MİLLİ RE

2019 ANNUAL REPORT

Milli Re continues to distinguish as a reputable, strong and well accepted service provider in international markets with its experience and robust financial structure as it keeps progressing towards a century long path.

CONTENTS

GENERAL INFORMATION

1

Millî Reasürans
Türk Anonim Şirketi
2019 Annual Report
Mersis No: 0621003912600011

www.millire.com
www.millire.com.tr

Head Office: Harbiye Mah. Maçka Caddesi No: 35
34367 Şişli - İstanbul/TURKEY

Phone +90 212 231 47 30
Fax +90 212 230 86 08
E-mail info@millire.com
millire@millire.com

Singapore Branch
4 Battery Road #20-01
Bank of China Building Singapore
049908
Phone +65 6499 9340
Fax +65 6534 2884
E-mail singapore@millire.com

Milli Re, proudly celebrating its 91st anniversary, is one of the well-established reinsurance companies in Europe.

Milli Re embraces a pioneer role in terms of contributing to the Turkish insurance market to achieve a sustainable and sound structure.

Milli Re continues to distinguish as a reputable, strong and well accepted service provider in international markets with its experience and robust financial structure as it keeps progressing towards a century long path.

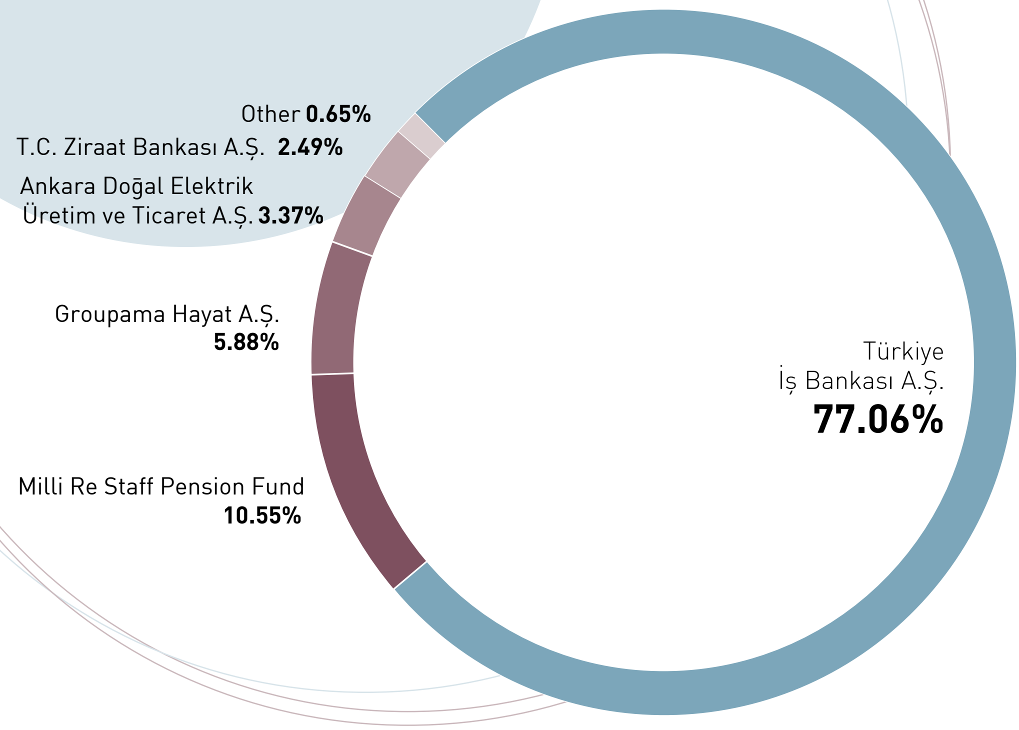
VISION

Reinforce our key role as lead reinsurer in the local market and become a preferred business partner in the international markets.

MISSION

- Delivering effective solutions in compliance with best practice standards,
- Further strengthening our robust capital base,
- Developing ethical and transparent business relations while focusing on value creation,
- Aligned with the company goals, enhancing the development, performance and motivation of our employees.

SHAREHOLDER STRUCTURE



Shareholder	Value of Stake (TL)	Stake (%)
Türkiye İş Bankası A.Ş.	508,573,071.60	77.06
Milli Re Staff Pension Fund	69,604,853.95	10.55
Groupama Hayat A.Ş.	38,809,894.19	5.88
Ankara Doğal Elektrik Üretim ve Ticaret A.Ş.	22,240,455.60	3.37
T.C. Ziraat Bankası A.Ş.	16,430,944.19	2.49
Other	4,340,780.47	0.65
Total	660,000,000	100.00

Note: Shareholders controlling 1% or greater stakes in the Company are shown here above.

Capital Increases

There were no capital increases during 2019.

Changes in the Shareholder Structure during 2019

0.31% share of TİBAŞ Staff Pension Fund with a nominal value of TL 2,057,576.40, 0.08% share of Trakya Yatırım Holding A.Ş. with a nominal value of TL 548,690.99 and 0.02% share of Kültür Yayınları İş Türk A.Ş. with a nominal value of TL 155,878.80 were transferred to İşbank and registered in share ledger with the decision no.1304 dated 30 December 2019 of the Board of Directors.

Title of Groupama Emeklilik A.Ş., one of the shareholders, was changed to Groupama Hayat A.Ş on 12 April 2019.

Ergo Sigorta A.Ş., one of the shareholders, has been taken over by HDI Sigorta A.Ş. on 02 December 2019.

Changes in the Articles of Association during 2019

There were no changes in the Articles of Association during 2019.

Disclosures on Preferred Shares

There are no preferred shares.

CORPORATE PROFILE

Milli Re has been making every effort to support the development of the insurance industry in Turkey and provide high quality service.

Milli Re was established by Türkiye İş Bankası (İşbank) on 26 February 1929 to manage the compulsory reinsurance system and commenced operations on 19 July 1929.

As the world's first and only privately owned company that managed a compulsory reinsurance system for all lines of business, Milli Re has played an important role in the formation and development of the insurance industry in Turkey. Following the termination of the compulsory reinsurance system, the Company redefined its goals and strategies in alignment with the current conditions and via its strategy of opening to international markets, today continues to serve as a global, prestigious and trusted reinsurer.

Milli Re has been making every effort to support the development of the insurance industry in Turkey and provide high quality service. The Company meets reinsurance needs of the market with best possible terms and conditions, contributing significantly to the satisfaction of insurance companies by providing prompt claim settlements.

While operating the compulsory reinsurance system, the Company also made various contributions to the country such as;

- Nationalisation of the Turkish insurance industry,
- Generation of continuous revenue for the Undersecretariat of Turkish Treasury,
- Significant reduction in the outflow of foreign currency,
- Providing insurance training and education programs for the insurance industry,
- Conducting top notch international relations.

Milli Re managed Turkish Reinsurance Pool from 1963 to 1985, and the Economic Cooperation Organization (ECO) Pool from 1967 to 1995, which was originally established under the name of RCD Pool.

While managing the Federation of Afro-Asian Insurers and Reinsurers (FAIR) Pool since 1974, Milli Re also undertook the management of the Turkish Catastrophe Insurance Pool (TCIP) between 2000 and 2005 where it was a co-founder.

As part of Milli Re's strategy to expand to international markets, the Company began writing business from these markets in 2006. In alignment with this strategy, Singapore Branch was opened in 2007.

By bringing its merited reputation and technical knowledge gained in the Turkish market to international arena and with the support of its financial strength, Milli Re continues to maintain its credibility in international markets through its strong performance.

On 16 July 2019, A.M. Best assigned Milli Re a global rating of B+ with a negative outlook. Milli Re's national scale rating was affirmed as "tr A+" by Standard&Poor's (S&P) on 07 August 2019.

Possessing all the structural competence and a solid capital base, Milli Re's main objective is to achieve sustainable growth by translating its strong position in the local insurance market and its profit-oriented business model, which incorporates closely monitoring of risk/return balance to international markets.

Milli Re Singapore Branch

As part of its strategy to expand to international markets, Milli Re, like many other international reinsurers, examined the benefits of establishing regional branches. Consequently, Singapore Branch was opened in view of the significance of Far East in the global insurance market, as well as its potential business volume and geographical location.

Having received the license for operation from the Monetary Authority of Singapore (MAS) in November 2007, Singapore Branch began writing business from 1 April 2008. With its well qualified and highly experienced workforce of 12 people, Singapore Branch plays an important role in international operations of Milli Re.

Anadolu Sigorta

Holding 57.31% share in its capital, Milli Re is the principal shareholder of Anadolu Anonim Türk Sigorta Şirketi, one of the largest and well-established insurance companies in the Turkish insurance industry

MILESTONES

1929
Milli Re was founded by İşbank with a capital of TL 1,000,000 to operate the compulsory reinsurance system.

1963
The management of "Turkish Reinsurance Pool", established to write international business, was handed over to Milli Re in accordance with the agreement signed with Turkish insurance companies.

1967
The management of "RCD Reinsurance Pool", established under the agreement of "Cooperation for Regional Development" between Turkey, Iran and Pakistan, was handed over to Milli Re.

1970
The management of the system known as "Decree Pool", established according to Decree no. 17 set out by the Ministry of Finance on the Protection of the Value of Turkish Currency was handed over to Milli Re.

"Türk Sigorta Enstitüsü Vakfı" (Turkish Insurance Institute Foundation) was established by Milli Re and the Association of the Insurance and Reinsurance Companies of Turkey.

1974
The management of "FAIR Reinsurance Pool" established by the Federation of Afro-Asian Insurers & Reinsurers (FAIR) was handed over to Milli Re.

1982
Compulsory reinsurance cessions to Milli Re on Quota Share basis were changed to Surplus basis.

1986
MİLTAŞ Sports Complex, which hosts the traditional "International Insurers Tennis Tournament" organisation was built by Milli Re and was brought into the service of the market.

1991
Milli Re began to offer conventional reinsurance capacity through reinsurance treaties apart from "Compulsory Cessions" and "Decree Pool".

First issue of "Reasürör" magazine was published. The magazine is a reference source with full academic content on re/insurance, including compilations, translations, interviews, and statistical data on various lines.

1993
Milli Re moved from its head office in Istanbul Sirkeci to its new office building constructed in Teşvikiye.

1994
Milli Re Art Gallery, a corporate gallery where art works by prominent local and foreign artists are exhibited, was opened.

1996
Milli Re Chamber Orchestra was established. The orchestra is made up of artists, most of whom also continue their solo music careers, and the orchestra performs with the participation of renowned local and international artists and conductors.

2000
Turkish Catastrophe Insurance Pool (TCIP), which was set up relevant the "Compulsory Earthquake Insurance" system established by the Undersecretariat of Turkish Treasury became operational under the management of Milli Re.

2001
Risk-based Compulsory Reinsurance System came to an end.

2005
Milli Re became the only active local reinsurance company in the Turkish market after the acquisition of Destek Reasürans T.A.Ş.

2006
Milli Re began to write business from international markets.

Decree Pool was terminated.

2007
Singapore Branch, which plays an important role for Milli Re in international markets, was opened.

2010
Milli Re acquired an additional 35.53% stake in Anadolu Sigorta, another group company. Accordingly, Milli Re, Turkey's one and only active local reinsurer increased its share in the capital of Anadolu Sigorta to 57.31%, one of the largest and well-established insurance companies in the industry.

2019
In its 91st year of operation, by bringing its technical knowledge gained in the Turkish market to international arena with the support of its strong capitalisation, Milli Re's paid-up capital was TL 660 million while assets reached TL 4,532 million, shareholders' equity amounted to TL 2,136 million and premium volume was TL 1,659 million.

CHAIRPERSON'S MESSAGE

Marking its 91st anniversary in 2019, as a preferred business partner with the reputation gained in the international markets, Milli Re aims to carry its success into the future with the help of its well-established corporate culture and experience going back to many years.

21.2%

By the end of 2019, our Company's assets grew by 21.2% and reached TL 4,532 million.

In 2019 trade volume was suppressed across the world accompanied by weakening in the global economic growth. During the period while deterioration in production and demand indicators pushed down the growth, central banks tended towards expansionary monetary policies.

Last year, as Fed cut interest rates thrice and European Central Bank (ECB) implemented a new support package in addition to interest rate reductions, the economic growth outlook showed differentiations in developed countries. While US statistics, announced in the last quarter of the year, painted a relatively promising picture of the country's economy, Euro Zone presented a weak outlook.

World-wide slowdown in the economic growth and contraction in the global demand led the IMF to revise its growth forecasts. According to The World Economic Outlook Report published by IMF in January 2020, global economy, which attained 3.6% annual growth rate between the years 2011 and 2018, is estimated to grow by 2.9% in 2019 and projected to reach 3.3% in 2020.

Besides the fact that US economy exceeded the expectations set at the beginning of the year and gave positive signals in the last quarter of the year, conditions such as; Phase One of the trade deal being concluded as a result of the US-China negotiations, as well as the loose monetary policies which prevailed in the emerging countries following the steps of developed countries' central banks, strengthened the positive expectations for the upcoming period.

On the other hand, as a result of the fluctuations in the exchange rates, interest rates and inflation as well as the stagnation observed in the domestic economic activity, Turkish economy which had been showing a contraction trend in the last quarter of 2018, kept shrinking until mid-year 2019.

Nonetheless, with the impact of downward movement in oil prices as well as the value of Turkish Lira navigating in competitive levels and domestic demand conditions remaining moderate, the Consumer Price Index declined in the second half of the year and registered as 11.8% by the end of the year.

Growing by 27% in nominal terms and 13% in real terms compared to the previous year, the premium volume of Turkish insurance market reached TL 69.2 billion in 2019.

Taking advantage of the drop recorded in the inflation rate in addition to the favourable global liquidity conditions arising from the slowdown in the global economic activity and loose monetary policies adopted by the developed economies' central banks, starting in the second half of the year, Central Bank of the Republic of Turkey (CBRT) gradually reduced the policy interest rate by 1200 basis points and pulled it down to 12%. In line with the effective policies implemented, the economy assumed the growth trend once again. While Gross Domestic Product (GDP) surged by 6% in the fourth quarter of the year compared to the same period of the previous year; Turkish economy rounded up the year 2019 with 0.9% overall growth. Increasing by 14.9% compared to the previous year, GDP at current prices reached TL 4,280 billion in 2019.

In 2019, the actors of global insurance and reinsurance industry covered around USD 52 billion of the losses arising from the global natural catastrophes which caused a total economic loss of USD 150 billion. In 2019, while developing countries with low insurance penetration levels, were severely impacted by the natural disasters; most of the damages were caused by flood, which is not a peril as widely insured as windstorm, the total economic burden of natural disasters to the insurance industry remained far below the 10 year average of USD 65 billion. In 2020 January renewals, although the reinsurance capacity remained at sufficient levels, owing to the differentiations by reinsurers based on the geographical scope as well as the line of business of the underlying portfolio, loss record and relationships with clients, the trend of variations in prices and terms has become more notable compared to the previous periods.

According to the data published by the Insurance Association of Turkey, the premium volume of Turkish insurance market reached TL 69.2 billion in 2019, with 27% increase in nominal and 13% in real terms compared to the previous year. With 84% ratio, majority of the market premium was generated from Non-life business, nonetheless as a result of the acceleration seen in the consumer loans with the positive impact of the interest rate cuts in the second half of the year, Life business grew by 64%. On the other hand, Insurance and Private Pension Regulation and Supervision Authority starting its operations, establishment of Turk Reinsurance A.S in an effort to support local reinsurance capacity and consolidation of state-owned insurance companies under the same roof with the aim of achieving economies of scale as well as their transfer to Turkey Wealth Fund, were amongst the most important actions taken for the reorganisation of Turkish Insurance Industry.

12.3%

Increasing by 12.3% year on year basis, Milli Re's net profit for 2019 was TL 313 million.

Increasing by 26% compared to last year, Milli Re's premium production was TL 1,659 million in 2019. As of 2019 year-end, Milli Re's total assets reached TL 4,532 million, shareholders' equity amounted to TL 2,136 million and the net profit was registered as TL 313 million.

Marking its 91st anniversary in 2019, while ensuring the sustainability of its contributions to Turkey's Insurance Industry and the country's economy; Milli Re, as a preferred business partner with the reputation gained in the international markets, aims to carry its success into the future with the help of its well-established corporate culture and experience going back to many years.

I would like to thank our shareholders, business partners and employees for always supporting our firm steps forward on this century long journey.

Ebru ÖZŞUCA

Chairperson of the Board of Directors

GENERAL MANAGER'S MESSAGE

In line with its profit-oriented risk management and sustainable growth target, Milli Re successfully continued its operations in 2019, which was a year marked with a rapidly changing economic and political agenda both in our country and around the globally.

26%

Increasing by 26% compared to the previous year, Milli Re's premium production reached TL 1,659 million in 2019.

The slowdown trend observed in the global economic activity starting in the second quarter of 2018 prevailed in 2019 as well; triggered by the protective measures taken, global trade volume fluctuated throughout the year and IMF forecasted the global economic 2019 growth rate as 2.9%, which was recorded as 3.8% in the previous year.

While the trade tensions between US and China continued throughout 2019, signing of the "Phase One" trade deal at the beginning of 2020 as a result of the ongoing negotiations between the two countries have risen the expectations that the economic uncertainty in developed and emerging countries would disappear. Attempts for the deposition of the US President, Fed's decision by pursuing an expansionary policy to cut interest rates thrice after a long time, and the debates on regulations for personal data and technology stood out as the major topics which impacted the global markets. Even though the ambiguities caused by Brexit in the European Union were relatively cleared up in the aftermath of the UK elections, economic slowdown, which has been deepening with the negative impact of the global outlook and the demographical issues drew attention. Moreover, along with Fed, European Central Bank's (ECB) pursuing loose monetary policies as well as its decision to cut interest rates supported the market recoveries in developed countries, and gave rise to the expectation that, even though it would be limited, the global growth would gain some momentum in 2020.

While geopolitical risks caused fluctuations in the capital flows as well as giving rise to some concerns arising from the protectionist trade policies; it is noticed that the central banks in China, India, Brazil, Russia and Turkey opted for interest rate reductions in order to boost economical activity. In line with the positive expectations for 2020, the opinions got stronger that the expansionary monetary policies would remain in effect and have a positive impact on the global liquidity conditions as well as support the economy by directing capital flows to emerging countries.

2019 was a year with a very dynamic agenda for Turkey. Local elections held in March, Operation Peace Spring, rising tension in the Eastern Mediterranean, US discourses on possible economic sanctions and the Central Bank of Republic of Turkey's (CBRT) interest rate reduction decisions, taken one after another, were the major political and economical developments affecting the course of the markets.

After contracting by 2.3% and 1.6% respectively in the first two quarters of 2019, with the impact of the positive track of the consumer expenditures, Turkey's economy achieved 0.9% growth by the end of the year. Following the interest rate reduction decisions taken by the CBRT starting in July, economic recovery gained some momentum in the last quarter of the year. In addition to the decline in oil prices, with the contribution of tourism income and decrease in the domestic demand, based on 2019 cumulative data, Turkey's current account posted surplus.

Being one of the oldest reinsurance companies active in Europe, in line with our strategy to expand into global markets, Milli Re provides reinsurance capacity to around 130 insurance companies in over 50 countries with the contribution of our Singapore Branch, which started its operations in 2008.

According to the 2019 year-end figures released by the Insurance Association of Turkey, total premium production of the insurance industry is registered as TL 69.2 billion, increasing by 27% year-on-year basis. With the positive impact of the interest rate cuts on consumer and mortgage credits, share of Life Insurance in the total premium production increased to 16%, from last year's figure of 13%. Generating the majority of the total Non-life Insurance premium with 49% share, Land Vehicles Liability Insurance and Land Vehicles Insurance achieved very limited growth in 2019; which mainly emanated from the factors such as car sales remaining at low levels as a result of the recent economic developments and the ongoing price cap enforcement. As far as Fire and Natural Disasters Insurance is concerned, there has been increase in the premium especially from the commercial and industrial risks due to the exchange rate movements and inflation. Health Insurance premiums also grew on the back of new products such as Supplementary Health Insurance.

On the other hand, 2019 was marked with important structural arrangements for the sector as well. Insurance and Private Pension Regulation and Supervision Authority started its operations in order to centralise regulation and supervision functions in the insurance industry, raise insurance awareness while helping companies strengthen their financial structures.

Moreover, Turk Reinsurance A.S. has been established in order to increase the local reinsurance capacity while the insurance companies owned by the public banks have been consolidated under the same roof and transferred to Turkey Wealth Fund, with the aim of achieving economies of scale and enhancing the capacity of non-bank financial sector.

Natural catastrophes in 2019 caused significant burden to the global economy. Similar to the previous years, majority of the disasters occurred as a result of the extreme weather events stimulated by the global climate change, and an increase in the loss frequency was recorded. Decreasing by 35% compared to 2018 and having a total economic loss amount of USD 150 billion, the total cost of natural disasters to the global economy remained below last year's figure of USD 160 billion; while global insured losses fell back to around USD 52 billion from USD 80 billion. The main reason for the decline in the total loss amount, borne by the insurance industry, was the fact that developing countries, where the insurance penetration remains very low, had the most severe damages from natural disasters of 2019. 49% of the total economic loss was recorded in Asia, yet only 35% of the global insured losses arose from the natural catastrophes which affected the region. As it was the case in the last 10 years, majority of the losses affecting the insurance industry were caused by the disasters that occurred in North America and the USA.

While Hurricane Dorian was the most important catastrophe recorded in North America, besides Winter Storm Eberhard which hit Europe in March, the region experienced a series of flood events in the second half of the year. Affecting Japan extensively, Typhoon Hagibis and Faxai were the costliest natural catastrophes for the insurance industry in 2019. Bushfires which spread across the whole country in Australia, Cyclone Fani as well as the flood disasters coming along with the monsoon season in India and Typhoon Lekima which affected China stood out as the other major natural catastrophes in 2019.

Growing by 7%, total reinsurance capacity reached USD 625 billion in the first nine months of 2019. As a result of the increase in loss frequencies, major natural disaster events and the new legislative arrangements, the reinsurance demand has remained strong during the January 2020 renewal season. Despite the sufficient levels of supply capacity, increasing loss costs and diminishing profit margins caused prices to move upwards in general. While reinsurers continued to opt for tailor-made approaches, cedant companies faced differentiations in pricing and terms based on the criteria such as; the geographical scope of the reinsured business, underlying portfolio and the loss record.

17

In 2020 renewals, our Company maintained its market share of 27% in the local market by leading the reinsurance treaties of 17 ceding companies buying reinsurance protection on proportional bouquet basis.

Positive impacts of the rebalancing in the country economy had repercussions on the insurance industry as well. As of 2020 renewals, our Company maintained its market share of 27% in the local market by leading the reinsurance treaties of 17 ceding companies buying reinsurance protection on proportional bouquet basis. For the same period, Milli Re's liability in the catastrophe excess of loss programmes is around 8%.

Being one of the oldest reinsurance companies active in Europe, in line with our strategy to expand into global markets, Milli Re provides reinsurance capacity to around 130 insurance companies in over 50 countries with the contribution of our Singapore Branch, which started its operations in 2008.

In line with its profit-oriented risk management and sustainable growth target, Milli Re successfully continued its operations in 2019, which was a year marked with a rapidly changing economic and political agenda both in our country and globally. Increasing by 26% compared to last year, Milli Re's premium production reached TL 1,659 million. Making up 64% of the total premium, TL 1,061 million was generated from local business while TL 598 million, corresponding to 36%, was obtained from international business. As at the end of 2019, total assets reached TL 4,532 million, shareholder's equity amounted to TL 2,236 million and the net profit recorded as TL 313 million.

Our Company, positioning information technologies at the centre of its operations by responding to the rapidly changing market dynamics in order to prepare for the future; as of 2020, started using the new underwriting platform in our Head Office and the Singapore Branch. Moreover, the digitalisation of some business processes for which a road map was set in 2018 has been completed in order to achieve cost reduction and increase productivity.

With its well-established company culture and experience, maintaining its lead position in the local market and being a preferred business partner in the international markets, Milli Re continues its steady growth supported by its strong capital and the synergy of its business partners. I would like to extend my sincere thanks to our shareholders for their support, our business partners for their trust and our employees for their expertise and efforts.

Fikret Utku ÖZDEMİR
Director and General Manager

BOARD OF DIRECTORS

Ebru ÖZŞUCA
Chairperson

Ebru Özşuca graduated from the Economics Department of the Middle East Technical University, Faculty of Economics and Administrative Sciences. She holds a master's degree in Economics from Middle East Technical University and in International Banking and Finance from the University of Southampton. She attended Advanced Management Program in Harvard Business School. Ebru Özşuca began her career at İşbank as an Assistant Specialist in the Treasury Department in 1993, she was promoted to Assistant Manager and Unit Manager of the same department. Between 2007 and 2011, she served as a Division Manager in the Corporate Banking Products Department. She was appointed as a Division Manager in Treasury Department at İşbank between 2011 and 2017. She is currently the Assistant General Manager at İşbank. Ebru Özşuca has been the Chairperson of the Board of Directors at Milli Re since 25 March 2019.

Kubilay AYKOL
Vice Chairperson

Kubilay Aykol is a graduate of Faculty of Economics and Administrative Sciences, Department of Business Administration at the Middle East Technical University. He began his career in 1997 as an Assistant Inspector at İşbank. Kubilay Aykol was appointed Merter Branch as a Manager in 2006. He served as an Assistant Manager in Retail Banking Marketing Department in 2007 and as Unit Manager in 2009 in the same department. He is currently the Retail Banking Product Department Division Head at İşbank. He served on Board of Directors of Anadolu Anonim Türk Sigorta Şirketi between 2010 and 2018. Kubilay Aykol has been a Vice Chairperson of the Board of Directors at Milli Re since 25 March 2019.

Aynur DÜLGER ATAKLI
Director

Aynur Dülger Ataklı graduated from the Department of Economics-Finance at the Faculty of Political Sciences at Ankara University. She attended various programs on senior public administration techniques and the European Union in USA and at The Royal Institute of Public Administration (RIPA) London. She started her professional career in 1979 as a Research Assistant at the Faculty of Political Sciences of Ankara University. She later served as an Assistant Specialist and Specialist and member of the special commission at the State Planning Organisation. She served as a Specialist, Department Head and Deputy General Manager at the Undersecretariat of Turkish Treasury. Aynur Dülger Ataklı served as a member of the Board at Sivas Demir-Çelik İşletmeleri A.Ş. and as the Chairman of the Board at BETEK A.Ş. (Berlin), a member of the Board and High Advisory Board at the Ankara Art Institution and Alumni Association of Faculty of Political Sciences of Ankara University and also as the Head of the Mülkiye Sports Club. She served as a member of the Board at İşbank between 2011 and 2014, and at İş Portföy Yönetimi A.Ş. between 17 April and 12 May 2014. Aynur Dülger Ataklı has been a member of the Board of Directors at Milli Re since 16 May 2014.

Prof. Dr. Savaş TAŞKENT
Director

Savaş Taşkent graduated from the Faculty of Law, İstanbul University. He started his academic career in 1971 as an assistant in the Department of Law of the Faculty of Basic Sciences at İstanbul Technical University. He received his doctor's degree from the Faculty of Law at Istanbul University. Savaş Taşkent, who was Assistant Professor and Associate Professor, subsequently received his Professor tittle in 1990 at İstanbul Technical University. He also served as Deputy Dean and Vice Rector in same University. In 1982 and in 1987, he undertook research studies at the Universities of Erlangen and Heidelberg. Writing many articles and books on the subject of labour law, he made translations from German law into Turkish. He had also been the Head of the Department of Law at the Faculty of Business Administration of İstanbul Technical University. He is retired on 12 January 2010 and served as a visiting professor at the same university, lecturing "Labour Law" and "Enterprise Law", also holds Counsellor position to Rector, regarding law affairs as of November 2013. Savaş Taşkent had also been the Dean at the Faculty of Economic and Administrative Sciences at Istanbul Gedik University between April and September 2016. He works freely in "Taşkent Advocacy & Consultancy" office. He served as a Counsellor to the Minister at the Ministry of Labour and Social Security between the years 1991-2000 and he attended the ILO Conference held in Geneva as the Counsellor to the Government during the years 1991-2003. He was elected to İşbank's Board of Directors in 2005, 2008 and 2011 respectively. He has also appointed as a member of the Audit Committee in March 2008, the TRNC Internal Systems Committee in June 2009 and the Corporate Governance Committee in February 2013 at İşbank. Savaş Taşkent left his position at İşbank as of March 2014. He served as a member of the Board of Directors of Anadolu Anonim Türk Sigorta Şirketi between 2014 and 2018. Savaş Taşkent has been a member of the Board of Directors at Milli Re since 27 March 2018.

Levent KORBA
Director

Levent Korba graduated from the English Language Department of Buca Faculty of Education at Dokuz Eylül University and joined İşbank in 1986. After serving in a number of the Bank's units and branches, he was appointed as Deputy General Manager in April 2011 where he served until 2017. Functioned as the Chairman of İşmer İş Merkezleri Yönetim İşletim A.Ş. and İş Gayrimenkul Yatırım Ortaklığı A.Ş., Levent Korba has been a member of the Board of Directors at Milli Re since 28 April 2017

Serdar GENÇER
Director

Serdar Gençer is a graduate of the Faculty of Industrial Engineering at the Middle East Technical University. He holds a master's degree in Finance at the University of Nottingham in the UK. Serdar Gençer began his career at Isbank as an Assistant Inspector at the Board of Inspectors in 1990, and served in various positions, including Assistant General Manager between 2008 and 2013. During this period he has been board member in Milli Reasürans T.A.Ş., Anadolu Hayat Emeklilik A.Ş., İşbank GmbH and Chairman in İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. He has joined the Şişecam Group in 2013 as Sustainability Coordinator, and continued as Corporate Development & Sustainability Officer and Chairman of the Board of Directors at Şişecam Enerji A.Ş. He served as General Manager's consultant in 2018 and retired in the beginning of 2019. Serdar Gençer has been a member of the Board of Directors at Milli Re since 25 March 2019.

Zekai Mehmet TUĞTAN
Director

Zekai Mehmet Tuğtan graduated from the Department of International Relations at the Faculty of Political Sciences at Ankara University. He began his career in 2001 as an Assistant Inspector at İşbank. He served as an Assistant Manager in Retail Banking Sales Department in 2009 and as a Unit Manager in 2013 in the same department. He was appointed at İşbank Bakırköy-Çarşı Branch as a Branch Manager in 2017. He is currently the Retail Banking Product Department Division Manager at İşbank. Zekai Mehmet Tuğtan has been a member of the Board of Directors at Milli Re since 25 March 2019.

PARTICIPATION OF THE MEMBERS OF THE BOARD OF DIRECTORS IN RELEVANT MEETINGS DURING THE FISCAL PERIOD

The Company's Board of Directors convenes as and when necessitated by the Company's business affairs and upon the Chairperson's or Vice Chairperson's invitation, with the participation of the majority of the total number of directors on the Board. Meeting agendas are drawn up in line with the proposals of the General Management. During the meetings, various topics that are not covered on the agenda but raised by the members are also discussed. Meeting agenda letters and files relating to the agenda items are sent to all Board members 7 days in advance of the meeting date.

The Board of Directors met 6 times during 2019, with full participation except for one meeting where one Board Member was excused.

Kemal Emre SAYAR
Director

Kemal Emre Sayar is a graduate of the Faculty of Industrial Engineering at the Middle East Technical University. He holds a master's degree in Information Technologies in Management from Sabancı University and in Economics and Finance from Boğaziçi University. Kemal Emre Sayar began his career in 1999 as an Assistant Inspector on the Board of Inspectors at İşbank and held managerial positions in various units of the Bank. He is currently the Subsidiaries Department Unit Manager at İşbank and a member of the Board of Directors of various group companies as well. Kemal Emre Sayar has been a member of the Board of Directors at Milli Re since 30 November 2015.

Fikret Utku ÖZDEMİR
Director and General Manager

Fikret Utku Özdemir holds an Associate Degree in Nuclear Engineering from Hacettepe University and graduated with a bachelor's degree in Management from the Faculty of Economics and Administrative Sciences at Middle East Technical University. He holds a master's degree from EDHEC Business School (France). He joined İşbank as a member of the Board of Inspectors in 1996 and served in a number of the Bank's departments and positions. Appointed as a member of the Board of Directors and General Manager on 27 August 2019, Fikret Utku Özdemir is also a Vice Chairman of the Board of Directors of Anadolu Anonim Türk Sigorta Şirketi and a member of the Non-life Management Committee of the Insurance Association of Turkey.

Fahriye ÖZGEN
Reporter of the Board of Directors

INTERNAL SYSTEMS MANAGERS

Internal Audit Assistant Manager: Ekin ZARAKOL SAFİ

Term of Office: 6 years
Professional Experience: 17 years
Departments Previously Served: Turkish Reinsurance Pool, Internal Audit and Risk Management
Academic Background: Bachelor's Degree

Internal Control and Risk Management Assistant Manager: Duygu GÖLGE

Term of Office: 6 years
Professional Experience: 24 years
Departments Previously Served: Decree Pool
Academic Background: Master's Degree

SENIOR MANAGEMENT

Fikret Utku ÖZDEMİR
Director and General Manager

Please see Board of Directors page 19 for Mr. Özdemir's CV.

Fatma Özlem CİVAN
Assistant General Manager

Having completed her secondary and high school education at Robert College, Özlem Civan graduated with a B.A. degree in Business Administration in English from the Faculty of Business Administration at İstanbul University. Between 1990 and 1993, she worked in the Treasury and Fund Management Departments of several banks, embarking on her career in the insurance market in 1994 at the Reinsurance Department of Güneş Sigorta. Leaving her position as Group Manager in charge of Reinsurance, Casualty and Credit Insurance in September 2006, Özlem Civan joined Milli Re the same year. She has participated in a number of training programs and seminars on insurance and reinsurance, organised by leading international reinsurers and brokers. Özlem Civan has been appointed as Assistant General Manager on 1 September 2011.

Vehbi Kaan ACUN
Assistant General Manager

Vehbi Kaan Acun graduated from İstanbul University, Department of Economics in English. He started his career as an assistant inspector on İşbank's Board of Inspectors. After serving at İşbank for 8 years, he joined Milli Re in 2006. During his career at Milli Re, he also has been appointed as a Coordinator in the Company's Singapore Branch. He participated in various seminars and conferences abroad and serves as the Vice President of the Turkish Insurance Institute Foundation Board. Vehbi Kaan Acun has been appointed as Assistant General Manager on 1 February 2016.

