

TÜRK P VE I SİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATUTORY
FINANCIAL STATEMENTS FOR THE INTERIM
PERIOD 1 JANUARY- 30 JUNE 2020 AND
INDEPENDENT AUDITOR'S REVIEW REPORT
(ORIGINALLY ISSUED IN TURKISH)**



**CONVENIENCE TRANSLATION OF
THE REVIEW REPORT FOR THE INTERIM PERIOD
OF TURK P ve I SİGORTA A.Ş.
(ORIGINALLY ISSUED IN TURKISH)**

To the General Assembly of Turk P ve I Sigorta A.Ş.,

Introduction

1. We have reviewed the accompanying balance sheet of Turk P ve I Sigorta A.Ş. (the “Company”) as of 30 June 2020 and the related statement of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Company management is responsible for the preparation and fair presentation of the interim financial statements in accordance with accounting and financial reporting regulations enforced by the insurance legislation and Turkish Accounting Standard 34, “Interim Financial Reporting” for the matters not regulated by such insurance legislation, the so-called “Regulation on Insurance Accounting and Financial Reporting Principles”. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of the Review

2. We conducted our review in accordance with the Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and the principles on the review of interim financial statements as set out in the insurance legislation. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the regulation regarding audit policies in force due to the insurance legislation and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.



Conclusion

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not fairly present, in all material respects, the financial position of Turk P ve I Sigorta A.Ş. at 30 June 2020, and of the results of its operations and its cash flows for the six-month period then ended in accordance with the Regulation on Insurance Accounting and Financial Reporting Principles.

Additional Paragraph for Convenience Translation into English

4. As discussed in Note 2.25 to the accompanying financial statements, the effects of differences between the Regulation on Insurance Accounting and Financial Reporting Principles; and accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed or International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying interim financial statements. Accordingly, the accompanying interim financial statements are not intended to present the financial position and results of operations and changes in financial position and cash flows in accordance with accounting principles generally accepted in such countries and IFRS.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

ORIGINALLY ISSUED IN TURKISH

Adnan Akan, SMMM
Partner

Istanbul, 14 August 2020

TÜRK P VE İ SİGORTA A.Ş.

**FINANCIAL STATEMENTS FOR THE INTERIM PERIOD
1 JANUARY - 30 JUNE 2020**

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TÜRK P VE İ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF 30 JUNE 2020 AND 31 DECEMBER 2019

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

ASSETS	Notes	Reviewed 30 June 2020	Audited 31 December 2019
I- Current Assets			
A- Cash and Cash Equivalents	14	39,791,046	37,582,867
1- Cash	2.12 and 14	8,483	7,560
2- Cheques Received		-	-
3- Banks	2.12 and 14	39,647,834	37,537,865
4- Cheques Given and Payment Orders (-)		-	-
5- Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months	2.12 and 14	134,729	37,442
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	73,897,708	33,357,570
1- Due from Insurance Operations	12.1	73,897,708	33,357,570
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		47,700	468,173
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		47,700	468,173
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		21,982,635	7,568,972
1- Deferred Acquisition Costs	17	9,585,979	5,918,673
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Prepaid Expenses	47.1	12,396,656	1,650,299
G- Other Current Assets		31,189	28,566
1- Prepaid Office Supplies		31,189	3,080
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		135,750,278	79,006,148

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

TÜRK P VE I SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF 30 JUNE 2020 AND 31 DECEMBER 2019

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

ASSETS	Notes	Reviewed 30 June 2020	Audited 31 December 2019
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	1,855,092	1,695,340
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	692,173	649,204
6- Motor Vehicles		-	-
7- Other Tangible Assets (including leasehold improvements)	6	668,192	649,182
8- Leased Assets	6	1,975,437	1,554,985
9- Accumulated Depreciation (-)	6	(1,480,710)	(1,158,031)
10- Advances Given for Tangible Assets		-	-
F- Intangibles Assets	8	1,601	2,081
1- Rights	8	6,247	6,247
2- Goodwill		-	-
3- Start-up Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortization (-)	8	(4,646)	(4,166)
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 and 35	59,075	209,094
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	59,075	209,094
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		1,937,540	1,928,287
TOTAL ASSETS (I+II)		137,687,818	80,934,435

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

TÜRK P VE I SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF 30 JUNE 2020 AND 31 DECEMBER 2019

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

LIABILITIES	Notes	Reviewed 30 June 2020	Audited 31 December 2019
III- Current Liabilities			
A- Financial Liabilities	20	302,683	306,500
1- Due to Credit Institutions		-	-
2- Leasing Payables	20	302,683	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	14,034,486	6,304,678
1- Payables from Insurance Operations	4 and 19	13,837,159	6,304,678
2- Payables from Reinsurance Operations		-	-
3- Premium Deposits		-	-
4- Payables from Private Pension Operations		-	-
5- Payables from Other Operations	4	197,327	-
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties	19	38,301	1,793
1- Due to Shareholders	4, 19 and 45	38,301	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel	4 and 19	-	1,793
6- Due to Other Related Parties		-	-
D- Other Payables	4, 19 and 47.1	367,321	191,650
1- Deposits and Guarantees Received		-	-
2- Payable to SSI medical expense		-	-
3- Other Miscellaneous Payables	4, 19 and 47.1	367,321	191,650
4- Rediscount on Other Payables		-	-
E- Insurance Technical Provisions		81,141,253	43,129,841
1- Unearned Premium Reserve - Net	4 and 17	64,111,282	37,356,354
2- Unexpired Risks Reserve - Net		-	-
3- Mathematical Reserve - Net		-	-
4- Outstanding Claims Provision - Net	4 and 17	17,029,971	5,773,487
5- Bonus and Rebate Provision - Net		-	-
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Fiscal Liabilities		2,512,994	2,655,618
1- Taxes and Funds Payable		880,448	433,449
2- Social Security Withholdings Payable		105,414	114,832
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	3,041,772	3,522,598
6- Prepaid tax and other liabilities on current year profit (-)	35	(1,514,640)	(1,415,261)
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	257,675	814,954
1- Deferred Commission Income	10, 17 and 19	208,612	784,954
2- Expense Accruals	19	49,063	30,000
3- Other Deferred Income		-	-
I- Other Current Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Count Overages		-	-
3- Other Current Liabilities		-	-
III- Total Current Liabilities		98,654,713	53,405,034

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

TÜRK P VE İ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF 30 JUNE 2020 AND 31 DECEMBER 2019

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

LIABILITIES	Notes	Reviewed 30 June 2020	Audited 31 December 2019
IV- Non-Current Liabilities			
A- Financial Liabilities	20	1,155,734	920,348
1- Due to Credit Institutions		-	-
2- Leasing Payables	20	1,155,734	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	458,813	365,582
1- Provision for Employment Termination Benefits	22	458,813	365,582
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		1,614,547	1,285,930

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

TÜRK P VE I SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF 30 JUNE 2020 AND 31 DECEMBER 2019

