017 and 2018 (netted with those transferred to the pool) was returned from the Pool of Compulsory Financial Liability Branch for Medical Malpractice on 5 November 2018.

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4. Management of Insurance and Financial Risk (Continued)

Sensitivity analysis

Financial risk

The Company is exposed to financial risk through its financial assets, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of the financial risk are market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential negative effects on the Company's financial performance. The Company does not use derivative financial instruments. Risk management is carried out by management under policies approved by the Board of Directors.

(a) Market Risk

i. Cash flow, market interest rate and price risk

The Company is not exposed to the interest rate risk due to the changes in interest rates since it has no interest bearing assets and liabilities with floating (variable) interest rates.

ii. Foreign currency risk

The Company is exposed to foreign exchange risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated assets and liabilities.

Foreign exchange gains and losses arising from foreign currency transactions are recognized in the period in which the transaction is made. At the end of the period, foreign currency asset and liability accounts were converted to TRY at the end of the period by taking into account the exchange rates of the Central Bank of the Republic of Turkey and the resulting exchange differences were reflected in the records of foreign exchange gains or losses.

Details of the currency risk the company has been exposed are given in the table below:

| 31 December 2019 | USD | EUR | GBP | Total |
|---|--------------------|--------------------|---------------|---------------------|
| <i>Assets:</i> | | | | |
| Cash | 30 | 6,258 | 1,182 | 7,470 |
| Banks | 25,017,960 | 5,240,027 | - | 30,257,987 |
| Receivables from main operations | 26,056,687 | 5,247,463 | 49,326 | 31,353,476 |
| Deposits and guarantees | 110,262 | - | - | 110,262 |
| Total foreign currency assets | 51,184,939 | 10,493,748 | 50,508 | 61,729,195 |
| <i>Liabilities:</i> | | | | |
| Payables from main operations | (5,340,455) | (924,264) | - | (6,264,719) |
| Provisions for outstanding claims | (3,898,431) | (1,798,462) | - | (5,696,893) |
| Total foreign currency liabilities | (9,238,886) | (2,722,726) | - | (11,961,612) |
| Balance sheet position | 41,946,053 | 7,771,022 | 50,508 | 49,767,583 |

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4. Management of Insurance and Financial Risk (Continued)

| 31 December 2018 | USD | EUR | GBP | Total |
|---|--------------------|------------------|---------------|--------------------|
| Assets: | | | | |
| Cash | 26 | 3,671 | 82 | 3,779 |
| Banks | 10,850,001 | 694,903 | - | 11,544,904 |
| Receivables from main operations | 14,147,081 | 1,479,910 | 34,216 | 15,661,207 |
| Deposits and guarantees | 234,078 | - | - | 234,078 |
| Total foreign currency assets | 25,231,186 | 2,178,484 | 34,298 | 27,443,968 |
| Liabilities: | | | | |
| Payables from main operations | (5,106,424) | (315,077) | - | (5,421,501) |
| Provisions for outstanding claims | (2,991,732) | (33,455) | - | (3,025,187) |
| Total foreign currency liabilities | (8,098,156) | (348,532) | - | (8,446,688) |
| Balance sheet position | 17,133,030 | 1,829,952 | 34,298 | 18,997,280 |

In order to evaluate above table, TRY equivalents of the related foreign currency amounts are shown.

Exchange rates used in the translation of foreign currency balances as of 31 December 2019 and 31 December 2018 are as follows:

| | USD | EUR | GBP |
|------------------|--------|--------|--------|
| 31 December 2019 | 5.9402 | 6.6506 | 7.7765 |
| 31 December 2018 | 5.2609 | 6.0280 | 6.6528 |

Imposed Exchange risk rate

The following table summarizes the increase in equity and income statement (excluding tax effect) for the periods ended 31 December 2019 and 2018 due to the 20% gain of the TRY over following currencies. This analysis is based on the assumption that all other variables remain constant.

| 31 December 2019 | Profit/(Loss) | | Shareholders Equity | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Foreign Currency Appreciation | Foreign Currency Depreciation | Foreign Currency Appreciation | Foreign Currency Depreciation |
| USD Exchange rate changes by 20% | 8,389,210 | (8,389,210) | 8,389,210 | (8,389,210) |
| EUR Exchange rate changes by 20% | 1,554,204 | (1,554,204) | 1,554,204 | (1,554,204) |
| GBP Exchange rate changes by 20% | 10,102 | (10,102) | 10,102 | (10,102) |
| Net effect of exchange rate change | 9,953,516 | (9,953,516) | 9,953,516 | (9,953,516) |

| 31 December 2018 | Profit/(Loss) | | Shareholders Equity | |
|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Foreign Currency Appreciation | Foreign Currency Depreciation | Foreign Currency Appreciation | Foreign Currency Depreciation |
| USD Exchange rate changes by 20% | 3,426,606 | (3,426,606) | 3,426,606 | (3,426,606) |
| EUR Exchange rate changes by 20% | 365,990 | (365,990) | 365,990 | (365,990) |
| GBP Exchange rate changes by 20% | 6,860 | (6,860) | 6,860 | (6,860) |
| Kur değişiminin net etkisi | 3,799,456 | (3,799,456) | 3,799,456 | (3,799,456) |

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4. Management of Insurance and Financial Risk (Continued)

iii. Price risk

The Company does not exposed to price risk since it does not have any financial assets

(b) Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. The Company's exposure to credit risk arises mainly from cash and cash equivalents and bank deposits, financial assets, reinsurers' share of insurance liabilities, due from reinsurers and premium receivables from policyholders and intermediaries. The Company management deems these risks as total credit risk to the counterparty.

The Company follows and monitors the credit risk of financial assets classified as loans and receivables and receivables from insurance operations (including reinsurance receivables) by guarantees received and procedures applied for the selection of the counterparties. Other explanations in relation to these receivables are disclosed in Note 12.

The Company's financial assets which are subject to credit risk, except for loans and receivables, generally consist of government bonds and time and demand deposits held in banks and other financial institutions in Turkey; and such receivables are not deemed to have a high credit risk.

(c) Liquidity risk

The Company uses its available cash resources to pay claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Management sets limits on the minimum portion of funds available to meet such liabilities.