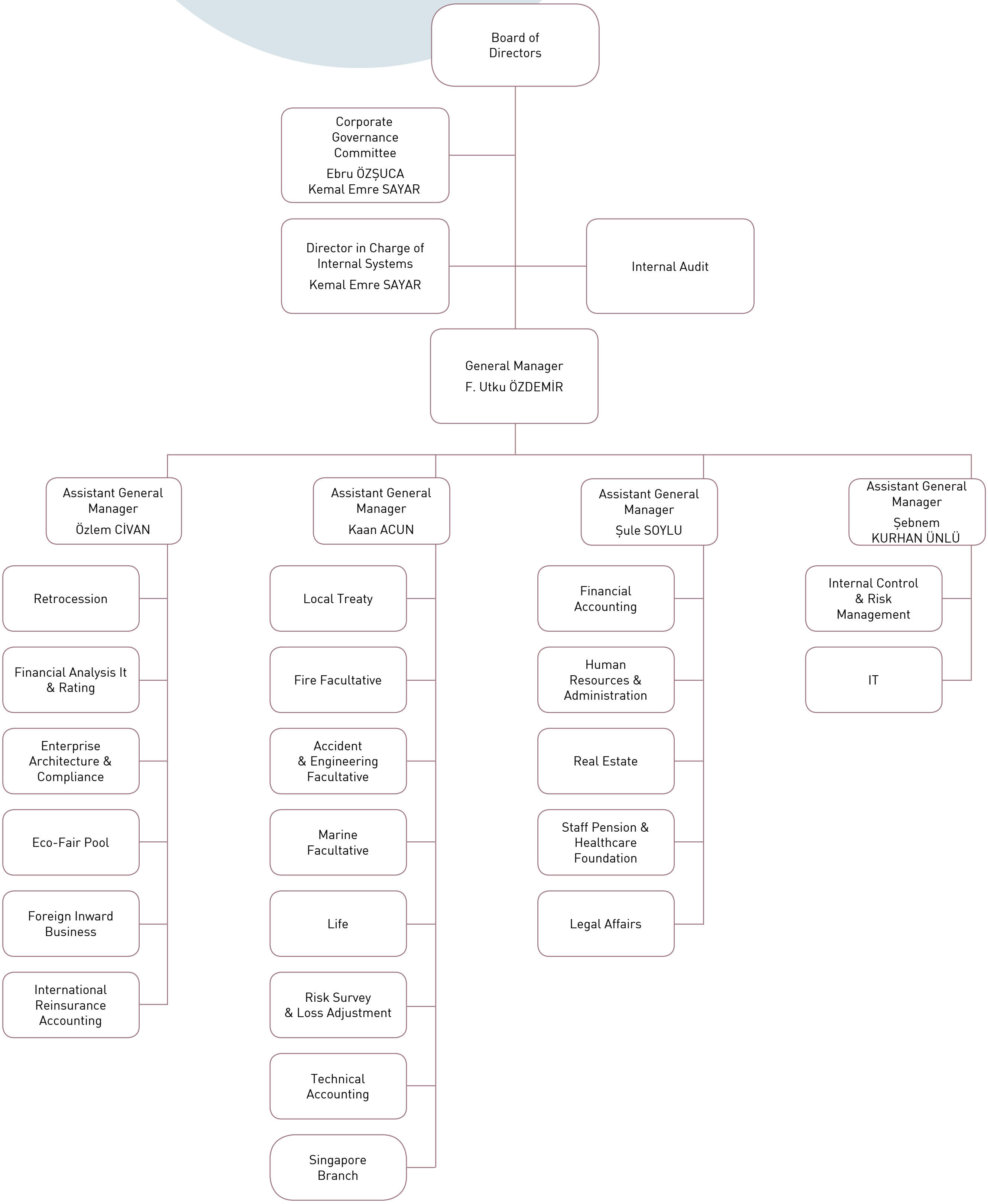
Şule SOYLU
Assistant General Manager

Şule Soylu graduated with a B.A. degree in Business Administration from the Faculty of Economic and Administrative Sciences at Anadolu University and received her master's degree in Financial Institutions from İstanbul University Institute of Business Economy. She began her professional career in Milli Re in 1990 and finished cum laude the Accounting Branch of the Turkish Insurance Institute. Currently serving as a Board Member of Turkish Insurance Institute Foundation and a member of the Financial and Accounting Committee of the Insurance Association of Turkey, Şule Soylu has been appointed as Assistant General Manager on 1 February 2017.

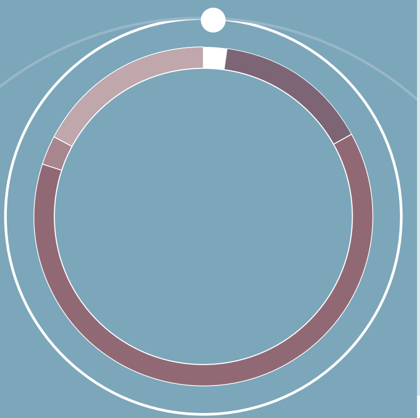
Şebnem KURHAN ÜNLÜ
Assistant General Manager

Şebnem Kurhan Ünlü graduated from Marmara University, Faculty of Economic and Administrative Sciences Department of Business Administration and holds a master's degree in Business Administration-International Finance at the Social Sciences Institute at Marmara University in 1996. She began her career in 1994 at İşbank in Treasury Department Currency Group. She served TL Terms and Foreign Currency Markets, Fund Transfer Pricing and International Markets Borrowings in Treasury Department as well as number of the Bank's departments and positions until September 2019. Şebnem Kurhan Ünlü has been appointed as Assistant General Manager on 11 September 2019.

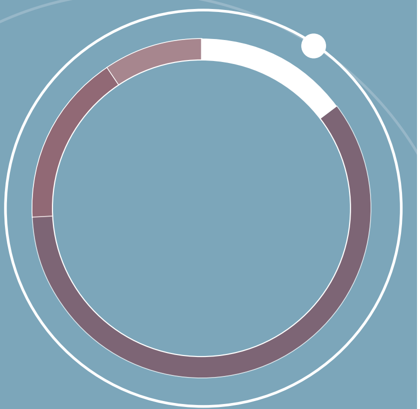
ORGANIZATION CHART



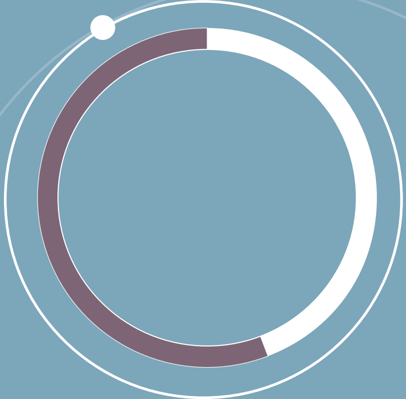
HUMAN RESOURCES APPLICATIONS



Employee Profile
- Senior Manager 5
- Manager 32
- Officers 135
- Contract Employees 6
- Other 37



Educational Profile
- Post Graduates 32
- Graduates 128
- High School 35
- Other 20



Human Resources Profile
- Female 95
- Male 120

In recognition of the fact that its staff is one of the main contributors in its achievements, Milli Re has highly qualified employees, devoted to their work and the Company, open to continuous learning and development. Fundamental principles of the Human Resources policies of the Company are recruiting suitable candidates with qualifications suitable for vacant positions, providing a business environment that enables the staff to work efficiently, productively and happily; protecting and observing financial and moral rights of employees, as well as fair and equal opportunities of development and training in view of personal skills, facilitating the staff to foster social relationships for motivation and efficient execution of all processes.

At year-end 2019, Milli Re has 215 employees including Singapore Branch.

Application

Job applications, which are made via personel@millire.com from our corporate website and by other communication means, are stored in the candidate pool of our Company.

Applications are examined when required, and candidates who are considered suitable for the positions are contacted.

Recruitment

Milli Re recruits candidates in view of qualifications required for the relevant position and applicant's ability to adapt to the corporate culture.

Performance Management

Performance appraisals of our employees are conducted on an annual basis in accordance with the Performance Appraisal System Guidelines and career planning and training needs are determined based on the results of the appraisals.

Training

Training requirements identified according to the Performance Appraisal results are used to design a training program, and employees are given the opportunity to receive technical and personal development trainings in Turkey or abroad as required by their positions.

Career

Since its establishment, Milli Re has the policy of investing in its work force and recruiting internally for managerial positions. Promotions are made in line with the Personnel Regulation and the principles set forth in the Collective Bargaining Agreement, signed with the Workers' Trade Union, in view of Performance Appraisals.

Compensation Policy

Salaries of our employees are determined in accordance with the terms of the Collective Bargaining Agreement within the context of related regulations.

Occupational Health and Safety

Obligations under Law No. 6331 on Occupational Health and Safety are fulfilled by the Personnel and Administrative Affairs Department.

2019 ANNUAL REPORT COMPLIANCE STATEMENT

We hereby represent that Millî Reasürans T.A.Ş. 2019 Annual Report issued for its 91st year of operation has been drawn up in line with the principles and procedures enforced by the "Regulation on the Financial Structures of Insurance, Reinsurance and Pension Companies" published in the Official Gazette issue 26606 dated 7 August 2007 by the Republic of Turkey Ministry of Treasury and Finance.

27 February 2020

Şule Soylu Assistant General Manager	Fatma Özlem Civan Assistant General Manager	Fikret Utku Özdemir General Manager	Ebru Özşuca Chairperson of the Board of Directors

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

(Convenience translation of a report originally issued in Turkish)

To the General Assembly of Milli Reasürans Türk Anonim Şirketi

1) Opinion

We have audited the annual report of Milli Reasürans Türk Anonim Şirketi ("the Company") for the period of January 1 – December 31, 2019.

In our opinion, the consolidated and unconsolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Company are presented fairly and consistent, in all material respects, with the audited full set consolidated and unconsolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

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

3) Our Auditor's Opinion on the Full Set Financial Statements

We have expressed an unqualified opinion in our auditor's report dated February 27, 2020 on the full set consolidated and unconsolidated financial statements of the Company for the period of January 1 – December 31, 2019.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC"), and the preparation and fair presentation of these financial statements in accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Accounting Standards decree for the matters not regulated by insurance legislation; "Insurance Accounting and Financial Reporting Legislation" and designing and the Communiqué on Individual Retirement Saving and Investment System" ("Communiqué") issued on 7 August 2007 dated and 26606 numbered, the management of the Group is responsible for the following items:

a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.

b) Preparation and fair presentation of the annual report; reflecting the operations of the Company for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated and unconsolidated financial statements. The development of the Company and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Company,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Trade and related institutions.

5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code, on whether the consolidated and unconsolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Company's audited consolidated and unconsolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated and unconsolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated and unconsolidated financial statements.

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

Fatih Polat, SMMM
Associate Partner

March 9, 2020
Istanbul, Turkey

FINANCIAL RIGHTS PROVIDED TO THE MEMBERS OF THE GOVERNING BODY AND SENIOR EXECUTIVES

RESEARCH & DEVELOPMENT ACTIVITIES

2

FINANCIAL RIGHTS PROVIDED TO THE MEMBERS OF THE GOVERNING BODY AND SENIOR EXECUTIVES

The Company's Board of Directors is composed of Chairperson, Vice Chairperson and seven Board members. Senior Management comprises of the General Manager and four Assistant General Managers. The benefits provided to the Senior Executives in 2018 and 2019 are given in the below table:

(TL)	2019	2018
Benefits such as salary, premium, bonus, dividend etc.	6,407,452	6,146,805
Travel, accommodation, entertainment expenses, means in cash and in kind	389,728	552,139

RESEARCH & DEVELOPMENT ACTIVITIES

During 2019, Milli Re continued the underwriting platform project, which aims to renew the applications used for the reinsurance operations, and also started the parallel run with the existing system. Further to the scheduled completion of the project in the first quarter of 2020, numerous applications used in the Head Office and Singapore Branch will be fully standardised and integrated.

In order to improve efficiency, productivity and sustainability of the business processes of our company, the digitalization project was initiated in 2019, following the acquisition of the suitable software and phasing the business processes. While digitalisation project started with the operational processes with the aim of attaining improved efficiency, studies for reinsurance processes are scheduled for 2020.

ACTIVITIES AND MAJOR DEVELOPMENTS RELATED TO ACTIVITIES

3

ACTIVITIES AND MAJOR DEVELOPMENTS RELATED TO ACTIVITIES

Information on Investments Made by the Company during the Accounting Period

Milli Re continued its data governance project in 2019 with consultancy and implementation acquisitions within the scope of compliance with the regulation which was initiated in 2018. This Project is planned to be completed in 2020.

The studies in line with compliance to TFRS 17 have started. The studies will continue until the regulation will be effective on 1.1.2022.

The details of the projects on reinsurance applications and digitalisation are provided under the section "Research & Development Activities".

Repurchased Own Shares by the Company

None

Disclosures Concerning Special Audit and Public Audit during the Reporting Period

The Company is audited by independent auditing company Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (Ernst&Young). A limited independent audit is carried out on half yearly basis while full independent auditing is done on yearly basis. İşbank consolidation audit is conducted for the first and third quarters. Being a bank subsidiary, information systems auditing made in subsidiaries subject to consolidation, is carried out annually.

The Company is audited in accordance with the insurance legislation by Insurance and Private Pension Regulation and Supervision Authority.

Lawsuits Filed Against the Company and Potential Results

There are no lawsuits brought against the Company in 2019, which are of a nature that might affect the Company's financial standing and its activities.

Disclosures on Administrative or Judicial Sanctions Imposed on the Company and the Members of the Governing Body

There are no administrative or judicial sanctions imposed against the Company or the members of the governing body on account of any practice violating the provisions of legislation in 2019.

Assessments on Prior Period Targets and General Assembly Resolutions

The announcement on the meeting including the venue, date, time, agenda, and a specimen of a proxy statement is published within the legal terms in the Turkish Trade Registry Gazette and on Company's official website for notifying the public. Every year the Annual Report is prepared in alignment with the relevant legislation and presented for the information and analysis of shareholders preceding the General Assembly meeting.

Annual General Assembly meeting was held on 25 March 2019. All of the resolutions by the General Assembly of Shareholders have been fulfilled during 2019 and the targets set in the prior period have been achieved.

Expenses Incurred in the Reporting Period in Relation to Donations, Grants and Social Responsibility Projects

Company's donations under this heading amounted to TL 26,900 in 2019.

Relations with the Controlling Company or an Affiliate Thereof

Between our Company and our controlling shareholder İşbank and other Group Companies affiliated to İşbank, there is no:

- Transfer of receivables, payables or assets,
- Legal transaction creating liability such as providing suretyship, guarantee or endorsement,
- Legal transaction that might result in transfer of profit.

All commercial transactions the Company realised with its controlling shareholder and with the Group Companies affiliated thereto during 2019 were carried out on an arm's length basis, according to the terms and conditions known to us, related counter performances have been carried out, and the Company did not register any loss on account of any such transaction.

INTERNAL AUDIT

Internal audit is an independent, objective assurance and consulting activity, which seeks to improve an organisation's operations and add value to them. Internal audit helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

In this context, the primary functions of internal audit include constant auditing of all business and transactions of the Company in terms of their compliance with the related regulations, as well as the Company's internal guidelines, its management strategy and policies; detection and prevention of any irregularities, mistakes or fraud, and assurance of the efficiency and adequacy of internal control and risk management systems.

In conjunction with the above, another important aspect of the Department's functions is to provide opinions and suggestions for efficient and productive use of resources to improve and add value to the Company's operations.

The Internal Audit Department of Milli Re was established as of 1 January 2005 and started operating on 1 April 2005. Internal audit operations are carried out in compliance with the "Regulation on Internal Systems of Insurance and Reinsurance Companies" published in the Official Gazette No. 26913 dated 21 June 2008.

The authority and responsibility of the Internal Audit Department is defined in Milli Re's Internal Audit Charter which is approved by the Board of Directors. The internal audit charter is reviewed annually and revised if necessary. In order to allow an independent and objective assessment, the Internal Audit Department reports directly to the Board of Directors. The conclusions reached as a result of the audit activities, are submitted to the Board through the Board Member responsible for Internal Systems.

All employees of the Internal Audit Department comply with the code of ethics (integrity, objectivity, confidentiality, competence) stated in both the International Internal Audit Standards and Milli Re Internal Audit Charter. They demonstrate the necessary professional care when performing the audit activities.

Internal Audit Department carries out its activities with a risk-focused audit approach. This approach aims to increase the efficiency and effectiveness of internal audit by giving priority to the more risk bearing process and units. Every year in December, an Internal Audit Plan regarding the audit activities to be done in the following year is prepared taking into account the date of the last inspection and risk assessments of the unit and presented to the Board of Directors for approval.

In accordance with the Internal Audit Plan approved by the Board at the end of 2018, Internal Audit Department completed on-site inspection of all (20) units, and the Company's Singapore Branch in 2019. During audit activities, it was determined whether the units' operations are carried out in compliance with their operational guidelines. Effectiveness of the implemented internal controls regarding the units' risks was tested and their adequacy was evaluated. Moreover, compliance with regulations, Company policies, limits, jurisdictions, and security measures was verified. Audit activities were performed using techniques such as enquiry, verification, examination, reperformance, recalculation and analytical reviews. During audits, no findings that might have an adverse impact on the Company's financial structure were detected.

INTERNAL CONTROL

Internal control system has an important role in ensuring continuation of the Company's operations within efficiency, productivity, compatibility and reliability principles.

The purpose of the internal control system is to ensure that the Company assets are well protected, activities are carried out efficiently and effectively and in compliance with regulations, Company policies, rules, and precedents of insurance business, to enable reliability and integrity of accounting and financial reporting system, and prompt accessibility of data. In this regard, internal control activities are designed to encapsulate transactions in respect of Company's operational activities, communication channels, information systems, financial reporting system and conformity controls. Internal control activities are carried out in accordance with the provisions of "Regulation in respect of Internal Systems of Insurance, Reinsurance and Pension Companies" published in the official gazette dated 21 June 2008 and numbered 26913 and in compliance with Company's related internal regulations.

"Control Centre" has been structured through "Internal Control and Risk Management Department" which was established in order to perform internal control activities, and "Control Environment" has been structured through assignment of Company employees within the scope of these activities. The Control Group consists of 24 people, of whom 3 are located in the control centre and 21 are located in the control environment.

Activities Conducted from Control Centre

Workflows, duties and responsibilities, authorities and limits related to Company activities are documented and communicated to all employees; they are reviewed and updated in line with the changing conditions and risks. The personnel have complete, accurate and up to date information associated with their duties and responsibilities.

Control activities cover the entire business processes and operations of the Company. Business processes and the processes related to information technologies, risks related to these processes are identified in a written form, and controls for the identified risks are established. Control activities are carried out according to the frequency of business processes and in accordance with the principles set out in the annual Internal Control Plan. Findings ascertained as a result of controls, assessments in respect of these findings and recommendations regarding the actions to be taken for the elimination of findings are monthly reported to General Manager by Internal Control and Risk Management Department via Internal Control Reports. The outcomes of internal control activities are also monitored regularly by the Board of Directors.

Authority identifications of system users are conducted in accordance with "segregation of duties" principle. Besides, actions that are performed by users within these authorisations, log records of actions in respect of critical transactions are controlled through reports received from log management system instantly and on a daily basis, and conformity to segregation of duties principle is reviewed systematically. Moreover, following the approval of the relevant business unit, transactional authorities that users requested in line with the activities, are assessed and approved by Internal Control and Risk Management Department in terms of the mentioned principle.

Development and change requests of users on systems based on their business requirements or solution requests in respect of malfunctions arising in systems are monitored through Help Desk Service and critical issues that may affect the financial statements or that could lead to legal risks are given the priority.

In case of detection of any adverse situation within control activities, urgent action is taken in order to perform necessary adjustments and take preventive measures.

Activities Conducted from Control Environment

Control points stated in the relevant department's flowchart and those risks and control points determined by Control Centre are taken into consideration during the control activities conducted in departments, while those performed in IT Centre are based on COBIT (Control Objectives for Information Related Technologies) standards.

In this context, transactions in respect of reinsurance processes, accounting transactions, payments, processes in respect of fulfilment of legal obligations, transactions in respect of debt collection, accounting periods, and preparation of financial statements; marketing, processes related to reporting and information systems are controlled by considering practice frequencies of related processes. Detected issues are reported to Control Centre via Risk Warning Reports. Therefore, it is ensured that preventive and supplementary measures are instantly taken, appropriate and applicable solutions that will improve processes and operations are put into practice.

AFFILIATES

Anadolu Anonim Türk Sigorta Şirketi

Anadolu Anonim Türk Sigorta Şirketi (Anadolu Sigorta) is Turkey's first national insurance company, which was established on 1 April 1925. As one of the market leaders, while its premium production reached TL 6.6 billion, it has total assets of TL 9.4 billion and shareholders' equity of TL 1.8 billion on consolidated basis in 2019. Anadolu Sigorta operates in all lines of business except Life. Fitch Ratings confirmed Anadolu Sigorta's ratings for International Financial Strength as BB+, for National Financial Strength as AA+ (tur), both with stable outlook.

Anadolu Sigorta's shares are publicly traded on Borsa İstanbul (BİST) National Market under the symbol "ANSGR". 48% of the Company's shares are public, whilst 57.31% are held by Millî Reasürans T.A.Ş.

Pursuant to the Communiqué on the Preparation of Consolidated Financial Statements of Insurance, Reinsurance and Pension Companies published in the Official Gazette issue 27097 dated 31 December 2008 and to the Turkish Accounting Standards 27, Milli Re consolidates the financial results of Anadolu Sigorta on a line-by-line basis since 30 September 2010.

Our subsidiary, which was incorporated into the Company Solo Financial Statements with its fair value, is accounted based on equity method as at 31.12.2018.

www.anadolusigorta.com.tr

Miltaş Turizm İnşaat Ticaret A.Ş.

Miltaş Sports Complex has been serving the insurance market since 1986 with its facilities for various sports, particularly tennis and basketball.

Milli Re has 77% share in Miltaş Turizm İnşaat Ticaret A.Ş. Within the context of the exception stipulated in the Communiqué on the Preparation of Consolidated Financial Statements of Insurance, Reinsurance and Pension Companies published in the Official Gazette issue 27097 dated 31 December 2008, Miltaş Turizm İnşaat Ticaret A.Ş., which is a subsidiary of the Company, is excluded from the scope of consolidation, due to the fact that the subsidiary's total assets correspond to less than 1% of the Company's total assets.

Our subsidiary, which was incorporated into the Company Solo Financial Statements with its cost value, is accounted based on equity method as at 31.12.2018.

www.miltasturizm.com.tr

CORPORATE SOCIAL RESPONSIBILITY

Milli Re, seeing social responsibility projects as an effort for adding value to the sector and the society that it is a part of, effectively demonstrates its understanding of social responsibility through the sponsorships, project developments and the tasks it undertakes especially in the fields of education, culture, art and sports.

Milli Re Art Gallery

Milli Re reserved a section of its business building in Teşvikiye for artistic and cultural activities, and designed a library, an auditorium and a gallery in this section.

During the twenty-five years since its debut, Milli Re Art Gallery organised various exhibitions, which were widely acclaimed in art circles and followed with interest. The gallery published numerous books and publications, with texts by eminent authors and art critics, most of which are referenced in the art literature. These publications which function as a memory to build art in Turkey, also introduced various important artists to mark their arts for the first time in the recorded art history.

Some of the exhibitions held at the Milli Re Art Gallery have also been displayed in other countries, including, among others, Germany, France, Sweden, Denmark, Estonia, Slovenia, Bosnia-Herzegovina, Georgia and Finland. Besides the "Rural Architecture in the Eastern Black Sea Region" exhibition displayed at many universities and international museums both in Turkey and abroad since 2005, "Mylasa Labraunda/Milas Çomakdağ" exhibition received invitations from major museums and universities abroad and exhibited in several countries and cities.

The gallery, hosting projects varying from art to design, has attained a special place within its field. Not only in the area of basic arts such as painting and sculpture, the Gallery also hosts plenty of projects including exhibitions on photography, architecture, graphical design, as well as historical and documentary conceptual exhibitions. Milli Re Art Gallery has gained the distinction of being a space for artists and art lovers, with the original works created over the years, and are known for its uncompromising artistic identity. Hosting many exhibitions in the contemporary arts field, Milli Re Art Gallery outstands as one of the art institutions undertaking the mission of providing contributions to the art vision in Turkey and supported the conscious collectors within the sector as well as the limited number of museums by bringing in many art works to be acquired to their permanent collections.

Our gallery, which is approved by most of the international art institutions in terms of business principles and standards, also hosts the Turkey sessions of various international projects.

All details on exhibitions and publications are available on www.millireasuranssanatgalerisi.com

Milli Re Chamber Orchestra

Milli Re Chamber Orchestra, established in 1996, has performed numerous successful concerts with local and international well-known conductors and many soloists. Milli Re Chamber Orchestra having performed its first concert on 10 April 1996 presents universal polyphonic music, which enriches our cultural life, to music-lovers through concerts and recitals. The Orchestra performs at the concert hall in the Milli Re building from September through May every year. In addition to the regular concerts' series, the Orchestra takes part in various national and international music festivals.

The Milli Re Chamber Orchestra also released two CDs, titled "Romantic Era Strings Music" and "Şensoy Plays Tura".

Milli Re Library

The Milli Re Library is the most extensive specialised library in the insurance sector in terms of its collection of books, periodicals and other materials concerning the insurance industry.

By donation of books and periodicals, the Library also supports the libraries of universities.

The Library is open from 09:00 until 12:00 and from 13:00 until 17:00 on weekdays, and the catalogues of available publications can be accessed at **http://kutuphane.millire.com**.

Reasürör Magazine

Quarterly published since 1991, the Reasürör Magazine is a scientific resource with full academic content on re/insurance, including compilations, translations, interviews, and statistical data on various lines. The Reasürör Magazine serves as a valuable scientific resource for use by the industry technicians and students pursuing their studies at various levels in insurance education.

All issues of the Reasürör Magazine can be accessed at **www.millire.com**.

Miltaş Sports Complex

Miltaş Sports Complex has been serving the insurance market since 1986 with its facilities in various sports, particularly tennis and basketball. In addition to tennis and basketball courses organised every year for various age groups; private tennis lessons are available in the Complex.

The Complex has been hosting the International Insurance Tennis Tournament, which is organised every year in June since 1986, and provides a unique environment that brings together professionals of the local market with international reinsurers and brokers.

The Turkish Insurance Institute Foundation (TSEV)

The Turkish Insurance Institute Foundation (TSEV) was established jointly by Milli Re and the Insurance Association of Turkey in 1970 and continues its training and consulting services for the insurance industry for the last 49 year. TSEV organises training programs on insurance techniques and law as well as administrative issues for the insurance sector and for insured companies, institutions and organisations. In addition to its training activities, the Foundation also visits universities, the chambers of industry and commerce in order to increase the insurance awareness and develop the insurance sector in Turkey. For the purpose of making insurance part of lives of society, TSEV also undertakes some projects on social media.

The "Basic Insurance Training Program", organised since the establishment of the Foundation has the distinction of being one of the most comprehensive training programs in the field of insurance. A total of 3,000 participants have graduated from the program to date. As a follow-up course to this, TSEV also offers "Advanced Insurance Training Programs" which are the only project and practice-oriented training programs in the market. Besides TSEV regularly provides short-term training programs in accordance with the current market needs, introductory courses for new employees joining the insurance industry and to insurance departments of corporates as well as actuarial training programs. In 2019, a total of 2,833 hours of training was offered at TSEV.

Based on specific requests of companies, TSEV gives other services such as consultancy, promotional and corporate exams and placement tests for new graduates as well as for the staff, already employed within the industry to test their insurance knowledge.

Social responsibility perception devoted to adding value to the sector and the society

Milli Re demonstrates its understanding of social responsibility through the sponsorships, project developments and the tasks it undertakes especially in the fields of education, culture, art and sports.

original

Milli Re Art Gallery has gained the distinction of being a space for artists and art lovers, with the original works created over the years, and are known for its uncompromising artistic identity.

25

Outstanding as one of the art institutions undertaking the mission of providing contributions to the art vision in Turkey, Milli Re Art Gallery celebrated its 25th year of foundation.

4

Financial Status

ECONOMIC OUTLOOK

General Information

Financial Rights Provided to the Members of the Governing Body and Senior Executives

Research & Development Activities

Activities and Major Developments Related to Activities

Financial Status

Risks and Assessment of the Governing Body

Unconsolidated Financial Statements Together with Independent Auditors' Report Thereon

Consolidated Financial Statements Together with Independent Auditors' Report Thereon

High geopolitical tensions together with the protective trade policies which triggered global trade wars, adversely affected the investors' risk perception and caused investment expenditures to deteriorate globally while increasing the pressure on growth.

In 2019, global economic growth rate has slowed down

The deceleration in global economic activity, which has given its first signals in 2018 by deepening particularly in manufacturing industry, dispersed into many countries. High geopolitical tensions together with the protective trade policies which triggered global trade wars, adversely affected the investors' risk perception and caused investment expenditures to deteriorate globally while increasing the pressure on growth.

Albeit losing some momentum in 2019, US economy outperformed the expectation set at the beginning of the year and achieved approximately 2.9% growth. The inflation remained below 2% target rate while recovery in labour market kept prevailing and consumer expenditures remained at modest levels. By contrast, as a result of ongoing uncertainty about the Brexit process in 2019 and slowdown in the global economic activity, European economy remained subdued throughout the year and with 1.2% the lowest growth rate for the last 6 years was registered.

Economic growth rate for China continued to decline in 2019 as trade measures took a toll on export activity while domestic demand started to weaken. As a result of the country specific conditions, growth performances in emerging countries showed significant differentiations and the 3.8% growth rate for 2018, is forecasted by the IMF as 2.9% for 2019.

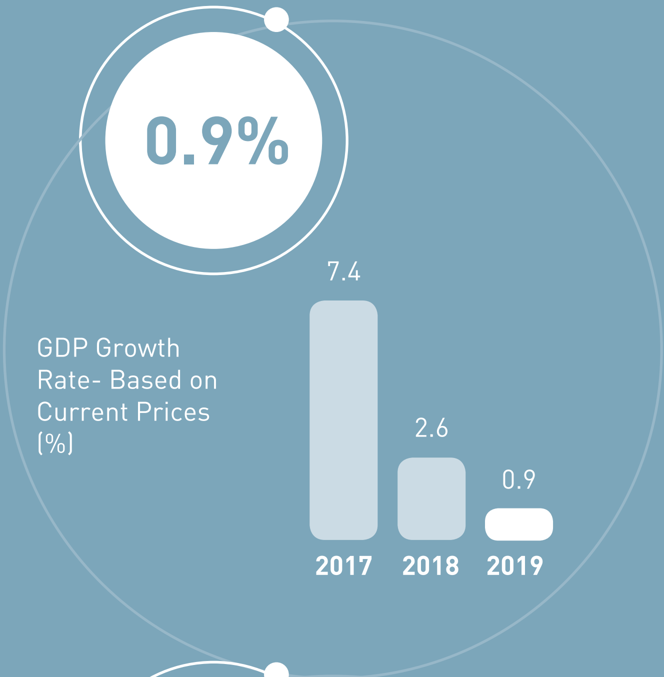
2.9%

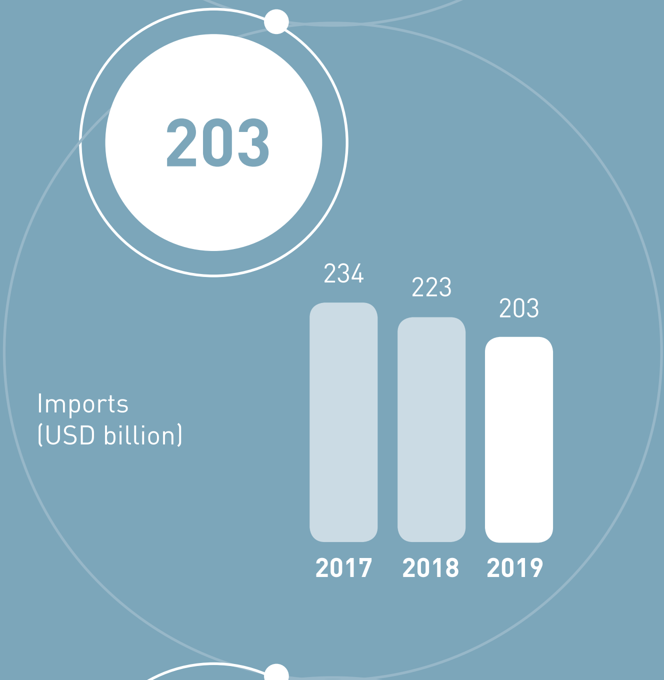
IMF projects the global growth rate as 2.9% in 2019.

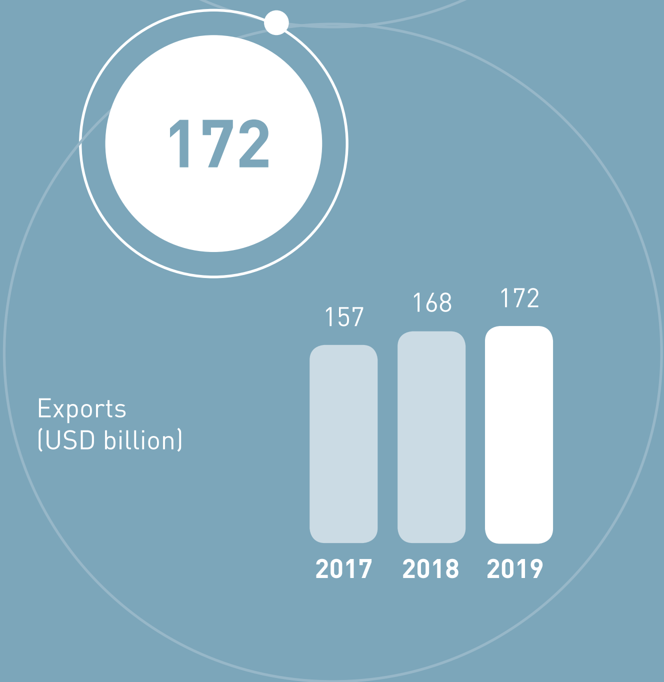
Central Banks pursued expansionary policies

As inflation remained subdued as a result of the protectionist trade policies, weak demand conditions and commodity prices remaining at modest levels, central banks loosened their monetary policies. US Central Bank (Fed), after 11 years, started interest rate cuts by 25 basis points in July followed by September and October meetings and kept policy interest rate between 1.50%-1.75%. On the other hand, European Central Bank (ECB) resumed asset purchase program as well as reduced interest rates. Central banks of many developing countries, Asian countries in particular but also including Brazil, Russia, China, India and Turkey reduced interest rates in order to support the economic activity.

In 2019, global capital flows fluctuated as a result of the concerns regarding trade wars, changing monetary policies and the rising geopolitical risks.







ECONOMIC OUTLOOK

Expectations for the future

Global economy is projected to gain momentum depending on the recovery in developing countries. While China, having substantial impact on the global economic growth took some measures in order to foster the economy, new employment stimulus package has been announced at the beginning of the year. While the economic uncertainty in developed and emerging economies is expected to disperse as Phase One of the trade deal which is being negotiated between US and China was signed at the beginning of 2020, the concerns caused by the Coronavirus that emerged in Chinese city of Wuhan became a hot topic in global economic agenda as the virus spread rapidly despite the quick measures taken by the government. As many global companies operating in China as well as local companies had to suspend their production activities due to the epidemic, it is expected that China's economic growth performance will be disrupted significantly, especially in the first quarter of 2020.

In addition to the negative impacts of the coronavirus on the global economic activity, developments associated with the trade relations, phase two of the negotiations between US and China which turns into a battle for technological supremacy, US presidential elections in November as well as the geopolitical risks would continue to be decisive in global risk perception in 2020, as it was in 2019.

Nonetheless, as global liquidity conditions started to give recovery signals with the support of expansionary monetary policies, the capital flows to developing countries are expected to intensify. On the other hand, the Brexit process which started with a referendum in June 2016 came to a conclusion on 31 January 2020, while the UK would be keeping its status in the single market and custom union during the transition period which will last until the end of the year.

However, the negotiation process between the EU and the UK in order to come to an agreement on various subject matters, trade in the first place, is expected to be very challenging.

Rebalancing in the economic activity became prominent.