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

SHAREHOLDERS' EQUITY

	Notes	Reviewed 30 June 2020	Audited 31 December 2019
V- Shareholders' Equity			
A- Share Capital	2.13 and 15	25,000,000	13,500,000
1- (Nominal) Capital	2.13 and 15	25,000,000	13,500,000
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		787,365	206,627
1- Legal Reserves		904,553	304,227
2- Statutory Reserves		-	-
3- Extraordinary Reserves		-	-
4- Special Funds (Reserves)		-	-
5- Valuation of Financial Assets		-	-
6- Other Profit Reserves	15	(117,188)	(97,600)
D- Retained Earnings		436,518	530,325
1- Retained Earnings		436,518	530,325
E- Accumulated Deficit (-)			
1- Accumulated Deficit		-	-
F- Net Profit for the Period		11,194,675	12,006,519
1- Net Profit for the Period		11,194,675	12,006,519
2- Net Loss for the Period (-)		-	-
3- Profit not subject to Distribution		-	-
V- Total Shareholders' Equity		37,418,558	26,243,471
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (III+IV+V)		137,687,818	80,934,435

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

TÜRK P VE I SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2020 AND 2019

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

TECHNICAL PART

	Note	Reviewed 1 January - 30 June 2020	Not Reviewed 1 April - 30 June 2020	Reviewed 1 January - 30 June 2019	Not Reviewed 1 April - 30 June 2019
A- Non-Life Technical Income		49,019,862	25,420,368	14,507,290	7,941,297
1- Earned Premiums (Net of Reinsurers' Share)		46,747,296	25,420,368	14,462,989	7,941,297
1.1- Written Premiums (Net of Reinsurers' Share)	24	73,502,224	29,978,087	29,079,788	11,615,225
1.1.1- Gross Written Premium (+)	24	93,591,369	36,445,038	50,933,543	18,727,135
1.1.2- Reinsurers' Share of Gross Written Premium	10 and 24	(20,089,145)	(6,466,951)	(21,853,755)	(7,111,910)
1.1.3- Premiums Ceded to SSI (-)		-	-	-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	17	(26,754,928)	(4,557,719)	(14,616,799)	(3,673,928)
1.2.1- Unearned Premiums Reserve (-)	17	(29,280,771)	(2,848,071)	(18,585,271)	(683,962)
1.2.2- Reinsurers' Share of Unearned Premiums Reserve (+)	10 and 17	2,525,843	(1,709,648)	3,968,472	(2,989,966)
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)		-	-	44,301	-
3.1- Gross Other Technical Income (+)		-	-	44,301	-
3.2- Reinsurers' Share of Other Gross Technical Income (-)		-	-	-	-
4- Claim Recovery and Salvage Income Accruals (+)		2,272,566	-	-	-
B- Non-Life Technical Expense (-)		(44,714,722)	(22,811,134)	(12,742,703)	(7,254,909)
1- Incurred Claims - (Net of Reinsurer's Share)		(30,592,762)	(15,809,949)	(4,915,657)	(3,041,564)
1.1- Paid Claims - (Net of Reinsurer's Share)		(19,326,278)	(9,062,055)	(3,504,126)	(1,709,604)
1.1.1- Gross Paid Claims (-)		(30,855,417)	(15,086,596)	(11,528,094)	(3,481,316)
1.1.2- Reinsurers' Share of Gross Paid Claims (+)	10	11,519,139	6,024,541	8,023,968	1,771,712
1.2- Change in Outstanding Claims (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		(11,256,484)	(6,747,894)	(1,411,531)	(1,331,960)
1.2.1- Outstanding Claims Provision (-)		(14,254,922)	(8,738,795)	(8,805,526)	(7,315,019)
1.2.2- Reinsurers' Share of Outstanding Claims Provision (+)	10	2,998,438	1,990,901	7,394,025	5,983,059
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	(14,121,960)	(7,001,185)	(7,827,046)	(4,213,345)
5- Change in Mathematical Reserves (Net of Reinsurers' 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)		4,305,140	2,609,234	1,764,587	686,388
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 interim financial statements.

TÜRK P VE İ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2020 AND 2019

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

NON-TECHNICAL PART

	Note	Reviewed 1 January - 30 June 2020	Not Reviewed 1 April - 30 June 2020	Reviewed 1 January - 30 June 2019	Not Reviewed 1 April - 30 June 2019
C- Net Technical Income-Non-Life (A-B)		4,305,140	2,609,234	1,764,587	686,388
F- Net Technical Income-Life (D-E)		-	-	-	-
I- Net Technical Income-Private Pension (G-H)		-	-	-	-
J- Total Net Technical Income (C+F+I)		4,305,140	2,609,234	1,764,587	686,388
K- Investment Income		14,585,646	8,078,377	7,858,400	4,828,025
1- Income from Financial Investments	26	494,512	191,756	746,540	446,799
2- Income from Sales of Financial Investments		-	-	-	-
3- Valuation of Financial Investments	26	2,886	30,791	214,655	70,359
4- Foreign Exchange Gains	36	14,088,248	7,855,830	6,897,205	4,310,867
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 (-)		(4,422,178)	(3,223,254)	(4,977,048)	(3,559,484)
1- Investment Management Expenses (Interest included) (-)	34	(128,454)	275,247	(157,027)	61,459
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	(3,945,839)	(3,336,840)	(4,476,945)	(3,446,375)
7- Depreciation Expenses (-)	6 and 8	(323,159)	(152,073)	(305,843)	(152,358)
8- Other Investment Expenses (-)		(24,726)	(9,588)	(37,233)	(22,210)
M- Income and Expenses from Other Operations and Extraordinary Operations (+/-)		(232,161)	(51,442)	(121,936)	65,950
1- Provisions (+/-)	47.5	(68,745)	(133,732)	(107,352)	(31,275)
2- Rediscunts (+/-)		-	-	-	-
3- Special Insurance Account (+/-)		-	-	-	-
4- Inflation Adjustment (+/-)		-	-	-	-
5- Deferred Tax Assets (+/-)		-	-	-	-
6- Deferred Tax Liabilities Expenses (-)	21 and 35	(154,916)	78,092	(11,953)	98,642
7- Other Income		-	-	-	-
8- Other Expenses (-)		-	-	-	-
9- Prior Year's Income		(8,500)	4,198	(2,631)	(1,417)
10- Prior Year's Expenses (-)		-	-	-	-
N- Net Profit/(Loss) for the Period	37	11,194,675	5,833,746	3,627,275	1,535,961
1- Profit/(Loss) for the Period		14,236,447	7,412,915	4,524,003	2,020,879
2- Corporate Tax Provision and Other Fiscal Liabilities (-)	35	(3,041,772)	(1,579,169)	(896,728)	(484,918)
3- Net Profit/(Loss) for the Period		11,194,675	5,833,746	3,627,275	1,535,961
4- Inflation Adjustment		-	-	-	-

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

TÜRK P VE I SİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENT OF CASH FLOWS
FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2020 AND 2019**