The table below analyses the Company's financial liabilities and insurance liabilities into relevant maturity groups based on the remaining period at the balance sheet date to the expected or contractual maturity date. The amounts disclosed in the tables are the undiscounted cash flows:

Contractual Cash flows

| 31 December 2019 | Up to 3 months | 3 months 1 year | 1 year 5 year | Over 5 years | Total |
|-----------------------------------|-------------------|--------------------|------------------|-----------------|------------------|
| Payables to reinsurance companies | 3,478,686 | 2,825,992 | - | - | 6,304,678 |
| Payables to personnel | 1,793 | - | - | - | 1,793 |
| Payables to shareholders | - | - | - | - | - |
| Other payables | 191,650 | - | - | - | 191,650 |
| Total | 3,672,129 | 2,825,992 | - | - | 6,498,121 |
| 31 December 2018 | Up to 3 months | 3 months 1 year | 1 year 5 year | Over 5 years | Total |
| Payables to reinsurance companies | 295,284 | 4,708,998 | 431,156 | - | 5,435,438 |
| Payables to personnel | 15 | - | - | - | 15 |
| Payables to shareholders | 13 | - | - | - | 13 |
| Other payables | 164,893 | - | - | - | 164,893 |
| Total | 460,205 | 4,708,998 | 431,156 | - | 5,600,359 |

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4. Management of Insurance and Financial Risk (Continued)

Expected Cash Flows

| 31 December 2019 | Up to 3 months | 3 months 1 year | 1 year 5 year | Over 5 years | Total |
|--|-------------------|--------------------|------------------|-----------------|-------------------|
| Provision for outstanding claims - net | 36,041 | 5,737,446 | - | - | 5,773,487 |
| Unearned premium reserves - net (*) | 3,759,461 | 31,848,514 | 1,748,379 | - | 37,356,354 |
| | 3,795,502 | 37,585,960 | 1,748,379 | - | 43,129,841 |
| 31 December 2018 | Up to 3 months | 3 months 1 year | 1 year 5 year | Over 5 years | Total |
| Provision for outstanding claims - net | 21,010 | 3,344,664 | - | - | 3,365,674 |
| Unearned premium reserves - net (*) | 1,592,909 | 13,494,431 | 740,800 | - | 15,828,140 |
| | 1,613,919 | 16,839,095 | 740,800 | - | 19,193,814 |

(*) The company classifies all of these amounts under short-term liabilities in the balance sheet.

Fair value of the financial assets

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

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at period end exchange rates, are considered to approximate carrying values. The fair values of certain financial assets carried at amortized cost, including cash and cash equivalents are considered to approximate their respective carrying values carried at amortized cost due to their short-term nature. The fair value of receivables from main operations along with related provision for overdue receivables is considered to approximate respective carrying values carried at amortized cost. The cost of the financial assets that are not quoted in an active market, less impairment if any, are considered to approximate carrying value.

Financial liabilities

The fair values of liabilities from main operations and other financial liabilities are considered to approximate to their respective carrying values.

Capital management

Company's objectives when managing the capital are:

- To comply with the capital requirements of the Ministry of Treasury and Finance,
- To safeguard the Company's ability to continue as a going concern so that it can continue the operations.

As of the preparation date of the financial statements, the Company's required equity determined in accordance with the Regulation on Measurement and Evaluation of the Capital Adequacy of Insurance and Reinsurance and Pension Companies is TRY 21,099,908 (31 December 2018: TRY 11,769,944); As of 31 December 2019, the equity of the Company is at least 5,143,562 TRY higher than the required equity. (31 December 2018: 2,514,674 TRY high).

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5. Segment information

Disclosed in Note 2.3.

6. Property and equipment

Movement of tangible assets:

| | 1 January 2019 | Additions (*) | Disposals | 31 December 2019 |
|---------------------------------------|-------------------|------------------|-----------|---------------------|
| Cost: | | | | |
| Furniture and fixture | 477,603 | 171,601 | - | 649,204 |
| Special cost | 527,410 | 121,772 | - | 649,182 |
| Leasehold improvements | - | 1,554,985 | - | 1,554,985 |
| Total Costs | 1,005,013 | 1,848,358 | - | 2,853,371 |
| Accumulated depreciation: | | | | |
| Furniture and fixture | (327,860) | (51,020) | - | (378,880) |
| Special cost | (211,858) | (66,309) | - | (278,167) |
| Leasehold improvements | - | (500,984) | - | (500,984) |
| Total Accumulated depreciation | (539,718) | (618,313) | - | (1,158,031) |
| Net book value | 465,295 | | | 1,695,340 |

(*) TL 1,554,985 of the additions resulted from the application of TFRS 16, "Leases" standard for the first time as of January 1, 2019.

| | 1 January 2018 | Additions | Disposals | 31 December 2018 |
|---------------------------------------|-------------------|------------------|-----------|---------------------|
| Cost: | | | | |
| Furniture and fixture | 441,297 | 36,306 | - | 477,603 |
| Special cost | 508,235 | 19,175 | - | 527,410 |
| Total Costs | 949,532 | 55,481 | - | 1,005,013 |
| Accumulated depreciation: | | | | |
| Furniture and fixture | (264,774) | (63,086) | - | (327,860) |
| Special cost | (148,577) | (63,281) | - | (211,858) |
| Total Accumulated depreciation | (413,351) | (126,367) | - | (539,718) |
| Net book value | 536,181 | | | 465,295 |

There are no mortgages on the fixed assets of the Company as of 31 December 2019 and 2018.

7. Investment Properties

The Company does not have Investment Properties as of 31 December 2019 (31 December 2018: None).

| | 1 January 2019 | Additions | Disposals | 31 December 2019 |
|----------------------------------|-------------------|--------------|-----------|---------------------|
| Costs: | | | | |
| Rights | 4,798 | 1,449 | - | 6,247 |
| Total | 4,798 | 1,449 | - | 6,247 |
| Accumulated amortization: | | | | |
| Rights | (3,448) | (718) | - | (4,166) |
| Total | (3,448) | (718) | - | (4,166) |
| Net book value | 1,350 | | | 2,081 |

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8. Intangible Assets (Continued):

| | 1 January 2018 | Additions | Disposals | 31 December 2018 |
|----------------------------------|-------------------|--------------|-----------|---------------------|
| Costs: | | | | |
| Rights | 3,369 | 1,429 | - | 4,798 |
| Total | 3,369 | 1,429 | - | 4,798 |
| Accumulated amortization: | | | | |
| Rights | (3,369) | (79) | - | (3,448) |
| Total | (3,369) | (79) | - | (3,448) |
| Net book value | - | | | 1,350 |

9. Investments in Associates

The Company does not have any investments in associates accounted for using the equity accounting method (31 December 2018: None).