Turkey's economy, which started contracting in the last quarter of 2018 and continued to shrink during the first two quarters of 2019, recovered faster than expected and registered 1% and 6% growth for the 3^{rd} and 4^{th} quarters respectively. On an annual basis, Turkey's economy grew by 0.9% in 2019. In the first two quarters, net export has been the main contributor to the economic activity, yet the decline in investment expenditures, construction investments in particular, suppressed the growth significantly. Although the contribution from net export turned negative in the third quarter, with the positive impact of consumer expenditures, economic activity showed a growing trend once again. It is observed that relative recovery seen in the economy picked up the pace in the last quarter of the year, as low base effect started to kick in together with interest rate cuts implemented by the Central Bank of Turkey (CBRT) starting in July. While the domestic economic activity is expected to gain momentum in the first quarter of 2020 as a result of the low base effect and repercussions of deferred consumption expenditures, the growth during the year will be mainly determined by the geopolitical risks and the effects of coronavirus, which spread rapidly across the world.

The slowdown in the economic activity was reflected on the external balance statistics as well. While imports dropped by 9.1%, exports have shown a limited increase of 2.1%. Foreign trade deficit registered as TL 31.2 billion, the rate of exports meeting imports rose to 84.6%. This situation had positive effects on current account balance as well. In addition to weakening domestic demand, falling oil prices and contributions of tourism which remained at strong levels, 12-month cumulative current account balance started to post surplus starting in June and reached an all-time high of USD 5.4 billion as of September. However, in the following months, current account surplus was subdued as a result of the expansion on imports, which was stimulated by the increased domestic consumption.

Budget deficit continued to increase.

In 2019, as a result of the local elections and the measures taken in order to support the economy, a rapid surge has been recorded in the budget deficit. While it was TL 72.8 billion last year, it reached TL 123.7 billion in 2019. Looking at the other yearly developments, 8.3% increase in tax income remained far below the inflation rate. In contrast, an upward movement has been observed both in primary expenditure and interest expenses. In 2019, with 35%, interest expenses registered the highest rate of increase since 2001. Generating TL 1.1 billion surplus last year, primary balance posted a deficit of TL 23.8 billion. However, one-time incomes limited the deterioration observed in the budget outlook. Budget-deficit-to-GDP ratio, which is estimated around 3% in 2019, is projected to be 2.9% by the end of 2020.

Inflation entered a downward trend in the second half of the year.

Consumer Price Index, which was 20.3% in 2018, realised as 11.8% by the end of 2019. In the Inflation Report published by the CBRT at the end of October, annual inflation was projected as 12%. Annual domestic-producer price index (D-PPI), which was registered as 33.6% at the end of 2018, declined to 7.4% by the end of 2019.

As a result of the weak domestic demand conditions as well as TL remaining at relatively stable levels, high base effect and the modest movements in commodity prices; inflation entered a declining trend while the main expenditure groups that had the highest contribution to the consumer price index were food & non-alcoholic beverages and the transportation sectors. In the first inflation report of 2020, CBRT estimated inflation as 8.2%, despite the recovery in economic activity, it is projected that the total demand conditions would not present an inflationist outlook.

CBRT quickly cut the policy interest rate in the second half of the year.

In line with favourable global liquidity conditions stimulated by the recovery in inflation, weak global economic activity and the expansionary monetary policies adopted by advanced economy central banks, interest rate cuts have been introduced in the second half of 2019. Key interest rate, which was 24% at the beginning of 2019, declined to 12% with 1200 basis points total reduction adopted in July, October and December. Moreover, with the regulations on the required reserve ratio and changes in its practices, CBRT implemented policies favouring the financial stability as well.

As low interest rate environment ruled globally and Fed continued to expand its balance sheet, while the trend of declining inflation became prominent in Turkey and country risk premium fell back, it is expected that the CBRT would continue with monetary policy loosening, even if not as aggressive as it had been in 2019.

Source: TurkStat, CBRT, Ministry of Treasury and Finance

Profit-oriented risk management policy, balanced and diversified portfolio structure

Being one of the oldest reinsurance companies active in Europe, Milli Re aims to develop and maintain the portfolio size it reaches.

stable

The assets of Milli Re reached TL 4,532 million.

TL 313 million

The net profit of Milli Re by the end of 2019 reached TL 313 million indicating a year-on-year growth of 12.33%.

TURKISH INSURANCE MARKET

Signs of recuperation in the second half of 2019 were to some extent reflected to the insurance industry and the insurance industry in Turkey has produced TL 69.2 billion premium.

Economic slowdown, volatility in the currency and inflation, combined with the high interest rate environment which significantly hampered economic activities during 2018 and in the first half of 2019, have had adverse impact on the insurance industry, reducing the growth potential especially in lines such as life, motor own damage, motor liability, construction and residential risks. On the other hand, existing portfolios of corporate commercial and industrial risks of insurers have been largely maintained.

Signs of recuperation in the second half of 2019 were to some extent reflected to the insurance industry. It is anticipated that the growth in insurance industry will accelerate with the upturn in the economy in 2020.

According to 2019 year-end figures released by the Insurance Association of Turkey, insurance industry in Turkey has produced TL 69.2 billion premium with an increase of 27% over the previous year. This amount reflects the double counting effect emanating from the "Risky Insureds' Pool" for Land Vehicles Compulsory Liability Insurance on sectoral data. 84% of the total premium was generated by Non-life and 16% from Life insurance. The share of Life in the market premium increased from 13% in 2018 to 16% in 2019, due to around 64% growth in this line, owing to the impact of the reductions made in interest rates in the second half of 2019 on consumer and mortgage loans.

While a nominal 21% upward movement was recorded in Non-life in 2019, real growth was only around 8%. The decline in interest rates since the third quarter of the year had a positive effect on the premium income of Non-life, especially in lines such as Personal Accident and Land Vehicles (Casco).

49% of Non-life premiums emanated from Land Vehicles Liability and Land Vehicles. Due to the continuation of the price cap in Land Vehicles Liability and the sluggish vehicle sales compared to previous years, the premium increase in these lines remained muted and given their size, constrained the total industry growth.

27%

The sector showed a 27% increase in premium production.

The share of Fire and Natural Catastrophe Perils in the Non-life premium was 14.6%, same level as in 2018, showing a nominal 21% annual increase which corresponds to a real growth of 8%. Against the subdued growth in the premium income from residential policies due to economic circumstances, premium related to commercial and industrial risks increased by 22% and 25% respectively in nominal terms, despite competitive pressures on pricing and the stagnation in investments. This was largely due to the fact that majority of corporate risks were insured either in hard currency or were indexed to inflation. Premium from Natural Catastrophe Perils which accounted for 33% in Fire and Natural Perils Insurance grew by 18%.

General Damages comprises of Engineering, Agriculture, Theft and Plate Glass Insurances and more than 90% of the premium income in this line was generated by Engineering and State Subsidized Agricultural Insurance Scheme (TARSİM) in 2019. Due to the large-scale contraction in Engineering in 2018 which continued over 2019, premium income in General Damages was merely driven by the more robust growth in Agriculture. Adverse developments in the Turkish economy and the significant decline in investments/ projects resulting with a sharp drop in EAR/CAR premium. Combined with the real-term decrease in income from Machinery Breakdown mainly due to the intensifying competition in the recent years and the limited growth in Electronic Equipment which has a relatively small share in total Engineering premium, there was only a weak 4% nominal increase in this line over the year. On the other hand, Agriculture premium grew by 18% because of increased awareness and penetration in respect of agriculture insurances following a number of losses caused by climate changes and the expansion of the scope in favour of the policyholders.

The share of Marine consisting of Hull (Sea Vehicles and Sea Vehicles Liability) and Cargo in the Non-life premiums has been at the level of 2% for several years. Cargo premiums which accounted for more than 70% of the total income, increased by 21% over 2019 largely reflecting rate of exchange movements. Despite the intense competition, the growth was 38% in Hull where most policies are in foreign currency; hence premiums being elevated in relation with currency movements. Consequently, Marine grew at par with Non-life market in general terms, with approximately 21% year-on increase.

General Liability is one of the few lines that have been able to grow in real terms, with a 23% increase in premium income compared to 2018. Accordingly, the share of General Liability in Non-life premium has reached 3% and it is considered among the lines with the greatest growth potential. Comprised of 13 sub-branches, 90% of the total premium in General Liability emanate from General Third Party Liability, Employers' Liability and Professional Indemnity. While the growth in Third Party Liability and Employers' Liability remained limited due to competitive pressures, there was 37% real increase in premiums from Professional Liability Insurance. In line with the higher level of awareness on rights and obligations and the increased tendency to resort to litigation in the society, the demand for Liability Insurance is expected to expand even further in the coming period.

Owing to the positive developments in products with important growth prospect such as Health and Complementary Health Insurance, Health and Sickness premiums grew by more than 34%. It is anticipated that the pace of growth in this line will show continuity.

Although the market share is currently very small, it is expected that the positive trend in financial insurances such as Surety and Credit, which grew by more than 40% in 2019, will continue to develop in line with the economic conjuncture and state support.

Along with the product diversity related with Cyber Risk Insurances and the expected increase in demand for these products, this insurance is anticipated to be at the top of the insurance industry agenda.

Positive developments in takaful insurance in recent years have been enhanced by the regulation enabling necessary legal and operational framework for this segment, as well as the emphasis given by the state to alternative financial markets. Total premium produced in this segment has reached 5% of the industry premium income at the end of 2019.

One of the most important developments in the Turkish insurance market was the establishment of Insurance and Private Pension Regulation and Supervision Authority. With this structure, it is envisaged that managing insurance industry through an exclusive entity will enable the maintenance of an optimum coordination between regulatory and supervisory functions and addressing the problems of the industry in a more rapid, efficient and effective manner.

On the other hand, as an extension of industry reforms, three insurance and three pension companies which are currently subsidiaries of state-owned banks will be merged to operate as two companies - a pension company and an insurer- within a single holding structure under the auspices of the Turkish Asset Fund within 2020. It is anticipated that this entity which will be able to benefit from economies of scale more efficiently, will be instrumental in accelerating the growth of non-banking financial sector and enable Turkish insurance and pension sector to compete on a global scale.

Market Premium (TL)

Branches	2019	Share (%)	2018	Share (%)	Change (%)
Accident	2,372,741,294	4.10	1,812,338,146	3.13	30.92
Health	8,358,143,518	14.44	6,244,295,477	10.79	33.85
Land Vehicles	9,406,268,988	16.25	7,842,917,162	13.55	19.93
Railway Vehicles	13,280	-	-	-	-
Air Vehicles	223,854,250	0.39	179,857,508	0.31	24.46
Sea Vehicles	413,511,536	0.71	300,257,211	0.52	37.72
Marine	950,787,872	1.64	829,833,718	1.43	14.58
Fire & Natural Disasters	8,447,103,132	14.59	6,972,578,655	12.05	21.15
General Damages	5,876,737,321	10.15	5,247,013	9.07	12.00
Land Vehicles Liability	18,711,638,555	32.33	15,854,546,224	27.39	18.02
Air Vehicles Liability	263,898,565	0.46	194,377,729	0.34	35.77
Sea Vehicles Liability	44,655,983	0.08	31,336,619	0.05	42.50
General Liability	1,712,142,924	2.96	1,391,898,950	2.40	23.01
Credit	304,281,300	0.53	248,338,460	0.43	22.53
Fidelity Guarantee	91,177,756	0.16	71,788,694	0.12	28.40
Financial Losses	505,294,367	0.87	345,630,885	0.60	46.19
Legal Protection	198,465,014	0.34	168,125,712	0.29	18.05
Support	158,666	-	122,350	-	29.68
Total Non-life	57,881,874,321	83.59	47,735,257,399	87.34	21.26
Life	11,359,715,131	16.41	6,920,771,569	12.66	64.14
Total	69,241,589,453	100.00	54,656,028,968	100.00	26.69

Source: Insurance Association of Turkey

TURKISH REINSURANCE MARKET AND MİLLİ RE

Milli Re provided capacity to 22 companies that utilised proportional treaties, leading 17 bouquets and having a 27% market share in 2020.

In Turkey, economic slowdown, volatility in the currency and inflation, combined with the high interest rate environment which significantly hampered economic activities during 2018 and in the first half of 2019, have had adverse impact on the insurance industry, reducing the growth potential especially in lines such as life, motor own damage, motor liability, construction and residential risks. On the other hand, existing portfolios of corporate commercial and industrial risks of insurers have been largely maintained.

Signs of recuperation of the economy in the second half of 2019 were to some extent reflected to the insurance industry. Premium estimates for reinsurance treaties across the market showed increases in line with market trends in Fire, Marine and Non-Motor Accident; whereas notable reduction was observed in the estimated income for most of Engineering treaties in comparison with the previous year.

In line with the economy and developments in the industry, there was modest growth in premium income from proportional treaties in Turkish Lira terms. However, there were more notable increases in loss levels given the large number of policies being either in hard currency or were indexed to inflation; resulting with some deterioration in loss ratios. Growth in commercial and industrial lines, which form the bulk of proportional reinsurance agreements and the relative stabilisation of the Turkish Lira have led to an upward movement in natural cat exposures, hence increases in the event limits of some treaties. Commissions and other treaty conditions were reviewed and/or revised depending on the performance and requirements of individual treaties, bouquets and lines vis-à-vis market conditions. Generally, proportional treaty renewals were completed without major problems for reinsurance buyers.

Milli Re provided capacity to 22 companies that utilised proportional treaties, leading 17 bouquets and having a 27% market share in 2020.

Most companies operating in the Turkish insurance market continued to protect their risk portfolios by proportional treaties. Milli Re participates in the programs of 5 of the 7 companies that solely utilise excess of loss agreements to cover their risk portfolios.

Milli Re's premium income from proportional treaties is expected to increase by 15% in 2020. Anticipated stabilisation in the economy and its effect on premium levels of proportional treaties as well as the impact of rate of exchange and inflation on sums insured are likely to elevate premium income particularly in Fire and Marine, along with the growth expectation in Non-Motor Accident due to increased loan utilisation in relation with the decrease in interest rates. The dominance of Fire and Natural Perils in proportional bouquet income showed a slight increase due to the notable decline in Engineering, reflecting the slowdown in investments and stagnation in construction industry. The split of proportional treaty premium across the market is as follows: Fire 56%, Engineering 23%, Marine 11% and Accident 10%.

Coverage provided by catastrophe excess of loss programmes - protecting insurers' retentions in Fire and Engineering against natural catastrophe perils including earthquake, flood, windstorm and hail - increased in line with the movements in nat cat exposures, reflecting to some extent organic market growth, but also the effect of relatively stronger Turkish Lira - as the currency of nearly all programmes in the market is Euro. A few programmes were restructured and optimised to attain better cost/reward balance. Although there has been a nominal increase in the total premium paid to reinsurers in line with larger limits bought, Turkish market saw risk-adjusted rate discounts up to 5%-7.5% on a general level. Milli Re maintained its existing 8% involvement in catastrophe excess of loss programmes in 2020.

There was no significant change in the appetite of the current reinsurers in market and the renewal of proportional and non-proportional agreements was completed without any capacity problems. Any capacity deficit caused by the withdrawal or share reduction of a limited number of reinsurers was readily closed by current and new market players.

The split of Milli Re's domestic premium income differs significantly from that of market Non-life premiums. Largest contributors to revenue in the Turkish insurance market are Land Vehicles Compulsory Liability and Land Vehicles (Casco), as well as Agriculture and Health insurances. While the share of these lines in the Non-life premium of the sector stands at 67%, they account only for 8% in Milli Re's premium income, reflecting the conservative approach under the current conditions hence the limited appetite of Milli Re.

8%

Milli Re maintained its existing 8% involvement in catastrophe excess of loss programmes in 2020.

For this reason, the impact of the developments in Land Vehicles Compulsory Liability and Land Vehicles Insurances which generate respectively 32% and 16% of the market Non-life premium and substantial premium and loss increases in Agriculture remain limited in Milli Re's domestic portfolio. On the other hand, market developments in Fire and Natural Perils, Engineering, General Liability and Marine where most companies utilise proportional reinsurance for protecting their risk portfolios, are evidently translated to Milli Re's local portfolio.

High level of outstanding loss reserves in Fire and Natural Perils, Engineering and General Liability and the increase in paid claims in Fire and Natural Perils and Engineering in comparison with the previous year had adverse effect on the loss ratio and technical results from these lines. On the other hand, with the real growth in Fire and Natural Perils, which constitute more than 50% of the domestic premium income, as well as the net transfers from the non-technical income, Milli Re's local operations closed 2019 with a technical profit of TL 117 million.

Milli Re's local operations closed 2019 with a technical profit of TL 117 million.

Local Premium by Lines of Business	Share (%)
Fire	53
Engineering	20
Marine	7
General Liability	6
Agriculture	4
Land Vehicles Liability	3
Personal Accident	2
Other*	2
Health	1
Land Vehicles	1
Life	1
Total	100

*Credit, Legal Protection, Air Vehicles, Plate Glass, Air Vehicles Liability, Fidelity Guarantee

Local Portfolio	2019	2018	2017	2016	2015
Premium (TL)	1,060,777,933	911,044,062	818,143,937	698,726,549	739,801,769
Share in Total Premium (%)	63.9	69.0	75.4	75.1	74.2

A preferred business partner having a deep-rooted corporate culture

Being one of the oldest reinsurance companies active in Europe, Milli Re provides reinsurance capacity to various insurance companies operating in over 50 countries.

reliable

More than 30% of the premium production of Milli Re was obtained from international business.

TL 598 million

TL 598 million of total premium originated from international markets.

GLOBAL REINSURANCE MARKET AND MİLLİ RE

Total economic losses originating from natural catastrophes stood at USD 150 billion in 2019.

After the previous two years, which were highly active in terms of the natural catastrophe activity, even though the first half of the year passed quite calmly, as a result of the severe weather events, especially the tropical cyclones and typhoons recorded in the second half of the year; total economic losses from natural catastrophes remaining below the previous year's figure of USD 160 billion stood at USD 150 billion in 2019. Decreasing by 35% on an annual basis, insured losses declined to USD 52 billion from USD 80 billion. This amount was far below the 10-year average of USD 65 billion, mainly owing to the fact that many developing countries, where the insurance penetration is very low, have been highly affected by this year's natural disasters, predominantly by flood, which is not as widely insured as hurricane.

Accounting for 51% of the total global economic losses and 65% of the insured losses; the catastrophes affecting North and Central America including the Caribbean gave rise to majority of the losses last year; however in 2019, Asia with 49% share in the total economic loss amount stood out as the region that is most heavily affected by the natural disasters. Looking at the insured loss amounts, even though the trend ongoing since 2011 kept prevailing and North America losses dominated the statistics with 55% share in the global insured loss amount, Typhoon Hagibis and Faxai, extensively affecting Japan, caused a total of USD 17 billion insured losses and were recorded as the two costliest natural catastrophes for the insurance industry in 2019. As a result, Asia's share in the total global insured losses showed substantial increase by rising to 35% from 24%.

After severe tropical cyclones like Harvey, Irma, Maria and Michael causing heavy damages and leaving their mark the region for the previous two years, in 2019 the Atlantic hurricane season was calm, with Hurricane Dorian being the only major hurricane affecting North America this year. Originating as a tropical wave over Mid-Atlantic on August 24th and its maximum sustained wind speed reaching 250 km/h by September 1st, Hurricane Dorian quickly intensified into a Category 5 storm and severely affected the Bahamas, especially the Grand Bahama and Abaco islands; as well as Florida, North Carolina, South Carolina, Virginia, Georgia states of the US and Canada. In Bahamas, where Dorian caused the most severe damage; the devastating storm brought along sea surges, tornadoes, torrential rainfalls and floods destroying many homes and lives. While the losses were largely recorded in the Bahamas and the Caribbean; Hurricane Dorian is estimated to have caused a total economic loss of USD 5.6 billion, of which USD 4 billion is expected to be recoverable from insurance industry.

On the other hand, a series of severe convective storms that affected the Mid, Mid-West and South-East parts of the country brought torrential rainfalls, hails and heavy flooding during the months of March and May and were recorded as the costliest events of the year for the US. In total, these events accounted for USD 48 billion economic and USD 24 billion insured losses.

Although California state suffered from damaging fire events in 2017 and 2018, 2019 wildfire season passed relatively quiet in the region. Whilst the destructive Camp, Woolsey and Carr Fires cost a total loss of USD 23 billion in 2018, this year the heavy rains recorded during the winter period helped mitigating the summer drought conditions and limited the total economic burden of the California wildfires, which started in May and continued on and off until the end of 2019, to only USD 1 billion, with insured losses approaching USD 800 million.

Despite 2019 wildfire season being less severe in the US, however as a result of the record-breaking high temperatures and extreme dryness, Australia witnessed a series of mega bushfires starting in September and took the lead as the country which struggled the most with the devastating wildfire events this year. Mainly affecting Queensland, Victoria, Tasmania, Southern Australia, Western Australia and New South Wales states of the country, the massive fires spread across the country and ravaged more than 10.3 million hectares of land. As of January 2020, it is known that the total disaster recovery payments by Australian Government reached USD 2 billion.

In contrast to other parts of the globe, in Europe adverse weather conditions prevailed during the first half of the year. Winterstorm Eberhard which affected Western and Central Europe; mainly Germany, Belgium, United Kingdom and France, on March 10th and 11th, was marked as one of the costliest losses occurred in the first six months of the year for the insurance industry. The total cost of Eberhard to the economy is anticipated to exceed USD 2 billion, while the majority, around USD 1.3 billion, of this amount is expected to be absorbed by the insurance industry. In the second half of the year, Europe's Mediterranean coast, especially Italy, France and Spain were hit by destructive flood disasters, which had devastating impacts around the globe this year. From September 11th to 15th, Valencia, Murcia and Andalusia regions of Spain were battered by last 100 years' heaviest rainfalls on record. The total economic losses from the disaster is estimated to be USD 2.4 billion, however only USD 300 million is expected to be recoverable from insurance industry.

In 2019 Asia witnessed unprecedented natural disasters. Tropical Cyclone Fani, which hit India's Odisha state between May 3rd and 5th and quickly reached Category 4 intensity with maximum sustained windspeed of 200 km/h, was recorded as the first major catastrophe affecting the region this year. Even though the disaster mainly struck the towns of Puri and Bhubaneswar, it caused extensive damages to infrastructure and housing across the whole state. The total economic loss is estimated to exceed USD 8.1 billion, whereas the insured losses are expected to be muted as a consequence of the low insurance density in the country. Soon after the hurricane, in June, the prolonged monsoon rains led to massive floodings which took control of the northern parts of the country. While tens of thousands of people were left homeless, the total number of fatalities arising from the incidences during the monsoon season reached 1,850. The total economic burden of the floods is estimated to be USD 10 billion.

China was also severely impacted by floods in 2019. Meiyu front, bringing along heavy seasonal rainfalls, caused flooding in the Yangze river basin which affected the Guizhou, Jiangxi, Guangxi and Guangdong provinces in particular. The floods which started in June and lasted until the end of August, caused more than 200 thousand dwelling damages as well as impacting more than 430 thousand hectares of farmland. The total economic burden from the flood is estimated to rise above USD 8.5 billion.

In the second half of the year, as the hurricane season began, a series of typhoons have been recorded in the region. Typhoon Lekima, being the first significant event of the 2019 Pacific hurricane season and affecting many regions, especially Zhejiang province of China between the dates August 10th to 11th with maximum sustained wind speed of 175 km/h; made its landfall on August 10th by weakening down to Category 2 and caused the severest rainfalls recorded in the country since 1952. While floods arising from the record-breaking amounts of precipitation caused heavy damages in housing, highway and infrastructure; many sectors such as telecommunication, tourism, industry and transportation were severely impacted as well. Total economic losses are estimated to be USD 8.1 billion, yet the insured losses are expected to remain around USD 840 million.

In 2019, Japan had the most severe losses from a series of devastating hurricanes on a global scale. Reaching Category 2 with a wind speed of 170 km/h, Typhoon Faxai was recorded as the first major catastrophe of the season affecting the country. Making its landfall in Yokosuha on September 9th and taking control of the capital and the east coast of Tokyo Bay area as well as affecting Chiba, Kanagawa and Shizuoka prefectures, the typhoon caused substantial levels of commercial losses in addition to the heavy damages on power lines, farmlands and houses. In terms of its intensity, while it was similar to Typhoon Jebi which affected Shikoku prefecture of the country last year, total economic loss from Faxai is estimated to be around USD 9.1 billion, of which USD 7 billion is expected to be insured.

Typhoon Hagibis, which occurred soon after Faxai in October and devastated the country, was the costliest natural disaster recorded worldwide in 2019. On October 5th, starting as a tropical depression off the Mariana Islands and reaching Category 5 from time to time during its course of the event, Hagibis weakened down to Category 2 level on October 12th and made its landfall on Japan in Izu Peninsula, with a windspeed of 132 km/h. Hagibis, being the strongest typhoon recorded in the country for the last 60 years, impacted the eastern Japan, especially Tokyo. Services like transportation, infrastructure and power distribution were disrupted as a consequence of the flood, whilst inundation and landslide were caused by the heavy rainfalls. Typhoon Hagibis is estimated to give rise to a total economic loss of USD 17 billion and USD 10 billion of insured loss.

In 2019, Japan was the most severely affected country from global scale catastrophes.

17

The total economic loss arising from Typhoon Hagibis, which was the costliest natural disaster recorded worldwide in 2019, is estimated to be USD 17 billion.

Total reinsurance capital, including both traditional and alternative capital, in the form of cat bonds, sidecars and ILWs increased by 7% and reached USD 625 billion by the end of third quarter 2019. Traditional capital, which was recorded as USD 488 billion by the end of 2018, attained 9% growth rate and rose to USD 532 billion. Declining by 4% compared to the end of previous year, alternative capital was registered as USD 93 billion, of which USD 15 billion was the trapped collateral reserved for the catastrophe losses occurred in 2017, 2018 and 2019. The losses arising from the secondary perils being in the first place, increased loss frequencies over the last couple of years, diminishing investment incomes, the issues such as climate change as well as loss of appetite of alternative capital players given the concerns on management of trapped capital, were the main drivers for the decrease.

The high level of reinsurance demand kept prevailing during January 2020 renewals, predominantly as a result of major catastrophes which occurred in the past few years, as well as the increased loss frequencies and the legislations such as Solvency II that require robust capitalisation. Even though the supply adequately met the demand, it was observed that the reinsurance prices gained upward momentum globally as a consequence of the increased claim costs as well as the diminishing profit margins. While rate increases in the insurance market outpaced the price changes recorded in the reinsurance programmes, in order to get the full benefit of this development, majority of the proportional reinsurance buyers, particularly the big global companies, opted for increasing their retention levels. Buyers which were unable to achieve their target terms in respect of proportional programmes shifted their reinsurance structures to non-proportional treaties.

Cost optimisation has become even more important over the last couple of years considering the new business models, technological developments and diminishing profit margins leading mergers & acquisitions to gain momentum. The main transaction of 2019 was Marsh&McLenan's, decision to acquire JLT Group for USD 5.6 billion. As a result of this deal, which was completed at the beginning of April, Guy Carpenter and JLT Re were consolidated under the same roof; the new entity becoming the sector leader with a transaction volume of USD 100 billion. This acquisition being the only major transaction, it is observed that M&A activities were replaced by the strategic structural changes in 2019. On the other hand, in view of the unsatisfactory M&A opportunities, the demand for legacy markets increased, considering that some companies opted for withdrawing from unprofitable business lines.

The Brexit process which has been initiated in 2016, accelerated right after the UK government reshuffle in 2019 and was officially approved in January 2020. Following the transition period, the final deadline for an agreement and reshaping the future EU-UK economic relationship has been envisioned as the end of 2020. Moreover, in consideration of the possible No-Deal Brexit option; even though many market players established subsidiaries in European Economic Area (EEA) and took necessary precautions in the last couple of years in order to secure the in-force agreement terms; nonetheless ultimate outcome of the Brexit for the insurance industry still remains to be ambiguous.

Following the deterioration of results for 2017 and 2018 consecutively, 2019 first half year was profitable for Lloyd's, owing to the positive impacts of the structural changes put into effect as of 2018 in order to improve the underwriting processes and the market monitoring systems. Nevertheless, high operational costs still remain to be one of the main factors which suppress the profitability. As part of its new 3 year strategic plan announced in September 2019 following the change in the management, Lloyd's introduced the "Syndicate in a Box" which is an alternative to the conventional syndicate structure. This innovation enables new market players, who would bring added value to the market, operate under Lloyd's with minimum operational workload and costs. The centralisation of services such as support for business development, access to Lloyd's database, analytics and optimisation of underwriting, risk and claim management procedures through integration of technological solutions to the system as well as the decisions aiming to stimulate new capital flow are the milestones of Lloyd's new strategic plan which will be in effect starting in 2020.

As has been the case for the last couple of years, tailor-made approaches of reinsurers were prevalent during 2020 renewals as well. In line with this strategy as reinsurers assessed each business based on its merits, such as loss track record, underlying portfolio and the geographical scope of the cover; while some buyers were able to secure risk-adjusted rate reductions, some others renewed their treaties at flat or higher costs. Despite the fact that reinsurers were considered comparably more diligent, most buyers were able to obtain required level of capacity. Although the programmes, for which firm orders had been given quickly, were renewed smoothly, some others which have necessitated tougher negotiations took longer than anticipated to place.

Looking at the 2020 retrocession renewals, while total supply contracted as the share of trapped collateral in the total alternative capital amount increased as a consequence of significant loss creep related to catastrophe events which occurred in 2017 and 2018; strong demand conditions for retrocession capacity persisted. On the other hand, issues such as the suitability of pricing methods, global climate change which has been causing substantial increases in the severity and frequency of the catastrophe losses in recent years, put pressure on retrocession costs. In line with these developments, while some buyers gravitated towards alternative products like cat-bonds, others faced increased costs for retrocession cover, unfavourable changes and adjustments in contract terms as well as late renewals.

Europe

While 2019 passed quite calmly in respect of the natural disasters in Europe, Winterstorm Eberhard and a series of flood impacting the Mediterranean Coasts; mainly Italy, France and Spain stood out as the major catastrophes that occurred during the year. Due to the ongoing competitive market conditions, while Europe-wide loss free cat programmes renewed with stable costs or up to 5% rate decreases, loss impacted cat programmes experienced price increases changing between 2.5% and 10%. On the other hand, as far as risk programmes are concerned, loss impacted Europe-wide programmes experienced up to 5% to 15% price increases, while upward movements were capped at a maximum of 20% for Central and Eastern Europe loss hit risk programmes. Europe-wide loss free risk programmes renewed with up to 5% rate reductions.

America

Following Harvey, Irma, Maria and Michael which had devastating impacts in 2017 and 2018; Hurricane Dorian which subduedly impacting Florida coast was the only noteworthy event of 2019 tropical hurricane season.

Despite the contraction observed in the alternative capital, especially in the ILS funds, as a result of the incremental rises in trapped capital throughout the years, reinsurance capacity remained at adequate levels to meet demand. The price pressures were subdued on buyers who secured premium increases with the help of their growing portfolios. While capacity provided by Lloyd's market dropped off as some syndicates ceased their underwriting activities; however existing and new players have effectively filled the gap. Loss affected cat programmes saw risk-adjusted price increases between 10%-20%. In respect of risk programmes, due to the price improvements in favour of capacity providers, substantial upward adjustments changing between 10%-50% were observed based on the programme performance. While loss free risk programmes renewed at stable to 10% up, this ratio was capped at a maximum of 5% for cat programmes.

After a calm year in view of natcat events in Canada, price movements in respect of cat programmes showed a similar trend with 2019 renewals; risk-adjusted rate increases between 5% and 10% were recorded in loss hit cat programmes; whereas loss free cat programmes saw price movements reaching up to 5%. Rates of the risk programmes with loss experience affecting the lower layers had 10% to 40% price increases, for loss free risk programmes, rate increases were 10% maximum.

Asia

2019 was a challenging year for the industry players in the region; considering that Japan was hit by two major catastrophes Typhoon Faxai in September and Typhoon Hagibis in October, whilst the markets were still trying to recover from the Typhoon Jebi loss of September 2018 as well as its significant creep recorded in the first half of 2019.

The total insured loss amount caused by Typhoon Hagibis, the costliest event of the year, is estimated to be USD 10 billion, while for Typhoon Faxai this amount is expected to be around USD 7 billion.

In the last quarter of 2019, while widespread bush fires took control of the whole country especially the state of New South Wales in Australia, there has been minimal progress in terms of taking the spread of fires under control. The total cost of the disaster to the insurance industry is estimated to be around USD 1.3 billion, which is highly believed to aggravate.

Although 2019 has been a tough year for Australia and New Zealand in terms of natural catastrophes, the capacity was available in January 2020 renewals as programmes which provide cover for the region contribute to geographic diversity of many global reinsurers' portfolios. The price movements for the loss hit programmes showed wide range of variety, while broad changes in the reinsurer panels of these programmes were inevitable. On the other hand, loss free programmes renewed with limited rate reductions up to 2%.

In the midst of these challenges and significant losses from previous years, some reinsurers have withdrawn from certain lines of business and some have exited the industry altogether. As a consequence of this, even though a reduction in total capacity, especially in Engineering and Hull lines was observed; as rates spiked up within a short span of time; 2020 January renewals still remained to be orderly.

Moving away from losses, insurance in the region is expected to get a boost from digital insurance. While the digitalisation in everyday life and the development of Insuretech would support the growth of insurance sector in the region, it caught the attentions that 2019 saw 21 applications for 5 Digital Bank Licenses in Singapore. Digital banks may just be that much needed conduit to boost online insurance and facilitate Insuretech. This may be an opportunity to increase insurance penetration and close the protection gap in the region.

10-20%

In USA, loss affected cat programmes saw risk-adjusted price increases between 10%-20%.

The total cost of the widespread bush fires disaster in Australia to the insurance industry is estimated to be around USD 1.3 billion.

Middle East

In addition to the prevailing unrest in Syria, Yemen and Iran, protests of young population in Iraq and Lebanon during 2019 demanding political reform and put an end to corruption have boosted the political and economic instability.

Despite the surrounding volatility, the GCC, which is the centre of the Arab world, remains calm. Relations between Qatar and other Gulf countries have been softened; however, sanctions against Qatar have continued. While fluctuations in oil prices directly affect the insurance sector in these countries, whose economies are largely dependent on oil; the decrease in the effectiveness of "Organization of Petroleum Exporting Countries (OPEC)" in the regulation of oil prices caused an increase in the economic problems in the region. Moreover, the shale gas industry, the growth of the renewable energy sector and especially the increase in the awareness of climate change at the international level stand out as other factors which put pressure on oil prices. It is predicted that the oil price will reduce from averagely USD 64 per barrel to USD 60 during 2020.

On the other hand, regional governments have begun to encourage industrial investments in order to diversify their countries' economies based on oil production and accelerate financial regulations to prevent capital outflows. Within the framework of these developments, Oman announced that it will spend USD 65 billion in heavy industry investments in the next 15 years. Abu Dhabi's economics development plan, energy investments and planned infrastructure projects for "Expo 2020", which will take place in Dubai, are expected to increase economic growth in the region so does premium production. The other important market in the region, Saudi Arabia, aims to attract at least 30 regional and international companies in order to transform the country into a financial and technology centre within the scope of 2030 Saudi Vision.

While gross written premium for GCC insurance market has reached USD 28 billion in 2018 with an annual growth rate of 1.5% that has been well behind the growth rate of 12.5% and 8% registered in 2015 and 2016 respectively. Especially, suspension of infrastructure projects with reduced public spending and the decline in automobile sales due to economic recession are the main reasons for the slowdown of Non-life insurance sector which has a share of approximately 85% in the insurance premium production of the region.