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

	Notes	Reviewed 1 January - 30 June 2020	Reviewed 1 January - 30 June 2019
A- CASH GENERATED FROM MAIN OPERATIONS			
1- Cash inflows from insurance operations		122,792,383	73,411,768
2- Cash inflows from reinsurance operations		-	-
3- Cash inflows from private pension operations		-	-
4- Cash outflows from insurance operations (-)		(105,888,171)	(58,823,309)
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)		16,904,212	14,588,459
8- Interest payment (-)		-	-
9- Income tax payment (-)		(1,514,640)	(2,221,305)
10- Other cash inflows		-	-
11- Other cash outflows (-)		(20,335,143)	(8,415,799)
12- Net cash used in main operations		(4,945,571)	3,951,355
B- CASH FLOWS FROM INVESTING OPERATIONS			
1- Sale of tangible assets		-	-
2- Tangible assets purchases (-)	6	(61,979)	(29,969)
3- Financial assets purchases (-)		-	-
4- Sales of financial assets		-	-
5- Interest received		494,511	746,540
6- Dividends received		-	-
7- Other cash inflows		-	-
8- Other cash outflows (-)		(79,992)	(69,291)
9- Net cash from investing activities		352,540	647,280
C- CASH FLOWS FROM FINANCING OPERATIONS			
1- Issue of shares		-	-
2- Cash flows due to the borrowings		-	-
3- Leasing payments (-)		(302,321)	-
4- Dividends paid (-)		-	-
5- Other cash inflows		-	-
6- Other cash outflows (-)		-	-
7- Net cash from financing activities		(302,321)	-
D- EFFECT OF EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		4,254,874	1,092,104
E- Net (decrease)/increase in cash and cash equivalents		(640,478)	5,690,739
F- Cash and cash equivalents at the beginning of the period		31,762,921	15,072,249
G- Cash and cash equivalents at the end of the period (E+F)	2.12	31,122,443	20,762,988

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

TÜRK P VE I SİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2020 AND 2019**

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

Statements of Changes in Shareholders' Equity - Reviewed (*)											
	Capital	Paid in Capital (-)	Valuation Increase in Assets	Capital Reserves	Foreign Currency Translation Differences	Legal Reserves	Statutory Reserves	Other Reserves and Retained Profit	Net Income for Period	Retained Earnings	Total
I- Balances as previously reported (31 December 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	-	-	-	-	-	-	-	-	-	-	-
2- From internal resources (Note 2.13)	5,250,000	-	-	-	-	-	-	-	-	(5,250,000)	-
B- Treasury shares of the company	-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not recognized in the income statement (Note 15)	-	-	-	-	-	-	-	23,838	-	-	23,838
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)	-	-	-	-	-	-	-	-	3,627,275	-	3,627,275
I- Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfers	-	-	-	-	-	288,070	-	-	(5,761,402)	5,473,332	-
II- Balances at the period end (30 June 2019) (I+A+B+C+D+E+F+G+H+I+J)	13,500,000	-	-	-	-	304,227	-	(26,096)	3,627,275	530,325	17,935,731

Statements of Changes in Shareholders' Equity - Reviewed (*)											
	Capital	Paid in Capital (-)	Valuation Increase in Assets	Capital Reserves	Foreign Currency Translation Differences	Legal Reserves	Statutory Reserves	Other Reserves and Retained Profit	Net Income for Period	Retained Earnings	Total
I- Balances as previously reported (31 December 2019)	13,500,000	-	-	-	-	304,227	-	(97,600)	12,006,519	530,325	26,243,471
A- Capital Increase (A1 + A2)	11,500,000	-	-	-	-	-	-	-	-	(11,500,000)	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From internal resources (Note 2.13)	11,500,000	-	-	-	-	-	-	-	-	(11,500,000)	-
B- Treasury shares of the company	-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not recognized in the income statement (Note 15)	-	-	-	-	-	-	-	(19,588)	-	-	(19,588)
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)	-	-	-	-	-	-	-	-	11,194,675	-	11,194,675
I- Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfers	-	-	-	-	-	600,326	-	-	(12,006,519)	11,406,193	-
II- Balances at the period end (30 June 2020) (I+A+B+C+D+E+F+G+H+I+J)	25,000,000	-	-	-	-	904,553	-	(117,188)	11,194,675	436,518	37,418,558

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

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

TÜRK P VE I SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2020

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

1. General information

- 1.1 Name of the parent Company:** As of 30 June 2020 and 31 December 2019 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 and 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:**

	30 June 2020	31 December 2019
Senior Management	3	3
Other personnel	30	21
Total	33	24

- 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 1,304,229 (30 June 2019: TRY 1,184,134).
- 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 Principals of the Criterias” 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 authority to change and approve the financial statements for the interim period between 1 January - 30 June 2020 belongs to the Board of Directors. On behalf of the Board of Directors, the financial statements signed and approved on 14 August 2020 by General Manager Ufuk Teker and Deputy General Manager Abdullah Kara that the financial statements were prepared in accordance with the current insurance accounting principles and standards and that they comply with the relevant legislation and Company records. Events occurred after the balance sheet date are explained in Note 46.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2020**

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

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

The Company 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.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2020**

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

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

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;

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 TFRIC comments and new standards and amendments summarized below that are applicable as of 30 June 2020.

a) Standards, amendments and interpretations applicable as at 30 June 2020:

- Amendments to TAS 1 and TAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, ‘Presentation of financial statements’, and TAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other TFRSs:
 - use a consistent definition of materiality throughout TFRSs 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 TFRS 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.
- Amendment to TFRS 16, ‘Leases’ - Covid-19 related rent concessions; effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to TFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2020**

(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 that are issued but not effective as at 31 December 2019:

- TFRS 17, ‘Insurance contracts’; effective from annual periods beginning on or after 1 January 2023. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- Amendments to TAS 1, ‘Presentation of financial statements’ on classification of liabilities; effective from 1 January 2022. These narrow-scope amendments to TAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what TAS 1 means when it refers to the ‘settlement’ of a liability.
- A few narrow-scope amendments to TFRS 3, TAS 16, TAS 17 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16; effective from Annual periods beginning on or after 1 January 2022.
 - Amendments to TFRS 3, ‘Business combinations’ update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - Amendments to TAS 16, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
 - Amendments to TAS 37, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to TFRS 1, ‘First-time Adoption of TFRS’, TFRS 9, ‘Financial instruments’, TAS 41, ‘Agriculture’ and the Illustrative Examples accompanying TFRS 16, ‘Leases’.

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 30 June 2020 and 31 December 2019. The Company does not perform segment reporting in the scope of “TFRS 8 - Segment Reporting”, since it is not a listed company.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2020**

(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

Right-of-use asset is accounted for initially using the cost method and is measured at its cost adjusted for the re-measurement of the lease liability and less any accumulated depreciation and accumulated impairment losses. The Company applies the depreciation provisions in the TAS 16 “Tangible Fixed Assets” standard while depreciating the right of use asset.