10. Reinsurance Assets

Reinsurance Assets/ (Liabilities)

| | 31 December 2019 | 31 December 2018 |
|---|------------------|------------------|
| Reinsurers' share of unearned premiums reserve (Note 17) | 5,449,085 | 7,007,581 |
| Reinsurers' share of outstanding claims provision (Note 17) | 17,481,123 | 22,258,719 |
| Deferral of commission income (Note 19) | (784,954) | (517,526) |
| Payables to Reinsurance companies (Net) | (6,304,678) | (5,435,438) |

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|--|---------------------------------|---------------------------------|
|--|---------------------------------|---------------------------------|

Reinsurance Income/ (Expense)

| | | |
|--|--------------|--------------|
| Reinsurers' share in paid claims | 24,259,187 | 9,839,118 |
| Commissions received from reinsurers (gross) | 2,962,426 | 2,675,232 |
| Change in deferred commissions from reinsurers | (267,428) | (144,951) |
| Reinsurers' share of change in unearned premiums reserve (Note 17) | (1,558,496) | 1,315,095 |
| Reinsurers' share of change in outstanding claims provision | (4,777,596) | 6,352,842 |
| Ceded premiums to reinsurers (Note 24) | (33,181,800) | (23,826,977) |

11. Financial assets

11.1 The Company's financial assets are summarized below by measurement category in the table below:

| | 31 December 2019 | 31 December 2018 |
|--|-------------------|-------------------|
| Borrowings and receivables (Note 12.1) | 33,357,570 | 16,999,119 |
| Total | 33,357,570 | 16,999,119 |

11.2 Marketable securities issued during the year other than share certificates: None (31 December 2018: None).

11.3 Debt securities redeemed during the year: None (31 December 2018: None).

11.4 Market value of marketable securities and financial assets carried at cost and carrying value of marketable securities and financial assets carried at market value None (31 December 2018: None).

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11. Financial assets (Continued)

11.5 Amounts of marketable securities classified under marketable securities and investment securities accounts issued by the Company's shareholders, associates and subsidiaries and the issuers: None (31 December 2018: None).

11.6 Value increase on financial assets in the last three years: None (31 December 2018: None).

11.7 - 11.9 Other information about financial assets: None (31 December 2018: None).

12. Loans and Receivables

12.1 Classification of the receivables as receivables from customers, receivables from related parties, advance payments (short-term and long-term prepayments) and others:

| | 31 December 2019 | 31 December 2018 |
|--|-------------------|-------------------|
| Receivables from intermediaries | 29,828,524 | 15,042,816 |
| Receivables from insurance and reinsurance companies | 2,438,151 | 928,558 |
| Receivables from insurees | 1,090,895 | 1,027,745 |
| Receivables from main operations | 33,357,570 | 16,999,119 |

12.2 Due from/due to shareholders, associates and subsidiaries:

The transactions and balances with the related parties are explained in detail in Note 45.

12.3 Total mortgages and collaterals obtained for receivables: None (31 December 2018: None).

12.4 Receivables and payables denominated in foreign currencies having no foreign exchange rate guarantees, assets in foreign currencies and conversion rates:

31 December 2019

| Foreign Currency Type | Amount | Exchange Rate | TRY Amount |
|-----------------------|-----------|---------------|-------------------|
| USD | 4,386,500 | 5.9402 | 26,056,687 |
| EUR | 789,021 | 6.6506 | 5,247,463 |
| GBP | 6,343 | 7.7765 | 49,326 |
| Total | | | 31,353,476 |

31 December 2018

| Foreign Currency Type | Amount | Exchange Rate | TRY Amount |
|-----------------------|-----------|---------------|-------------------|
| USD | 2,689,099 | 5.2609 | 14,147,081 |
| EUR | 245,506 | 6.0280 | 1,479,910 |
| GBP | 5,143 | 6.6528 | 34,216 |
| Total | | | 15,661,207 |

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12. Loans and Receivables (Continued)

12.5 - 12.7 Other information about loans and receivables:

The aging of due from insurance operations is as follows:

| | 31 December 2019 | 31 December 2018 |
|---------------------|-------------------|-------------------|
| Overdue receivables | 1,723,741 | 3,085,338 |
| Up to 3 months | 15,287,630 | 7,570,918 |
| 3 - 6 months | 11,406,037 | 4,217,035 |
| 6 months to 1 year | 4,940,162 | 2,125,828 |
| Total | 33,357,570 | 16,999,119 |

The details of the receivables from insurees overdue but not yet become doubtful are given below:

| | 31 December 2019 | 31 December 2018 |
|----------------|------------------|------------------|
| Up to 3 months | 1,723,741 | 3,085,338 |
| Total | 1,723,741 | 3,085,338 |

The Company does not have doubtful receivables from main operations as of 31 December 2019 (31 December 2018: None).

13. Derivative Financial Instruments

None (31 December 2018: None).

14. Cash and Cash Equivalents

Cash and cash equivalents that are included in the statements of cash flows for the year ended 31 December 2019 and 2018 are shown in Note 2.12 and the details of bank deposits of the Company are as follows:

| | 31 December 2019 | 31 December 2018 |
|--|-------------------|-------------------|
| Cash (Note 2.12) | 7,560 | 6,301 |
| Banks (Note 2.12) | 37,537,865 | 17,996,303 |
| Bank guaranteed credit card receivables with maturities less than three months (Note 2.12) | 37,442 | 245,872 |
| Total | 37,582,867 | 18,248,476 |

The details of the bank deposits of the Company are given below:

| | 31 December 2019 | 31 December 2018 |
|-------------------------|-------------------|-------------------|
| Bank deposits in TRY | | |
| - Demand deposits | 7,189,032 | 6,163,660 |
| - Time deposits | 90,846 | 287,739 |
| | 7,279,878 | 6,451,399 |
| Foreign deposits in TRY | | |
| - Demand deposits | 29,705,024 | 11,137,753 |
| - Time deposits | 552,963 | 407,151 |
| | 30,257,987 | 11,544,904 |
| Total | 37,537,865 | 17,996,303 |

As of 31 December 2019, time deposits amounting to TRY 5,770,100 is blocked in favour of the Ministry of Treasury and Finance (31 December 2018: TRY 3,163,910) (Notes 17 and 43).