The average retention rate of the Gulf countries, which are heavily dependent on reinsurance, is around 60%. Saudi Arabia became to have the highest retention rate in the region with 86% in 2018. However, considering that health and motor, with retention rates above 90% constitute 84% of the market, the retention rate of other lines of business with an average of 32% remains quite low. The reinsurance market for the region has been changing for the last two years due to the difficulties experienced by some regional reinsurers and the reduction of activities of international companies in the region. Increasing operational costs, limited business volume, low profit margins and competitive prices have caused some reinsurers in the region to limit their activities.

Fluctuations in oil prices directly affect the insurance sector in Gulf countries, whose economies are largely dependent on oil.

55

Milli Re provides reinsurance capacity to the insurance companies active in 55 countries.

Climate change is relatively a new factor for the Gulf insurance market. While the region has been admitted as an attractive market for reinsurers since it was considered to be safe in respect of cat events until recently, it is observed that this perception is gradually changing especially after "Mekunu Cyclone" in Oman which occurred in 2018 and flood disasters that took place in Saudi Arabia and Kuwait. However, it is considered that the reinsurance capacity allocated to the region is still adequate. The region's January renewals in 2020 have been a renewal where there has been a slight reduction in the commission rates of the proportional agreements based on the performance of the previous years. Ceding companies, which were able to increase their retention levels, have also secured to increase their treaty limits and the engineering treaty limits have been reduced relatively in the markets where economic contraction was experienced. While the rates of loss-free non-proportional treaties decreased by 5% to 7.5%, the prices of loss affected treaties increased by a maximum of 5%.

North Africa

Although Morocco, Algeria, Tunisia and Egypt remain relatively small compared to other African countries; with their higher insurance penetration, density and accessibility than the rest of the continent; they continue to attract the attention of the reinsurers. International reinsurance companies, who are trying to diversify their portfolio by entering the African market, show interest to these markets which causes abundant capacity in the region.

Being the largest market in North Africa, Morocco continued its stable growth for the first half year of 2019 and increased its premium production by 8.2% to MAD 24.7 billion (USD 2.5 billion). The most important development in the market was the establishment of National Catastrophe Pool, which has been on the agenda for the last few years. This new compulsory insurance product, which came into force in 2020, provides coverage for natural hazards such as earthquake, flood, tsunami as well as terrorism and civil commotions.

Algeria, which is another important market in the region, could not reach to the desired level with its 0.63% insurance penetration ratio. Top 5 of 24 companies of the market belong to the government and they continue to dominate the market with their 66% market share in total. Resignation of Algeria's president in April, who had been in the office since 1999, caused some political uncertainty which reduced following the elections in December. However, it is expected to take some time before it completely disappears.

Tunisia insurance market, being much smaller than Moroccan and Algerian markets, preserves its stance as being more open to foreign reinsurers. It is forecasted the insurance market to register an annual average growth of 12.8% for life and 5.2% for Non-life till 2023. Although the market attracts the attention of the foreigners due to its accessibility, the fierce competition among insurance and reinsurance companies create a negative impact on the rates.

Apart from the risk loss which occurred at Algerian energy firm Sonatrach's gas production unit on 1 July 2019, there was no major loss recorded in North Africa region in 2019. The estimated loss for Sonatrach is expected to be between USD 30 to 80 million. Loss free treaties in North Africa region have seen rate reductions of 7.5% while the rate increases for the loss affected treaties have reached up to 5% for January 2020 renewals.

India

In line with the slowdown in the economy, India which has the 2nd largest population in the world, the growth rate of the insurance market has also decreased. The growth figure of the Non-life for 2018-2019 period fell behind 17.4% growth rate of the previous year and realised as 12.4% and the premium production of the industry has reached to USD 24 billion.

Government subsidised crop insurance scheme, which ranked 3rd after the motor and health branches in terms of premium volume, continue to contribute significantly to the growth of the Indian insurance market. However, "Kerala flood" which occurred as a result of the highest rainfall in the last 25 years during the Kharif agriculture season, which is one of the two harvest seasons in India, had a negative impact on the results of the mentioned class of business.

The merger of the state companies National Insurance, United Insurance and Oriental Insurance was decided by the government in order to have a stronger capital structure and to increase the profitability of the sector while terminating the competition. However, the merger was postponed to 2020 due to issues such as the size of the portfolios of the companies, the lack of a common human resource strategy and the absence of a new reinsurance structure.

Pakistan

Pakistan is the largest insurance market in the Indian Subcontinent after India, with its dense population and premium production of over USD 2.5 billion. Although the country struggles with problems such as terrorism and infrastructure deficiencies, it attracts the interest of many international reinsurance companies due to the high profitability and low insurance penetration.

The Government of Pakistan cancelled the privatisation of State Life Insurance (SLIC), the National Insurance Company (NIC) and the Pakistan Reinsurance Company (Pak Re) at the beginning of 2019 but announced again that it will privatise 20% shares of the SLIC last September. The Pakistani insurance market regulatory body Securities & Exchange Commission of Pakistan (SECP) plans to make third party liability, group life and occupational health insurance compulsory to increase insurance penetration in the country.

Softening in the terms and conditions such as rate reductions, increased commissions has been witnessed during 2020 renewals due to the absence of any significant natural disaster or major risk loss in 2019 as well as Pak Re's aggressive underwriting policy to use its compulsory share in full and finally increased interest of the international reinsurance companies.

Eastern Europe

Eastern Europe insurance market continued its stable growth and increased its premium income by 6.11% to EUR 19.86 billion in the first half of 2019. While the Non-life insurance premium accounts for 68% of the region's total premium production, 32% of the premium is generated by life. Motor insurance continued its dominance in the overall premium production with 54%.

As a consequence of the severe weather events in the region, there have been significant increases in the property claims in Latvia, Romania, Serbia, Czechia and Bulgaria. The Eberhard Storm affecting the UK, Belgium, the Netherlands, Austria, Germany, Czechia, Poland in March 2019 and the 6.4 magnitude earthquake that occurred in Albania in November 2019 are the major natural catastrophes in the region during the year. Given the low insurance penetration in the region, the insured loss from these events is expected to be limited.

In January 2020 renewals, while the rates of loss affected catastrophe excess of loss treaties increased between 2.5% and 7.5%, the rates of loss free treaties have been reduced by 5%. In respect of risk excess of loss treaties, rates for the loss affected treaties increased by 5% to 20% and the prices of loss free treaties have been reduced by 2.5%.

Russia

The gross written premium production in the Russian market reached up to EUR 16 billion in the first 9 months of 2019, registering a 9.5% growth compared to the same period of the previous year, as a result of exchange rate being in favour of Rubles. Most significant contribution to this market growth came from Non-life insurance with a growth rate of 5.7%. Life insurance shrunk by more than 11%, contrary to the increases in the previous years. The decrease in life insurance premiums was mainly due to the reduction in the number of permanent life insurance policies, which has been the locomotive of the life insurance by growing 50 times in the last 7 years. The share of the life insurance in the total premium production stands around 30%.

Due to the regulatory changes made by The Central Bank of the Russian Federation in the last few years in respect of capital adequacy, the companies having issues with their capital continued to close down or join to the large companies. As a result, the number of the insurance companies in the country decreased year by year, from 395 in 2019 to 227 at the beginning of 2020 and the market share of the big companies increased gradually. The market share of the 4 largest life insurance companies stand around 70%, while the market share of top 10 Non-life companies has reached 80%.

There were no large natural catastrophes occurred in 2019 and the risk losses were on a small scale, mirroring the previous year. In January 2020 renewals, the loss affected programmes have seen rate increases from 5% to 15%, while the rate for the loss free programmes has decreased by 2.5% to 5%.

227

The number of the insurance companies in Russia, which was 395 in 2014, decreased to 227 in the beginning of 2019.

International Portfolio 2019 Results

In order to diversify the portfolio in line with its profit-oriented and sustainable growth approach, Milli Re started to become more active in international reinsurance markets in 2006. International portfolio of the Company consists of business written from emerging markets, Singapore Branch Office business, Pools (FAIR/ECO/TRP), Turkish Republic of Northern Cyprus business, as well as business accepted from developed markets.

A significant portion of the international portfolio is made up of emerging markets business from countries that fall under the scope of FAIR Reinsurance Pool, which has been managed by Milli Re since its establishment in 1974. Additionally, having started its operations in 2008, Milli Re Singapore Branch continues to work efficiently in the Far East, a region which represents significant potential.

Milli Re provides reinsurance capacity to around 130 insurance companies in international markets.

GLOBAL REINSURANCE MARKET AND MİLLİ RE

Despite the factors such as excess reinsurance capacity, increasing competition, political instability and compulsory reinsurance cession to protect national markets, our portfolio emanating from emerging markets has been maintained in 2019 as the result of the strong relations built with our clients over the years as well as our high quality services. The business written from the emerging markets currently represents 54% of the total international premium production.

On the other hand, as part of international expansion strategy, Milli Re began writing business from select Continental European and Lloyd's market players starting from 2007, by participating in conventional reinsurance contracts of leading global reinsurers as well as providing capacity to a few Lloyd's syndicates; which contributes to the diversification of the overall book. Having reached to premium production of TL 274 million as at 2019 year end, developed markets portfolio which consists of a limited number of well-balanced retrocession accounts, generated roughly 46% of total international premium, which amounted to a total of TL 598 million in 2019. In 2020 January renewals in line with the profit-oriented risk management strategy and conservative underwriting approach, this portfolio has been restructured.

The change made in our underwriting policy for the Head Office emerging markets portfolio which resulted with a decrease in catastrophe losses as well as in large risk losses reflected positively in the 2019 results. However, due to Typhoon Hagibis and Typhoon Faxai losses that occurred in the last quarter of 2019 and losses from previous years' events, such as hurricanes Irma, Maria, Florence, Michael, as well as bushfires in USA and Typhoon Jebi predominantly affecting the developed markets portfolio and Singapore Branch Office results, the international book sustained an underwriting loss of TL 32.9 million in 2019.

International Premium by Lines of Business	Share (%)
Fire	70
Agriculture	7
Engineering	6
Marine	5
Land Vehicles	5
Land Vehicles Liability	3
General Liability	2
Personal Accident	1
Other*	1
Total	100

*Credit, Legal Protection, Air Vehicles, Plate Glass, Air Vehicles Liability, Fidelity Guarantee

International Portfolio	2019	2018	2017	2016	2015
Premium (TL)	598,041,994	409,133,471	267,568,952	231,239,381	256,955,461
Share in Total Premium (%)	36.1	31.0	24.6	24.9	25.8

FINANCIAL STRENGTH, PROFITABILITY AND SOLVENCY

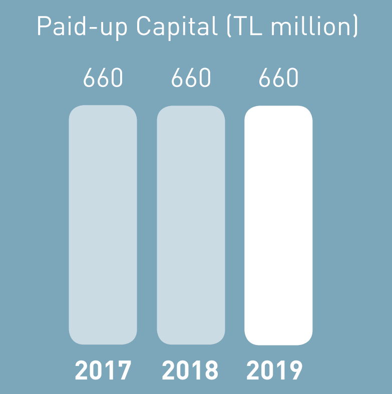
Owing to its strong and balanced maturity distribution of invested assets, Milli Re fulfilled all of its legal and commercial obligations in 2019.

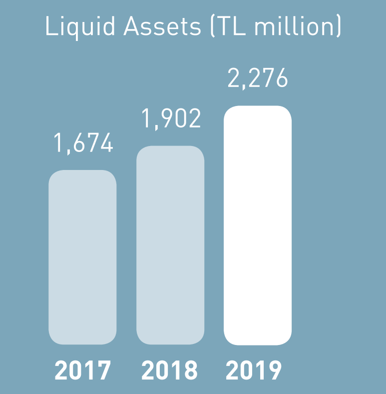
Milli Re's premium production reached TL 1,659 million increasing by 26%, while paid losses was around TL 987 million and the net profit obtained was TL 313 million.

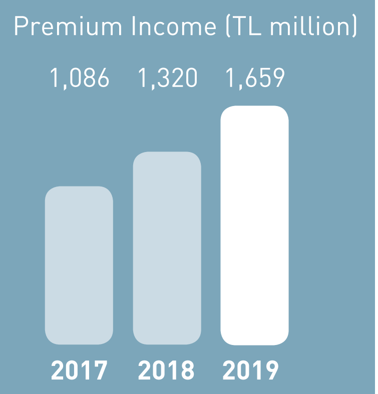
Company's Liquid Assets correspond to 50% of Total Assets. Owing to its strong and balanced maturity distribution of invested assets, Milli Re fulfilled all of its legal and commercial obligations.

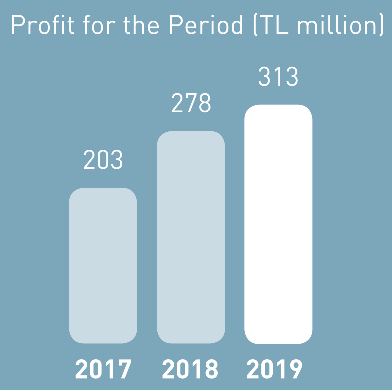
Details on technical results are presented in the "2019 Technical Results" section.

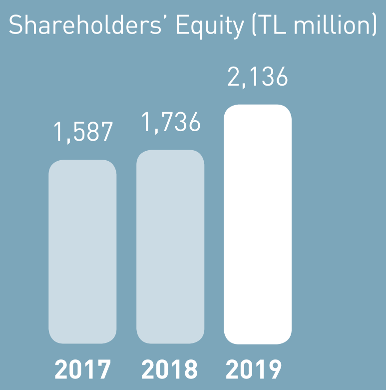
Financial Results (TL million)	2019	2018	Change (%)
Total Assets	4,532	3,738	21.23
Shareholders' Equity	2,136	1,736	23.01
Technical Income	1,754	1,523	15.14
Technical Profit/Loss	85	100	(15.49)
Financial Income	661	644	2.59
Financial Profit/Loss	227	177	28.10
Profit/Loss for the Period	313	278	12.33

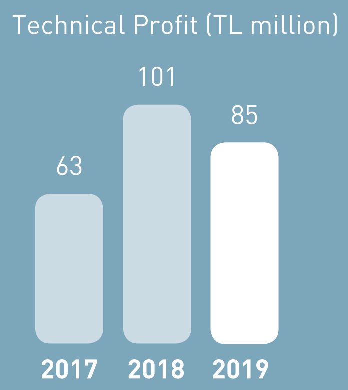












KEY FINANCIAL INDICATORS

Assets (TL)	2019	2018	2017
Cash and Cash Equivalents	1,754,800,717	1,742,214,225	1,223,132,413
Securities	520,755,751	159,988,747	451,080,848
Affiliates	1,064,041,303	768,947,999	663,651,785
Fixed Assets	639,470,512	606,233,234	537,462,778
Total Assets	4,531,965,239	3,738,241,986	3,179,504,466
Liabilities			
Technical Provisions	2,235,100,571	1,842,662,679	1,461,011,296
Shareholders' Equity	2,135,840,889	1,736,300,262	1,587,067,868
Income and Expense Items			
Technical Income	1,753,841,699	1,523,163,876	1,082,506,489
Technical Expenses	1,668,777,912	1,422,503,672	1,019,325,705
Technical Profit/Loss	85,063,787	100,660,204	63,180,784
Financial Income	661,184,678	644,537,098	378,157,716
Financial Expenses	403,360,732	425,812,893	192,041,506
General Expenses	30,377,119	41,170,997	46,274,649
Financial Profit/Loss	227,446,827	177,553,208	139,841,561
Profit/Loss for the Period	312,510,614	278,213,412	203,022,345

Key Ratios (%)	2019	2018	2017
1. Capital Adequacy Ratios			
Gross Premiums/Shareholders' Equity	86	79	72
Shareholders' Equity/Total Assets	43	44	47
Shareholders' Equity/Net Technical Provisions	87	90	103
2. Asset Quality and Liquidity Ratios			
Liquid Assets/Total Assets	50	51	53
Liquidity Ratio	159	154	170
Current Ratio	121	121	128
Premium and Reinsurance Receivables/Total Assets	8	8	6
3. Operational Ratios			
Retention Ratio	88	87	88
Paid Claims/Paid Claims+Outstanding Claims	40	39	39
4. Profitability Ratios			
Gross			
Loss Ratio	82	84	69
Expense Ratio	26	27	28
Combined Ratio	108	111	97
Net			
Loss Ratio	87	93	76
Expense Ratio	30	31	31
Combined Ratio	117	124	107
Profit Before Tax/Gross Written Premiums	21	23	23
Gross Financial Profit/ Gross Written Premiums	16	16	17
Technical Profit/Gross Written Premiums	5	7	6
Profit Before Tax/Average Total Assets	8	8	8
Profit Before Tax/Average Shareholders' Equity (Excluding Profit)	21	22	19

Key Figures	2019	2018	2017	2016*	2015**
Gross Premiums	1,658,819,927	1,320,177,533	1,085,712,889	929,965,931	996,757,231
Technical Division Balance	85,063,787	100,660,204	63,180,784	85,088,498	(29,083,231)
Investment Income	661,184,678	644,537,098	378,157,716	320,507,563	292,239,946
Investment Expenses	(403,360,732)	(425,812,893)	(192,041,506)	(175,258,106)	(121,243,981)
Other Income and Expenses	6,850,022	(13,488,014)	(2,143,249)	(23,167,772)	(9,859,605)
Gross Profit/Loss for the Period	349,737,755	305,896,395	247,153,745	207,170,184	132,053,129
Taxation	(37,227,141)	(27,682,983)	(44,131,400)	(3,558,844)	0
Profit/Loss for the Period	312,510,614	278,213,412	203,022,345	203,611,340	132,053,129
Shareholders' Equity	2.135.840.889	1.736.300.262	1.587.067.868	1.423.976.225	1.253.164.879
Total Assets	4.531.965.239	3.738.241.986	3.179.504.466	2.816.938.598	2.647.784.232

*2016 results were restated according to the equity method.
**2015 results have not been restated according to the equity method.

COMPANY CAPITAL

Company's capital adequacy is calculated in accordance with the principles set out in the "Regulation on the Measurement and Evaluation of Capital Adequacy of Insurance, Reinsurance and Pension Companies" published in the Official Gazette issue 29454 dated 23 August 2015. According to the calculation based on the principles specified by the Regulation, Milli Re had a surplus of TL 1,403 million as at end of 2019.

The Company has sufficient shareholders' equity to cover liabilities that might result from its existing and potential risks.

Capital Adequacy (TL million)	2019	2018	2017
Required Capital	581	467	385
Available Capital	1,985	1,546	1,367
Capital Adequacy Result	1,403	1,079	982

2019 TECHNICAL RESULTS

Milli Re's premium income increased by 25.65% on a year-on-year basis and reached TL 1,658,819,927 in 2019. Paid claims increased by 28.81% and were recorded as TL 986,681,894 as at the end of 2019.

Premium Production (TL)

Line of Business	2019	2018	2017
Accident	27,302,812	29,228,125	38,973,085
Health	8,029,501	6,949,085	7,605,904
Land Vehicles	38,102,445	34,067,419	21,540,505
Railway Vehicles	-	-	-
Air Vehicles	735,239	522,708	456,774
Sea Vehicles	45,936,915	36,025,194	30,059,346
Marine	52,994,825	50,733,243	40,782,720
Fire & Natural Disasters	977,897,738	688,500,691	521,732,614
General Damages	367,787,905	358,625,948	313,468,608
Land Vehicles Liability	46,795,194	41,101,168	43,211,274
Air Vehicles Liability	-	-	-
Sea Vehicles Liability	28,056	24,404	7,008
General Liability	70,219,885	51,426,124	48,562,577
Credit	490	-	(47,688)
Fidelity Guarantee	1,195,108	688,030	546,544
Financial Losses	4,087,588	1,552,706	1,131,580
Legal Protection	382,386	418,001	1,752,535
Total Non-life	**1,641,496,087**	**1,299,862,846**	**1,069,783,386**
Life	**17,323,840**	**20,314,687**	**15,929,503**
Total	**1,658,819,927**	**1,320,177,533**	**1,085,712,889**

2019 Premium Production

Geographical Breakdown	TL	%
Turkey	**1.060,777,933**	**64**
Asia	**228,328,110**	**14**
Asia	152,159,678	9
Middle East	76,168,432	5
Europe	**93,377,837**	**6**
Western Europe	30,094,279	2
Central&Eastern Europe	63,283,558	4
Worldwide	**190,105,257**	**11**
Others (incl. America)	**76,904,354**	**5**
Africa	**9,326,436**	**-**
	1,658,819,927	**100**

2019 TECHNICAL RESULTS

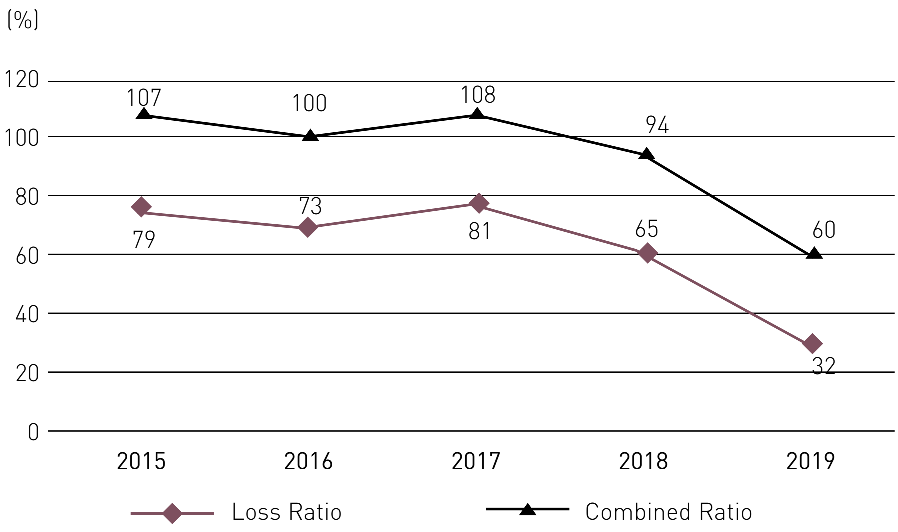
Milli Re's technical operations resulted with TL 85.1 million of profit, owing mainly to increased premium income, contribution of other income and expense accounts and net income transferred from non-technical accounts.

Technical Profitability (TL)

Line of Business	2019	2018	2017
Accident	19,270,398	9,654,743	10,083,882
Health	(23,654,163)	336,021	2,399,238
Land Vehicles	(2,082,930)	5,243,438	(4,417,497)
Railway Vehicles	-	-	-
Air Vehicles	822,139	(134,925)	(82,917)
Sea Vehicles	(13,176,073)	(4,004,357)	(18,198,146)
Marine	21,999,869	18,564,180	8,511,107
Fire & Natural Disasters	110,252,677	97,531,101	76,624,490
General Damages	(4,986,851)	1,768,730	13,250,496
Land Vehicles Liability	(8,741,515)	(29,263,167)	(32,593,428)
Air Vehicles Liability	-	-	-
Sea Vehicles Liability	729.938	(350,778)	177,638
General Liability	5,898,370	(4,138,904)	9,809,147
Credit	(29,278)	(188,397)	2,385
Fidelity Guarantee	(205,730)	(535,041)	(1,169,210)
Financial Losses	(25,064,359)	(283,129)	(1,412,299)
Legal Protection	418,611	1,021,919	1,150,712
Total Non-life	**81,451,103**	**95,221,434**	**64,135,598**
Life	**3,612,684**	**5,438,770**	**(954,814)**
Total	**85,063,787**	**100,660,204**	**63,180,784**

Development of technical ratios per underwriting year are given below in order to provide a better assessment of the implication of the revisions made in Company business model in line with the Company strategy.

Technical Ratios per Underwriting Year (net)



2019 FINANCIAL RESULTS

The Company's financial investments are made in accordance with the Asset Investment Guidelines formulated under the provisions of the "Regulation Amending the Regulation on the Financial Structures of Insurance, Reinsurance and Pension Companies" published in the Official Gazette issue 27877 dated 17 March 2011.

The Company prefers to invest in liquid instruments with high yield and minimum risk, while part of the portfolio is managed by İş Portföy Yönetimi A.Ş. (İş Asset Management). The Company's financial results are presented in detail below.

Investment Income

Considerable increase was recorded in the interest income due to high current interest rates for deposit on our investment portfolio predominantly consisting of time deposits during the reporting period. There has also been a rise in income from the financial investment as a result of increased return from coupon payments and redemption of corporate and government bonds.

Due to the absence of income generated from investment fund sales which existed during the previous period, there has been a reduction in the income from disposal of financial assets.

The decrease in valuation of financial assets was mainly caused by the revaluation of time deposits.

Compared to the same period of the previous year, due to the lower increase in rates of exchange during the reporting period there has been a limited income from evaluation transactions of Company's foreign currency assets which reflected as reduction in foreign exchange gains.

In 2019, subsidiaries of the Company Anadolu Anonim Türk Sigorta Şirketi and Miltaş Turizm İnşaat Ticaret A.Ş. are accounted in line with equity method and accordingly, owing to the profit of these companies, income from affiliates and income from subsidiaries and joint ventures increased.

Income related to Property, Plant and Equipment rose as a result of increased rental income.

(TL)	2019	2018	Change (%)
Investment Income	661,184,678	644,537,098	2.58
Income from Financial Assets	288,894,987	214,039,085	34.97
Income from Disposal of Financial Assets	10,190,719	50,373,242	(79.77)
Valuation of Financial Assets	(7,692,608)	7,026,454	(209.48)
Foreign Exchange Gains	61,769,977	139,716,863	(55.79)
Income from Subsidiaries	44,942,194	31,731,033	41.63
Income from Subsidiaries and Joint Ventures	216,410,793	157,046,405	37.80
Income from Property Plant and Equipment	46,591,631	44,371,016	5.00
Income from Derivative Transactions	18,985	-	-
Other Investments	58,000	233,000	(75.11)

Investment Expenses

There was a decrease in Investment Management Expenses as a result of our Singapore Branch Office's investment portfolio not having any time deposits in Turkey during the reporting period. The amount accounted under this item reflects interest expenses calculated as per IFRS 16.

Loss from Disposal of Financial Assets decreased due to the absence during the current period of losses resulting from the sale of government bonds, which was accounted during the previous period as well as the preference of fixed income security dominant funds rather than equity dominant funds as it was during the previous year as part of the investment funds portfolio.

Due to the movements in rates of exchange, foreign exchange losses decreased.

Further to the expenditure calculated in accordance with the increase in the income subject to expenditure tax, other investment expenses increased.

(TL)	2019	2018	Değişim (%)
Investment Expenses	(403,360,732)	(425,812,893)	(5.27)
Investment Management Expenses - (Incl. Interest)	(44,377)	(511,981)	(91.33)
Loss from Disposal of Financial Assets	(1,345,499)	(11,907,041)	(88.70)
Investment Income Transferred to Non-life Technical Account	(348,001,715)	(338,043,300)	2,95
Foreign Exchange Losses	(31,632,288)	(57,759,377)	(45.23)
Depreciation and Amortisation Expenses	(4,170,943)	(2,297,422)	81.55
Other Investment Expenses	(18,165,910)	(15,293,772)	18.78

Income and Expenses from Other and Extraordinary Operations

While there has been a loss in Income and Expenses from Other and Extraordinary Operations in the previous period, company recorded a profit in the same item during the current year as a result of high amount of deferred tax income due to the increase in unexpired risk reserves and equalisation reserve as well as the effect of receivables from the tax office within the Company's corporate tax calculation due to deficit of Singapore Branch in 2018.

(TL)	2019	2018	Değişim (%)
Income and Expenses From Other and Extraordinary Operations	(6,850,022)	(13,488,014)	(150.79)
Provisions	(13,080,686)	(13,191,358)	(0.84)
Rediscounts	(299,165)	(727,787)	(58.89)
Deferred Taxation (Deferred Tax Assets)	9,740,590	1,814,922	436.69
Other Income	10,607,605	379,572	2,694.62
Other Expenses and Losses	(118,322)	(1,763,363)	(93.29)

Corporate Tax Liability Provision on Period Profit

The increase in the corporate tax liability provision on period profit account is caused by higher taxable profit in the current period compared to previous period. The corporate tax liability provision is calculated starting by taxable profit excluding Singapore Branch.

As a result, the Company posted a net profit of TL 312,510,614 in 2019.

GENERAL ASSEMBLY AGENDA

MİLLÎ REASÜRANS T.A.Ş.

AGENDA FOR THE GENERAL ASSEMBLY HELD ON 26 MARCH 2019

1. Opening and formation of the Presiding Board,
2. Reading and discussion of the 2019 Activity Report drawn up by the Board of Directors,
3. Reading of the Statutory Auditors' report,
4. Reading, discussion and approval of the Company's Financial Statements for 2019,
5. Declaration of the Board of Directors,
6. Determination of the manner and date of distribution of profit,
7. Election for the seats on the Board of Directors,
8. Determination of Statutory Auditor,
9. Determination of the remuneration to be paid to the members of the Board of Directors,
10. Authorising the Board of Directors to perform the transactions set out in Articles 395 and 396 of the Turkish Commercial Code.

REPORT BY THE BOARD OF DIRECTORS

Distinguished Shareholders,

We respectfully present the balance sheet, income statement, profit distribution statement, statement of changes in equity, and the cash flow statement showing the results achieved in 2019, marking the Company's 91st year of operation, for the assessment and approval of the Esteemed Assembly. These documents are prepared in line with the provisions of applicable legislation and the principles and guidelines set out by the Republic of Turkey Ministry of Treasury and Finance.

The effects of deceleration in the momentum of the global economic activity beginning after the second quarter of 2018, continued to prevail in 2019. The year was marked with shrinking trade and industrial production volumes as well as expansionary measures implemented by central banks. The increased volatility in the global trade coupled with the rise of economic uncertainty led to a downward pressure on the global growth expectations; IMF adjusted its 2019 economic growth forecast as 2.9%, whilst the global growth rate for 2018 was 3.8%.

While the signing of the Stage One of long negotiated trade deal between USA and China with the purpose of putting an end to the escalation of tensions, was expected to ease the uncertainty over both the developed and developing economies; President Donald Trump's Impeachment hearings, Fed's suspension of lowering interest rates, and legislative debates concerning personal data and technology remain to be potentially high-impact political developments for 2019.

While Brexit, the most concerning issue for Europe throughout 2019, seem to be settled on a path following the elections in the UK, the stagnation in the European Union which struggles to achieve growth has deepened due to global outlook and change in demographics. As a result, the growth rate for the EU between 2020-2024 is estimated to be 1.4%.

While increased tensions due to the trade wars and geopolitical disputes combined with deterioration in investment, manufacturing and trust indicators negatively impacted global growth; central banks of developed economies and monetary authorities of developing countries enacted loose monetary policies to break the downward growth trend. It is estimated that the lowering of interest rates trend lead by Brazil, Russia, China, India, and Turkey, while at a decelerating pace, would continue.

In line with the developments of global economy, Turkey's economy also began to contract starting from the last quarter of 2018 and into the first half 2019; nevertheless, following a positive trend and recovering faster than expected in the second half of 2019. Taking into account favourable global liquidity conditions created by expansionary monetary policies implemented by central banks of developed countries, Central Bank of Republic of Turkey's (CBRT) started to cut interest rates in the second half of the year and along with the weak domestic demand observed over the past year, inflation followed a downward trend due to the relatively stable course of TL as well as the high base effect and the moderate pattern in commodity prices. In 2019, our country had an intense agenda in terms of politics and the geographical region it is located.

When considered within the context of insurance and reinsurance, in 2019 global economy had been negatively affected by disasters with an amount of USD 150 billion of economic loss. While this loss amount was below the level of USD 160 billion recorded in the previous year; insured catastrophe losses decreased by 35% year-on-year to USD 52 billion from USD 80 billion. In addition to the fact that catastrophes affect many developing countries where the insurance penetrations are low; the amount related to the insured losses were well below the USD 65 billion average amount of the last decade, since a significant part of the damage was caused by floods which are not as widely covered as hurricanes.

In 2019, Asia has been the most affected region by catastrophes. For the insurance industry, Hagibis and Faxai were the two costliest natural disasters which severely affected Japan by causing a total insured loss in the amount of USD 17 billion. After the beginning of the Pacific hurricane season of 2019; another major natural disaster occurring in the region was the Lekima Typhoon, which affected many regions of China. During the relatively mild Atlantic hurricane season, North America was affected by Hurricane Dorian. Since September, catastrophic bushfires have been taking place in Australia due to record temperature levels and intense drought; predominantly in Queensland, Victoria, Tasmania, South Australia, Western Australia and New South Wales regions the bushfires spread all over the country and 10.3 million hectares of land was burned to ashes. In Europe, caused by the severe weather conditions in the first half of the year, Hurricane Eberhard, which mostly affected Western and Central Europe on 10 to 11 March, was one of the costliest market losses recorded during the first half of 2019.

Total reinsurance capital, including alternative capital, increased by 7% in the first three quarters of 2019, reaching USD 625 billion. In January 2020 renewals, while it was observed that the reinsurance demand remained high due to increasing loss frequencies, major natural disasters, and legal regulations such as Solvency II, with supply level sufficient to meet demand; reinsurance prices on a global scale showed an upward trend due to increasing claim costs and declining profitability levels.

According to 2019 year-end figures released by the Insurance Association of Turkey, insurance industry in Turkey produced TL 69.2 billion premium with an increase of 27%. This amount reflects the double counting effect emanating from the "High Risk Insurance Pool" for Land Vehicles Liability Insurance on market data. 84% of the total premium was generated by Non-life and 16% from Life insurance.

In the second half of 2019, due to the impact of the reduction in interest rates, especially on consumer and housing loans, there has been 64% growth in life insurance and its share in total premium production increased from 13% in 2018 to 16%. While a growth of 21% on nominal basis was recorded in Non-life businesses in 2019, in real terms growth was around 8%. While 49% of the Non-life premium was obtained from Land Vehicles Liability and Land Vehicles, due to continuation of price cap and the sluggish vehicle sales compared to previous years, the growth rate in these lines was muted and constrained the overall Non-life premium production.

In addition to the above, commercial and industrial risk premiums in Fire and Natural Catastrophe Perils which have approximately 15% share in Non-life premium production have increased despite the price driven competition and relative stagnation in investments, due to the fact that a significant portion of the insured risks and premiums are indexed to foreign exchange or inflation and the premiums of the Fire and Natural Catastrophe Perils contributed to total premium production with a growth rate of 21% in nominal and 8% in real terms. Having 14% share in Non-life premium, Health and Sickness premiums, recorded a 34% growth in nominal and approximately 21% in real terms, owing to the positive developments in products with important growth prospect such as Health and Complementary Health Insurance.

Reinforcing its know-how and experience in the local market with the reputation earned in the international markets, Milli Re participates in a significant number of the reinsurance programmes of companies operating in the Turkish insurance market, most of which have international shareholders. Milli Re provided capacity to 22 companies that utilised proportional treaties, leading 17 bouquets and having a 27% market share in 2020.

Providing reinsurance capacity to the Turkish insurance market since 1929, our Company started to underwrite business from the international markets in 2006 and Singapore Branch began its operations in 2008, as part of Milli Re's strategy to expand to international markets. Marking its 91st anniversary in 2019 and being one of the oldest reinsurance companies active in Europe, Milli Re provides reinsurance capacity to various insurance companies operating in over 50 countries.

Focusing on profit-oriented risk management and sustainable growth targets, our Company continues its efforts to achieve digital transformation in order to increase efficiency and reduce expenses.