2.6 Investment Properties

The Company does not have investment property as of 30 June 2020 (31 December 2019: 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).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2020**

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

2. Summary of Significant Accounting Policies (Continued)

2.8 Financial Assets

The Company 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.

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 30 June 2020 and 31 December 2019 (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 2019: 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 include 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:

	30 June 2020	31 December 2019
Cash	8,483	7,560
Banks	39,647,834	37,537,865
Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months	134,729	37,442
Less - Interest Accrual	(52,733)	(49,846)
Less - Blocked deposits (*) (Notes 17 and 43)	(8,615,870)	(5,770,100)
Total Cash and Cash Equivalents	31,122,443	31,762,921

(*) The change in blocked bank deposits are presented in the other cash outflows in the cash flow statement.

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2. Summary of Significant Accounting Policies (Continued)

2.13 Share Capital

As of 30 June 2020 and 31 December 2019 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	30 June 2020		31 December 2019	
		Share Ratio (%)	Share Amount	Share Ratio (%)	Share Amount
Omur Denizcilik A.Ş.	D	36.75	9,187,500	36.75	4,961,250
Ziraat Sigorta A.Ş.	A	16.67	4,166,667	16.67	2,250,000
Güneş Sigorta A.Ş.	B	16.67	4,166,667	16.67	2,250,000
Türkiye Halk Bankası A.Ş.	C	16.67	4,166,667	16.67	2,250,000
Metropole Denizcilik ve Ticaret Ltd. Şti.	D	7.50	1,875,000	7.50	1,012,500
Vitsan Denizcilik A.Ş.	D	5.75	1,437,499	5.75	776,250
Total		100.00	25,000,000	100.00	13,500,000

The Company’s capital increased from TRY 13,500,000 to TRY 25,000,000 from internal resources of the Company by the decision of General Assembly in 22 April 2020. The capital increase is declared in official gazette numbered 10084 in 27 May 2020 (2019: 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.).

As of 30 June 2020 there are no privileges granted for the shares that represent the capital (31 December 2019: 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 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, over tightness, 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, is the type of insurance that protects the body, machinery and equipment of the craft against voyage, iron or during repair and maintenance.

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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2. Summary of Significant Accounting Policies (Continued)

2.14 Insurance and Investment Contracts - Classification (Continued)

Reinsurance Agreements

Reinsurance contracts are agreements that are put into effect by the Company and reinsurance companies for the losses that may occur in relation to one or more insurance contracts signed by the Company which is paid and meets the necessary conditions to be classified as insurance contracts.

The Company has proportional quota-share and non-proportional reinsurance agreements in the vessels liability branch. 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 vessels 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 based on 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 2019: 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 2019: None).

2.17 Borrowings

None (31 December 2019: None).

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2. Summary of Significant Accounting Policies (Continued)

2.18 Taxes

Corporate Tax

Corporate tax for 2020 is payable at a rate of 22% in Turkey (2019: 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 considered 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% (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 an accrual basis by allocating the unearned premium provision over written premiums.

Reinsurance Commissions

Commission income received in relation to ceded premiums to reinsurance companies and additional commissions determined according to the profitability of the transferred works 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.

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2. Summary of Significant Accounting Policies (Continued)

2.21 Accounting for Revenues (Continued)

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 20 September 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.

Recourse and salvage income accrued for the interim period between 1 January - 30 June 2020 are TRY 2,272,566 in the vessels branch (30 June 2019: None).

2.22 Leases

At the actual beginning of the lease, the Company measures the lease liability and related right-of-use asset over the present value of the lease payments that were not realized at that time. Lease payments, if the interest rate implied in the lease can be easily determined, by using this rate; If the implied interest rate cannot be determined easily, it is discounted using the lessee's alternative borrowing interest rate. As of 1 January 2020, the weighted average of alternative borrowing rates used by the Company for its leases in Turkish Lira and Euro are 21% and 3%, respectively (31 December 2019: 21% and 3%).

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.

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).

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2. Summary of Significant Accounting Policies (Continued)

2.24 Technical Provisions (Continued)

Deferred Commission Expenses and Deferred Commission Incomes

Outstanding Claims Provision

The Company allocates a provision for outstanding claims for compensation amounts that were accrued and determined on account but not actually paid in the previous accounting periods or in the current account period, or, if this amount was not calculated, their estimated value and the compensation amounts incurred but not reported. Outstanding claim provisions are determined in accordance with the expert / actuary reports or the evaluations of the insured and the expert / actuary, and recourse, salvage and similar income items are not deducted in the related calculations.

As of 30 June 2020, 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 Provision” and circular No. 2015/7 related to “Circular on Amendments to the Circular on Outstanding Claims Provision” in vessels liability branch the standard chain method has been used in the calculation of the incurred but not reported calculation as of 30 June 2020. According to this; as of 30 June 2020, gross additional amount of incurred but not reported damages amount is TRY 1,631,318 (31 December 2019: TRY 1,806,464).

In the vessel branch, during the calculation of incurred but not reported claims and loss amounts, the sector averages as of 31 March 2020 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 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 31 March 2020 for this branch the ratio of total incurred but not reported provision for outstanding claims to total provision for outstanding claims multiply recorded provision outstanding claims is TRY 2,914,419 as of 30 June 2020 (31 December 2019: TRY 540,932), according to gross incurred 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)

Within the current reinsurance contracts, as of 30 June 2020 the reinsurance share that was incurred but not reported for vessel and vessel liability branch was calculated as TRY 1,973,104 (31 December 2019: TRY 1,849,602) (Note 17).

Within the framework of the "Circular on the Discounting of Net Cash Flows Arising from the Provision for Outstanding Claims" published by the Ministry of Treasury and Finance, dated 10 June 2016 and numbered 2016/22, companies were given the opportunity to discount net cash flows to be generated by the provision for outstanding claims calculated and allocated in accordance with the insurance legislation. In determining the cash flows to be discounted in accordance with the "Circular on the Discounting of the Net Cash Flows Arising from the Provision for Outstanding Claims" numbered 2016/22, the Company’s actuary used the data of the paid claims that were included in the incurred but not reported provision account. According to this; As a result of the calculations made by the company, taking into account the cash flow rates of the sector as of 30 June 2020, a net amount of TRY 131,423 for the outstanding claims reserve for the vessels liability branch was calculated and discounted from the net outstanding claims provision.

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 30 June 2020, the Company did not have a reserve for continuing risks (31 December 2019: None).

2.25 Convenience translation into English

The effects of differences between the Regulation on Insurance Accounting and Financial Reporting Principles; and accounting principles generally accepted in countries in which the financial statements are to be distributed or International Financial Reporting Standards (“IFRS”) have not been quantified in the interim financial statements. Accordingly, the interim financial statements are not intended to present the financial position and results of operations and changes in financial position and cash flows in accordance with accounting principles generally accepted in such countries and IFRS.

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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.