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14. Cash and Cash Equivalents (Continued)

Time and demand deposits in foreign currency:

| | 31 December 2019 | | | |
|--------------|------------------|-----------|-------------------|----------------|
| | Foreign Currency | | TRY | |
| | Timed | On Demand | Timed | On Demand |
| USD | 4,137,069 | 74,567 | 24,575,017 | 442,943 |
| | 771,360 | 16,544 | 5,130,007 | 110,020 |
| Total | | | 29,705,024 | 552,963 |
| | 31 December 2018 | | | |
| | Foreign Currency | | TRY | |
| | Timed | On Demand | Timed | On Demand |
| USD | 1,985,148 | 77,236 | 10,443,665 | 406,331 |
| EUR | 115,144 | 136 | 694,088 | 820 |
| Total | | | 11,137,753 | 407,151 |

15. Share Capital

The Company has 13,500,000 number of shares which are fully paid (31 December 2018: 8,250,000 units). Each of the Company's shares has a nominal value of TRY 1 and the total nominal value is TRY 13,500,000 (31 December 2018: TRY 8,250,000).

The movement of the shares at the beginning and at the end of the period is shown below:

| | 1 January 2019 | | Issued | | Redeemed | | 31 December 2019 | |
|-----------------|------------------|------------------|------------------|------------------|----------|-------------|-------------------|-------------------|
| | Unit | Nominal TRY | Unit | Nominal TRY | Unit | Nominal TRY | Unit | Nominal TRY |
| Paid in capital | 8,250,000 | 8,250,000 | 5,250,000 | 5,250,000 | - | - | 13,500,000 | 13,500,000 |
| Total | 8,250,000 | 8,250,000 | 5,250,000 | 5,250,000 | - | - | 13,500,000 | 13,500,000 |
| | 1 January 2017 | | Issued | | Redeemed | | 31 December 2018 | |
| | Unit | Nominal TRY | Unit | Nominal TRY | Unit | Nominal TRY | Unit | Nominal TRY |
| Paid in capital | 6,000,000 | 6,000,000 | 2,250,000 | 2,250,000 | - | - | 8,250,000 | 8,250,000 |
| Total | 6,000,000 | 6,000,000 | 2,250,000 | 2,250,000 | - | - | 8,250,000 | 8,250,000 |

Information about movement of capital during the period is explained in Note 2.13.

Profit Reserves:

As of 31 December 2019 and 2018, the "other profit reserves" accounted in equity consists of actuarial losses

The movement schedule for other profit reserves is as follows:

| | 2019 | 2018 |
|------------------------------------|-----------------|-----------------|
| Opening balance - 1 January | (49,934) | (39,904) |
| Actuarial gains/(losses), net | (47,666) | (10,030) |
| Period end - 31 December | (97,600) | (49,934) |

16. Other Reserves and Equity Component of Discretionary Participation Feature

Information about other reserves classified under the equity is explained in Note 15.

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17. Insurance Liabilities and Reinsurance Assets**17.1 Guarantees to be provided and guarantees provided for life and non-life branches:**

| | 31 December 2019 | 31 December 2018 |
|--|-------------------------|-------------------------|
| Required guarantee amount to be provided for non-life branches (*) | 7,033,303 | 3,923,315 |
| Guarantee amount provided for non-life branches (Note 43) | 5,770,100 | 3,163,910 |

(*) Pursuant to the related regulation, the insurance companies along with the pension companies that operate in the life and personal accident branches are held liable to install the Minimum Guarantee Fund amount, equal to one third of the required equity amount as a guarantee, which is determined by the capital adequacy calculation, during the capital adequacy calculation period. However, the Minimum Guarantee Fund, cannot be less than the total of the one third of the least founding capital.

(**) The Company has provided additional security in 28 February 2020 since founded security balance as of 31 December 2019 was below the requirement as a result of capital adequacy calculation.

17.2 Number of life policies, the number and mathematical reserve amount of the life policies that enter and exit during the year and current status: None (31 December 2018: None).

17.3 Insurance coverage amount on a branch basis provided for non-life branches: Disclosed in Note 4.

17.4 Unit prices of pension funds and savings founded by the Company: None (31 December 2018: None).

17.5 Units and amounts of share certificates in portfolio and in circulation: None (31 December 2018: None)

17.6 Numbers and portfolio amounts of the individual and group pension participants entered, left, cancelled during the period and the current participants: None (31 December 2018: None).

17.7 Valuation methods of profit share calculation for life insurance: None (31 December 2018: None).

17.8 Number of units and individual/group allocation of gross/net contribution amounts of the private pension participants entered during the period: None (31 December 2018: None).

17.9 Number of units and individual/group allocation of gross/net contribution amounts of the private pension participants transferred from another company during the period: None (31 December 2018: None).

17.10 Number of units and individual/group allocation of gross/net contribution amounts of the private pension participants transferred from the life insurance portfolio to the private pension portfolio during the period: None (31 December 2018: None).

17.11 Number of units and individual/group allocation of gross/net contribution amounts of the private pension participants that left the company and transferred to another company or that left the company but did not transfer to another company: (31 December 2018: None).

17.12 Number of units, gross/net premiums and individual/group allocation for life policyholders that joined the portfolio during the period: None(31 December 2018: None).

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

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

17. Insurance Liabilities and Reinsurance Assets (Continued)

17.13 Number of units, gross/net premiums and individual/group allocation of mathematical reserves for life policyholders that left the portfolio during the period: None
(31 December 2018: None).