The total premium production of our Company by the end of 2019 reached TL 1,659 million indicating a year-on-year growth of 26%. 64% of total premium amounting to TL 1,061 million was obtained from local business while 36% equalling to TL 598 million originated from international markets. In 2019, taking into account the investment income and expense transferred from non-technical operations, our Company obtained a profit of TL 85.1 million in respect of our technical operations and TL 227.4 million from financial operations and closed the 2019 operating year with a profit of TL 312.5 million. The assets of our company reached TL 4,532 million and shareholders' equity was TL 2,136 million as at the end of 2019.

As always, our Company aims to continue its success in the future and progress through a sustainable profit oriented growth. We would like to thank our esteemed stakeholders for supporting our Company, while it continuously paves the way in determination to add value to the Turkish Insurance Market with its expertise and know-how gained over the long years of operation, and positions itself as a preferred business partner in the international markets.

BOARD OF DIRECTORS

DIVIDEND DISTRIBUTION POLICY

Maintaining a balance between the Company's interests, shareholders' expectations and the Company's profitability are the main factors taken into consideration in relation to dividend distribution.

Dividend distribution principles that are determined within the framework of the applicable legislation and the Company's Articles of Association are presented below:

Profit distribution of the Company is decided by the General Assembly of Shareholders based on the proposal set forth by the Board of Directors in view of the provisions of the Turkish Commercial Code and other applicable legislation governing the Company.

The Company's net profit consists of the revenues generated up until the end of an accounting period less general expenses, depreciation, all reserves deemed necessary, taxes and similar legal and financial obligations, along with previous years' losses, if any.

Net profit, which is calculated as mentioned above, is allocated and distributed in the order written below:

a) An amount equal to 5% of the net annual profit is set aside as general legal reserves every year until such reserves reach 20% of the paid-up capital.

b) Once the legal limit is reached, the amounts stipulated by Article 519/2 (a) and (b) of the Turkish Commercial Code are added to the general legal reserves.

c) A first dividend equal to 10% of the remaining net profit is distributed to shareholders.

d) In the event that the Company has repurchased its own shares, reserves equal to the amount that would cover the acquisition costs will be set aside pursuant to Article 520 of the Turkish Commercial Code.

e) A natural disaster and catastrophe fund may be set aside from the remaining amount, if deemed necessary, of amounts to be determined upon the proposal set forth by the Board of Directors and based on the resolution passed by the General Assembly.

f) From the balance that remains after setting aside the legal reserves, first dividends, other reserves and funds mentioned above from the net profit, a proportion up to 3% is paid out to employees, provided that the amount does not exceed three times' the recipients' salaries.

g) From the amount remaining after the above-mentioned allocations and distributions, without prejudice to the provisions of the applicable legislation, a second dividend is paid to shareholders upon the proposal set forth by the Board of Directors and based on the resolution passed by the General Assembly.

h) In pursuance with the provision of Article 519/2 (c) of the Turkish Commercial Code, 10% of the total amount to be distributed to those who will receive a share of the profit will be added to legal reserves.

i) The balance will be utilised in a form and manner to be determined by the General Assembly.

Provisions of Article 519/3 of the Turkish Commercial Code are reserved.

Unless and until the reserves that are legally required to be set aside and the first dividends determined for shareholders in the Articles of Association are set aside, no decision may be taken to set aside further reserves, to carry forward profit to the following year or to distribute any share of the profit to the employees.

The distribution of the cash dividend must be realised no later than by the end of the second month following the date of the Annual General Assembly in which the profit distribution decision was passed. The distribution of a dividend in the form of dematerialised shares is carried out upon receipt of legal permissions.

DIVIDEND DISTRIBUTION PROPOSAL

Out of TL 350,548,490	that constitutes the pretax profit reported in 2019 balance sheet,
Less TL 37,227,141 Yielding TL 313,321,349	to be set aside as provision for taxes provided that there is a balance after accrual of taxes, such balance will be added to legal reserves; which is the pretax profit reported in 2019 balance sheet,
TL 15,666,067 from the remaining amount of TL 297,655,282	which is 5% pretax profit, set aside for legal reserves as per section 27/a of the Articles of Association;
TL 29,765,528 from the remaining amount of TL 267,889,754	which is 10% of pretax profit, be distributed to shareholders as first dividend, as per section 27/c of the Articles of Association,
TL 3,939,929 from the remaining amount of TL 263,949,825	for distribution to the personnel, as per section 27/f of the Articles of Association,
a total of TL 13,234,472 from the remaining amount of TL 250,715,353	be set aside for second dividend, as per section 27/g of the Articles of Association
TL 1,393,993 the entirety of the remaining amount of TL 249,321,360	be set aside as statutory reserves as per Article 519/2 (c) of the Turkish Commercial Code be transferred to legal reserves.

Provided that the proposal presented above is approved by your Esteemed Assembly, profit share distribution will take place on 30 March 2020. We extend our thanks to our business partners and our employees who contributed to the positive results achieved in 2019.

BOARD OF DIRECTORS

RISKS AND ASSESSMENT OF THE GOVERNING BODY

5

RISK MANAGEMENT PRACTICES

Given the risk-focused nature of insurance business, insurance and reinsurance companies establish risk management systems and processes, and systematically monitor risk exposure, as part of their primary activities. Therefore, our Company has been implementing risk management techniques for many years; development of these techniques has gained even greater importance due to the adverse developments in the Turkish and global financial markets during the recent years, as well as the disasters that have occurred.

The aim of the risk management system is to define the risks arising from Company's activities, to determine related limits, to measure, monitor, control the risks effectively, to take necessary measures and to do the necessary reporting to related authorities, as well as to protect Milli Re's reputation and to ensure that liabilities to insurance companies are fulfilled completely and in a timely manner.

The function of the Risk Committee, established to determine risk management strategies and policies that the Company will follow and submit them to the Board of Directors for approval, is to evaluate the risk management activities of the Internal Control and Risk Management Department in accordance with the related procedures and to monitor the implementations in respect of risk management function throughout the Company.

The "Risk Catalogue", which aims to form a common terminology within the Company and in which possible risks are classified and defined by examples, is updated in accordance with changing conditions and approved by the Board of Directors. Moreover, the measurement methods of the risks that the Company is/may be exposed to, risk tolerance, duties and responsibilities related to risk measurement, risk limits, determination methods of these limits, action plans in case of limit violations, authorisations and responsibilities related to limits, and situations that necessitate approval and confirmation are detailed in the "Application Principles in Respect of Risk Limits", which is approved by the Board of Directors and updated in accordance with changing conditions.

The risk management duties and responsibilities of the Internal Control and Risk Management Department are as follows:

- To determine, define, measure, monitor and control risks,
- To determine the risk management policies predicated on risk management strategies and to submit them to the Risk Committee,
- To declare risk management principles, procedures and policies throughout the Company,
- To provide the implementation of risk management policies and compliance with them,
- To develop risk management techniques and methods, to ensure that risks are within determined limits and to monitor limit violations, if any,
- To carry out reporting and announcement activities in respect of risk management,
- To follow-up developments in respect of capital adequacy applications prominent in international markets and conduct studies in this regard.

Basic Risks and Measurement Methods

Risks that the Company is and/or may be exposed to are classified under two headings: financial and non-financial risks. Definitions of basic risks and their assessment methods are stated below.

Financial Risks

Underwriting Risk

This risk arises from the inaccurate and inefficient application of reinsurance techniques in the process of making profit by underwriting and retrocession activities.

When measuring underwriting risk, assessment of compliance with predetermined underwriting limits and principles and compliance of Company's retention and reinsurance protection limits with the criteria set out in the "Application Principles in Respect of Risk Limits" is conducted.

Company's capital structure, market conditions, underwriting limits in respect of the lines of business which will be subject to retrocession contracts, risk profiles, loss experience, accumulation that may occur in the event of a catastrophe risk, regional event limits, and modelled loss amounts, if applicable, are taken into consideration during arrangement of retrocession contracts which are prepared in order to cover the liabilities arising from underwritten business.

Credit Risk

This risk expresses the probability of loss arising from the full or partial default of the counterparties (security issuers, insurance/reinsurance companies, other debtors) with which the Company has a business relationship.

Credit risk is measured by both quantitative and qualitative methods. The key criteria in the selection of reinsurers, participating in the retrocession contracts arranged for covering Company's liabilities arising from business acceptances in various lines of business, is the credit ratings of reinsurers. On the other hand, the payment performances and financial conditions of counterparties are also taken into account.

In order to assess the concentration risk arising from the transfer of the risk to one or several specific reinsurers, premiums ceded to reinsurers are taken into consideration based on whether reinsurers are licensed in Turkey or not, whether they are on the list of companies or groups formed by the Ministry of Treasury and Finance according to financial and technical adequacy criteria. Premium transfers that exceed the limits stated by the Ministry of Treasury and Finance are considered as concentration and are included in the capital adequacy calculation by being multiplied by risk factors defined by the said authority.

Moreover, doubtful receivables, distribution of the Company's investment portfolio in terms of counterparties, and the ratings of bond issuers of private bonds that are in the portfolio, are monitored quarterly in accordance with the principles defined in Company's Investment Policy.

Asset-Liability Management Risk

This risk expresses the potential loss that may arise from the inefficient and inaccurate management of Company assets without considering the characteristics of the Company's liabilities and optimising the risk-return balance.

This risk, which is measured by quantitative methods, includes all other financial risks of the Company with the exception of underwriting and credit risk. The components of the risk are described below:

a) Market Risk

This risk expresses the probability of loss because of the interest rate risk, rate of exchange risk and equity position risk occurring in the financial position of the Company due to the interest, rate of exchange, equity, commodity and option price changes arising from the volatilities in financial markets.

When determining market risk exposure of the Company, Value at Risk (VaR) method, which measures the maximum loss that may occur at a definite confidence level in value of investment portfolio held for a definite time period, due to volatilities in risk factors is used. VaR is calculated by using the "Historical Simulation Method" where different scenarios are created by taking into consideration the historical data. Calculations are based on 250 working days, 99% confidence level and 1 day holding period.

In addition to the daily calculated VaR, following tests are applied:

- Backtesting
- Stress Tests
- Scenario Analysis

These tests are used to support the VaR method in calculating the loss in portfolio value due to unexpected and extraordinary circumstances and intend to test the accuracy of the measurement results and monitor the sensitivity of the portfolio to changes in the basic risk factors by creating different scenarios.

Market risk limits are set out in "Application Principles in Respect of Risk Limits", while limits and application principles in respect of investment portfolio are set out in "Derivatives Policy", "Macro Asset Investment Policy", "Investment Policy" and "Alternative Investment Plan" of the relevant year. Mentioned limits are checked regularly.

b) Structural Interest Rate Risk

This risk expresses the negative impact on balance sheet assets and liabilities which are not subject to trading, due to possible changes in interest rates.

Receivables from reinsurance operations and payables arising from reinsurance operations are discounted by using LIBOR rates in respect of related currencies and maturities and these figures go into the financial statements, accordingly they are subject to structural interest rate risk. Upward and downward shocks are applied to LIBOR rates that are used in discounting process every three months and possible changes in values of receivables and payables are calculated.

c) Liquidity Risk

This risk denotes the imbalance between the Company's cash outflows and inflows in terms of maturity and volume.

This risk is measured using quantitative methods, and any liquidity deficit is observed via maturity analysis of assets and liabilities in the balance sheet. Moreover, level of liquid assets covering liabilities is monitored by using the liquidity ratio and assessed within the defined limit.

d) Capital Investment Risk

This risk expresses the loss that may arise in the value of capital investments or dividend income due to general market conditions, legislative amendments and/or to the problems in managerial or financial structure of the invested companies.

Market values of the equities followed-up under financial assets held for trading account are evaluated on the basis of Borsa İstanbul (BİST) data, whereas available-for-sale financial assets are evaluated according to their fair values. Subsidiaries and affiliates are evaluated according to equity method.

e) Real Estate Investment Risk

This risk expresses the negative impact on assets which are sensitive to real estate prices, due to adverse movements or excessive volatilities in real estate prices or the sale of the real estates under actual value.

Real Estate Investment Risk is monitored in accordance with valuation reports which are to be prepared in accordance with the related provisions of the legislation and taking into consideration the Company's requirements and investment policies. Besides, by applying a defined downward stress on the expertise values, loss amount that may arise in the value of real estates and shareholders' equity is monitored.

Non-Financial Risks

Operational Environment Risk

This risk is defined as the risk of negative impact of external factors (political, economic, demographic etc.) of the Company's operating environment, on the operational ability of the Company.

Qualitative methods are used to measure this risk. The underwriting portfolio is monitored on country basis to see if there are any business acceptances from countries that are defined as "unapproved" due to political or economic conditions and also credit ratings of countries, generating the highest share of estimated premium income in respect of developing market acceptances are analysed.

Strategy Risk

This risk arises due to the inefficient managerial and organisational structure of the Company, inability of the management to determine and/or develop effective strategies or non-disclosure and/or lack of implementation of these strategies, erroneous business decisions, and improper application of decisions or noncompliance with the changing market dynamics.

Qualitative methods are used to measure the level of this risk. On the basis of "Self-Assessment Methodology", "Questionnaire" and/or "Interview" methods are used to determine the impact and probability level of the risk as "High", "Acceptable" or "Low".

Model Risk

This risk expresses the probability of loss that may occur if the models that the Company uses within risk measurement processes are inappropriately designed or not properly implemented.

In measurement and assessment process of Model Risk, "Questionnaire" and/or "Interview" methods are used on the basis of "Self-Assessment Methodology", to determine the impact and probability level of the risk as "High", "Acceptable" or "Low".

Operational Risk

This risk expresses the probable losses arising from inappropriate or inoperative business processes, human errors, technological or infrastructural interruptions, changes in management or processes, inaccurate internal/external reporting or external factors occurring while Company conducts its vital functions necessary for the continuation of business, and inability to secure low cost and high efficiency as a result of business interruption due to disasters.

Qualitative and quantitative methods are used together in measuring the operational risk. Factor Based Standard Approach is applied as a quantitative method. In this method, the required capital for operational risks is calculated by multiplying gross technical provisions and gross earned premiums by the factors in respect of the relevant lines of business. "Self-Assessment Methodology", which allows determination of the risks related to activities conducted with the involvement of staff performing such activities, is applied as a qualitative method for operational risk. The level of the operational risk that the Company is exposed to is subsequently classified as "High", "Acceptable" or "Low" depending on the result of the assessments.

Reputation Risk

This risk can be defined as the probable loss due to loss of confidence of the Company or damage to the "Company Reputation" resulting from failures in operations or noncompliance with current regulations.

Qualitative methods are used to measure the level of the risk. On the basis of "Self-Assessment Methodology", "Questionnaire" and/or "Interview" methods are used to determine the impact and probability levels of the risk as "High", "Acceptable" or "Low".

Information Technologies Risk

This risk expresses the probable losses arising in Information Technology (IT) processes, assets and resources that constitute the entire hardware, applications and communication channels used in operations, due to internal and external problems occurring in operations and processes such as strategy management, cost management, human resources management, risk management, incident and problem management, information security, back up process, procurement process, supplier selection and assessment, user identification and access management, critical resources management, data security, integrity and availability, acquisition and modification of software and hardware, test and version management, service quality and continuity, business continuity, disaster and configuration management, environmental and physical factors management.

Risks related to Company's information technologies are measured and assessed based on Control Objectives for Information and Related Technologies (COBIT), which is an international framework for IT management, as well as other internationally accepted practices, in accordance with the provisions stated in Information Technology Risk Management Application Principles.

On the other hand, Disaster Management process, defined with the purpose of governing and monitoring sub-risks in relation to Business Continuity and IT Continuity, is carried out in accordance with the provisions of related legislation. An internal training is organised and a test study is performed annually within the context of Disaster Management. In this regard, for business processes and information systems a test study was performed in Disaster Office on 14 December 2019, providing connections through the Company's servers located in Disaster Centre located outside of Istanbul. According to the results of this study which was performed by displaying and entering the data, it was confirmed that IT resources related to critical processes and data stored in these resources were accessible in conformity with recovery point objectives.

All findings obtained as a result of measurement of the above as far as Fire and Natural Disasters Insurance is concerned, there has been increase in the premium production especially from the commercial and industrial risks due to the exchange rate movements and inflation mentioned risks, analyses and assessments in respect of these findings are regularly reported by Internal Control and Risk Management Department to General Manager, Risk Committee and Board of Directors, as well as to Subsidiaries Division of İşbank.

If the impact and probability levels of the risks are found "High", the Board of Directors determines an action plan regarding the necessary actions.

ASSESSMENT OF CAPITAL ADEQUACY

The Company's capital adequacy is measured according to the provisions of "Regulation in Respect of Measurement and Assessment of Capital Adequacy of Insurance, Reinsurance and Pension Companies", which was published by the Ministry of Treasury and Finance and assessments regarding the results are submitted to General Manager, Risk Committee, Board of Directors and Directorate of Subsidiaries of İşbank via the "Risk Assessment Report".

The factor-based method, used according to the aforementioned regulation, determines the amount of capital required for each type of risk, and thus allows the calculation of the total required capital.

TRANSACTIONS CARRIED OUT WITH MILLI RE'S RISK GROUP

Being a member of İşbank group, Milli Re carries out its relations with its risk group on an arm's length basis.

Relations with group companies are concentrated mostly in reinsurance, banking, portfolio management, information technologies services and risk management.

Risk management activities are carried out in compliance with Consolidated Risk Policies of the risk group. Possible risks and findings obtained as a result of measurement are regularly monitored through reporting systems set up within the group.

Detailed information on the Company's transactions with its risk group is presented in the notes to the Financial Statements.

THE ANNUAL REPORTS OF THE PARENT COMPANY IN THE GROUP OF COMPANIES

a- The Parent Company Milli Re holds shares representing 57.31% of the capital of Anadolu Anonim Türk Sigorta Şirketi directly, and 1% and 20% of the capital of Anadolu Hayat ve Emeklilik A.Ş. directly and indirectly, respectively.

b- Group companies do not have any shares of Parent Company Milli Reasürans T.A.Ş.

c- The Company's Consolidated and Unconsolidated Internal Audit and Risk Management Policies are formulated within the frame of the relevant consolidated policies of the group of companies to which the Company is affiliated and covers the Company's subsidiaries subject to consolidation on a line-by-line basis. These are based on the operating principles of Türkiye İş Bankası A.Ş.

Millî Reasürans Türk Anonim Şirketi

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

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

6

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Millî Reasürans Türk Anonim Şirketi

A) Report on the Audit of the Unconsolidated Financial Statements

1) Opinion

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

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

2) Basis for Opinion

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

3) Key Audit Matters

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

Key audit matter	*How our audit addressed the key audit matter*
Estimates and assumptions used in calculation of insurance contract liabilities	
As of December 31, 2019, the Company has insurance liabilities of TL 2.235.100.571 representing 49% of the Company's total liabilities. The Company has reflected a net provision of TL 1.365.064.221 for the future outstanding claims for insurance contracts. In the calculation of Incurred But Not Reported (IBNR) claims provisions (net negative amount of TL 168.948.847) which is accounted under the outstanding claims reserves, the Company Management has used the actuarial assumptions and estimates detailed in note 2 and 17. Uncertainty of estimation and management judgment containing, IBNR calculations has been considered as a key audit matter.	We have performed the audit procedures related the actuarial assumptions which disclosed in the Note 2 and 17 together with the actuary auditor who is part of our audit team. These procedures are primarily intended to assess whether the estimates and methods that used in the calculation of the outstanding claims reserve by the Company are appropriate. In this context, we have performed the audit procedures related to the recording the Company's incurred outstanding claims; performed the analytical review, performed detailed testing on the incurred case files which selected randomly; have performed the audit procedures related to the completeness of the data used in the calculation of insurance contract liabilities; assessed the properness of the IBNR calculation method used by the Company for each line of businesses both the relevant claim characteristics and the Company's claim history; performed the recalculation procedure on the amount of IBNR calculated by the Company; reviewed the claim analyzes made by the Company's actuary and questioned these analyzes in terms of suitability and consistency of both legislation and Company past experience; assessed whether the explanation in the notes of the financial statements are sufficient.

Valuation of investment properties and properties for own use and significant information disclosed	
As explained in note 2, 6 and 7, the Company recognizes investment properties and properties for own use at their fair values, after initial recognition. As of December 31, 2019, fair value amount of the investment properties and properties for own use disclosed in the unconsolidated financial statements amounts to TL 415.891.000 and TL 179.340.000 respectively, as determined by independent appraisal firms and details of the valuation have been disclosed in note 2, 6 and 7. Due to the fact that investment properties and properties for own use are a significant part of the Company's assets and applied valuation methods contain significant judgements and assumptions, we have considered the valuation of properties as a key audit matter.	We assessed the qualifications, competencies and independence of the professional appraisers engaged by the management. In our audit, we assessed whether the valuation methods as applied by appraisers are acceptable for valuation of the underlying property. We reconciled the appraised value for independent sections in the valuation report with disclosed amount in note 6 and 7. In addition, we reconciled standing data included in the valuation report such as rental income, duration of lease contracts, occupancy rates and administration expenses to source documents. Among the other audit procedures we performed, we verified the assumptions used by the external appraisers in their valuations (including the discount rate, the market rent and the expected occupancy rates) against external data. For this assessment we involved internal valuation experts in our audit procedures. Due to the high level of judgment in the valuation of investment property and properties for own use and the existence of alternative assumptions and valuation methods, we assessed if the result of the external valuation is within an acceptable range. We also examined the suitability of the information in the financial statements and explanatory note, given the importance of this information for users of the financial statements.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 – December 31, 2019 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

2) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

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

Fatih Polat, SMMM
Associate Partner

February 27, 2020
Istanbul, Turkey

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

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

Istanbul,

February 27, 2020

Şule SOYLU Assistant General Manager	Özlem CİVAN Assistant General Manager	Fikret Utku Özdemir General Manager	Ertan TAN Actuary Registration No: 21

CONTENTS

UNCONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2019

(Currency: Turkish Lira (TL))

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

ASSETS			
		Audited Current Period	Audited Prior Period
I- Current Assets	Note	December 31, 2019	December 31, 2018
A- Cash and Cash Equivalents	**4.2,14**	**1.754.800.717**	**1.742.214.225**
1- Cash	4.2,14	60.119	19.945
2- Cheques Received	4.2,14	240.000	-
3- Banks	4.2,14	1.754.500.598	1.742.194.280
4- Cheques Given and Payment Orders (-)		-	-
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months		-	-
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Investments with Risks on Policy Holders	**11**	**520.755.751**	**159.988.747**
1- Financial Assets Available for Sale	11	527.710.291	166.943.287
2- Financial Assets Held to Maturity		-	-
3- Financial Assets Held for Trading		-	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders		-	-
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)	11	(6.954.540)	(6.954.540)
C- Receivables From Main Operations	**4.2,12**	**178.472.108**	**256.376.994**
1- Receivables From Insurance Operations		-	-
2- Provision for Receivables From Insurance Operations (-)		-	-
3- Receivables From Reinsurance Operations	4.2,12	125.367.512	129.439.516
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited For Insurance & Reinsurance Companies	4.2,12	53.104.596	126.937.478
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Pension Operation		-	-
9- Doubtful Receivables From Main Operations		-	-
10- Provisions for Doubtful Receivables From Main Operations (-)		-	-
D- Due from Related Parties		**-**	**-**
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
E- Other Receivables	**4.2,12**	**1.746.065**	**1.696.048**
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given	4.2,12	405.543	356.092
4- Other Receivables	4.2,12	1.340.522	1.339.956
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables	4.2,12	754.788	409.363
7- Provisions for Other Doubtful Receivables (-)	4.2,12	(754.788)	(409.363)
F- Prepaid Expenses and Income Accruals		**199.958.501**	**157.050.701**
1- Deferred Commission Expenses	17	186.668.623	147.058.200
2- Accrued Interest and Rent Income		-	-
3- Income Accruals	4.2	12.380.768	9.222.719
4- Other Prepaid Expenses		909.110	769.782
G- Other Current Assets		**7.095.926**	**1.251.722**
1- Inventories		119.748	110.589
2- Prepaid Taxes and Funds	12, 19	6.312.824	-
3- Deferred Tax Assets		-	-
4- Job Advances	4.2,12	10.000	166.660
5- Advances Given to Personnel		-	-
6- Stock Count Differences		-	-
7- Other Current Assets		653.354	974.473
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		**2.662.829.068**	**2.318.578.437**

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

UNCONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2019

(Currency: Turkish Lira (TL))

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

General Information
Financial Rights Provided to the Members of the Governing Body and Senior Executives
Research & Development Activities
Activities and Major Developments Related to Activities
Financial Status
Risks and Assessment of the Governing Body
Unconsolidated Financial Statements Together with Independent Auditors' Report Thereon
Consolidated Financial Statements Together with Independent Auditors' Report Thereon

ASSETS			
		Audited Current Period	Audited Prior Period
II- Non-Current Assets	Note	December 31, 2019	December 31, 2018
A- Receivables From Main Operations		**165.250.624**	**44.281.819**
1- Receivables From Insurance Operations		-	-
2- Provision for Receivables From Insurance Operations (-)		-	-
3- Receivables From Reinsurance Operations	4.2,12	68.753.775	44.281.819
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited for Insurance & Reinsurance Companies	4.2,12	96.496.849	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables From Pension Operations		-	-
9- Doubtful Receivables from Main Operations	4.2,12	28.638.564	25.352.034
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(28.638.564)	(25.352.034)
B- Due from Related Parties		**-**	**-**
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
C- Other Receivables		**-**	**-**
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
D- Financial Assets	**4.2,9**	**1.064.041.303**	**768.947.999**
1- Investments In Associates		-	-
2- Affiliates	4.2,9	160.221.809	118.255.503
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries	4.2,9	903.819.494	650.692.496
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)		-	-
E- Tangible Fixed Assets	**6**	**599.167.225**	**573.877.977**
1- Investment Properties	6,7	415.891.000	392.041.000
2- Diminution in Value for Investment Properties (-)		-	-
3- Building for own use	6	179.340.000	179.340.000
4- Machinery and Equipments		-	-
5- Furnitures and Fixtures	6	7.535.039	6.065.122
6- Vehicles	6	2.325.551	2.270.724
7- Other Tangible Assets (Including Leasehold Improvements)		-	-
8- Leased Tangible Fixed Assets	6	2.938.936	-
9- Accumulated Depreciation (-)	6	(8.863.301)	(5.838.869)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		-	-
F- Intangible Fixed Assets	**8**	**40.303.287**	**32.355.257**
1- Rights	8	10.494.461	8.428.284
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortizations (-)	8	(7.691.295)	(6.176.494)
8- Advances Regarding Intangible Assets	8	37.500.121	30.103.467
G- Prepaid Expenses and Income Accruals		**373.732**	**200.497**
1- Deferred Commission Expenses		-	-
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses		373.732	200.497
H- Other Non-current Assets		**-**	**-**
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets		-	-
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
II- Total Non-current Assets		**1.869.136.171**	**1.419.663.549**
TOTAL ASSETS		4.531.965.239	3.738.241.986

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

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2019

(Currency: Turkish Lira (TL))

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

LIABILITIES			
III- Short-Term Liabilities	Note	Audited Current Period December 31, 2019	Audited Prior Period December 31, 2018
A- Borrowings	**20**	**1.392.078**	-
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Current Portion of Long Term Borrowings		-	-
5- Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6- Other Financial Assets Issued		-	-
7- Value Differences on Issued Financial Assets (-)		-	-
8- Other Financial Borrowings (Liabilities)	20	1.392.078	-
B- Payables From Main Operations	**4.2,19**	**56.241.983**	**61.072.335**
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations	4.2,19	55.631.210	60.497.794
3- Cash Deposited by Insurance & Reinsurance Companies	4.2,19	610.773	574.541
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties	**4.2,19**	**141.374**	**109.359**
1- Due to Shareholders	45	116.208	97.467
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties	45	25.166	11.892
D- Other Payables	**19**	**2.411.894**	**2.054.267**
1- Deposits and Guarantees Received	19	240.000	-
2- Due to SSI regarding Treatment Expenses		-	-
3- Other Payables	19,4.2	2.171.894	2.054.267
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves	**17**	**2.095.347.691**	**1.741.675.129**
1- Unearned Premiums Reserve - Net	17	706.720.487	579.216.291
2- Unexpired Risk Reserves - Net	17	23.524.292	3.303.005
3- Mathematical Reserves - Net	17	38.691	73.795
4- Outstanding Claims Reserve - Net	4.2,17	1.365.064.221	1.159.082.038
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Relevant Provisions	**4.2,19**	**2.273.036**	**5.707.038**
1- Taxes and Dues Payable	19	2.085.958	2.335.582
2- Social Security Premiums Payable	19	187.078	163.021
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		-	-
5- Corporate Tax Liability Provision on Period Profit	19	37.227.141	27.682.983
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	19	(37.227.141)	(24.474.548)
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks		**-**	-
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs		-	-
H- Deferred Income and Expense Accruals	**19**	**7.246.691**	**6.796.679**
1- Deferred Commission Income	10,19	1.018.666	758.494
2- Expense Accruals	19	6.070.508	5.802.394
3- Other Deferred Income	19	157.517	235.791
I- Other Short Term Liabilities		**-**	**-**
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities		-	-
III- Total Short Term Liabilities		**2.165.054.747**	**1.817.414.807**

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

UNCONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2019

(Currency: Turkish Lira (TL))

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

General Information
Financial Rights Provided to the Members of the Governing Body and Senior Executives
Research & Development Activities
Activities and Major Developments Related to Activities
Financial Status
Risks and Assessment of the Governing Body
Unconsolidated Financial Statements Together with Independent Auditors' Report Thereon
Consolidated Financial Statements Together with Independent Auditors' Report Thereon

LIABILITIES

IV- Long-Term Liabilities	Note	Audited Current Period December 31, 2019	Audited Prior Period December 31, 2018
A- Borrowings		**-**	**-**
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Bonds Issued		-	-
5- Other Issued Financial Assets		-	-
6- Value Differences on Issued Financial Assets (-)		-	-
7- Other Financial Borrowings (Liabilities)		-	-
B- Payables From Main Operations		**5.022.541**	**2.697.759**
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations	4.2,19	5.022.541	2.697.759
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Discount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		-	-
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses		-	-
3- Other Payables		-	-
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves	**17**	**139.752.880**	**100.987.550**
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net	17	139.752.880	100.987.550
F- Other Liabilities and Provisions		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks	**4.2,23**	**64.258.745**	**53.961.104**
1- Provision for Employment Termination Benefits	4.2,23	11.041.790	9.224.292
2- Provisions for Employee Pension Fund Deficits	4.2,22,23	53.216.955	44.736.812
H- Deferred Income and Expense Accruals	**19**	**-**	**32.500**
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income	19	-	32.500
I- Other Long Term Liabilities	**21**	**22.035.437**	**26.848.005**
1- Deferred Tax Liability	21	22.035.437	26.848.005
2- Other Long Term Liabilities		-	-
IV- Total Long Term Liabilities		**231.069.603**	**184.526.918**

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

UNCONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2019

(Currency: Turkish Lira (TL))

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

EQUITY			
V- Equity	**Note**	**Audited Current Period December 31, 2019**	**Audited Prior Period December 31, 2018**
A- Paid in Capital		**660.000.000**	**660.000.000**
1- (Nominal) Capital	2.13,15	660.000.000	660.000.000
2- Unpaid Capital (-)		-	-
3- Positive Inflation Adjustment on Capital		-	-
4- Negative Inflation Adjustment on Capital (-)		-	-
5- Unregistered Capital		-	-
B- Capital Reserves	**15**	**155.868.041**	**144.260.425**
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital	15	24.245.511	24.245.511
4- Translation Reserves	15	(34.192.451)	(43.734.932)
5- Other Capital Reserves	15	165.814.981	163.749.846
C- Profit Reserves		**903.648.247**	**415.359.698**
1- Legal Reserves	15	155.933.971	123.041.466
2- Statutory Reserves	15	37.967.890	23.673.660
3- Extraordinary Reserves	15	588.605.263	284.629.561
4- Special Funds (Reserves)		-	-
5- Revaluation of Financial Assets	11,15	99.474.796	(38.392.931)
6- Other Profit Reserves	15	21.666.327	22.407.942
D- Previous Years' Profits		**103.813.987**	**238.466.727**
1- Previous Years' Profits		103.813.987	238.466.727
E- Previous Years' Losses (-)		-	**-**
1- Previous Years' Losses		**-**	-
F- Net Profit of the Period	**15**	**312.510.614**	**278.213.412**
1- Net Profit of the Period		309.381.420	278.213.412
2- Net Loss of the Period (-)		-	-
3- Net Income not subject to distribution		3.129.194	-
Total Shareholders' Equity		**2.135.840.889**	**1.736.300.262**
Total Liabilities and Shareholders' Equity		**4.531.965.239**	**3.738.241.986**

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

UNCONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

(Currency: Turkish Lira (TL))

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

I-	TECHNICAL SECTION	Note	Audited Current Period December 31, 2019	Audited Prior Period December 31, 2018
A-	**Non-Life Technical Income**		**1.733.602.618**	**1.504.350.816**
1-	Earned Premiums (Net of Reinsurer Share)		1.290.042.473	1.015.961.002
1.1 -	Written Premiums (Net of Reinsurer Share)	17	1.437.381.633	1.136.728.102
1.1.1 -	Gross Written Premiums (+)	17	1.641.496.087	1.299.862.846
1.1.2 -	Ceded Premiums to Reinsurers (-)	10,17	(204.114.454)	(163.134.744)
1.1.3 -	Ceded Premiums to SSI (-)		-	-
1.2-	Change in Unearned Premiums Reserve(Net of Reinsurers Shares and Reserves Carried Forward)(+/-)	17,29	(127.117.873)	(123.298.148)
1.2.1 -	Unearned Premiums Reserve (-)	17	(154.360.090)	(134.980.956)
1.2.2 -	Reinsurance Share of Unearned Premiums Reserve (+)	10,17	27.242.217	11.682.808
1.2.3 -	SSI of Unearned Premiums Reserve (+)		-	-
1.3-	Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	29	(20.221.287)	2.531.048
1.3.1 -	Unexpired Risks Reserve (-)	29	(20.537.046)	2.720.045
1.3.2 -	Reinsurance Share of Unexpired Risks Reserve (+)	29	315.759	(188.997)
2-	Investment Income Transferred from Non-Technical Part		348.001.715	338.043.300
3-	Other Technical Income (Net of Reinsurer Share)		95.558.430	150.346.514
3.1 -	Gross Other Technical Income (+)		95.553.804	150.330.727
3.2 -	Reinsurance Share of Other Technical Income (-)		4.626	15.787
4-	Accrued Subrogation and Salvage Income (+)		-	-
B-	**Non-Life Technical Expense (-)**		**(1.652.151.515)**	**(1.409.129.382)**
1-	Total Claims (Net of Reinsurer Share)		(1.149.064.080)	(953.879.013)
1.1-	Claims Paid (Net of Reinsurer Share)	17,29	(943.198.052)	(725.361.560)
1.1.1 -	Gross Claims Paid (-)	17	(980.374.026)	(759.354.911)
1.1.2 -	Reinsurance Share of Claims Paid (+)	10,17	37.175.974	33.993.351
1.2-	Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17,29	(205.866.028)	(228.517.453)
1.2.1 -	Outstanding Claims Reserve (-)	17	(246.897.057)	(229.099.909)
1.2.2 -	Reinsurance Share of Outstanding Claims Reserve (+)	10,17	41.031.029	582.456
2-	Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1 -	Bonus and Discount Reserve (-)		-	-
2.2 -	Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3-	Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(38.578.905)	(29.825.822)
4-	Operating Expenses (-)	32	(464.508.530)	(425.424.547)
5-	Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	
5.1-	Mathematical Reserves (-)		-	-
5.2-	Reinsurance Share of Mathematical Reserves (+)		-	-
6.-	Other Technical Expenses (-)		-	-
6.1.-	Gross Other Technical Expenses (-)		-	-
6.2.-	Reinsurance Share of Other Technical Expenses (+)		-	-
C-	**Non Life Technical Net Profit (A-B)**		**81.451.103**	**95.221.434**
D-	**Life Technical Income**		**20.239.081**	**18.813.060**
1-	Earned Premiums (Net of Reinsurer Share)		16.225.200	15.537.709
1.1 -	Written Premiums (Net of Reinsurer Share)	17	15.523.242	18.253.642
1.1.1 -	Gross Written Premiums (+)	17	17.323.840	20.314.687
1.1.2 -	Ceded Premiums to Reinsurers (-)	10,17	(1.800.598)	(2.061.045)
1.2-	Change in Unearned Premiums Reserve(Net of Reinsurers Shares and Reserves Carried Forward)(+/-)	17,29	701.958	(2.715.933)
1.2.1-	Unearned Premium Reserves (-)	17	856.646	(2.909.016)
1.2.2-	Unearned Premium Reserves Reinsurer Share (+)	10,17	(154.688)	193.083
1.3-	Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		-	-
1.3.1-	Unexpired Risks Reserves (-)		-	-
1.3.2-	Unexpired Risks Reserves Reinsurer Share (+)		-	-
2-	Life Branch Investment Income		3.896.284	3.194.833
3-	Unrealized Income from Investments		-	-
4-	Other Technical Income (Net of Reinsurer Share) (+/-)		117.597	80.518
4.1-	Gross Other Technical Income (+/-)		117.597	89.933
4.2-	Reinsurance Share of Other Technical Income (+/-)		-	(9.415)
5-	Accrued Subrogation and Salvage Income (+)		-	-