4. Management of Insurance and Financial Risk

Insurance risk

The risk under any insurance contact 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:

	30 June 2020	31 December 2019
Vessels liability	1,536,241,077,782	1,630,719,477,777
Vessel	18,456,598,305	19,508,705,986
Total	1,554,697,676,087	1,650,228,183,763

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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:

30 June 2020	USD	EUR	GBP	Total
Assets:				
Cash	34	7,253	18	7,305
Banks	28,885,838	4,737,221	-	33,623,059
Receivables from main operations	56,391,785	10,950,354	14,732	67,356,871
Total foreign currency assets	85,277,657	15,694,828	14,750	100,987,235
Liabilities:				
Payables from main operations	(12,176,010)	(1,846,029)	(7,392)	(14,029,431)
Provisions for outstanding claims	(13,226,937)	(3,803,034)	-	(17,029,971)
Total foreign currency liabilities	(25,402,947)	(5,649,063)	(7,392)	(31,059,402)
Balance sheet position	59,874,710	10,045,765	7,358	69,927,833

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4. Management of Insurance and Financial Risk (Continued)

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

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 30 June 2020 and 31 December 2019 are as follows:

	USD	EUR	GBP
30 June 2020	6.8422	7.7082	8.4282
31 December 2019	5.9402	6.6506	7.7765

Imposed Exchange risk rate

The following table summarizes the increase in equity and income statement (excluding tax effect) for the periods ended 30 June 2020 and 31 December 2019 due to the 20% gain of the TRY over following currencies. This analysis is based on the assumption that all other variables remain constant.

	Profit/(Loss)		Shareholders Equity	
	Foreign Currency Appreciation	Foreign Currency Depreciation	Foreign Currency Appreciation	Foreign Currency Depreciation
30 June 2020				
USD Exchange rate changes by 20%	11,974,942	(11,974,942)	11,974,942	(11,974,942)
EUR Exchange rate changes by 20%	2,009,153	(2,009,153)	2,009,153	(2,009,153)
GBP Exchange rate changes by 20%	1,472	(1,472)	1,472	(1,472)
Net effect of exchange rate change	13,985,567	(13,985,567)	13,985,567	(13,985,567)
	Profit/(Loss)		Shareholders Equity	
	Foreign Currency Appreciation	Foreign Currency Depreciation	Foreign Currency Appreciation	Foreign Currency Depreciation
31 December 2019				
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)

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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

30 June 2020	Up to 3 months	3 months 1 year	1 year 5 year	Over 5 years	Total
Payables to reinsurance companies	4,902,906	8,934,253	-	-	13,837,159
Payables to shareholders	38,301	-	-	-	38,301
Payables from other operations	197,327	-	-	-	197,327
Other payables	367,321	-	-	-	367,321
Total	5,505,855	8,934,253	-	-	14,440,108
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
Other payables	191,650	-	-	-	191,650
Total	3,672,129	2,825,992	-	-	6,498,121

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4. Management of Insurance and Financial Risk (Continued)

Expected Cash Flows

30 June 2020	Up to 3 months	3 months 1 year	1 year 5 year	Over 5 years	Total
Provision for outstanding claims - net	106,308	16,923,663	-	-	17,029,971
Unearned premium reserves - net (*)	6,452,018	54,658,682	3,000,582	-	64,111,282
	6,558,326	71,582,345	3,000,582	-	81,141,253
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

(*) 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 34,291,067 (31 December 2019: TRY 21,099,908); As of 30 June 2020, the equity of the Company is at least TRY 3,127,491 higher than the required equity (31 December 2019: TRY 5,143,562 high).

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5. Segment information

Disclosed in Note 2.3.

6. Property and equipment

Movement of tangible assets:

	1 January 2020	Additions	Disposals	30 June 2020
Cost:				
Furniture and fixture	649,204	42,969	-	692,173
Leasehold improvements	649,182	19,010	-	668,192
Right of use assets	1,554,985	420,452	-	1,975,437
Total Costs	2,853,371	482,431	-	3,335,802
Accumulated depreciation:				
Furniture and fixture	(378,880)	(38,941)	-	(417,821)
Leasehold improvements	(278,167)	(45,318)	-	(323,485)
Right of use assets	(500,984)	(238,420)	-	(739,404)
Total Accumulated depreciation	(1,158,031)	(322,679)	-	(1,480,710)
Net book value	1,695,340			1,855,092
	1 January 2019	Additions	Disposals	30 June 2019
Cost:				
Furniture and fixture	477,603	29,969	-	507,572
Leasehold improvements	527,410	-	-	527,410
Right of use assets	-	1,554,985	-	1,554,985
Total Costs	1,005,013	1,584,954	-	2,589,967
Accumulated depreciation:				
Furniture and fixture	(327,860)	(263,856)	-	(591,715)
Leasehold improvements	(211,858)	-	-	(211,859)
Right of use assets	-	(41,748)	-	(41,748)
Total Accumulated depreciation	(539,718)	(305,604)	-	(845,322)
Net book value	465,295			1,744,645

There are no mortgages on the fixed assets of the Company as of 30 June 2020 and 2019.

7. Investment Properties

The Company does not have investment properties as of 30 June 2020 (31 December 2019: None).

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8. Intangible Assets:

	1 January 2020	Additions	Disposals	30 June 2020
Costs:				
Rights	6,247	-	-	6,247
Total	6,247	-	-	6,247
Accumulated amortization:				
Rights	(4,166)	(480)	-	(4,646)
Total	(4,166)	(480)	-	(4,646)
Net book value	2,081			1,601
	1 January 2019	Additions	Disposals	30 June 2019
Costs:				
Rights	4,798	-	-	4,798
Total	4,798	-	-	4,798
Accumulated amortization:				
Rights	(3,448)	(239)	-	(3,687)
Total	(3,448)	(239)	-	(3,687)
Net book value	1,350			1,111

9. Investments in Associates

The Company does not have any investments in associates accounted for using the equity accounting method (31 December 2019: None).

10. Reinsurance Assets

Reinsurance Assets/ (Liabilities)

	30 June 2020	31 December 2019
Reinsurers’ share of unearned premiums reserve (Note 17)	7,974,928	5,449,085
Reinsurers’ share of outstanding claims provision (Note 17)	20,479,561	17,481,123
Deferral of commission income (Note 19)	(208,612)	(784,954)
Payables to Reinsurance companies (Net)	(13,837,159)	(6,304,678)

Reinsurance Income/ (Expense)

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Reinsurers’ share of change in unearned premiums reserve (Note 17)	2,525,843	(1,709,648)	3,968,472	(2,989,966)
Reinsurers’ share of change in outstanding claims provision	2,998,438	1,990,901	7,394,025	5,983,059
Reinsurers’ share in paid claims	11,519,139	6,024,541	8,023,968	1,771,712
Commissions received from reinsurers (gross)	505,671	172,734	724,611	391,673
Change in deferred commissions from reinsurers	576,342	160,611	296,025	(100,359)
Ceded premiums to reinsurers (Note 24)	(20,089,145)	(6,466,951)	(21,853,755)	(7,111,910)

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11. Financial assets

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

	30 June 2020	31 December 2019
Borrowings and receivables (Note 12.1)	73,897,708	33,357,570
Total	73,897,708	33,357,570

11.2 Marketable securities issued during the year other than share certificates: None (31 December 2019: None).

11.3 Debt securities redeemed during the year: None (31 December 2019: 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 2019: None).