17.14 Profit share allocation rate to the life policyholders: None
(31 December 2018: None).

17.15 - 17.19 Other required information about liabilities from insurance agreements:

Outstanding claims provision:

| | 2019 | | |
|---|-------------------|--------------------------|------------------|
| | Gross | Reinsurers' Share | Net |
| Opening balance - 1 January | 22,739,794 | (19,674,794) | 3,065,000 |
| Paid claims | (10,113,261) | 6,391,691 | (3,721,570) |
| Change | | | |
| - Current period claims | 7,019,429 | (2,399,486) | 4,619,943 |
| - Prior year claims | 1,258,344 | 51,068 | 1,309,412 |
| Closing balance - 31 December | 20,904,306 | (15,631,521) | 5,272,785 |
| Claims incurred but not reported | 2,350,304 | (1,849,602) | 500,702 |
| Total | 23,254,610 | (17,481,123) | 5,773,487 |
| | 2018 | | |
| | Gross | Reinsurers' Share | Net |
| Opening balance - 1 January | 11,273,713 | (10,125,500) | 1,148,213 |
| Paid claims | (4,187,337) | 1,340,299 | (2,847,038) |
| Change | | | |
| - Current period claims | 9,964,184 | (7,545,853) | 2,418,331 |
| - Prior year claims | 5,689,234 | (3,343,740) | 2,345,494 |
| Closing balance - 31 December | 22,739,794 | (19,674,794) | 3,065,000 |
| Claims incurred but not reported | 3,882,728 | (3,549,098) | 333,630 |
| Discount adjustment for outstanding claims provisions | (998,129) | 965,173 | (32,956) |
| Total | 25,624,393 | (22,258,719) | 3,365,674 |

As of 31 December 2019 and 2018, the gross and net additional provision amounts to be set aside as a result of these calculations and the claims incurred but not reported method used in the branches are as follows:

| Branch | Method Used | 31 December 2019 | | 31 December 2018 | |
|-----------------------|--------------------|---------------------------------|----------------|---------------------------------|----------------|
| | | Additional Reserve Gross | Net | Additional Reserve Gross | Net |
| Vessels liability | Standard chain | 1,806,464 | 83,413 | 3,353,538 | 110,725 |
| Vessel | Sector average | 540,932 | 414,381 | 529,190 | 222,905 |
| Third party liability | Sector average | 2,908 | 2,908 | - | - |
| Total | | 2,350,304 | 500,702 | 3,882,728 | 333,630 |

As of 31 December 2019, reinsurance share with incurred but not reported outstanding claims amount was calculated considering the outstanding claims amount transferred to reinsurers on a branch basis.

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17. Insurance Liabilities and Reinsurance Assets (Continued)**17.15 - 17.19 Other required information about liabilities from insurance agreements: (Continued):**

Provisions for net outstanding claims expressed in foreign currency are as follows:

31 December 2019

| Foreign Currency Type | Amount | Exchange Rate | TRY Amount |
|------------------------------|---------------|----------------------|-------------------|
| USD | 656,279 | 5.9402 | 3,898,431 |
| EUR | 270,421 | 6.6506 | 1,798,462 |
| Total | | | 5,696,893 |

31 December 2018

| Foreign Currency Type | Amount | Exchange Rate | TRY Amount |
|------------------------------|---------------|----------------------|-------------------|
| USD | 568,673 | 5.2609 | 2,991,732 |
| EUR | 5,550 | 6.0280 | 33,455 |
| Total | | | 3,025,187 |

Unearned premium reserve:

| | 2019 | | |
|--------------------------------------|-------------------|--------------------------|-------------------|
| | Gross | Reinsurers' Share | Net |
| Opening balance - 1 January | 22,835,721 | (7,007,581) | 15,828,140 |
| Net change | 19,969,718 | 1,558,496 | 21,528,214 |
| Closing balance - 31 December | 42,805,439 | (5,449,085) | 37,356,354 |
| | 2018 | | |
| | Gross | Reinsurers' Share | Net |
| Opening balance - 1 January | 15,786,625 | (5,692,486) | 10,094,139 |
| Unearned premium reserve change | 7,400,256 | (1,315,095) | 6,085,161 |
| Other adjustment (*) | (351,160) | - | (351,160) |
| Closing balance - 31 December | 22,835,721 | (7,007,581) | 15,828,140 |

As of 31 December 2019 the deferred commission expense and income are TRY 5,918,673 (31 December 2018: TRY 2,779,346) and TRY 784,954 (31 December 2018: TRY 517,526) respectively (Note 19) and placed on the balance sheet under the “Deferred Acquisition Costs” and “Deferred Commission Income” accounts.

18. Investment Contract Liabilities

None (31 December 2018: None).

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19. Trade and Other Payables, Deferred Income

| | 31 December 2019 | 31 December 2018 |
|---|-------------------------|-------------------------|
| Payables to reinsurance companies | 6,304,678 | 5,435,438 |
| Payables from main operations - Short - term | 6,304,678 | 5,435,438 |
| Payables to suppliers and other payables | 191,650 | 164,893 |
| Other payables | 191,650 | 164,893 |
| Payables to personnel | 1,793 | 15 |
| Payables to shareholders | - | 13 |
| Payables to related parties - Short- term | 1,793 | 28 |
| Deferred commission income (Note 17) | 784,954 | 517,526 |
| Accrued expenses | 30,000 | 25,000 |
| Expense and income accruals for future periods | 814,954 | 542,526 |

Foreign currency denominated payables are as follows:

31 December 2019

| Foreign Currency Type | Amount | Exchange Rate | TRY Amount |
|------------------------------|---------------|----------------------|-------------------|
| USD | 899,036 | 5.9402 | 5,340,455 |
| EUR | 138,975 | 6.6506 | 924,264 |
| Total | | | 6,264,719 |

31 December 2018

| Foreign Currency Type | Amount | Exchange Rate | TRY Amount |
|------------------------------|---------------|----------------------|-------------------|
| USD | 970,637 | 5.2609 | 5,106,424 |
| EUR | 52,269 | 6.0280 | 315,077 |
| Total | | | 5,421,501 |

20. Financial Liabilities

As of 31 December 2019, and 1 January 2019, the Company's total lease obligation and lease liabilities, which are recognized as part of the transition to IFRS 16 Leases, are as follows:

| | 31 December 2019 | 1 January 2019 |
|--|-------------------------|-----------------------|
| Short-term lease liability | 414,969 | 547,769 |
| Long-term lease liability | 1,186,205 | 1,748,493 |
| Alternative borrowing rate and discount amount | (374,326) | (741,277) |
| Total lease liabilities | 1,226,848 | 1,554,985 |

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20. Financial Liabilities (Continued)

| | 2019 |
|---|------------------|
| Total lease liabilities as of 1 January | - |
| Effect of TFRS 16 | 1,554,985 |
| Lease payments | (618,944) |
| Cost of interest | 226,875 |
| Foreign Exchange losses | 63,932 |
| Total lease liabilities as of 31 December 2019 | 1,226,848 |

21. Deferred Income Tax

The Company calculates deferred income tax assets and liabilities for the temporary differences in the balance sheet items arising due to the measurement in these financial statements and measurement in accordance with Tax Procedure Law.