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

UNCONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

(Currency: Turkish Lira (TL))

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

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

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

UNCONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

(Currency: Turkish Lira (TL))

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

General Information
Financial Rights Provided to the Members of the Governing Body and Senior Executives
Research & Development Activities
Activities and Major Developments Related to Activities
Financial Status
Risks and Assessment of the Governing Body
Unconsolidated Financial Statements Together with Independent Auditors' Report Thereon
Consolidated Financial Statements Together with Independent Auditors' Report Thereon

II- NON-TECHNICAL SECTION	Note	Audited Current Period December 31, 2019	Audited Prior Period December 31, 2018
C- Non Life Technical Profit (A-B)		**81.451.103**	**95.221.434**
F- Life Technical Profit (D-E)		**3.612.684**	**5.438.770**
I - Individual Retirement Technical Profit (G-H)		**-**	**-**
J- Total Technical Profit (C+F+I)		**85.063.787**	**100.660.204**
K- Investment Income		**661.184.678**	**644.537.098**
1- Income From Financial Investment	4.2	288.894.987	214.039.085
2- Income from Sales of Financial Investments	4.2	10.190.719	50.373.242
3- Revaluation of Financial Investments	4.2	(7.692.608)	7.026.454
4- Foreign Exchange Gains	4.2	61.769.977	139.716.863
5- Income from Affiliates	4.2	44.942.194	31.731.033
6- Income from Subsidiaries and Joint Ventures	4.2	216.410.793	157.046.405
7- Income Received from Land and Building	7	46.591.631	44.371.016
8- Income from Derivatives	4.2	18.985	-
9- Other Investments		58.000	233.000
10- Investment Income transferred from Life Technical Part		-	-
L- Investment Expenses (-)		**(403.360.732)**	**(425.812.893)**
1- Investment Management Expenses (including interest) (-)	4.2	(44.377)	(511.981)
2- Valuation Allowance of Investments (-)		-	-
3- Losses On Sales of Investments (-)	4.2	(1.345.499)	(11.907.041)
4- Investment Income Transferred to Non-Life Technical Part (-)		(348.001.715)	(338.043.300)
5- Losses from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	4.2	(31.632.288)	(57.759.377)
7- Depreciation Expenses (-)	6,8	(4.170.943)	(2.297.422)
8- Other Investment Expenses (-)		(18.165.910)	(15.293.772)
M- Other Income and Expenses (+/-)		**6.850.022**	**(13.488.014)**
1- Provisions Account (+/-)	47	(13.080.686)	(13.191.358)
2- Discount account (+/-)	47	(299.165)	(727.787)
3- Mandatory Earthquake Insurance Account (+/-)		-	-
4- Inflation Adjustment Account (+/-)		-	-
5- Deferred Tax Asset Accounts(+/-)	21,35	9.740.590	1.814.922
6- Deferred Tax Expense Accounts (-)	21,35	-	-
7- Other Income and Revenues		10.607.605	379.572
8- Other Expense and Losses (-)		(118.322)	(1.763.363)
9- Prior Period Income		-	-
10- Prior Period Losses (-)		-	-
N- Net Profit/(Loss)		**312.510.614**	**278.213.412**
1- Profit/(Loss) Before Tax		349.737.755	305.896.395
2- Corporate Tax Liability Provision (-)		(37.227.141)	(27.682.983)
3- Net Profit (Loss)		312.510.614	278.213.412
4- Inflation Adjustment Account		-	-

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

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

(Currency: Turkish Lira (TL))

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

Audited - Changes in Equity - December 31, 2018

	Note	Paid in Capital	Equity Share Owned by Company (-)	Revaluations of Financial Assets	Inflation Adjustment on Capital
I - Balance at the end of the previous year - December 31, 2017		**660.000.000**	**-**	**565.916.100**	**-**
II - Change in Accounting Standards(*)		**-**	**-**	**(513.004.302)**	**-**
III - Restated balances (I+II) - January 1, 2018		**660.000.000**	**-**	**52.911.798**	**-**
A- Capital increase		-	-	-	-
1- In cash		-	-	-	-
2- From reserves		-	-	-	-
B- Purchase of own shares		-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-
D- Change in the value of financial assets	15	-	-	(91.304.729)	-
E- Currency translation adjustments		-	-	-	-
F- Other gains or losses		-	-	-	-
G- Inflation adjustment differences		-	-	-	-
H- Net profit for the year		-	-	-	-
I - Other reserves and transfers from retained earnings	38	-	-	-	-
J- Dividends paid	38	-	-	-	-
IV - Balance at the end of the period - December 31, 2018	**15**	**660.000.000**	**-**	**(38.392.931)**	**-**

Audited Changes in Equity - December 31, 2018

	Note	Paid in Capital	Equity Share Owned by Company (-)	Revaluations of Financial Assets	Inflation Adjustment on Capital
I - Balance at the end of the previous year - December 31, 2018		**660.000.000**	**-**	**(38.392.931)**	**-**
II - Change in Accounting Standards(*)		**-**	**-**	**-**	**-**
III - Restated balances (I+II) - January 1, 2019		**660.000.000**	**-**	**(38.392.931)**	**-**
A- Capital increase		-	-	-	-
1- In cash		-	-	-	-
2- From reserves		-	-	-	-
B- Purchase of own shares		-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-		-
D- Change in the value of financial assets	15	-	-	137.867.727	-
E- Currency translation adjustments		-	-	-	-
F- Other gains or losses		-	-	-	-
G- Inflation adjustment differences		-	-	-	-
H- Net profit for the year		-	-	-	-
I - Other reserves and transfers from retained earnings	38	-	-	-	-
J- Dividends paid	38	-	-	-	-
IV - Balance at the end of the period - December 31, 2019	**15**	**660.000.000**	**-**	**99.474.796**	**-**

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

Audited - Changes in Equity - December 31, 2018

Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/ (Loss) for the Period	Previous Years' Profit/(Loss)	Total
(28.441.170)	64.131.019	-	225.607.943	103.711.833	250.643.385	1.841.569.110
-	40.553.286	14.966.866	136.327.582	99.310.512	(32.655.186)	(254.501.242)
(28.441.170)	104.684.305	14.966.866	361.935.525	203.022.345	217.988.199	1.587.067.868
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	11.065.714	8.706.794	86.676.949	(99.310.512)	20.478.528	27.617.473
-	-	-	-	-	-	(91.304.729)
(15.293.762)	-	-	-	-	-	(15.293.762)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	278.213.412	-	278.213.412
-	7.291.447	-	46.420.386	(53.711.833)	-	-
-	-	-	-	(50.000.000)	-	(50.000.000)
(43.734.932)	123.041.466	23.673.660	495.032.860	278.213.412	238.466.727	1.736.300.262

Audited Changes in Equity - December 31, 2018

Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/ (Loss) for the Period	Previous Years' Profit/(Loss)	Total
(43.734.932)	123.041.466	23.673.660	495.032.860	278.213.412	238.466.727	1.736.300.262
-	-	-	-	-	-	-
(43.734.932)	123.041.466	23.673.660	495.032.860	278.213.412	238.466.727	1.736.300.262
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	15.775.032	14.294.230	104.203.283		(134.652.740)	(380.195)
-	-	-	-	-	-	137.867.727
9.542.481	-	-	-	-	-	9.542.481
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-		-		312.510.614	-	312.510.614
-	17.117.473	-	201.095.939	(218.213.412)	-	-
-		-	-	(60.000.000)	-	(60.000.000)
(34.192.451)	155.933.971	37.967.890	800.332.082	312.510.614	103.813.987	2.135.840.889

UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

(Currency: Turkish Lira (TL))

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

	Note	Audited Current Period 1 January- December 31, 2019	Audited Prior Period 1 January- December 31, 2018
A - Cash flows from operating activities			
1- Cash provided from insurance activities		-	-
2- Cash provided from reinsurance activities		1.919.682.017	1.534.690.612
3- Cash provided from individual pension business		-	-
4- Cash used in insurance activities		-	-
5- Cash used in reinsurance activities		(1.883.622.176)	(1.521.680.097)
6- Cash used in individual pension business		-	-
7- Cash provided by operating activities		**36.059.841**	**13.010.515**
8- Interest paid		-	-
9- Income taxes paid		(46.748.400)	(33.082.800)
10- Other cash inflows		66.135.959	39.750.251
11- Other cash outflows		(47.279.861)	(68.167.721)
12- Net cash provided by operating activities		**8.167.539**	**(48.489.755)**
B - Cash flows from investing activities		-	-
1- Proceeds from disposal of tangible assets		58.000	140.790
2- Acquisition of tangible assets	6, 8	(10.807.277)	(13.813.514)
3- Acquisition of financial assets	11	(1.163.468.635)	(1.085.165.474)
4- Proceeds from disposal of financial assets	11	888.744.285	1.373.823.061
5- Interests received		285.098.663	224.260.372
6- Dividends received		58.670.765	38.003.576
7- Other cash inflows		277.520.591	165.410.375
8- Other cash outflows		(52.466.704)	(447.186.124)
9- Net cash provided by investing activities		**283.349.688**	**255.473.062**
C- Cash flows from financing activities		-	-
1- Equity shares issued		-	-
2- Cash provided from loans and borrowings		-	-
3- Finance lease payments		-	-
4- Dividends paid	2.23	(59.981.259)	(49.984.383)
5- Other cash inflows		-	-
6- Other cash outflows		-	-
7- Net cash used in financing activities		**(59.981.259)**	**(49.984.383)**
D- Effect of exchange rate fluctuations on cash and cash equivalents		**2.426**	**(2.028)**
E- Net increase in cash and cash equivalents		**231.538.394**	**156.996.896**
F- Cash and cash equivalents at the beginning of the year	14	1.320.288.453	1.163.291.557
G- Cash and cash equivalents at the end of the year	**14**	**1.551.826.847**	**1.320.288.453**

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

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED DECEMBER 31, 2019

(Currency: Turkish Lira (TL))

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

		Note	Audited Current Period December 31, 2019(*)	Audited Prior Period December 31, 2018
I.	**PROFIT DISTRIBUTION**			
1.1.	CURRENT YEAR PROFIT(**)		**350.548.490**	**309.275.069**
1.2.	TAX AND FUNDS PAYABLE	35	**(37.227.141)**	**(27.682.983)**
1.2.1.	Corporate Income Tax(Income Tax)	35	(37.227.141)	(27.682.983)
1.2.2.	Income tax deduction		-	-
1.2.3.	Other taxes and Duties		-	-
A.	**NET PROFIT(1.1 - 1.2)**		**313.321.349**	**281.592.086**
1.3.	PREVIOUS PERIOD LOSSES (-)			
1.4.	FIRST LEGAL RESERVE		(15.666.067)	(14.079.604)
1.5.	STATUTORY FUND (-)		-	-
B.	**NET PROFIT DISTRIBUTION [(A-(1.3 + 1.4 + 1.5)]**		**297.655.282**	**267.512.482**
1.6.	FIRST DIVIDEND TO SHAREHOLDERS (-)		-	(26.751.248)
1.6.1.	Holders of shares		-	(26.751.248)
1.6.2.	Holders of Preferred shares		-	-
1.6.3.	Holders of Redeemed shares		-	-
1.6.4.	Holders of Participation Bond		-	-
1.6.5.	Holders of Profit and Loss sharing certificate		-	-
1.7.	DIVIDEND TO PERSONNEL (-)		-	(3.378.675)
1.8.	DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9.	SECOND DIVIDEND TO SHAREHOLDERS (-)		-	**(33.248.752)**
1.9.1.	Holders of shares		-	(33.248.752)
1.9.2.	Holders of Preferred shares		-	-
1.9.3.	Holders of Redeemed shares		-	-
1.9.4.	Holders of Participation Bond		-	-
1.9.5.	Holders of Profit and Loss sharing certificate		-	-
1.10.	SECOND LEGAL RESERVE (-)		-	(3.037.868)
1.11.	STATUTORY RESERVES (-)		-	-
1.12.	EXTRAORDINARY RESERVES		-	(201.095.939)
1.13.	OTHER RESERVES		-	-
1.14.	SPECIAL FUNDS		-	-
II.	**DISTRIBUTION OF RESERVES**		-	-
2.1.	DISTRIBUTION OF RESERVES		-	-
2.2.	SECOND LEGAL RESERVES (-)		-	-
2.3.	COMMON SHARES (-)		-	-
2.3.1.	Holders of shares		-	-
2.3.2.	Holders of Preferred shares		-	-
2.3.3.	Holders of Redeemed shares		-	-
2.3.4.	Holders of Participation Bond		-	-
2.3.5.	Holders of Profit and Loss sharing certificate		-	-
2.4.	DIVIDENDS TO PERSONNEL (-)		-	-
2.5.	DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III.	**PROFIT PER SHARE**		-	-
3.1.	HOLDERS OF SHARES		-	281.592.086
3.2.	HOLDERS OF SHARES (%)		-	42,6655
3.3.	HOLDERS OF PREFERRED SHARES		-	-
3.4.	HOLDERS OF PREFERRED SHARES (%)		-	-
IV.	**DIVIDEND PER SHARE**		-	-
4.1.	HOLDERS OF SHARES		-	60.000.000
4.2.	HOLDERS OF SHARES (%)		-	9,0909
4.3.	HOLDERS OF PREFERRED SHARES		-	-
4.4.	HOLDERS OF PREFERRED SHARES (%)		-	-

(*) Since the profit distribution proposal for the year 2018 has not prepared by the Board of Directors, profit distribution table has not been filled yet.

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

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

(Currency: Turkish Lira (TL))

1 General information

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

The shareholder having direct or indirect control over the shares of Millî Reasürans Türk Anonim Şirketi ("the Company") is Türkiye İş Bankası AŞ Group ("İş Bankası") having 77.06% of the outstanding shares.

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

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

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

1.3 Main operations of the Company

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

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

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

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

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

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

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

	December 31, 2019	December 31, 2018
Top executive	5	5
Managers	32	32
Officers	135	130
Contracted personnel	6	6
Other personnel	37	39
Total	**215**	**212**

(Currency: Turkish Lira (TL))

1.6 Remuneration and similar benefits provided to top management

For the year ended December 31, 2019, wages and similar benefits provided to the top management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers is amounting to TL 6.797.180 (December 31, 2018: TL 6.698.944).

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

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

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

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

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

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

The accompanying financial statements comprise only the unconsolidated financial information of the Company. As further discussed in note 2.2 - Consolidation, the Company has prepared consolidated financial statements as of December 31, 2019 separately.

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

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

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

1.10 Subsequent events

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

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The Company maintains its books of account and prepares its financial statements in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), and other accounting and financial reporting principles, statements and guidance (collectively "the Reporting Standards") in accordance with the "Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies" as promulgated by Republic of Turkey Ministry of Treasury and Finance based on Article 18 of the Insurance Law and Article 11 of the The Individual (Personal) Pension Savings and Investment System Law numbered 4632.

According to numbered 4th related law Accounting for subsidiaries, associates, joint ventures, consolidated financial statements, financial statements which disclosed public regulated by Republic of Turkey Ministry of Treasury and Finance.

The Company prepares its financial statements are regulated in form and content in order to compare the financial statements of prior period and with other companies according to"Communiqué on Presentation of Financial Statements" which is published in the Official Gazette dated April 18, 2008 and numbered 26851.

Additional paragraph for convenience translation to English

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

Accounting in hyperinflationary countries

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

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

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

Other accounting policies

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

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

2.1.3 Current and presentation currency

The accompanying unconsolidated financial statements are presented in TL, which is the Company's functional currency.

2.1.4 Rounding scale of the amounts presented in the financial statements

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

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

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

2.1.6 Accounting policies, changes in accounting estimates and errors

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

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

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

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

Changes in accounting policies or accounting errors are applied retrospectively and prior year financial statements are adjusted accordingly. If estimated changes in accounting policies are only for one period, changes are applied on the current year but if estimated changes are for the following periods, changes are applied both on the current and following years prospectively.

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

The company has demonstrated retrospective impacts of amendments, which are made through using equity method, defined in TAS 27 "Consolidated and Separate Financial Statements":

(Currency: Turkish Lira (TL))

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

Detailed Balance Sheet	Previously Reported	Restated	Effect
	January 1, 2018	January 1, 2018	
B- Financial Assets and Investments with Risks on Policy Holders	**485.566.843**	**451.080.848**	**(34.485.995)**
1- Financial Assets Available for Sale	492.521.383	458.035.388	(34.485.995)
I- Total Current Assets	**2.012.824.832**	**1.978.338.837**	**(34.485.995)**
D- Financial Assets	**883.667.032**	**663.651.785**	**(220.015.247)**
2- Affiliates	-	116.391.717	116.391.717
4- Subsidiaries	883.667.032	547.260.068	(336.406.964)
II- Total Non-current Assets	**1.421.180.876**	**1.201.165.629**	**(220.015.247)**
Total Assets	**3.434.005.708**	**3.179.504.466**	**(254.501.242)**
B- Capital Reserves	**112.341.037**	**129.183.342**	**16.842.305**
5- Other Capital Reserves	117.058.884	133.901.189	16.842.305
C- Profit Reserves	**714.872.855**	**376.873.982**	**(337.998.873)**
1- Legal Reserves	64.131.019	104.684.305	40.553.286
2- Statutory Reserves	-	14.966.866	14.966.866
3- Extraordinary Reserves	86.192.951	179.927.411	93.734.460
5- Revaluation of Financial Assets	565.916.100	52.911.798	(513.004.302)
6- Other Profit Reserves	(1.367.215)	24.383.602	25.750.817
D- Previous Years' Profits	**250.643.385**	**217.988.199**	**(32.655.186)**
1- Previous Years' Losses	250.643.385	217.988.199	(32.655.186)
F- Net Profit of the Period	**103.711.833**	**203.022.345**	**99.310.512**
1- Net Profit of the Period	103.711.833	203.022.345	99.310.512
Total Shareholders' Equity	**1.841.569.110**	**1.587.067.868**	**(254.501.242)**
Total Liabilities and Shareholders' Equity	**3.434.005.708**	**3.179.504.466**	**(254.501.242)**

2.2 Consolidation

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

In this framework, separate consolidated financial statements are issued through consolidating financial statements of Anadolu Hayat Emeklilik Anonim Şirketi (Anadolu Hayat), which is an affiliate, and Miltaş A.Ş, which is a subsidiary, according to equity method and financial statements of Anadolu Anonim Türk Sigorta Şirketi (Anadolu Sigorta), which is an affiliate, in line with full consolidation method.

The company recognizes its subsidiaries and affiliates through using equity method with respect to TAS 27 - "Consolidated and Separate Financial Statements" during the preparation of separate financial statements in line with "Sector Announcement regarding Recognition of Subsidiaries, Jointly Controlled Partnerships and Affiliates of Insurance and Reassurance and Pension Companies" dated August 12, 2008 and numbered 2008/36 by Republic of Turkey of Ministry of Treasury and Finance.

2.3 Segment reporting

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

2.4 Foreign currency transactions

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

Foreign currency exchange differences of unrecognized gains or losses arising from the difference between their fair value and the discounted values calculated per effective interest rate method of foreign currency available-for-sale financial assets are recorded in "Revaluation of financial assets" under equity and the realized gain or losses are recognized directly in the statement of income.

2.5 Tangible assets

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

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

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

Increase of revaluation results in the carrying value of use of land and building account in equity in the balance sheet under "Other Capital Account" as the net of tax effects. As a result of the evaluation of real estate an increase on the corresponding impairments are deducted from the fund; all other decrease are reflected the profit/loss account.

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

Land is not depreciated due to its indefinite life. Depreciation is allocated based on the useful life of tangible assets at cost or revalued amounts of tangible assets by using the straight-line method basis.

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

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

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

(Currency: Turkish Lira (TL))

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

Depreciation rates and estimated useful lives are as follows:

Tangible assets	Estimated useful lives (years)	Depreciation rates (%)
Building for own used	50	2,0
Machinery and equipment	3 - 15	6,7 - 33,3
Vehicles	5	20,0
Other tangible assets (includes leasehold improvements)	5	20,0

2.6 Investment property

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

In the event of investment property of first registration is measured on fair value including transaction costs after measured at cost. The changes which result of fair value valuation recognised in the income statement.

Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of retirement or disposal.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

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

2.7 Intangible assets

The Company's intangible assets consist of computer software.

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

Amortization is charged on a straight-line basis over their estimated useful lives (3-15 years) over the cost of the asset.

Costs associated with developing or maintaining computer software programs are recognized as expense when incurred. Costs that are directly associated with the development of identifiable and unique software products that are controlled by the Company and will probably provide more economic benefits than costs in one year are recognized as intangible assets. Costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding three years).

2.8 Financial assets

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

Securities are recognized and derecognized at the date of settlement.

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

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

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

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Assets that are not traded in an active market are measured by valuation techniques, including recent market transactions in similar financial instruments, adjusted for factors unique to the instrument being valued; or discounted cash flow techniques for the assets which do not have a fixed maturity. Unrecognized gains or losses derived from the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in "Revaluation of financial assets" under shareholders' equity. Upon disposal, the realized gain or losses are recognized directly in the statement of income.

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

Equity Shares which are classified as available-for-sale financial assets in an active market (stock exchange) are reflected to the consolidated financial statements with their fair values by taking into consideration the registered prices in the active market. Shares that are not traded in an active market are followed at acquisition costs and are shown in the consolidated financial statements at their cost value after the provision for impairment losses, if any.

Subsidiaries are the entities that the Company has the power to govern the financial and operating policies of those so as to obtain benefits from its activities. The Company prepares its individual financial statements and accounts for its investments in subsidiaries and associates using the equity method defined in 'TAS 27 - *Consolidated and Separate Financial Statements Standard*'.

2.9 Impairment on assets

Impairment on financial assets

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

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

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

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

(Currency: Turkish Lira (TL))

Impairment on tangible and intangible assets

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

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

2.10 Derivative financial instruments

As of the reporting date, the Company does not have any derivative financial instruments (December 31, 2018: None). Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 - *Financial Instruments: Recognition and measurement*.

Derivative financial instruments are initially recognized at their fair value.

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

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

2.11 Offsetting of financial assets

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

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

2.12 Cash and cash equivalents

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

2.13 Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group by having 77,06% of the outstanding shares of the Company. As of December 31, 2019 and 2018, the share capital and ownership structure of the Company are as follows:

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

[*] As of April 14, 2019, the name of Groupama Emeklilik A.Ş. is changed to Groupama Hayat A.Ş.

Sources of the capital increases during the year

None.

Privileges on common shares representing share capital

There are no privileges on common shares representing share capital.

Registered capital system in the Company

None.

Repurchased own shares by the Company

None.

2.14 Insurance and investment contracts - classification

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

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

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

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

2.15 Insurance contracts and investment contracts with discretionary participation feature

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

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

As of balance sheet date, the Company does not have any insurance or investment contracts that contain a discretionary participation feature.

2.16 Investment contracts with discretionary participation feature

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

2.17 Liabilities

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

2.18 Income taxes

Corporate Tax

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

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

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

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

Deferred tax

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

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

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

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

Transfer pricing

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

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

2.19 Employee benefits

Pension and other post-retirement obligations

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

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

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

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

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

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

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

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

a) Technical deficit rate of 9.80% shall be used in the actuarial calculation of the value in cash, and
b) Gains and losses of the funds stems from benefits covered by the aforementioned Law taken into accounts to calculate present value of the obligations.

(Currency: Turkish Lira (TL))

Employee termination benefits

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

The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 - *Employee Benefits*. After the revision of TAS 19, as the amount of actuarial gain and loss are presented under the other profit reserves, which were previously shown under the income statement. The major actuarial assumptions used in the calculation of the total liability as of December 31, 2019 and 2018 are as follows:

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

Expected rate of salary/limit increase above was determined according to the government's annual inflation forecasts.

Other benefits

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

2.20 Provisions

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

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

2.21 Revenue recognition

Written premiums

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

Claims paid

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

Commission income and expenses

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

Interest income and expenses

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

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

Trading income/expense

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

Dividends

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

2.22 Leasing transaction

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

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

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

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

(Currency: Turkish Lira (TL))

Lease liabilities

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

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

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

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

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

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

2.23 Dividend distribution

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

2.24 Unearned premium reserve

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

- Unearned premium reserve is calculated on the basis of 1/8 for reinsurance and retrocession transactions that are not subject to basis of day or 1/24 due to application limitations,
- For commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves.

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

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

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

In previous years, the unearned premiums reserve had been calculated after deducting commissions given and commissions received. In order to prevent possible problems during the transfer of the reserves calculated before January 2008, on December 28, 2007 Republic of Turkey Ministry of Treasury and Finance issued "2007/25 Numbered Circular Related to the Calculation of the Unearned Premiums Reserve and Accounts That Should Be Used for Deferred Commission Income and Expenses". In accordance with the related circular, the reserve for unearned premiums should be calculated by deducting commissions for the policies produced before January 1, 2008, but it should be calculated on gross basis for the policies produced after January 1, 2008.

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

2.25 Outstanding claims reserve

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

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 27655 numbered and July 28, 2010 dated Official Gazette according to the Communiqué on Technical Reserves, all expenses related to the claim files including calculated or expected expertise, consultant, lawsuit and communication expenses in the calculation of outstanding claims reserve. In these calculations salvage and subrogation income are not considered.

Except for the life branch, outstanding claims reserve consists of claims are recorded in the year in which they occur, based on reported claims and the difference between the result of the actuarial chain ladder method whose content and application criteria stated by Republic of Turkey Ministry of Treasury and Finance and reported but not settled claims are considered as incurred but not reported ("IBNR") claims. Actuarial chain ladder method may be differentiated by Republic of Turkey Ministry of Treasury and Finance for reinsurance companies due to their special conditions.

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

(Currency: Turkish Lira (TL))

The methods selected for each branch is provided in the following section. The Company has not perform big claim elimination by Box Plox method.

Branches	December 31, 2019	December 31, 2018
Fire and Natural Disasters	Standard Chain	Standard Chain
General Damages(*)	Standard Chain	Standard Chain
General Liabilities	Standard Chain	Standard Chain
Land Vehicles Liabilities	Standard Chain	Standard Chain
Marine	Standard Chain	Standard Chain
Sea Vehicles	Standard Chain	Standard Chain
Land Vehicles	Standard Chain	Standard Chain
Casualty	Standard Chain	Standard Chain
Health	Standard Chain	Standard Chain
Air Vehicles	Standard Chain	Standard Chain
Legal Protection	Standard Chain	Standard Chain
Sea Vehicles Liability	Sector Average (Insurance Association of Turkey 09/2019)	Sector Average (Insurance Association of Turkey 09/2018)
Air Vehicles Liability	Sector Average (Insurance Association of Turkey 09/2019)	Sector Average (Insurance Association of Turkey 09/2018)
Fidelity Guarantees	Sector Average (Insurance Association of Turkey 09/2019)	Sector Average (Insurance Association of Turkey 09/2018)
Financial Losses	Sector Average (Insurance Association of Turkey 09/2019)	Sector Average (Insurance Association of Turkey 09/2018)
Credit	Sector Average (Insurance Association of Turkey 09/2019)	Sector Average (Insurance Association of Turkey 09/2018)
Life	Sector Average (Insurance Association of Turkey 09/2019)	Sector Average (Insurance Association of Turkey 09/2018)

(*) Two separate calculation have been made as agriculture and non agriculture sub branches.

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

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

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

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

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

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

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

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

2.26 Mathematical reserves

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

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

2.27 Unexpired risk reserves

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

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

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

In accordance with general communique on provision for on going risks (2019/5), reinsurance companies can make the calculation on the basis of working year. In this case, calculation is made through proportioning total gross actual final damage amount of at least last three working years to total gross premium earnings (written premiums less unearned premiums). It is possible to use the calculation made for the last year-end for the current year interim period if it is clearly determined that repetition of calculation in quarterly periods shall not produce meaningful results due to reasons sourcing from structure of related contracts or conciliation processes of respective parties although it is principal to repeat such calculation on the basis of quarterly periods. The company has made provision for ongoing risks amounting to TL 23.524.292 (December 31, 2018: TL 3.303.005) in its financial statements dated December 31, 2019 as of reporting period based on results of test in question. If the above calculation has not been made, the company would make a provision for ongoing risks amounting to TL 23.701.849 in its financial statements as of December 31, 2019.

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

2.28 Equalization reserves

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

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

Equalization reserves are presented under "other technical reserves" within long term liabilities in the accompanying unconsolidated financial statements. As of the reporting date, the Company has recognized equalization reserves amounting to TL 139.752.880 (December 31, 2018: TL 100.987.550).

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

2.29 Related parties

Parties are considered related to the Company if:

(a) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company;

(b) the party is an associate of the Company;

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

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

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

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

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

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

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

2.30 Earning per share

Earnings per share are determined by dividing the net income by the weighted average number of shares outstanding during the year attributable to the shareholders of the Company. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus shares issued are regarded as issued shares.

2.31 Subsequent events

Subsequent events that provide additional information about the Company's position at the reporting dates (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes when material.

(Currency: Turkish Lira (TL))

2.32 The new standards, amendments and interpretations

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

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

TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

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

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

Transition to TFRS 16:

The Company elected to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value.

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

Assets	
Property, plant and equipment (right-of-use assets)	TL 2.617.283
Liabilities	
Lease liabilities	TL 2.617.283

Amendments to TAS 28 "Investments in Associates and Joint Ventures" (Amendments)

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

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

The interpretation is effective for annual reporting periods beginning on January 1, 2019. The amendments did not have a significant impact on the financial position or performance of the Company

TFRIC 23 Uncertainty over Income Tax Treatments

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

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

(a) whether an entity considers uncertain tax treatments separately;

(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;

(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

(d) how an entity considers changes in facts and circumstances.

The interpretation is effective for annual reporting periods beginning on January 1, 2019. The amendments did not have a significant impact on the financial position or performance of the Company

Annual Improvements - 2015-2017 Cycle

In January 2019, POA issued Annual Improvements to TFRS Standards 2015-2017 Cycle, amending the following standards:

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

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

Plan Amendment, Curtailment or Settlement" (Amendments to TAS 19)

In January 2019, the POA published Amendments to TAS 19 "Plan Amendment, Curtailment or Settlement" The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs.

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

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

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

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

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

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

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

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. Early application of the amendments is still permitted. The Company will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

The PAO issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted.The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

Definition of a Business (Amendments to TFRS 3)

In May 2019, the PAO issued amendments to the definition of a business in TFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

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

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

In June 2019, the PAO issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform

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

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

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7.

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

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

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

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company

3 Significant Accounting Estimates and Requirements

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

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

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

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

Note 4.1 - Management of insurance risk

Note 4.2 - Financial risk management

Note 7 - Investment properties

Note 9 - Investments in subsidiaries

Note 10 - Reinsurance assets/liabilities

Note 11 - Financial assets

Note 12 - Loans and receivables

Not 17 - Insurance liabilities and reinsurance assets

Not 17 - Deferred acquisition comissions

Note 21 - Deferred income taxes

Note 23 - Other liabilities and cost provisions

4 Management of insurance and financial risk

4.1 Management of insurance risk

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

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

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

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

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

(Currency: Turkish Lira (TL))

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

Sensitivity to insurance risk

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

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

Insurance risk concentrations

The Company's gross and net insurance risk concentrations (net of reinsurer share) in terms of insurance branches are summarized as below:

	December 31, 2019		
Branches	Gross total claims liability(*)	Reinsurance share of total claims liability	Net total claims liability
Fire and natural disasters	515.769.646	(28.001.107)	487.768.539
General Damages	250.668.378	(819.163)	249.849.215
Land vehicles liability (MTPL)	47.830.299	(24.164)	47.806.135
General liabilities	40.743.871	(1.339.151)	39.404.720
Sea Vehicles	33.198.281	(3.479.788)	29.718.493
Marine	22.903.942	(2.345.008)	20.558.934
Land vehicles	30.864.346	(816.525)	30.047.821
Casualty	11.620.156	(348.799)	11.271.357
Life	6.307.867	(882.208)	5.425.659
Health	14.472.059	-	14.472.059
Fidelity Guarantees	559.095	(2.269)	556.826
Financial losses	11.159.910	-	11.159.910
Air Vehicless	414.714	-	414.714
Credit	168.772	-	168.772
Legal protection	557	-	557
Total	**986.681.893**	**(38.058.182)**	**948.623.713**

(Currency: Turkish Lira (TL))

	December 31, 2018		
Branches	Gross total claims liability(*)	Reinsurance share of total claims liability	Net total claims liability
Fire and natural disasters	353.012.333	(18.286.412)	334.725.921
General Damages	200.443.380	(1.846.348)	198.597.032
Land vehicles liability (MTPL)	57.945.642	(93.924)	57.851.718
General liabilities	39.721.164	(6.326.317)	33.394.847
Sea Vehicles	27.673.744	(2.473.593)	25.200.151
Marine	26.701.708	(4.124.212)	22.577.496
Land vehicles	23.653.534	(350.208)	23.303.326
Casualty	23.022.278	(492.327)	22.529.951
Life	6.619.434	(650.526)	5.968.908
Health	5.380.428	-	5.380.428
Fidelity Guarantees	700.880	(10)	700.870
Financial losses	528.783	-	528.783
Air Vehicless	380.319	-	380.319
Sea Vehicles Liability	128.186	-	128.186
Credit	62.076	-	62.076
Legal protection	456	-	456
Total	**765.974.345**	**(34.643.877)**	**731.330.468**

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

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

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

4.2 Management of financial risk

Introduction and overview

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

- credit risk
- liquidity risk
- market risk

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

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

(Currency: Turkish Lira (TL))

Credit risk

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

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

Doubtful receivables are monitored quarterly.