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 2019: None).

11.6 Value increase on financial assets in the last three years: None (31 December 2019: None).

11.7 - 11.9 Other information about financial assets: None (31 December 2019: 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:

	30 June 2020	31 December 2019
Receivables from intermediaries	35,882,357	22,766,721
Receivables from insurance companies	28,957,026	1,090,895
Receivables from policyholders	9,058,325	9,499,954
Receivables from main operations	73,897,708	33,357,570

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 2019: None).

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12. Loans and Receivables (Continued)

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

30 June 2020

Foreign Currency Type	Amount	Exchange Rate	TRY Amount
USD	8,241,762	6.8422	56,391,785
EUR	1,420,611	7.7082	10,950,354
GBP	1,748	8.4282	14,732
Total			67,356,871

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

12.5 - 12.7 Other information about loans and receivables:

The aging of due from insurance operations is as follows:

	30 June 2020	31 December 2019
Overdue receivables	11,747,639	1,723,741
Up to 3 months	30,040,624	15,287,630
3 - 6 months	22,898,130	11,406,037
6 months to 1 year	9,211,315	4,940,162
Total	73,897,708	33,357,570

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

	30 June 2020	31 December 2019
Up to 3 months	11,747,639	1,723,741
Total	11,747,639	1,723,741

The Company does not have doubtful receivables from main operations as of 30 June 2020 (31 December 2019: None).

13. Derivative Financial Instruments

None (31 December 2019: None).

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14. Cash and Cash Equivalents

Cash and cash equivalents that are included in the statements of cash flows as of 30 June 2020 and 31 December 2019 are shown in Note 2.12 and the details of bank deposits of the Company are as follows:

	30 June 2020	31 December 2019
Cash (Note 2.12)	8,483	7,560
Banks (Note 2.12)	39,647,834	37,537,865
Bank guaranteed credit card receivables with maturities less than three months (Note 2.12)	134,729	37,442
Total	39,791,046	37,582,867

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

	30 June 2020	31 December 2019
Bank deposits in TRY		
- Time deposits	5,872,113	7,189,032
- Demand deposits	152,662	90,846
	6,024,775	7,279,878
Foreign deposits in TRY		
- Time deposits	30,911,052	29,705,024
- Demand deposits	2,712,007	552,963
	33,623,059	30,257,987
Total	39,647,834	37,537,865

As of 30 June 2020, time deposits amounting to TRY 8,615,870 is blocked in favour of the Ministry of Treasury and Finance (31 December 2019: TRY 5,770,100) (Notes 17 and 43).

Time and demand deposits in foreign currency:

	30 June 2020			
	Foreign Currency		TRY	
	Timed	Demand	Timed	Demand
USD	4,040,042	181,676	27,642,775	1,243,063
EUR	424,000	190,568	3,268,277	1,468,944
Total			30,911,052	2,712,007
	31 December 2019			
	Foreign Currency		TRY	
	Timed	Demand	Timed	Demand
USD	4,137,069	74,567	24,575,017	442,943
EUR	771,360	16,544	5,130,007	110,020
Total			29,705,024	552,963

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15. Share Capital

The Company has 25,000,000 number of shares which are fully paid (31 December 2019: 13,500,000 units). Each of the Company's shares has a nominal value of TRY 1 and the total nominal value is TRY 25,000,000 (31 December 2019: TRY 13,500,000).

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

	1 January 2020		Issued		Redeemed		30 June 2020	
	Unit	Nominal TRY	Unit	Nominal TRY	Unit	Nominal TRY	Unit	Nominal TRY
Paid in capital	13,500,000	13,500,000	11,500,000	11,500,000	-	-	25,000,000	25,000,000
Total	13,500,000	13,500,000	11,500,000	11,500,000	-	-	25,000,000	25,000,000

	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

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

Profit Reserves:

As of 30 June 2020 and 31 December 2019, the "other profit reserves" accounted in equity consists of actuarial losses

The movement schedule for other profit reserves is as follows:

	2020	2019
Opening balance - 1 January	(97,600)	(49,934)
Actuarial (losses)/gains, net	(19,588)	23,838
Period end - 30 June	(117,188)	(26,096)

16. Other Reserves and Equity Component of Discretionary Participation Feature

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

17. Insurance Liabilities and Reinsurance Assets

17.1 Guarantees to be provided and guarantees provided for life and non-life branches:

	30 June 2020	31 December 2019
Required guarantee amount to be provided for non-life branches (*)	11,430,356	7,033,303
Guarantee amount provided for non-life branches (Note 43)	8,615,870	5,770,100

(*) 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 22 July 2020 since founded security balance as of 30 June 2020 was below the requirement as a result of capital adequacy calculation.

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17. Insurance Liabilities and Reinsurance Assets (Continued)

- 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 2019: 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 2019: None).
- 17.5 Units and amounts of share certificates in portfolio and in circulation:** None (31 December 2019: 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 2019: None).
- 17.7 Valuation methods of profit share calculation for life insurance:** None (31 December 2019: 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 2019: 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 2019: 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 2019: 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 2019: 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 2019: None).
- 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 2019: None).
- 17.14 Profit share allocation rate to the life policyholders:** None (31 December 2019: None).

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17. Insurance Liabilities and Reinsurance Assets (Continued)

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

Outstanding claims provision:

	2020		
	Gross	Reinsurers' Share	Net
Opening balance - 1 January	20,904,306	(15,631,521)	5,272,785
Paid claims	(9,236,073)	5,587,833	(3,648,240)
Change			
- Current period claims	9,553,820	(3,389,059)	6,164,761
- Prior year claims	11,741,742	(5,073,710)	6,668,032
Closing balance - 30 June	32,963,795	(18,506,457)	14,457,338
Claims incurred but not reported	5,885,171	(3,181,115)	2,704,056
Discount adjustment for outstanding claims provisions	(1,339,434)	1,208,011	(131,423)
Total	37,509,532	(20,479,561)	17,029,971
	2019		
	Gross	Reinsurers' Share	Net
Opening balance - 1 January	22,739,794	(19,674,794)	3,065,000
Paid claims	(9,485,380)	6,149,490	(3,335,890)
Change			
- Current period claims	14,805,424	(11,421,949)	3,383,475
- Prior year claims	3,446,491	(2,151,807)	1,294,684
Closing balance - 30 June	31,506,329	(27,099,060)	4,407,269
Claims incurred but not reported	4,301,745	(3,884,303)	417,442
Discount adjustment for outstanding claims provisions	(1,378,121)	1,330,616	(47,505)
Total	34,429,953	(29,652,747)	4,777,206