The enacted tax rate used for the calculation of deferred income tax assets and liabilities on temporary differences that are expected to be realized in the following periods under the liability method is 22% or 20%.

As of 31 December 2018 and 2017 the temporary differences giving rise to deferred income tax assets and liabilities with using enacted tax rates are as follows:

| Deferred income tax assets | Cumulative temporary differences | | Deferred tax assets/(liabilities) | |
|---|---|-------------------------|--|-------------------------|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 |
| Deferred profit commission | | | | |
| Provision for employment termination benefits (Note 22) | 644,606 | 450,000 | 141,813 | 90,000 |
| Other | 365,582 | 216,131 | 73,116 | 43,226 |
| | (26,526) | (37,525) | (5,835) | (8,256) |
| Net deferred income tax assets (Note 35) | | | 124,970 | 8,507 |

The movement of the deferred tax assets in the period is as follows:

| | 2019 | 2018 |
|--|----------------|----------------|
| Opening balance - 1 January | 124,970 | 8,507 |
| Deferred tax income (Note 35) | 72,208 | 116,463 |
| Deferred tax effect recognized in equity | 11,916 | - |
| Closing balance - 31 December | 209,094 | 124,970 |

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

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

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

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22. Retirement Benefit Obligations

| | 31 December 2019 | 31 December 2018 |
|---|-------------------------|-------------------------|
| Provision for employment termination benefits | 365,582 | 216,131 |
| | 365,582 | 216,131 |

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). After the legislative change on 23 May 2002 some transition process articles have been released related to service period before the retirement.

The applicable ceiling amount as at 31 December 2019 is TRY 6,379.86 (31 December 2018: TRY 5,434.42).

Provision for employment termination benefits is not funded as there is no legal funding requirement.

Provision for pension payments calculation in a case of employees retirement, is calculated upon estimation of company's payable to employees in current year. According to IAS 19 in order to estimate provision for pension payment, company should improve actuary calculation methods. For this calculation, actuary estimations indicated below:

| | 31 December 2019 | 31 December 2018 |
|---|-------------------------|-------------------------|
| Annual discount rate (%) | 2.80 | 2.78 |
| Turnover rate to estimate the probability of retirement (%) | 100 | 88 |

Fundamental assumption, for each year, determined maximum provisions should increase depending upon inflation rate. Since therefore, applied discount rate is clarified from expected inflation effects and consequently it shows real rate. Since the Company's provision for pension payment and maximum amount for pension payment provision is calculated once every six months, as of 1 January 2020, provision for severance payment is calculated TRY 6,730.15 (1 January 2019: TRY 6,017.60).

Provision for employment termination benefits movement is given below:

| | 2019 | 2018 |
|--------------------------------------|----------------|----------------|
| Opening Balance - 1 January | 216,131 | 95,500 |
| Actuarial loss (*) | 89,869 | 10,030 |
| Provision during the period | 59,582 | 110,601 |
| Closing Balance - 31 December | 365,582 | 216,131 |

(*) As of 31 December 2019 and 2018 actuarial losses are indicated in "Other Profit Reserves" account in balance sheet with clarified from tax effect.

23. Provisions for Other Liabilities and Charges:

None (31 December 2018: None).

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24. Net Insurance Premium Income

| | 1 January - 31 December 2019 | | |
|-----------------------------|-------------------------------------|--------------------------|-------------------|
| | Gross | Reinsurers' Share | Net |
| Vessels | 55,805,484 | (13,152,492) | 42,652,992 |
| Vessels liability | 40,817,683 | (20,029,308) | 20,788,375 |
| Total premium income | 96,623,167 | (33,181,800) | 63,441,367 |

| | 1 January - 31 December 2018 | | |
|-----------------------------|-------------------------------------|--------------------------|-------------------|
| | Gross | Reinsurers' Share | Net |
| Vessels liability | 28,056,724 | (16,610,812) | 11,445,912 |
| Vessel | 24,464,616 | (6,739,694) | 17,724,922 |
| Third party liability | 528,322 | (476,471) | 51,851 |
| Total premium income | 53,049,662 | (23,826,977) | 29,222,685 |

25. Fee Income

None (31 December 2018: None).

26. Investment Income

The detail of the investment income is given below:

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|------------------------------------|---|---|
| Cash and cash equivalents | | |
| Interest income | 1,679,673 | 1,562,915 |
| Valuation of financial investments | 31,017 | (1,900) |
| Total | 1,710,690 | 1,561,015 |

27. Net Realized Gains on Financial Assets

None (31 December 2018: None).

28. Net Fair Value Gains on Assets at Fair Value through Income

None (31 December 2018: None).

29. Insurance Benefits and Claims

Disclosed in Note 17.

30. Investment Contract Benefits

None (31 December 2018: None).

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31. Other expenses

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|--|---|---|
| Operating expenses classified under technical part | 16,747,494 | 11,137,618 |
| Total (Note 32) | 16,747,494 | 11,137,618 |

32. Expenses by Nature

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| Commission expenses | 9,406,835 | 5,292,288 |
| Personnel expenses (Note 33) | 6,914,080 | 5,514,783 |
| Advertising and marketing expenses | 888,219 | 641,077 |
| Information technology expenses | 443,457 | 342,682 |
| Transportation expenses | 431,108 | 395,221 |
| Outsources benefits and services | 253,583 | 148,011 |
| Travel expenses | 202,810 | 198,868 |
| Stationary expenses | 137,501 | 61,568 |
| Insurance expense | 127,238 | 93,058 |
| Representation and hospitality expenses | 77,413 | 47,355 |
| Communication expense | 26,472 | 24,241 |
| Reinsurance commission income | (2,694,998) | (2,530,281) |
| Other | 533,776 | 908,747 |
| Total (Note 31) | 16,747,494 | 11,137,618 |

33. Employee Benefit Expense

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---------------------------------|---|---|
| Personnel salaries | 6,107,311 | 4,915,544 |
| Employer's share of SSI Premium | 608,916 | 424,409 |
| Other | 197,853 | 174,830 |
| Total (Note 32) | 6,914,080 | 5,514,783 |

Total amount of the salaries and the benefits provided to top management such as the chairman and the members of the board of directors, general manager, general coordinator, assistant general managers and other executive management in the current period are disclosed in Note 1.6.