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

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

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

	December 31, 2019	December 31, 2018
Cash and cash equivalents *(Note 14)* (*)	1.754.740.598	1.742.194.280
Financial assets and financial investments with risks on policyholders *(Note 11)* (**)	442.911.579	109.875.291
Receivables from main operations *(Note 12)*	343.722.732	300.658.813
Reinsurer share in outstanding claims reserve *(Note 10), (Note 17)*	90.544.841	48.942.099
Income accruals	12.380.768	9.222.719
Prepaid taxes and funds *(Note 12)*	6.312.824	-
Other receivables *(Note 12)*	1.746.065	1.696.048
Other current asset *(Note 12)*	10.000	166.660
Total	**2.652.369.407**	**2.212.755.910**

(*) Cash on hands balance amounting to TL 60.119 are not included (December 31, 2018: TL 19.945).

(**) Equity shares amounting to TL 77.844.172 are not included (December 31, 2018: TL 50.113.456)

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

	December 31, 2019		December 31, 2018	
	Gross amount	Provision	Gross amount	Provision
Not past due	233.187.242	-	175.984.193	-
Past due 0-30 days	48.817.880	-	67.566.798	-
Past due 31-60 days	4.831.298	-	7.185.469	-
Past due 61-90 days	3.894.946	-	4.329.297	-
More than 90 days	81.629.930	(28.638.564)	70.945.090	(25.352.034)
Total	**372.361.296**	**(28.638.564)**	**326.010.847**	**(25.352.034)**

(Currency: Turkish Lira (TL))

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

	December 31, 2019	December 31, 2018
Provision for receivables from insurance operations at the beginning of the year	25.352.034	17.973.443
Collections during the period *(Note 47)*	(159)	(11.831)
Provisions for doubtful receivables during the period (*Note 47)*	110.953	292.830
Foreign currency translation effect *(Note 47)*	3.175.736	7.097.592
Provision for receivables from insurance operations at the end of the year	**28.638.564**	**25.352.034**

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

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

Liquidity risk

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

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

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

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

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

Management of the liquidity risk

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

(Currency: Turkish Lira (TL))

Maturity distribution of monetary assets and liabilities:

December 31, 2019	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 year and up	Unallocated
Cash and cash equivalents	1.754.800.717	1.410.171.051	266.062.815	35.517.982	43.048.869	-	-
Financial assets(*)	442.911.579	226.752.000	26.200.250	20.572.099	-	169.387.230	-
Receivables from main operations	343.722.732	141.286.737	27.343.851	3.193.844	6.647.676	165.250.624	-
Other receivables and current assets	20.449.657	20.034.114	-	-	415.543	-	-
Total monetary assets	**2.561.884.685**	**1.798.243.902**	**319.606.916**	**59.283.925**	**50.112.088**	**334.637.854**	**-**
Financial liabilities and other liabilities	3.803.972	2.539.462	254.524	380.262	629.724	-	-
Payables arising from main operations	61.264.524	50.927.505	2.449.570	1.499.843	1.365.065	5.022.541	-
Due to related parties	141.374	141.374	-	-	-	-	-
Insurance technical reserves(**)	1.365.064.221	-	-	-	-	-	1.365.064.221
Provisions for taxes and other similar obligations	2.273.036	2.273.036	-	-	-	-	-
Provisions for other risks and expense accruals	70.329.253	2.130.579	3.939.929	-	-	-	64.258.745
Total monetary liabilities	**1.502.876.380**	**58.011.956**	**6.644.023**	**1.880.105**	**1.994.789**	**5.022.541**	**1.429.322.966**

(*) Equity shares amounting to TL 77.844.172 are not included.

(**) Net of outstanding claims reserve not subject to consistent distribution is presented in the "unallocated" column.

(Currency: Turkish Lira (TL))

December 31, 2018	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 year and up	Unallocated
Cash and cash equivalents	1.742.214.225	1.062.334.568	568.874.461	32.667.559	78.337.637	-	-
Financial assets(*)	109.875.291	109.875.291	-	-	-	-	-
Receivables from main operations	300.658.813	154.061.872	17.567.782	4.224.997	80.522.343	44.281.819	-
Other receivables and current assets	11.085.427	10.562.675	-	-	522.752	-	-
Total monetary assets	**2.163.833.756**	**1.336.834.406**	**586.442.243**	**36.892.556**	**159.382.732**	**44.281.819**	**-**
Financial liabilities and other liabilities	2.054.267	2.054.267	-	-	-		-
Payables arising from main operations	63.770.094	54.959.881	1.532.162	1.256.141	3.324.151	2.697.759	-
Due to related parties	109.359	109.359	-	-	-		-
Insurance technical reserves(**)	1.159.082.038	-	-	-	-		1.159.082.038
Provisions for taxes and other similar obligations	5.707.038	5.707.038	-	-	-		-
Provisions for other risks and expense accruals	59.763.498	2.423.719	3.378.675	-			53.961.104
Total monetary liabilities	**1.290.486.294**	**65.254.264**	**4.910.837**	**1.256.141**	**3.324.151**	**2.697.759**	**1.213.043.142**

(*) Equity shares amounting to TL 50.113.456 are not included.

(**) Net of outstanding claims reserve not subject to consistent distribution is presented in the "unallocated" column.

Market risk

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

Foreign currency risk

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

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

(Currency: Turkish Lira (TL))

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

December 31, 2019	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	342.391.688	1.195.187	5.097.719	348.684.594
Financial assets and financial investments of risky insurers	125.237.757	28.789.772		154.027.529
Receivables from main operations	63.121.897	27.167.763	195.477.075	285.766.735
Total foreign currency assets	**530.751.342**	**57.152.722**	**200.574.794**	**788.478.858**
Liabilities:				
Payables arising from main operations	(14.115.806)	(2.583.100)	(28.058.846)	(44.757.752)
Insurance technical reserves(*)	(284.223.390)	(144.877.345)	(152.774.383)	(581.875.118)
Total foreign currency liabilities	**(298.339.196)**	**(147.460.445)**	**(180.833.229)**	**(626.632.870)**
Net financial position	**232.412.146**	**(90.307.723)**	**19.741.565**	**161.845.988**

December 31, 2018	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	398.635.043	17.362.486	5.589.240	421.586.769
Receivables from main operations	69.372.305	32.350.106	152.399.146	254.121.557
Total foreign currency assets	**468.007.348**	**49.712.592**	**157.988.386**	**675.708.326**
Liabilities:				
Payables arising from main operations	(12.881.791)	(8.260.518)	(20.458.243)	(41.600.552)
Insurance technical reserves(*)	(241.303.121)	(128.788.912)	(125.188.008)	(495.280.041)
Total foreign currency liabilities	**(254.184.912)**	**(137.049.430)**	**(145.646.251)**	**(536.880.593)**
Net financial position	**213.822.436**	**(87.336.838)**	**12.342.135**	**138.827.733**

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

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

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

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

(Currency: Turkish Lira (TL))

Exposure to foreign currency risk

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

	December 31, 2019		December 31, 2018	
	Profit or loss	Equity[*]	Profit or loss	Equity[*]
US Dollar	46.482.429	46.482.429	42.764.487	42.764.487
Euro	(18.061.545)	(18.061.545)	(17.467.368)	(17.467.368)
Others	3.948.313	3.948.313	2.468.427	2.468.427
Total, net	**32.369.197**	**32.369.197**	**27.765.546**	**27.765.546**

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

Exposure to interest rate risk

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

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

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets with fixed interest rates:	**1.895.523.007**	**1.735.789.236**
Cash at banks *(Note 14)*	1.737.350.019	1.727.884.076
Available for sale financial assets - Government bonds - FC *(Note 11)*	79.700.480	-
Available for sale financial assets - Private sector bonds - FC *(Note 11)*	74.327.048	-
Available for sale financial assets - Private sector bonds - TL *(Note 11)*	4.145.460	7.905.160
Financial assets with variable interest rate:	**57.132.050**	**-**
Available for sale financial assets - Private sector bonds - TL *(Note 11)*	57.132.050	-

Fair value information

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

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

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

(Currency: Turkish Lira (TL))

Classification relevant to fair value information

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

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

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

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

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

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

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available for sale financial assets (Note 11)[*]	520.027.470	-	-	520.027.470
Associates (Note 9)	-	160.221.809	-	160.221.809
Subsidiaries (Note 9)	-	903.819.494	-	903.819.494
Total financial assets	**520.027.470**	**1.064.041.303**	**-**	**1.584.068.773**
Tangible assets:				
Investment properties *(Note 6)*	-	415.891.000	-	415.891.000
Owner Occupied Properties *(Note 6)*	-	179.340.000	-	179.340.000
Total tangible assets	**-**	**595.231.000**	**-**	**595.231.000**
Total	**520.027.470**	**1.659.272.303**	**-**	**2.179.299.773**

[*] As of December 31, 2019, securities that are not publicly traded amounting to TL 728.281 have been measured at cost.

(Currency: Turkish Lira (TL))

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available for sale financial assets *(Note 11)*[*]	159.260.466	-	-	159.260.466
Associates *(Note 9)*	-	118.255.503	-	118.255.503
Subsidiaries *(Note 9)*	-	650.692.496	-	650.692.496
Total financial assets	**159.260.446**	**768.947.999**	**-**	**928.208.465**
Tangible assets:				
Investment properties *(Note 6)*	-	392.041.000	-	392.041.000
Owner Occupied Properties *(Note 6)*	-	179.340.000	-	179.340.000
Total tangible assets	**-**	**571.381.000**	**-**	**571.381.000**
Total	**159.260.446**	**1.340.328.999**	**-**	**1.499.589.465**

[*] As of December 31, 2018, securities that are not publicly traded amounting to TL 728.281 have been measured at cost.

Equity share price risk

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

The effect of changes in fair values of the associates and the available-for-sale financial assets on equity that is resulted from the fluctuations on index (all of the other variables are assumed to be fixed) are as follows as of December 31, 2019 and 2018:

	Change in index	December 31, 2019	December 31,2018
Market price of equity	10%	7.711.589	4.938.518

(Currency: Turkish Lira (TL))

Gain and losses from financial assets

Gains and losses recognized in the statement of income, net:	December 31, 2019	December 31, 2018
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15*)	1.902.905	20.482.905
Interest income from bank deposits	255.763.639	209.673.361
Interest income from debt securities classified as available-for-sale financial assets	25.390.236	1.846.363
Income from equity shares	48.591	9.546.226
Foreign exchange gains	61.769.977	139.716.863
Income from investment funds	8.234.701	29.276.621
Interest income from repos	53.026	613.305
Income from derivative products	18.985	-
Income from subsidiaries	216.410.793	157.046.405
Income from affiliates	44.942.194	31.731.033
Investment income	**614.535.047**	**599.933.082**
Foreign exchange losses	(31.632.288)	(57.759.377)
Loss from disposal of financial assets	(1.345.499)	(11.907.041)
Investment management expenses (including interest)	(44.377)	(511.981)
Investment expenses	**(33.022.164)**	**(70.178.399)**
Investment income, net	**581.512.883**	**529.754.683**

Gains and losses recognized in the statement of equity, net:	December 31, 2019	December 31, 2018
Fair value changes in available for sale financial assets *(Note 15)*	139.770.632	(70.821.824)
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15*)	(1.902.905)	(20.482.905)
Total	**137.867.727**	**(91.304.729)**

Capital management

The Company's capital management policies include the following:

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

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

5 Segment Information

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

(Currency: Turkish Lira (TL))

General Information
Financial Rights Provided to the Members of the Governing Body and Senior Executives
Research & Development Activities
Activities and Major Developments Related to Activities
Financial Status
Risks and Assessment of the Governing Body
Unconsolidated Financial Statements Together with Independent Auditors' Report Thereon
Consolidated Financial Statements Together with Independent Auditors' Report Thereon

As of December 31, 2019, the Company operates in life and non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

6 Tangible assets

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

	January 1, 2019	Additions	Foreign currency translation effect[*]	Disposals	Revaluation surplus	December 31, 2019
Cost:						
Investment properties *(Note 7)*	392.041.000	157.865	-	-	23.692.135	415.891.000
Buildings for own use	179.340.000	-	-	-	-	179.340.000
Furniture and fixtures	6.065.122	1.606.880	160.219	(297.182)	-	7.535.039
Land vehicles	2.270.724	-	98.466	(43.639)	-	2.325.551
Operating leases	-	2.617.283	321.653	-	-	2.938.936
	579.716.846	**4.382.028**	**580.338**	**(340.821)**	**23.692.135**	**608.030.526**
Accumulated depreciation:						
Buildings for own use	139.868	559.473	-	-	-	699.341
Furniture and fixtures	4.906.281	595.361	154.415	(295.445)	-	5.360.612
Land vehicles	792.720	457.312	63.597	(43.639)	-	1.269.990
Operating leases	-	1.463.920	69.438	-	-	1.533.358
	5.838.869	**3.076.066**	**287.450**	**(339.084)**	**-**	**8.863.301**
Carrying amounts	**573.877.977**					**599.167.225**

[*] Foreign currency translation effect resulted from Singapore Branch.

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

	January 1, 2018	Additions	Foreign currency translation effect[*]	Disposals	Revaluation surplus	December 31, 2018
Cost:						
Investment properties *(Note 7)*	365.981.000	1.174.094	-	-	24.885.906	392.041.000
Buildings for own use	147.915.000	-	-	-	31.425.000	179.340.000
Furniture and fixtures	5.695.006	364.595	355.977	(350.456)	-	6.065.122
Land vehicles	1.604.238	741.355	215.830	(290.699)	-	2.270.724
	521.195.244	**2.280.044**	**571.807**	**(641.155)**	**56.310.906**	**579.716.846**
Accumulated depreciation:						
Buildings for own use	478.643	471.236	-	-	(810.011)	139.868
Furniture and fixtures	4.467.547	452.122	334.603	(347.991)	-	4.906.281
Land vehicles	621.264	359.029	91.626	(279.199)	-	792.720
	5.567.454	**1.282.387**	**426.229**	**(627.190)**	**(810.011)**	**5.838.869**
Carrying amounts	**515.627.790**					**573.877.977**

[*]Foreign currency translation effect resulted from Singapore Branch.

(Currency: Turkish Lira (TL))

Expertise reports regarding the Company's property are prepared by independent professional valuation specialists authorized by CMB in December 2019.

As of December 31, 2019 and 2018, the fair values (excluding VAT) and net carrying values of property for own used are presented below:

Owner occupied land and buildings	Expertise date	Expertise value	Net Book Value (December 31, 2019)	Net Book Value (December 31, 2018)
Headquarter Building	September 2018	179.340.000	178.640.659	179.200.132
Total		**179.340.000**	**178.640.659**	**179.200.132**

Fair value measurement

The fair values of property for own use were determined by market comparison technique. The fair value measurement of owner occupied land and buildings is classified as level 2.

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

7 Investment properties

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

Investment properties are presented by fair value method as of December 31, 2019 and 2018 on balance sheet and The Company's investment properties gained TL 23.692.135 amount of value in 2019 in the context of expertise report prepared by independent professional valuation specialists authorized by Capital Markets Board of Turkey. From investment property, TL 22.899.496 amount of rent income is obtained from investment properties in the current accounting period (December 31, 2018: TL 19.485.110).

As of December 31, 2019, inflation adjusted cost and fair value amounts of the Company's investment properties are amounting to TL 415.891.000 (December 31, 2018: TL 392.041.000).

The expertise (excluding VAT) and net book values of investment properties are as follows per real estate. Expertise reports regarding these properties are prepared by independent professional valuation specialists authorized by CMB in December 2019. There is no mortgage on the real estates.

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

	December 31, 2019 Net book value	December 31, 2018 Net book value	Date of expertise report	Value of expertise report
Çifteler Land	6.000	6.000	Aralık 2019	6.000
Villa Office Block	45.600.000	45.100.000	Aralık 2019	45.600.000
Suadiye Fitness Center	40.270.000	36.175.000	Aralık 2019	40.270.000
Tunaman Garage	133.875.000	121.500.000	Aralık 2019	133.875.000
Operating Center Rental Offices	196.140.000	189.260.000	Aralık 2019	196.140.000
Carrying amounts	**415.891.000**	**392.041.000**		**415.891.000**

(Currency: Turkish Lira (TL))

Fair value measurement

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

8 Intangible assets

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

	January 1, 2019	Additions	Foreign currency translation effects(*)	Disposal	December 31, 2019
Cost:					
Rights	8.428.284	1.645.879	420.298	-	10.494.461
Advances on intangible fixed assets(**)	30.103.467	7.396.654	-	-	37.500.121
	38.531.751	**9.042.533**	**420.298**	**-**	**47.994.582**
Accumulated amortization:					
Rights	6.176.494	1.094.877	419.924	-	7.691.295
	6.176.494	**1.094.877**	**419.924**	**-**	**7.691.295**
Carrying amounts	**32.355.257**				**40.303.287**

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

(**) Given referring to reinsurance computer software.

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

	January 1, 2018	Additions	Foreign currency translation effects(*)	Disposal	December 31, 2018
Cost:					
Rights	6.029.231	1.477.778	921.275	-	8.428.284
Advances on intangible fixed assets(**)	20.047.775	10.055.692	-	-	30.103.467
	26.077.006	**11.533.470**	**921.275**	**-**	**38.531.751**
Accumulated amortization:					
Rights	4.242.018	1.015.035	919.441	-	6.176.494
	4.242.018	**1.015.035**	**919.441**	**-**	**6.176.494**
Carrying amounts	**21.834.988**				**32.355.257**

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

(**) Given referring to reinsurance computer software.

(Currency: Turkish Lira (TL))

9 Investments in associates

The Company accounts for its subsidiaries, its investments in associates and its joint ventures using the equity method defined in TAS 27 - "Consolidated and Seperate Financial Statements" in preparing the unconsolidated financial statements.

As of the reporting date, the carrying values of the investments accounted for using equity method accounted in balance sheet in the unconsolidated financial statements of the Company are as follows:

	December 31, 2019		December 31, 2018	
	Net book value	Participation rate %	Net book value	Participation rate %
Anadolu Hayat Emeklilik	160.221.809	12,46	118.255.503	12,46
Investments in associates, net	**160.221.809**		**118.255.503**	
Anadolu Sigorta	900.077.235	57,31	647.247.206	57,31
Miltaş Turizm İnşaat Ticaret Anonim Şirketi	3.742.259	77,00	3.445.290	77,00
Investments in subsidiaries, net	**903.819.494**		**650.692.496**	
Total financial asset	**1.064.041.303**		**768.947.999**	

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the year	Audited	Period
Associates:						
Anadolu Hayat Emeklilik[*]	27.146.994.547	1.285.889.319	99.448.038	360.691.768	Audited.	December, 31 2019
Subsidiaries:						
Miltaş Turizm İnşaat Tic.A.Ş.	5.196.104	4.860.077	-	401.473	Not Audited.	December, 31 2019
Anadolu Sigorta[*]	9.439.606.053	1.827.674.315	72.459.667	449.200.726	Audited.	December, 31 2019

[*] As of December 31, 2019, consolidated financial informations of Anadolu Sigorta and Anadolu Hayat Emeklilik are shown.

10 Reinsurance assets and liabilities

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

Reinsurance assets	December 31, 2019	December 31, 2018
Receivables from reinsurance companies *(Note 12)*	60.633.142	46.329.322
Cash deposited to reinsurance companies	93.878.470	72.560.207
Outstanding claims reserve, ceded *(Note 4.2)*, *(Note 17)*	90.544.841	48.942.099
Unearned premiums reserve, ceded *(Note 17)*	44.693.136	18.693.888
Total	**289.749.589**	**186.525.516**

There is no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	December 31, 2019	December 31, 2018
Deferred commission income *(Note 19)*	1.018.666	758.494
Total	**1.018.666**	**758.494**

(Currency: Turkish Lira (TL))

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

	December 31, 2019	December 31, 2018
Premiums ceded during the period *(Note 17)*	(205.915.052)	(165.195.789)
Unearned premiums reserve, ceded at the beginning of the period *(Note 17)*	(18.693.888)	(6.817.997)
Unearned premiums reserve, ceded at the end of the period *(Note 17)*	44.693.136	18.693.888
Premiums earned, ceded *(Note 17)*	**(179.915.804)**	**(153.319.898)**
Claims paid, ceded during the period *(Note 17)*	38.058.182	34.643.877
Outstanding claims reserve, ceded at the beginning of the period *(Note 17)*	(48.942.099)	(47.871.980)
Outstanding claims reserve, ceded at the end of the period *(Note 17)*	90.544.841	48.942.099
Claims incurred, ceded *(Note 17)*	**79.660.924**	**35.713.996**
Commission income accrued from reinsurers during the period *(Note 32)*	2.791.118	2.228.392
Deferred commission income at the beginning of the period *(Note 19)*	758.494	614.358
Deferred commission income at the end of the period *(Note 19)*	(1.018.666)	(758.494)
Commission income earned from reinsurers *(Note 32)*	**2.530.946**	**2.084.256**
Changes in unexpired risks reserve, reinsurers' share *(Note 17)*	**315.759**	**(188.997)**
Total, net	**(97.408.175)**	**(115.710.643)**

11 Financial assets

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

	December 31, 2019	December 31, 2018
Available for sale financial assets	527.710.291	166.943.287
Impairment loss on available for sale financial assets	(6.954.540)	(6.954.540)
Total	**520.755.751**	**159.988.747**

(Currency: Turkish Lira (TL))

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

	December 31, 2019			
	Nominal value	Cost	Fair value	Net book value
Debt instruments:				
Government bonds - EUR	4.000.000	26.072.226	28.789.772	28.789.772
Government bonds - USD	8.000.000	45.589.426	50.910.708	50.910.708
Private sector bonds - USD	12.420.000	69.114.084	74.327.048	74.327.048
Private sector bonds - TL	66.100.000	66.100.000	68.232.050	68.232.050
Impairment loss on private sector bonds			(6.954.540)	(6.954.540)
		206.875.736	**215.305.038**	**215.305.038**
Non-fixed income financial assets:				
Equity shares		62.575.635	77.844.172	77.844.172
Investment funds		208.186.565	227.606.541	227.606.541
		270.762.200	**305.450.713**	**305.450.713**
Total available-for-sale financial assets		**477.637.936**	**520.755.751**	**520.755.751**

	December 31, 2018			
	Nominal value	Cost	Fair value	Net book value
Debt instruments:				
Private sector bonds - TL	15.100.000	14.528.500	14.859.700	14.859.700
Impairment loss on private sector bonds			(6.954.540)	(6.954.540)
	15.100.000	**14.528.500**	**7.905.160**	**7.905.160**
Non-fixed income financial assets:				
Equity shares		62.575.635	50.113.456	50.113.456
Investment funds		99.162.237	101.970.131	101.970.131
		161.737.872	**152.083.587**	**152.083.587**
Total available-for-sale financial assets	**15.100.000**	**176.266.372**	**159.988.747**	**159.988.747**

Debt instruments presented above are traded in the capital markets. As of December 31, 2019, equity shares classified as available for sale financial assets with a carrying amount of TL 728.281 are not publicly traded (December 31, 2018: TL 728.281).

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

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

Year	Change in value increase	Total increase in value
2019	137.867.727	99.474.796
2018	(91.304.729)	(38.392.931)
2017(*)	21.553.668	52.911.798

(*)Restated due to retrospectively amendments.

(Currency: Turkish Lira (TL))

Details of the financial assets issued by related parties of the Company's are as follows:

	December 31, 2019			
	Nominal value	Cost	Fair value	Net book value
Available for sale financial assets - Equity shares		62.508.033	77.776.570	77.776.570
Available for sale financial assets - Investment funds		208.186.565	227.606.541	227.606.541
Available for sale financial assets - Private sector bonds	25.000.000	25.000.000	26.200.250	26.200.250
Available for sale financial assets - Private sector bonds FC	12.420.000	69.114.084	74.327.048	74.327.048
Total		**364.808.682**	**405.910.409**	**405.910.409**

	December 31, 2018			
	Nominal value	Cost	Fair value	Net book value
Available for sale financial assets - Equity shares		62.508.033	50.045.854	50.045.854
Available for sale financial assets - Investment funds		99.162.237	101.970.131	101.970.131
Available for sale financial assets - Private sector bonds	9.000.000	8.428.500	8.759.700	8.759.700
Total	**9.000.000**	**170.098.770**	**160.775.685**	**160.775.685**

Movements of the financial assets during the period are presented below:

	December 31, 2019	
	Available-for-sale	Total
Balance at the beginning of the period	**159.988.747**	**159.988.747**
Unrealized exchange differences on financial assets	7.065.556	7.065.556
Acquisitions during the period	1.163.468.635	1.163.468.635
Disposals (sale and redemption)	(888.744.285)	(888.744.285)
Change in the fair value of financial assets	72.411.513	72.411.513
Change in amortized cost of the financial assets	6.565.585	6.565.585
Balance at the end of the period	**520.755.751**	**520.755.751**

	December 31, 2018	
	Available-for-sale	Total
Balance at the beginning of the period	**451.080.848**	**451.080.848**
Acquisitions during the period	1.085.165.474	1.085.165.474
Disposals (sale and redemption)	(1.373.823.061)	(1.373.823.061)
Change in the fair value of financial assets	(11.371.447)	(11.371.447)
Change in amortized cost of the financial assets	1.300.960	1.300.960
Bonus shares acquired	7.635.973	7.635.973
Balance at the end of the period	**159.988.747**	**159.988.747**

(Currency: Turkish Lira (TL))

12 Loans and receivables

	December 31, 2019	December 31, 2018
Receivables from main operations *(Note 4.2)*	343.722.732	300.658.813
Prepaid taxes and funds *(Note 19)*	6.312.824	-
Other receivables *(Note 4.2)*	1.746.065	1.696.048
Other current asset	10.000	166.660
Total	**351.791.621**	**302.521.521**
Short-term receivables	186.540.997	258.239.702
Medium and long-term receivables	165.250.624	44.281.819
Total	**351.791.621**	**302.521.521**

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

	December 31, 2019	December 31, 2018
Receivables from insurance companies	72.720.084	61.201.859
Receivables from brokers and intermediaries	60.768.061	66.190.154
Receivables from reinsurance companies *(Note 10)*	60.633.142	46.329.322
Total receivables from insurance operations, net	**194.121.287**	**173.721.335**
Cash deposited to insurance and reinsurance companies	149.601.445	126.937.478
Doubtful receivables from main operations	28.638.564	25.352.034
Provision for doubtful receivables from main operations	(28.638.564)	(25.352.034)
Receivables from main operations	**343.722.732**	**300.658.813**

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

	December 31, 2019	December 31, 2018
Letters of guarantees	13.852.965	11.742.907
Other Guarantees	240.000	-
Total	**14.092.965**	**11.742.907**

Provisions for overdue receivables and receivables not due yet

a) *Receivables under legal or administrative follow up (due): TL* 28.638.564 for main operations (December 31, 2018: TL 25.352.034) and TL 754.788 (December 31, 2018: TL 409.363) for other receivables.

b) Provision for premium receivables (due): None (December 31, 2018: None).

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

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

13 Derivative financial assets

As of December 31, 2019 and 2018, the Company has no derivative financial instruments.

General Information
Financial Rights Provided to the Members of the Governing Body and Senior Executives
Research & Development Activities
Activities and Major Developments Related to Activities
Financial Status
Risks and Assessment of the Governing Body
Unconsolidated Financial Statements Together with Independent Auditors' Report Thereon
Consolidated Financial Statements Together with Independent Auditors' Report Thereon

14 Cash and cash equivalents

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

	December 31, 2019		December 31, 2018	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	60.119	19.945	19.945	5.842
Bank deposits	1.754.500.598	1.742.194.280	1.742.194.280	1.223.126.571
Cheques received	240.000	-	-	-
Cash and cash equivalents in the balance sheet	**1.754.800.717**	**1.742.214.225**	**1.742.214.225**	**1.223.132.413**
Bank deposits - blocked	(500)	(500)	(500)	(500)
Time deposits with maturities longer than 3 months	(196.631.873)	(409.261.173)	(409.261.173)	(51.610.145)
Interest accruals on bank deposits	(6.341.497)	(12.664.099)	(12.664.099)	(8.230.211)
Cash and cash equivalents presented in the statement of cash flows	**1.551.826.847**	**1.320.288.453**	**1.320.288.453**	**1.163.291.557**

As of December 31, 2019 and 2018, the details of bank deposits as follows:

	December 31, 2019	December 31, 2018
Foreign currency denominated bank deposits		
- time deposits	331.620.931	407.654.891
- demand deposits	17.017.549	13.929.931
Bank deposits in Turkish Lira		
- time deposits	1.405.729.088	1.320.229.185
- demand deposits	133.030	380.273
Bank deposits	**1.754.500.598**	**1.742.194.280**

15 Equity

Paid in capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group having 77,06% of outstanding shares. As of December 31, 2019 and, 2018, the shareholding structure of the Company is as follows:

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

(*) As of April 14, 2019, the name of Groupama Emeklilik A.Ş. is changed to Groupama Hayat A.Ş.

(Currency: Turkish Lira (TL))

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

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

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

Legal reserves

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

The movements of legal reserves are as follows:

	December 31, 2019	December 31, 2018
Legal reserves at the beginning of the period	**123.041.466**	**104.684.305**
Transfer from profit	17.117.473	7.291.447
Accounted according to the equity method	15.775.032	11.065.714
Legal reserves at the end of the period	**155.933.971**	**123.041.466**

As of December 31, 2019 and December 31, 2018, "Other Reserves and Retained Earnings" includes extraordinary reserves, gains to be added to equity and buildings for own use revaluation differences and other profit reserves.

Extraordinary reserves

The movement of extraordinary reserves is as follows:

	December 31, 2019	December 31, 2018
Extraordinary reserves at the beginning of the period	**284.629.561**	**179.927.411**
Transfer from profit	201.095.939	46.420.386
Accounted according to the equity method	102.879.763	58.281.764
Extraordinary reserves at the end of the period	**588.605.263**	**284.629.561**

Other profit reserves

According to revision on TAS 19, actuarial profit and losses that recognized in income statement in termination indemnity calculation before, is recognized in "Other Profit Reserves" account under equity in current period financial statements. The amount of TL (2.758.065), (December 31, 2018 TL (2.073.808 TL)) regarding actuarial calculation is presented in other profit reserves account, in calculation of termination indemnity as of December 31, 2019.

(Currency: Turkish Lira (TL))

Movement of other profit reserves is presented below:

	December 31, 2019	December 31, 2018
Other profit reserves at the beginning of the period	**22.407.942**	**24.383.602**
Actuarial gains/losses	(684.257)	(706.593)
Accounted according to the equity method	(57.358)	(1.269.067)
Other profit reserves at the end of the period	**21.666.327**	**22.407.942**

Statutory reserves

After the allocation of first legal reserves and first dividend to shareholders, reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly. As of December 31, 2019, there are no funds allocated in this manner (December 31, 2018: None). As of December 31, 2019, the statutory reverses that are accounted according to the equity method amounting to TL 37.967.890 (December 31, 2018: 23.673.660 TL).

Foreign currency translation differences

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

Other capital reserves

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

According to expertise reports, fair value of building for own use is calculated as TL 179.340.000 and revaluation differences amounted TL 162.300.435 is recognized in 'Other Capital Reserves' account under equity amounting to TL 146.070.394 with net tax effect in financial statements as of December 31, 2019 (December 31, 2018: TL 146.070.394). As of December 31, 2019, the other capital reverses that are accounted according to the equity method amounting to TL 19.744.587 (December 31, 2018: 17.679.452 TL)

(Currency: Turkish Lira (TL))

Valuation of financial assets

As of December 31, 2019 and 2018 detailed change of fair value of marketable securities, debt securities and subsidiaries classified as available for sale financial assets is as following:

	December 31, 2019	December 31, 2018
Fair value reserves at the beginning of the period	**(38.392.931)**	**52.911.798**
Change in the fair value during the period *(Note 4.2)*	144.451.080	(79.511.110)
Deferred tax effect *(Note 4.2)*	(5.099.087)	4.183.047
Net gains transferred to the statement of income *(Note 4.2)*	(1.902.905)	(20.482.905)
Deferred tax effect *(Note 4.2)*	418.639	4.506.239
Fair value reserves at the end of the period	**99.474.796**	**(38.392.931)**

Profit for the period that is extraneous from the distribution

In accordance with tax legislation, 75% of profits from sales of participation shares and 50% of profit from real states included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years. In the direction of sector announcement made by Treasury dated October 27, 2008 and numbered 2008/41, the Company classified the gain on sale dated April 10, 2015 from the land in real estate amounting to TL 23.723.323 as of December 31, 2016. As of December 31, 2019, profit for the period that is extraneous from the distribution that are accounted according to the equity method amounting to TL 522.188 (December 31, 2018: TL 522.188.). As of 31 December 2019, Non-Distributable Profit amount recognized according to the equity method is TL 3.129.194. (31 December 2018: None.)

16 Other reserves and equity component of discretionary participation

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

As of December 31, 2019 and 2018, the Company does not hold any insurance or investment contracts which contain a discretionary participation feature.

(Currency: Turkish Lira (TL))

17 Insurance contract liabilities and reinsurance assets

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

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

	December 31, 2019	December 31, 2018
Unearned premiums reserve, gross	751.413.623	597.910.179
Unearned premiums reserve, ceded *(Note 10)*	(44.693.136)	(18.693.888)
Unearned premiums reserve, net	**706.720.487**	**579.216.291**
Outstanding claims reserve, gross	1.455.609.062	1.208.024.137
Outstanding claims reserve, ceded *(Note 10)*	(90.544.841)	(48.942.099)
Outstanding claims reserve, net	**1.365.064.221**	**1.159.082.038**
Unexpired risks reserve, gross	24.096.177	3.559.131
Unexpired risks reserve, ceded *(Note 10)*	(571.885)	(256.126)
Unexpired risks reserve, net	**23.524.292**	**3.303.005**
Equalization reserve, net	**139.752.880**	**100.987.550**
Mathematical reserves	**38.691**	**73.795**
Total technical reserves, net	**2.235.100.571**	**1.842.662.679**
Short-term	2.095.347.691	1.741.675.129
Medium and long-term	139.752.880	100.987.550
Total technical reserves, net	**2.235.100.571**	**1.842.662.679**

(Currency: Turkish Lira (TL))

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

	December 31, 2019		
Unearned premiums reserve	**Gross**	**Ceded**	**Net**
Unearned premiums reserve at the beginning of the period	597.910.179	(18.693.888)	579.216.291
Written premiums during the period	1.658.819.927	(205.915.052)	1.452.904.875
Earned premiums during the period	(1.505.316.483)	179.915.804	(1.325.400.679)
Unearned premiums reserve at the end of the period	**751.413.623**	**(44.693.136)**	**706.720.487**

	December 31, 2018		
Unearned premiums reserve	**Gross**	**Ceded**	**Net**
Unearned premiums reserve at the beginning of the period	460.020.207	(6.817.997)	453.202.210
Written premiums during the period	1.320.177.533	(165.195.789)	1.154.981.744
Earned premiums during the period	(1.182.287.561)	153.319.898	(1.028.967.663)
Unearned premiums reserve at the end of the period	**597.910.179**	**(18.693.888)**	**579.216.291**

	December 31, 2019		
Outstanding claims reserve	**Gross**	**Ceded**	**Net**
Outstanding claims reserve at the beginning of the period	1.208.024.137	(48.942.099)	1.159.082.038
Claims reported during the period and changes in the estimations of outstanding claims reserve provided at the beginning of the period	1.345.627.711	(80.916.759)	1.264.710.952
Claims paid during the period	(986.681.894)	38.058.182	(948.623.712)
Discount effect	(111.360.892)	1.255.835	(110.105.057)
Outstanding claims reserve at the end of the period	**1.455.609.062**	**(90.544.841)**	**1.365.064.221**

	December 31, 2018		
Outstanding claims reserve	**Gross**	**Ceded**	**Net**
Outstanding claims reserve at the beginning of the period	978.797.675	(47.871.980)	930.925.695
Claims reported during the period and changes in the estimations of outstanding claims reserve provided at the beginning of the period	1.101.172.109	(36.603.633)	1.064.568.476
Claims paid during the period	(765.974.345)	34.643.877	(731.330.468)
Discount effect	(105.971.302)	889.637	(105.081.665)
Outstanding claims reserve at the end of the period	**1.208.024.137**	**(48.942.099)**	**1.159.082.038**

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

The Company, being a reinsurance company, has no obligation of providing guarantees.