As of 30 June 2020 and 31 December 2019, 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	30 June 2020		31 December 2019	
		Additional Reserve, Gross	Additional Reserve, Net	Additional Reserve, Gross	Additional Reserve, Net
Vessels liability	Standard chain	1,631,318	165,850	1,806,464	83,413
Vessel	Sector average	2,914,419	2,406,783	540,932	414,381
Third party liability	Sector average	-	-	2,908	2,908
Total		4,545,737	2,572,633	2,350,304	500,702

As of 30 June 2020 and 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:

30 June 2020

Foreign Currency Type	Amount	Exchange Rate	TRY Amount
USD	1,933,141	6.8422	13,226,937
EUR	493,375	7.7082	3,803,034
Total			17,029,971

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

Unearned premium reserve:

	2020		
	Gross	Reinsurers' Share	Net
Opening balance - 1 January	42,805,439	(5,449,085)	37,356,354
Net change	29,280,771	(2,525,843)	26,754,928
Closing balance - 30 June	72,086,210	(7,974,928)	64,111,282
	2019		
	Gross	Reinsurers' Share	Net
Opening balance - 1 January	22,835,721	(7,007,581)	15,828,140
Unearned premium reserve change	18,585,271	(3,968,472)	14,616,799
Closing balance - 30 June	41,420,992	(10,976,053)	30,444,939

As of 30 June 2020 the deferred commission expense and income are TRY 9,585,979 (31 December 2019: TRY 5,918,673) and TRY 208,612 (31 December 2019: TRY 784,954) 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 2019: None).

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19. Trade and Other Payables, Deferred Income

	30 June 2020	31 December 2019
Payables to reinsurance companies	13,837,159	6,304,678
Payables from main operations - Short - term	13,837,159	6,304,678
Payables from other operations	197,327	-
Payables to suppliers and other payables	367,321	191,650
Other payables	564,648	191,650
Payables to shareholders	38,301	-
Payables to personnel	-	1,793
Payables to related parties - Short- term	38,301	1,793
Deferred commission income (Note 17)	208,612	784,954
Accrued expenses	49,063	30,000
Expense and income accruals for future periods	257,675	814,954

Foreign currency denominated payables are as follows:

30 June 2020

Foreign Currency Type	Amount	Exchange Rate	TRY Amount
USD	1,779,546	6.8422	12,176,010
EUR	239,489	7.7082	1,846,029
GBP	877	8.4282	7,392
Total			14,029,431

31 December 2019

Foreign Currency Type	Amount	Exchange Rate	TRY Amount
USD	899,036	5.9402	5,340,454
EUR	138,975	6.6506	924,265
Total			6,264,719

20. Financial Liabilities

As of 30 June 2020 and 31 December 2019, the Company's total lease obligation and lease liabilities, which are recognized as part of TFRS 16 Leases, are as follows:

	30 June 2020	31 December 2019
Short-term lease liability	509,687	176,051
Long-term lease liability	1,409,108	1,299,214
Discount amount with alternative borrowing rate	(460,378)	(248,417)
Total lease liabilities	1,458,417	1,226,848

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20. Financial Liabilities (Continued)

	2020	2019
Total lease liabilities as of 1 January	1,226,848	-
Additions	420,452	-
Lease payments	(302,321)	(299,929)
Cost of interest	128,454	112,378
Foreign Exchange losses	(15,016)	46,180
Effect of TFRS 16	-	1,554,985
Total lease liabilities as of 30 June	1,458,417	1,413,614

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 30 June 2020 and 31 December 2019 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)	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Provision for employment termination benefits (Note 22)	458,813	365,582	91,763	73,116
Deferred profit commission	-	644,606	-	141,813
Other, net	(148,582)	(26,526)	(32,688)	(5,835)
Net deferred income tax assets (Note 35)			59,075	209,094

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

	2020	2019
Opening balance - 1 January	209,094	124,970
Deferred tax expense (-) (Note 35)	(154,916)	(11,953)
Deferred tax effect of actuarial gain/(loss) recognized in equity	4,897	(5,959)
Closing balance – 30 June	59,075	107,058

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.

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22. Retirement Benefit Obligations

	30 June 2020	31 December 2019
Provision for employment termination benefits	458,813	365,582
	458,813	365,582

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.

Compensation to be paid is up to one month's salary for each service year and this amount is limited to TRY 6,730.15 as of 30 June 2020 (31 December 2019: TRY 6,379.86).

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

Provision for pension payments calculation in a case of employee's 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:

	30 June 2020	31 December 2019
Annual discount rate (%)	2.80	2.80
Turnover rate to estimate the probability of retirement (%)	100	100

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 July 2020, provision for severance payment is calculated TRY 7,117.17 (1 January 2020: TRY 6,730.15).

Provision for employment termination benefits movement is given below:

	2020	2019
Opening Balance - 1 January	365,582	216,131
Provision during the period	68,745	107,352
Actuarial loss/(gain) (*)	24,486	(29,798)
Closing Balance - 30 June	458,813	293,685

(*) Actuarial losses are indicated in “Other Profit Reserves” account in balance sheet.

23. Provisions for Other Liabilities and Charges:

None (31 December 2019: None).

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24. Net Insurance Premium Income

	1 January - 30 June 2020			1 April - 30 June 2020		
	Gross	Reinsurers' Share	Net	Gross	Reinsurers' Share	Net
Vessels	63,320,172	(6,294,133)	57,026,039	27,743,786	(2,628,404)	25,115,382
Vessels liability	30,271,197	(13,795,012)	16,476,185	8,701,252	(3,838,547)	4,862,705
Total Premium income	93,591,369	(20,089,145)	73,502,224	36,445,038	(6,466,951)	29,978,087

	1 January - 30 June 2019			1 April - 30 June 2020		
	Gross	Reinsurers' Share	Net	Gross	Reinsurers' Share	Net
Vessels liability	26,795,391	(14,374,693)	12,420,698	6,815,715	(2,427,846)	4,387,869
Vessels	24,138,152	(7,479,062)	16,659,090	11,911,420	(4,684,064)	7,227,356
Total Premium income	50,933,543	(21,853,755)	29,079,788	18,727,135	(7,111,910)	11,615,225

25. Fee Income

None (31 December 2019: None).

26. Investment Income

The detail of the investment income is given below:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Cash and cash equivalents				
- Interest income	494,512	191,756	746,540	446,799
- Valuation of financial investments	2,886	30,791	214,655	70,359
Total	497,398	222,547	961,195	517,158

27. Net Realized Gains on Financial Assets

None (30 June 2020: None).

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

None (31 December 2019: None).

29. Insurance Benefits and Claims

Disclosed in Note 17.

30. Investment Contract Benefits

None (31 December 2019: None).