34. Financial Costs**34.1 Total financial expenses for the period:**

- 34.1.1 Expenses related to production cost: None (31 December 2018: None).
- 34.1.2 Expenses related to fixed assets: None (31 December 2018: None).
- 34.1.3 Direct expenses: None (31 December 2018: None).

34.2 Financial expenses related to shareholders, subsidiaries and associates (Any amount exceeding 20% of total will be disclosed separately): None (31 December 2018: None).

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34. Financial Costs (Continued)

34.3 Sales to/purchases from shareholders, subsidiaries and associates (Any amount exceeding 20% of total will be disclosed separately.): None (31 December 2018: None).

34.4 Interest, rent or other charges received from or paid to shareholders, subsidiaries and associates (Any amount exceeding 20% of total will be disclosed separately.): Related party transactions and balances are disclosed in Note 45 in details.

35. Income Taxes

Tax income and expenses recognized in the statements of income for the periods ended 31 December 2019 and 2018 are summarized below:

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|--|---------------------------------|---------------------------------|
| Corporate tax (expense) (-) | (3,522,598) | (1,720,647) |
| Deferred tax income/(expense) (Note 21) | 72,208 | 116,463 |
| Total tax expense (-) | (3,450,390) | (1,604,184) |
| | 31 December 2019 | 31 December 2018 |
| Tax provision (-) | (3,522,598) | (1,720,647) |
| Prepaid taxes | 1,415,261 | 1,635,133 |
| Net tax liability (-) | (2,107,337) | (85,514) |
| Deferred income tax assets, net (Note 21) | 209,094 | 124,970 |

35. Income Taxes (Continued)

The income tax reconciliation is as follows:

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---------------------------------|---------------------------------|
| Profit before tax (-) | 15,456,909 | 7,365,586 |
| Tax rate | %22 | %22 |
| Calculated tax income | (3,400,520) | (1,620,429) |
| Effect of non-deductible expenses and exceptions, the effect of discounts, net | (49,870) | 16,245 |
| Total tax expense (-) | (3,450,390) | (1,604,184) |

36. Net Foreign Exchange Gains

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|------------------|---------------------------------|---------------------------------|
| Financial income | 2,019,243 | 1,563,564 |
| Technical income | 1,944,415 | 2,399,213 |
| Total | 3,963,658 | 3,962,777 |

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37. Earnings per Share

Earnings per share is calculated by dividing net profit for the period into weighted average number of shares of the Company.

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---------------------------------|---------------------------------|
| Net profit for the period | 12,006,519 | 5,761,402 |
| Weighted average number of shares with nominal value of TRY 1 per share | 13,500,000 | 13,500,000 |
| Earning per Share (TRY) | 0.89 | 0.43 |

38. Dividends per Share

The company has no dividend distribution for the years ended 31 December 2019 and 2018.

39. Cash Generated from Operations: Disclosed in the statement of cash flows.

40. Convertible Bonds: None (31 December 2018: None).

41. Redeemable Preference Shares: None (31 December 2018: None).

42. Contingencies:

Due to the nature of normal operations, the Company is faced with legal disputes, lawsuits and claim for damages arising from its insurance operationa. These lawsuits are reflected in the financial statements by reserving the necessary provisions within the reserve for outstanding claims.

| | 31 December 2019 | 31 December 2018 |
|--|------------------|------------------|
| Outstanding claims cases filed against the Company, net provisions (*) | 212,484 | 371,484 |
| Total | 212,484 | 371,484 |

(*) Outstanding claims are followed up and the movement table of outstanding claims is presented in Note 17.

43. Commitments

Total amount of mortgages or restrictions on assets:

| | 31 December 2019 | 31 December 2018 |
|---------------------------------------|------------------|------------------|
| Bank deposits (Notes 2.12, 14 and 17) | 5,770,100 | 3,163,910 |
| Total | 5,770,100 | 3,163,910 |

As of 31 December 2019, time deposits amounting to TRY 5,770,100 is blocked in favour of the Ministry of Treasury and Finance (31 December 2018: TRY 3,163,910).

44. Business Combinations

None (31 December 2018: None).

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45. Transactions with Related Parties

The total amount of salaries and benefits provided for the top management of the Company such as Chairman and board members, general manager, general coordinator and assistant general managers during the current period is disclosed in note 1.6.

a) Banks

| | 31 December 2019 | 31 December 2018 |
|---------------------------|-------------------|-------------------|
| Türkiye Halk Bankası A.Ş. | 25,818,172 | 15,520,951 |
| Total | 25,818,172 | 15,520,951 |

b) Receivables from insurance operations

| | 31 December 2019 | 31 December 2018 |
|--------------------|------------------|------------------|
| Güneş Sigorta A.Ş. | 896,847 | 410,765 |
| Total | 896,847 | 410,765 |

c) Payables to shareholders

| | 31 December 2019 | 31 December 2018 |
|---------------------|------------------|------------------|
| Ziraat Sigorta A.Ş. | - | 13 |
| Total | - | 13 |

d) Payables from insurance operations

| | 31 December 2019 | 31 December 2018 |
|--------------------|------------------|------------------|
| Güneş Sigorta A.Ş. | 1,162,440 | 852,938 |
| Total | 1,162,440 | 852,938 |

e) Written premiums

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|--------------------|---------------------------------|---------------------------------|
| Güneş Sigorta A.Ş. | 2,009,848 | 1,313,050 |
| Total | 2,009,848 | 1,313,050 |

f) Caded premiums

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|--------------------|---------------------------------|---------------------------------|
| Güneş Sigorta A.Ş. | 2,367,024 | 1,414,714 |
| Total | 2,367,024 | 1,414,714 |

g) Interest income

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---------------------------|---------------------------------|---------------------------------|
| Türkiye Halk Bankası A.Ş. | 1,103,833 | 268,405 |
| Total | 1,103,833 | 268,405 |

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45. Transactions with Related Parties (Continued)

h) Operational expenses

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---------------------------------|---------------------------------|
| Ziraat Sigorta A.Ş. | 127,238 | 82,186 |
| Türkiye Halk Bankası A.Ş. | 13,271 | 2,703 |
| Metropole Denizcilik ve Ticaret Ltd. Şti. | - | 10,600 |
| Total | 140,509 | 95,489 |

45.1 Doubtful receivables from shareholders, associates and subsidiaries: None (31 December 2018: None).

45.2 Breakdown of associates and subsidiaries having an indirect shareholding and management relationship with the Company; names, participation rates and amounts of associates and subsidiaries; profit/loss and net profit/loss in the latest financial statements, the period of these financial statements, whether these financial statements are prepared in accordance with the accounting principles and standards as set out in the insurance legislation, whether they are independently audited and the opinion type of the independent audit report: None (31 December 2018: None).