31. Other expenses

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Operating expenses classified under technical part	14,121,960	7,001,185	7,827,046	4,213,345
Total (Note 32)	14,121,960	7,001,185	7,827,046	4,213,345

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32. Expenses by Nature

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Commission expenses	8,865,466	4,612,442	3,811,009	2,178,249
Personnel expenses (Note 33)	4,554,723	1,963,873	3,483,758	1,540,131
Advertising and marketing expenses	593,390	136,471	585,553	278,231
Information technology expenses	271,228	128,687	203,550	99,756
Outsources benefits and services	199,103	99,910	139,912	89,363
Insurance expense	86,073	51,678	58,486	34,270
Stationary expenses	36,583	7,764	31,854	25,058
Transportation expenses	26,883	5,530	215,789	183,736
Representation and hospitality expenses	25,238	6,345	33,059	13,243
Travel expenses	20,466	3,856	81,615	23,539
Communication expense	15,251	5,473	11,344	6,140
Reinsurance commission income	(1,082,013)	(333,345)	(1,020,636)	(291,314)
Other	509,569	312,501	191,753	32,943
Total (Note 31)	14,121,960	7,001,185	7,827,046	4,213,345

33. Employee Benefit Expense

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Personnel salaries	4,029,943	1,703,501	3,090,767	1,342,820
Employer’s share of SSI premium	396,985	195,336	299,211	147,989
Other	127,795	65,035	93,780	49,322
Total (Note 32)	4,554,723	1,963,872	3,483,758	1,540,131

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 (30 June 2019: None).

34.1.2 Expenses related to fixed assets: None (30 June 2019: None).

34.1.3 Direct expenses: TRY 128,454 (30 June 2019: TRY 157,027).

34.2 Financial expenses related to shareholders, subsidiaries and associates (Any amount exceeding 20% of total will be disclosed separately): None (2019: None).

34.3 Sales to/purchases from shareholders, subsidiaries and associates (Any amount exceeding 20% of total will be disclosed separately.): None (2019: 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.

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35. Income Taxes

Tax income and expenses recognized in the statements of income for the periods ended 30 June 2020 and 2019 are summarized below:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Corporate tax expense (-)	(3,041,772)	(1,579,169)	(896,728)	(484,918)
Deferred tax (expense)/income (Note 21)	(154,916)	78,092	(11,953)	98,642
Total tax expense (-)	(3,196,688)	(1,501,077)	(908,681)	(386,276)

	30 June 2020	31 December 2019
Corporate tax provision (-)	(3,041,772)	(3,522,598)
Prepaid taxes	1,514,640	1,415,261
Net corporate tax liability (-)	(1,527,132)	(2,107,337)
Deferred income tax assets, net (Note 21)	59,075	209,094

The income tax reconciliation is as follows:

	1 January - 30 June 2020	1 January - 30 June 2019
Profit before tax	14,391,363	4,535,956
Tax rate	%22	%22
Calculated tax expense (-)	(3,166,100)	(997,910)
Effect of non-deductible expenses income	(30,588)	89,229
Total tax expense (-)	(3,196,688)	(908,681)

36. Net Foreign Exchange Gains

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Technical income, net	4,254,874	1,529,276	1,328,156	609,879
Financial income, net	5,887,535	2,989,714	1,092,104	254,613
Net Foreign Exchange Gains	10,142,409	4,518,990	2,420,260	864,492

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 - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Net profit for the period	11,194,675	5,833,746	3,627,275	1,535,961
Weighted average number of shares with nominal value of TRY 1 per share	25,000,000	25,000,000	25,000,000	25,000,000
Earnings per Share (TRY)	0.45	0.23	0.15	0.06

38. Dividends per Share

The company has no dividend distribution for the years ended 30 June 2020 and 2019.

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

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40. **Convertible Bonds:** None (31 December 2019: None).

41. **Redeemable Preference Shares:** None (31 December 2019: 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 operations. These lawsuits are reflected in the financial statements by reserving the necessary provisions within the reserve for outstanding claims.

	30 June 2020	31 December 2019
Outstanding claims cases filed against the Company, net provisions (*)	263,413	212,484
Total	263,413	212,484

(*) It is followed in outstanding claims and the movement table of outstanding claims is in Note 17.

43. **Commitments**

Total amount of mortgages or restrictions on assets:

	30 June 2020	31 December 2019
Bank deposits (Notes 2.12, 14 and 17)	8,615,870	5,770,100
Total	8,615,870	5,770,100

As of 30 June 2020, time deposits amounting to TRY 8,615,870 is blocked in favour of the Ministry of Treasury and Finance (31 December 2019: TRY 5,770,100).

44. **Business Combinations**

None (31 December 2019: None).

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**

	30 June 2020	31 December 2019
Türkiye Halk Bankası A.Ş.	34,485,964	25,818,172
Total	34,485,964	25,818,172

b) **Receivables from insurance operations**

	30 June 2020	31 December 2019
Güneş Sigorta A.Ş.	303,997	896,847
Total	303,997	896,847

c) **Payables to shareholders**

	30 June 2020	31 December 2019
Ziraat Sigorta A.Ş.	38,301	-
Total	38,301	-

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45. Transactions with Related Parties (Continued)

d) Payables from insurance operations

	30 June 2020	31 December 2019
Güneş Sigorta A.Ş.	108,711	1,162,440
Total	108,711	1,162,440

e) Written premiums

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Güneş Sigorta A.Ş.	717,335	358,440	95,031	73,210
Total	717,335	358,440	95,031	73,210

f) Ceded premiums

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Güneş Sigorta A.Ş.	1,494,030	767,322	1,737,749	1,233,723
Total	1,494,030	767,322	1,737,749	1,233,723

g) Interest income

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Türkiye Halk Bankası A.Ş.	406,846	166,139	704,750	429,133
Total	406,846	166,139	704,750	429,133

h) Operational expenses

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Türkiye Halk Bankası A.Ş.	26,362	14,291	-	-
Ziraat Sigorta A.Ş.	25,805	24,805	811	440
Total	52,167	39,096	811	440

45.1 Doubtful receivables from shareholders, associates and subsidiaries: None (31 December 2019: 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 2019: None).

45.3 Bonus shares obtained through internally funded capital increases of equity investments and subsidiaries: None (31 December 2019: None).

45.4 Rights on immovables and their value: None (31 December 2019: None).

45.5 Guarantees, commitments and securities given for shareholders, investments and subsidiaries: None (31 December 2019: None).

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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

	30 June 2020	31 December 2019
Payables to suppliers	365,532	187,060
Other liabilities	1,789	4,590
Total	367,321	191,650

b) Other expenses for the following months (short term)

	30 June 2020	31 December 2019
Deferred excess of loss reinsurance premiums	11,834,226	1,412,139
Other	562,430	238,160
Total	12,396,656	1,650,299

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 2019: None).

47.3 Subrogation receivables followed under off-balance sheet items: None (31 December 2019: None).

47.4 Income and expenses related to prior periods and the amounts and sources of expenses and losses: None (31 December 2019: None).

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

Provision (expenses) for the period:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
<i>Provision expenses:</i>				
Provision for employment termination benefits	(68,745)	(133,732)	(107,352)	(31,275)
	(68,745)	(133,732)	(107,352)	(31,275)

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 interim financial periods as of 30 June 2020 and 2019, the statements of profit distribution have not been prepared.

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