45.3 Bonus shares obtained through internally funded capital increases of equity investments and subsidiaries: None (31 December 2018: None).

45.4 Rights on immovables and their value: None (31 December 2018: None).

45.5 Guarantees, commitments and securities given for shareholders, investments and subsidiaries: None (31 December 2018: None).

46. Events after the Balance Sheet Date:

None.

47. Other

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

a) Other Liabilities

| | 31 December 2019 | 31 December 2018 |
|-----------------------|------------------|------------------|
| Payables to suppliers | 187,060 | 161,940 |
| Other liabilities | 4,590 | 2,953 |
| Total | 191,650 | 164,893 |

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47. Other (Continued)

47.1 Details of "Other" items in the balance sheet which exceed 20% of its respective account group or 5% of total assets (Continued):

b) Other expenses for the following months

| | 31 December 2019 | 31 December 2018 |
|--|-------------------------|-------------------------|
| Deferred excess of loss reinsurance premiums | 1,412,139 | 848,379 |
| Other | 238,160 | 157,209 |
| Total | 1,650,299 | 1,005,588 |

47.2 Due from and due to personnel classified in "Other receivables" and "Other short-term or long-term payables" that exceed 1% of total assets: None (31 December 2018: None).

47.3 Subrogation receivables followed under off-balance sheet items: None (31 December 2018: None).

47.4 Income and expenses related to prior periods and the amounts and sources of expenses and losses: None (31 December 2018: None).

47.5 Other information required by Ministry of Treasury and Finance to be presented

Provision (expenses) for the period:

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| <i>Provision expenses:</i> | | |
| Provision for employment termination benefits | (89,869) | (110,601) |
| Provisions no longer required | - | 3,977 |
| | (89,869) | (106,624) |

APPENDIX 1 - STATEMENTS OF PROFIT DISTRIBUTION

| | Note | Current Period | Previous Period |
|--|------|----------------|-----------------|
| I. DISTRIBUTION OF PROFIT FOR THE PERIOD | | - | - |
| 1.1. PROFIT FOR THE PERIOD | | - | - |
| 1.2. TAXES PAYABLE AND LEGAL LIABILITIES | | | |
| 1.2.1. Corporate Tax (Income Tax) | | - | - |
| 1.2.2. Income Tax Deduction | | - | - |
| 1.2.3. Other Taxes and Legal Liabilities | | - | - |
| A NET PROFIT FOR THE PERIOD (1.1 - 1.2) | | - | - |
| 1.3. PREVIOUS YEARS' LOSSES (-) | | - | - |
| 1.4. FIRST LEGAL RESERVE | | - | - |
| 1.5. LEGAL FUNDS TO BE KEPT IN THE COMPANY (-) | | - | - |
| B NET DISTRIBUTABLE PROFIT FOR THE PERIOD [(A - (1.3 + 1.4 + 1.5))] | | - | - |
| 1.6. FIRST DIVIDEND TO SHAREHOLDERS (-) | | | |
| 1.6.1. To common shareholders | | - | - |
| 1.6.2. To preferred shareholders | | - | - |
| 1.6.3 To owners of participating redeemed shares | | - | - |
| 1.6.4 To owners of profit-sharing securities | | - | - |
| 1.6.5 To owners of profit and loss sharing securities | | - | - |
| 1.7. DIVIDENDS TO PERSONNEL (-) | | - | - |
| 1.8. DIVIDENDS TO FOUNDERS (-) | | - | - |
| 1.9. DIVIDENDS TO THE BOARD OF DIRECTORS (-) | | - | - |
| 1.10. SECOND DIVIDENDS TO SHAREHOLDERS (-) | | - | - |
| 1.10.1. To common shareholders | | - | - |
| 1.10.2. To preferred shareholders | | - | - |
| 1.10.3. To owners of participating redeemed shares | | - | - |
| 1.10.4. To owners of profit-sharing securities | | - | - |
| 1.10.5. To owners of profit and loss sharing securities | | - | - |
| 1.11. SECOND LEGAL RESERVE | | - | - |
| 1.12. STATUTORY RESERVES | | - | - |
| 1.13. EXTRAORDINARY RESERVES | | - | - |
| 1.14. OTHER RESERVES | | - | - |
| 1.15. SPECIAL FUNDS | | - | - |
| II. DISTRIBUTION FROM RESERVES | | - | - |
| 2.1. DISTRIBUTED RESERVES | | - | - |
| 2.2. SECOND LEGAL RESERVE (-) | | - | - |
| 2.3. DIVIDENDS TO SHAREHOLDERS (-) | | - | - |
| 2.3.1. To common shareholders | | - | - |
| 2.3.2 To preferred shareholders | | - | - |
| 2.3.3. To owners of participating redeemed shares | | - | - |
| 2.3.4 To owners of profit-sharing securities | | - | - |
| 2.3.5 To owners of profit and loss sharing securities | | - | - |
| 2.4. DIVIDENDS TO PERSONNEL (-) | | - | - |
| 2.5. DIVIDENDS TO THE BOARD OF DIRECTORS (-) | | - | - |
| III PROFIT PER SHARE | | - | - |
| 3.1. TO COMMON SHAREHOLDERS | | - | - |
| 3.2. TO COMMON SHAREHOLDERS (%) | | - | - |
| 3.3. TO PREFERRED SHAREHOLDERS | | - | - |
| 3.4. TO PREFERRED SHAREHOLDERS (%) | | - | - |
| IV. DIVIDENDS PER SHARE | | - | - |
| 4.1. TO COMMON SHAREHOLDERS | | - | - |
| 4.2. TO COMMON SHAREHOLDERS (%) | | - | - |
| 4.3 TO PREFERRED SHAREHOLDERS | | - | - |
| 4.4. TO PREFERRED SHAREHOLDERS (%) | | - | - |

The only authorized body of the Company about profit distribution is General Assembly. Since there is no profit distribution for the financial periods 31 December 2019 and 2018, the statements of profit distribution have not been prepared.

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