Total amount of insurance risk on a branch basis

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

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

None.

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

None.

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

None.

Pension investment funds established by the Company and their unit prices

None.

Number and amount of participation certificates in portfolio and circulation

None.

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

None.

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

None.

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

None.

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

None.

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

None.

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

None.

(Currency: Turkish Lira (TL))

Profit share distribution rate of life insurances

None.

Deferred commission expenses

The Company capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As of December 31, 2019, short-term deferred expenses amounting to TL 186.668.623 (December 31, 2018: TL 147.058.200) totally consist of deferred commission expenses.

As of December 31, 2019 and 2018, the movement of deferred commission expenses is presented below:

	December 31, 2019	December 31, 2018
Deferred commission expenses at the beginning of the period	147.058.200	114.233.617
Commissions accrued during the period *(Note 32)*	394.855.067	316.773.909
Commissions expensed during the period *(Note 32)*	(355.244.644)	(283.949.326)
Deferred commission expenses at the end of the period	**186.668.623**	**147.058.200**

18 Investment contract liabilities

None.

19 Trade and other payables and deferred income

	December 31, 2019	December 31, 2018
Financial Liabilities	1.392.078	-
Payables from reinsurance operations	61.264.524	63.770.094
Short/long term deferred income and expense accruals	7.246.691	6.829.179
Taxes and other liabilities and similar obligations	2.273.036	5.707.038
Due to related parties *(Note 45)*	141.374	109.359
Other payables	2.411.894	2.054.267
Total	**74.729.597**	**78.469.937**
Short-term liabilities	69.707.056	75.739.678
Medium and long-term liabilities	5.022.541	2.730.259
Total	**74.729.597**	**78.469.937**

As of December 31, 2019 and 2018, other payables largely consist of outsourced benefits and services.

Short/long term deferred income and expense accruals include deferred commission income *(Note 10)* amounting to TL 1.018.666 TL (December 31, 2018: TL 754.494).

As of December 31, 2019, the amounting of the expense accruals TL 6.070.508 (December 31, 2018: TL 5.802.394) are detailed in the table below.

	December 31, 2019	December 31, 2018
Dividend accrual	3.939.929	3.378.675
Other accruals	2.130.579	2.423.719
Total	**6.070.508**	**5.802.394**

Prepaid income and expense accruals are TL 157.517 (December 31, 2018: TL 268.291) consist of long-term and short term other deferred income.

(Currency: Turkish Lira (TL))

General Information
Financial Rights Provided to the Members of the Governing Body and Senior Executives
Research & Development Activities
Activities and Major Developments Related to Activities
Financial Status
Risks and Assessment of the Governing Body
Unconsolidated Financial Statements Together with Independent Auditors' Report Thereon
Consolidated Financial Statements Together with Independent Auditors' Report Thereon

Corporate tax liabilities and prepaid taxes are disclosed below:

	December 31, 2019	December 31, 2018
Taxes paid during the year	43.539.965	24.474.548
Corporate tax liabilities	(37.227.141)	(27.682.983)
Prepaid assets, net	**6.312.824**	**(3.208.435)**

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

None.

20 Financial liabilities

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

	Total
Within one year	1.392.078
Total	**1.392.078**

21 Deferred tax

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

	December 31, 2019 Deferred tax assets/(liabilities)	December 31, 2018 Deferred tax assets/(liabilities)
Equalization provision	18.304.698	13.065.362
Provision for the pension fund deficits	10.643.391	8.947.362
Unexpired risks reserve	5.175.344	726.661
Provisions for employee termination benefits	2.208.358	1.844.858
Provision for doubtful receivables	999.697	855.039
Personnel Bonus Accrual	866.784	743.308
Time deposits	91.793	192.055
Rediscount of receivables and payables	20.954	(31.612)
Amortization correction differences	(314.155)	(271.977)
Valuation differences in financial assets	(1.803.001)	2.246.258
Profit commission accrual	(2.723.769)	(2.028.998)
Real estate valuation differences	(55.505.531)	(53.136.321)
Deferred tax (liabilities)/assets, net	**(22.035.437)**	**(26.848.005)**

As of December 31, 2019, the Company does not have deductible tax losses. The Company also does not have deductible tax losses as of December 31, 2018.

(Currency: Turkish Lira (TL))

Movement of deferred tax assets are given below:

	December 31, 2019	December 31, 2018
Opening balance at 1 January	**(26.848.005)**	**(29.799.122)**
Deferred tax income/expense	9.740.590	1.814.922
Deferred tax income/expense recognised in equity	(4.928.022)	1.136.195
Deferred tax (assets)/liabilities:	**(22.035.437)**	**(26.848.005)**

22 Retirement benefit obligations

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

As per the provisional article No: 23 of the Banking Law No: 5411, pension funds of the banks which were established within the framework of Social Security Institution Law, should be transferred to the Social Security Institution within three years after the publication of the prevailing Banking Law enacted on November 1, 2005. However, the said article of the Banking Law has been vetoed by the President on November 2, 2005 and the execution of the article was ceased based on the Supreme Court's decision numbered 2007/33 and dated March 22, 2007. The justified decision of Supreme Court is published in Official Gazette dated December 15, 2007 and numbered 26731. Supreme Court asserted possible losses on acquired rights of employees of pension fund as reason for cancellation decision.

Following annulment of the temporary Article 23 of the Banking Law, the new law "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" was published in the Official Gazette dated May 8, 2008 and came into force. The new law requires transfer of the participants or beneficiaries of pension funds to Social Security Institution as at the effective date of the Act within 3 years and prescribe the extension period of the transfer as maximum of two years upon the order of the Cabinet. Accordingly, the three-year period expired on May 8, 2011 was extended to the May 8, 2013. On March 8, 2012, "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" numbered 28227, was published on Official Gazette and 4th article of this act changed "two years" phrase as "four years" which takes part on second sentence of first clause of 20th article of the code numbered 5510. Also, under the scope of Decree of the Council of Ministers numbered 2013/4617 was published on Official Gazette numbered 28636, on May 3, 2013 and 20th temporary article of the Social Security Laws numbered 506 banks, insurance and reinsurance companies, chambers of commerce, stock markets or participants of pension funds and salary or income provided ones and their shareholders' transfer duration has been extended one year to the Social Security Institution by Decree of the Council of Ministers. Under the scope of Decree of Turkish Ministry of Labour and Social Security numbered 174, according to 20th temporary article of the Social Security Laws numbered 5510, the Council of Ministers postpone transfer of the funds until May 8, 2015 with the decision of The Council of Ministers dated February 24, 2014.

April 23, 2015 dated Official Gazette is changed as following; insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or which constitutes their union personnel and associates of funds "The Council is authorized to determine the date of transfer within the scope of article 20 th of the law, 506 banks, insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or which constitutes their union personnel and associates of funds to the social security institution. Pension fund contributors as of the transfer date and considered insured by the first paragraph of Article 4 of this law.

With the decision of the Council of Ministers to be published in the future, the principles and practices of the period will be determined.

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

(Currency: Turkish Lira (TL))

General Information
Financial Rights Provided to the Members of the Governing Body and Senior Executives
Research & Development Activities
Activities and Major Developments Related to Activities
Financial Status
Risks and Assessment of the Governing Body
Unconsolidated Financial Statements Together with Independent Auditors' Report Thereon
Consolidated Financial Statements Together with Independent Auditors' Report Thereon

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

a) technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and

b) uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by the entities who transfer the funds.

In accordance with the law; after fund affiliates along with monthly salary and/or revenue endowed people and their rights holder transfer to Social Security Intuition, these people' uncovered social rights and payments is paid, even if it is written in the foundation's obligation which they are belong to, by funds and fund affiliate's employer institutions. The benefits stated in the settlement deeds of pension fund but not subject to transfer will continue to be covered by the pension funds.

The technical financial position of the Milli Reasürans Pension Fund is audited by the registered actuary in accordance with the Article 21 of the Insurance Law and Actuary Act. As per the calculations based on the above mentioned assumptions, actuarial and technical deficit amounting to TL 53.216.955 (December 31, 2018: TL 44.736.812) is accounted as "Provision for pension fund deficits" in the accompanying unconsolidated financial statements.

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

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

Pension fund's assets are comprised of the following items:

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

(Currency: Turkish Lira (TL))

23 Other liabilities and expense accruals

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

	December 31, 2019	December 31, 2018
Provision for pension fund deficits *(Note 22)*	53.216.955	44.736.812
Provision for employee termination benefits	11.041.790	9.224.292
Total provision for other risks	**64.258.745**	**53.961.104**

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

	December 31, 2019	December 31, 2018
Provision at the beginning of the period	9.224.292	8.293.551
Interest cost *(Note 47)*	1.255.064	665.401
Service cost *(Note 47)*	632.523	528.850
Payments during the period *(Note 47)*	(925.410)	(1.146.752)
Actuarial gain/loss	855.321	883.242
Provision at the end of the period	**11.041.790**	**9.224.292**

24 Net insurance premium revenue

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

25 Fee revenue

None.

26 Investment income

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

27 Net income accrual on financial assets

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

28 Asset held at fair value through profit or loss

Presented in "Note 4.2 - Financial Risk Management".

(Currency: Turkish Lira (TL))

29 Insurance rights and claims

	December 31, 2019		December 31, 2018	
	Life	Non-Life	Life	Non-Life
Claims paid, net off reinsurers' share	(5.425.658)	(943.198.053)	(5.968.908)	(725.361.560)
Changes in outstanding claims reserve, net off reinsurers' share	(116.156)	(205.866.027)	361.110	(228.517.453)
Changes in unearned premiums reserve, net off reinsurers' share	701.958	(127.117.873)	(2.715.933)	(123.298.148)
Changes in unexpired risks reserve, net off reinsurers' share	-	(20.221.287)	-	2.531.048
Change in equalization reserve, net off reinsurers' share	(186.425)	(38.578.905)	(228.499)	(29.825.822)
Change in life mathematical reserves, net off reinsurers' share	35.104	-	42.314	-
Total	**(4.991.177)**	**(1.334.982.145)**	**(8.509.916)**	**(1.104.471.935)**

30 Investment contract benefits

None.

31 Other expenses

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

32 Operating expenses

As of December 31, 2019 and 2018, the operating expenses are disclosed as follows:

	December 31, 2019		December 31, 2018	
	Life	Non-Life	Life	Non-Life
Commission expenses *(Note 17)*	9.867.612	345.377.032	6.404.104	277.545.222
Commissions to the intermediaries accrued during the period (Note 17)	10.073.409	384.781.658	7.101.817	309.672.092
Changes in deferred commission expenses (Note 17)	(205.797)	(39.404.626)	(697.713)	(32.126.870)
Employee benefit expenses *(Note 33)*	727.446	58.694.997	786.531	51.527.690
Foreign exchange losses	84.022	30.104.524	117.919	70.362.562
Administration expenses	184.804	14.935.415	226.149	15.706.760
Commission income from reinsurers *(Note 10)*	-	(2.530.945)	-	(2.084.256)
Commission income from reinsurers accrued during the period (Note 10)	-	(2.791.117)	-	(2.228.392)
Change in deferred commission income (Note 10)	-	260.172	-	144.136
Outsourced benefits and services	45.015	3.147.512	20.622	1.144.486
Other	24.363	14.779.995	24.982	11.222.083
Total	**10.933.262**	**464.508.530**	**7.580.307**	**425.424.547**

(Currency: Turkish Lira (TL))

33 Employee benefit expenses

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

	December 31, 2019		December 31, 2018	
	Life	Non-Life	Life	Non-Life
Wages and salaries	513.595	42.928.532	572.422	38.880.258
Employer's share in social security premiums	141.764	10.475.757	128.864	7.687.682
Pension fund benefits	72.087	5.290.708	85.245	4.959.750
Total *(Note 32)*	**727.446**	**58.694.997**	**786.531**	**51.527.690**

34 Financial costs

As of December 31, 2019, TL 44.377 interest expense arising from leases that the Company is subject to TFRS 16 Leasing Transactions standard is recognised under "Investment Management Expenses - Interest Included" account; and the depreciation expense amounting to TL 1.463.920 is recognised under the "Depreciation and Amortization Expense" accounts (1 January - 31 December 2018: None).

35 Income tax

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

	December 31, 2019	December 31, 2018
Corporate tax expense:		
Corporate tax provision	(37.227.141)	(27.682.983)
Deferred taxes:		
Origination and reversal of temporary differences	9.740.590	1.814.922
Total income tax expense/income	**(27,486,551)**	**(25,868,061)**

For the period then ended as of December 31, 2019 and 2018, a reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate is as follows:

	December 31, 2019		December 31, 2018	
Profit before taxes	**339.997.165**	**Tax rate (%)**	**304.081.473**	**Tax rate (%)**
Taxes on income per statutory tax rate	74.799.376	22,00	66.897.924	22,00
Tax exempt income	(57.514.265)	(16,92)	(49.106.105)	(16,15)
Non-deductible expenses	10.201.440	3,00	8.076.242	2,66
Total tax expense recognized in profit or loss	**27.486.551**	**8,08**	**25.868.061**	**8,51**

36 Net foreign exchange gains

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

(Currency: Turkish Lira (TL))

General Information
Financial Rights Provided to the Members of the Governing Body and Senior Executives
Research & Development Activities
Activities and Major Developments Related to Activities
Financial Status
Risks and Assessment of the Governing Body
Unconsolidated Financial Statements Together with Independent Auditors' Report Thereon
Consolidated Financial Statements Together with Independent Auditors' Report Thereon

37 Earnings per share

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

	2019	2018
Net profit for the period	312.510.614	278.213.412
Weighted average number of shares	66.000.000.000	66.000.000.000
Earnings per share (TL)	0,0047	0,0042

38 Dividends per share

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

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

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

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

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

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

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

(Currency: Turkish Lira (TL))

39 Cash generated from operations

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

40 Convertible bonds

None.

41 Redeemable preference shares

None.

42 Risks

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

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

43 Commitments

The Company provides guarantee to ceding companies in the non-life branch as a reinsurance company and transfers insurance risks through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies.

The future aggregate minimum lease payments under operating leases for properties rented for use are as follows:

	December 31, 2019	December 31, 2018
Within one year	1.392.078	2.602.820
Between two to five years	-	2.602.820
Total of minimum rent payments	**1.392.078**	**5.205.640**

44 Business combinations

None.

(Currency: Turkish Lira (TL))

General Information
Financial Rights Provided to the Members of the Governing Body and Senior Executives
Research & Development Activities
Activities and Major Developments Related to Activities
Financial Status
Risks and Assessment of the Governing Body
Unconsolidated Financial Statements Together with Independent Auditors' Report Thereon
Consolidated Financial Statements Together with Independent Auditors' Report Thereon

45 Related party transactions

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

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

	December 31, 2019	December 31, 2018
Türkiye İş Bankası A.Ş.	1.413.861.995	1.188.043.184
Other	3.034	1.883
Banks	**1.413.865.029**	**1.188.045.067**
Equity shares of the related parties *(Note 11)*	77.776.570	50.045.854
Investment funds founded by İş Portföy Yönetimi A.Ş. *(Note 11)*	227.606.541	101.970.131
Eurobonds issued by Türkiye İş Bankası A.Ş. *(Note 11)*	74.327.048	-
Bond issued by Türkiye İş Bankası A.Ş. *(Note 11)*	26.200.250	-
Bonds issued by İş Finansal Kiralama A.Ş. (Note 11)	-	8.759.700-
Financial assets	**405.910.409**	**160.775.685**
Ziraat Sigorta A.Ş.	3.586.897	2.872.372
Groupama Sigorta A.Ş	3.416.718	-
Anadolu Sigorta	2.551.533	4.208.694
Anadolu Hayat Emeklilik A.Ş	901.580	1.006.559
İstanbul Umum Sigorta A.Ş	169.977	161.487
Hdi Sigorta A.Ş.	102.879	-
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	87.846	-
Ziraat Hayat ve Emeklilik	86.250	-
Receivables from main operations	**10.903.680**	**8.249.112**
Due to shareholders	116.208	97.467
Due to other related parties	25.166	11.892
Due to related parties	**141.374**	**109.359**
Axa Sigorta A.Ş	4.481.577	10.596.518
Allianz Sigorta A.Ş	1.836.870	582.788
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	1.519.469	693.757
Güven Sigorta T.A.Ş	124.933	209.260
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	65.482	-
Groupama Sigorta A.Ş	41.766	609.487
İstanbul Umum Sigorta A.Ş	22.541	22.993
Anadolu Sigorta	13.406	13.869
Anadolu Hayat Emeklilik A.Ş	-	278.417
Ziraat Hayat ve Emeklilik	-	18.039
Payables from main operations	**8.106.044**	**13.025.128**

No guarantees have been taken against receivables from related parties.

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

No guarantees, commitments, guarantee letters, advances and endorsements given in favour of shareholders, associates and subsidiaries.

(Currency: Turkish Lira (TL))

The transactions with related parties are as follows:

	December 31, 2019	December 31, 2018
Anadolu Sigorta	166.823.936	141.034.866
Ziraat Sigorta A.Ş.	24.283.392	18.439.443
Groupama Sigorta A.Ş.	18.950.974	2.939.670
Anadolu Hayat Emeklilik A.Ş.	1.886.239	1.995.704
Axa Sigorta A.Ş.	1.493.921	8.928.768
Hdi Sigorta A.Ş.	631.473	-
Ziraat Hayat ve Emeklilik	444.848	290.000
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	122.159	96.696
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	7.768	-
Güven Sigorta T.A.Ş.	-	(222)
Allianz Sigorta A.Ş.	(5.197)	355.191
Premiums received	**214.639.513**	**174.080.116**
Anadolu Sigorta	1.469	104.011
Groupama Sigorta A.Ş.	760	15.878
Axa Sigorta A.Ş.	582	6.688
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	426	7.003
Güven Sigorta T.A.Ş.	189	2.380
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	165	-
Hdi Sigorta A.Ş.	40	-
Allianz Sigorta A.Ş.	-	1
Premiums ceded	**3.631**	**135.961**
Hdi Sigorta A.Ş.	(12)	-
Güven Sigorta T.A.Ş.	(24)	41
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	(38)	-
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	(55)	(213)
Groupama Sigorta A.Ş.	(67)	(284)
Axa Sigorta A.Ş.	(91)	(172)
Anadolu Sigorta	(137)	(643)
Commissions received	**(424)**	**(1.271)**
Anadolu Sigorta	35.915.625	30.904.286
Ziraat Sigorta A.Ş.	5.872.836	4.525.564
Groupama Sigorta A.Ş.	4.167.015	461.648
Anadolu Hayat Emeklilik A.Ş.	434.254	170.168
Axa Sigorta A.Ş.	141.462	1.917.506
Hdi Sigorta A.Ş.	100.488	-
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	31.312	(72.443)
Allianz Sigorta A.Ş.	11.611	69.543
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	1.165	-
Güven Sigorta T.A.Ş.	-	(38)
Commissions given	**46.675.768**	**37.976.234**

(Currency: Turkish Lira (TL))

	December 31, 2019	December 31, 2018
Anadolu Sigorta	109.416.116	75.875.872
Ziraat Sigorta A.Ş.	7.724.930	6.879.276
Axa Sigorta A.Ş.	6.508.049	24.591.209
Allianz Sigorta A.Ş.	1.999.105	2.318.683
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	1.937.515	4.924.629
Groupama Sigorta A.Ş.	1.507.011	2.818.246
Anadolu Hayat Emeklilik A.Ş.	1.270.970	389.733
Ziraat Hayat ve Emeklilik	704.475	456.788
Güven Sigorta T.A.Ş.	416.584	461.340
Hdi Sigorta A.Ş.	163.922	-
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	118	-
Claims paid	**131.648.795**	**118.715.776**
İstanbul Umum A.Ş.	16.564	65.852
Güven Sigorta T.A.Ş.	13.938	163.000
Allianz Sigorta A.Ş.	11.525	48.908
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	7.651	-
Hdi Sigorta A.Ş.	(4.435)	-
Groupama Sigorta A.Ş.	(19.547)	164.940
Anadolu Sigorta	(31.988)	161.735
Axa Sigorta A.Ş.	(33.949)	197.781
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	(40.506)	42.109
Reinsurance's share of claims paid	**(80.747)**	**844.325**
Anadolu Sigorta	380.909	2.363.222
Allianz Sigorta A.Ş.	122.530	136.561
Ziraat Sigorta A.Ş.	113.157	258.981
Groupama Sigorta A.Ş.	43.842	48.543
Axa Sigorta A.Ş.	41.981	1.394.118
Hdi Sigorta A.Ş.	19.160	-
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	5.384	21.262
Anadolu Hayat Emeklilik A.Ş.	3.612	1.792
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	2.535	-
Ziraat Hayat ve Emeklilik	2.049	-
Güven Sigorta T.A.Ş.	1.405	6.405
İstanbul Umum A.Ş.	1.200	2.520
Other income	**737.764**	**4.233.404**
Axa Sigorta A.Ş.	132.217	302.204
Allianz Sigorta A.Ş.	75.604	80.431
Anadolu Sigorta	71.322	325.482
Ziraat Sigorta A.Ş.	18.633	1.126
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	9.710	-
Güven Sigorta T.A.Ş.	7.786	25.177
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	6.241	641.708
Hdi Sigorta A.Ş.	5.710	-
İstanbul Umum A.Ş.	4.005	11.744
Groupama Sigorta A.Ş.	3.378	54.044
Anadolu Hayat Emeklilik A.Ş.	698	2.001
Other expenses	**335.304**	**1.443.917**

(Currency: Turkish Lira (TL))

46 Subsequent events

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

47 Other

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

They are presented in the related notes above.

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

None.

Subrogation recorded in "Off-Balance Sheet Accounts"

None.

Real rights on immovable and their values

None.

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

None.

Details of rediscount and provision expenses are as follows:

Provision expenses	December 31, 2019	December 31, 2018
Provision for impairment of securities	-	(356.186)
Provision for pension fund deficits	(8.480.143)	(5.401.697)
Provision expenses for doubtful receivables (*)	(3.292.941)	(7.378.591)
Provision for employee termination benefits *(Note 23)*	(962.177)	(47.499)
Other provision	(345.425)	(7.385)
Total of provisions	**(13.080.686)**	**(13.191.358)**

(*) The provision for doubtful receivables related to valuation of foreign currency denominated receivables from main operations.

Rediscount Expenses	December 31, 2019	December 31, 2018
Rediscount income/(expense) from reinsurance receivables	(5.420)	(2.542)
Rediscount income/(expense) from reinsurance payables	(293.745)	(725.245)
Total of rediscounts	**(299.165)**	**(727.787)**

Millî Reasürans Türk Anonim Şirketi

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

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

7

Anadolu Anonim Türk Sigorta Şirketi

Writing Non-life insurance and reinsurance business, Anadolu Sigorta was founded on 1925 at the initiative of Mustafa Kemal Atatürk and under the leadership of İşbank, Turkey's first national bank.

Pioneering its sector ever since it was founded, Anadolu Sigorta is committed to offering only high-quality products and services and to ensuring their sustainability with its experienced staff, solid financial and high-tech infrastructure, dynamic approach towards continuous development and improvement, and extensive network of expert agents.

48% of Anadolu Sigorta's shares are quoted on Borsa İstanbul (BİST) National Market under the symbol "ANSGR". 57.31% of the Company's share is held by Millî Reasürans T.A.Ş.

Headquartered in İstanbul, Anadolu Sigorta brings its products to its customers via regional offices in İstanbul (2), Ankara, Adana, Antalya, Bursa, Samsun, Trabzon, and İzmir, a sales office in Gaziantep, a branch in the Turkish Republic of Northern Cyprus, and about 2,298 agencies.

Anadolu Sigorta uses bank branches within the bancassurance network as fundamental element of its service delivery in Turkey. Together with all İşbank branches, Türkiye Sınai Kalkınma Bankası, Arap Türk Bankası, Alternatifbank, Albaraka Türk Katılım Bankası and Finansbank branches are serving as Anadolu Sigorta agencies.

In 2019, Anadolu Sigorta expanded its total premium production by 16% year-on-year on basis to TL 6.6 billion and controls an 11.41% share of the overall market among Non-life companies.

Anadolu Sigorta registered its highest premium production in 2019 in Land Vehicles Liability with TL 1,807 million, followed by Land Vehicles with TL 1,305 million, Fire and Natural Disasters with 1,172 million and Sickness/Health with TL 823 million.

According to the unconsolidated financial statements, Anadolu Sigorta's total assets reached TL 9.8 billion at the end of 2019 increasing by 23.6% while shareholders' equity stood at TL 2.2 billion with an increase of 30.9%. Anadolu Sigorta with the net profit for the year of TL 403.1 million with an increase of 31% compared to the previous year, successfully achieved its sustainable profit target in 2019 as well.

General Information

Financial Rights Provided to the Members of the Governing Body and Senior Executives

Research & Development Activities

Activities and Major Developments Related to Activities

Financial Status

Risks and Assessment of the Governing Body

Unconsolidated Financial Statements Together with Independent Auditors' Report Thereon

Consolidated Financial Statements Together with Independent Auditors' Report Thereon

To the General Assembly of Millî Reasürans Türk Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

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

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

2) Basis for Opinion

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

3) Key Audit Matters

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

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

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

Fatih Polat, SMMM
Sorumlu Denetçi

February 27, 2020
Istanbul, Turkey

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

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

Istanbul,

February 27, 2020

Şule SOYLU	Özlem CİVAN	Fikret Utku Özdemir	Ertan TAN
Assistant General Manager	Assistant General Manager	General Manager	Actuary
			Registration No: 21

CONTENTS

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2019

(Currency: Turkish Lira (TL))

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

ASSETS			
		Audited Current Period	Audited Prior Period
I- Current Assets	Note	December 31, 2019	December 31, 2018
A- Cash and Cash Equivalents	**14**	**6.391.200.569**	**5.815.792.507**
1- Cash	14	117.671	70.338
2- Cheques Received	14	240.000	-
3- Banks	14	5.803.536.011	5.364.205.897
4- Cheques Given and Payment Orders (-)	14	(35.083)	(79.251)
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	14	587.341.970	451.595.523
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Investments with Risks on Policy Holders	**11**	**2.400.104.842**	**1.187.594.714**
1- Financial Assets Available for Sale	11	2.247.608.666	1.014.996.508
2- Financial Assets Held to Maturity		-	-
3- Financial Assets Held for Trading	11	159.450.716	179.552.746
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders		-	-
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)	11	(6.954.540)	(6.954.540)
C- Receivables From Main Operations	**12**	**2.019.309.386**	**1.789.651.498**
1- Receivables From Insurance Operations	12	1.487.843.012	1.312.946.060
2- Provision for Receivables From Insurance Operations (-)	12	(28.174.144)	(16.172.744)
3- Receivables From Reinsurance Operations	12	362.508.470	304.141.844
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited For Insurance & Reinsurance Companies	12	197.132.048	188.736.338
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Pension Operation		-	-
9- Doubtful Receivables From Main Operations	4.2,12	360.768.832	296.775.530
10- Provisions for Doubtful Receivables From Main Operations (-)	4.2,12	(360.768.832)	(296.775.530)
D- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
E- Other Receivables	**12**	**32.157.258**	**28.980.211**
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given	12	411.381	361.930
4- Other Receivables	12	31.746.817	28.618.281
5- Discount on Other Receivables (-)		(940)	-
6- Other Doubtful Receivables	4.2,12	754.788	409.363
7- Provisions for Other Doubtful Receivables (-)	4.2,12	(754.788)	(409.363)
F- Prepaid Expenses and Income Accruals		**646.100.472**	**589.985.575**
1- Deferred Commission Expenses	17	606.023.035	500.778.299
2- Accrued Interest and Rent Income		-	-
3- Income Accruals	4.2,12	39.168.327	88.437.494
4- Other Prepaid Expenses	4.2,12	909.110	769.782
G- Other Current Assets		**8.106.719**	**41.723.245**
1- Inventories		1.130.541	1.255.218
2- Prepaid Taxes and Funds	12,19	6.312.824	38.869.531
3- Deferred Tax Assets		-	-
4- Job Advances	12	10.000	624.023
5- Advances Given to Personnel	12	-	-
6- Stock Count Differences		-	-
7- Other Current Assets	12	653.354	974.473
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		**11.496.979.246**	**9.453.727.750**

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

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2019

(Currency: Turkish Lira (TL))

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

General Information
Financial Rights Provided to the Members of the Governing Body and Senior Executives
Research & Development Activities
Activities and Major Developments Related to Activities
Financial Status
Risks and Assessment of the Governing Body
Unconsolidated Financial Statements Together with Independent Auditors' Report Thereon
Consolidated Financial Statements Together with Independent Auditors' Report Thereon

ASSETS			
		Audited Current Period	Audited Prior Period
II- Non-Current Assets	Note	December 31, 2019	December 31, 2018
A- Receivables From Main Operations		**165.250.624**	**44.281.819**
1- Receivables From Insurance Operations		-	-
2- Provision for Receivables From Insurance Operations (-)		-	-
3- Receivables From Reinsurance Operations	4.2,12	68.753.775	44.281.819
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited for Insurance & Reinsurance Companies	4.2,12	96.496.849	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables From Pension Operations		-	-
9- Doubtful Receivables from Main Operations	4.2,12	28.638.564	25.352.034
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(28.638.564)	(25.352.034)
B- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
C- Other Receivables	**4.2,12**	**326.932**	**1.627.433**
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		326.932	332.552
4- Other Receivables	4.2,12	-	1.419.890
5- Discount on Other Receivables (-)	4.2,12	-	(125.009)
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
D- Financial Assets	**9**	**273.779.014**	**202.752.320**
1- Investments In Associates		-	-
2- Affiliates	9	270.036.755	199.307.030
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries	9	3.742.259	3.445.290
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)		-	-
E- Tangible Fixed Assets	**6**	**779.370.918**	**693.803.644**
1- Investment Properties	6,7	482.776.000	455.721.000
2- Diminution in Value for Investment Properties (-)		-	-
3- Buildings for Own Use	6	195.012.000	194.296.000
4- Machinery and Equipments	6	91.841.231	80.830.314
5- Furnitures and Fixtures	6	22.434.892	20.572.714
6- Vehicles	6	6.919.173	4.048.489
7- Other Tangible Assets (Including Leasehold Improvements)	6	28.826.269	26.004.573
8- Leased Tangible Fixed Assets	6	65.358.069	3.858.074
9- Accumulated Depreciation (-)	6	(113.796.716)	(91.527.520)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		-	-
F- Intangible Fixed Assets	**8**	**140.544.531**	**105.158.740**
1- Rights	8	227.639.545	150.150.335
2- Goodwill	8	16.250.000	16.250.000
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortizations (-)	8	(145.530.086)	(119.916.179)
8- Advances Regarding Intangible Assets	8	42.185.072	58.674.584
G- Prepaid Expenses and Income Accruals		**1.818.180**	**9.646.135**
1- Deferred Commission Expenses	17	1.444.448	9.445.638
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses	4.2	373.732	200.497
H- Other Non-current Assets	**21**	**48.255.857**	**30.913.525**
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	48.255.857	30.913.525
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
II- Total Non-current Assets		**1.409.346.056**	**1.088.183.616**
TOTAL ASSETS		12.906.325.302	10.541.911.366

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

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2019

(Currency: Turkish Lira (TL))

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

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

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

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2019

(Currency: Turkish Lira (TL))

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

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

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

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2019

(Currency: Turkish Lira (TL))

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

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

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

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

(Currency: Turkish Lira (TL))

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

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

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

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

(Currency: Turkish Lira (TL))

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

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

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

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

(Currency: Turkish Lira (TL))

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

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

(Currency: Turkish Lira (TL))

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

Audited Changes in Equity - December 31, 2018

	Note	Paid-in capital	Equity Share Owned by Company	Revaluation of financial assets	Inflation Adjustment on Capital	Currency translation reserves
I - Balance at the end of the previous year December 31, 2016	15	**660.000.000**	-	**52.911.805**	**-**	**(28.441.170)**
II - Change in Accounting Standards		**-**	**-**	**-**	**-**	**-**
III - Restated balances (I+II) - January 1, 2018		**660.000.000**	-	**52.911.805**		**(28.441.170)**
A- Capital increase (A1+A2)		-	-	-	-	-
1- In cash		-	-	-	-	-
2- From reserves		-	-	-	-	-
B - Effects of changes in group structure		-	-	-	-	-
C - Purchase of own shares		-	-	-	-	-
D - Gains or losses that are not included in the statement of income		-	-	-	-	-
E - Change in the value of financial assets	15	-	-	(91.304.747)		-
F - Currency translation adjustments		-	-	-	-	(15.293.762)
G - Other gains or losses		-	-	-	-	-
H - Inflation adjustment differences		-	-	-	-	-
I - Net profit for the year		-	-	-	-	-
J - Other reserves and transfers from retained earnings	38	-	-	-	-	-
K - Dividends paid	38	-	-	-	-	-
IV - Balance at the end of the year - December 31, 2018	**15**	**660.000.000**	**-**	**(38.392.942)**	**-**	**(43.734.932)**

Audited Changes in Equity - December 31, 2019

	Note	Paid-in capital	Equity Share Owned by Company	Revaluation of financial assets	Inflation Adjustment on Capital	Currency translation reserves
I - Balance at the end of the previous year December 31, 2018	15	**660.000.000**		**(38.392.942)**		**(43.734.932)**
II - Change in Accounting Standards		**-**		**-**		**-**
III - Restated balances (I+II) - January 1, 2019		**660.000.000**		**(38.392.942)**		**(43.734.932)**
A- Capital increase (A1+A2)		-		-		-
1- In cash		-		-		-
2- From reserves		-		-		-
B - Effects of changes in group structure		-		-		-
C - Purchase of own shares		-		-		-
D - Gains or losses that are not included in the statement of income		-		-		-
E- Change in the value of financial assets	15	-		137.867.758		-
F - Currency translation adjustments		-		-		9.542.481
G - Other gains or losses		-		-		-
H - Inflation adjustment differences		-		-		-
I - Net profit for the year		-		-		-
J - Other reserves and transfers from retained earnings	38	-		-		-
K - Dividends paid	38	-		-		-
IV- Balance at the end of the year - December 31, 2019	**15**	**660.000.000**		**99.474.816**		**(34.192.451)**

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

Audited Changes in Equity - December 31, 2018

Legal reserves	Statutory Reserves	Other reserves and retained earnings	Net profit/ (Loss) for the year	Retained earnings	Total equity before minority shares	Minority share	Total
104.543.229	**14.966.872**	**288.358.779**	**189.520.109**	**295.707.526**	**1.577.567.150**	**487.082.315**	**2.064.649.465**
141.091	**-**	**2.516.746**	**149.360**	**(703.162)**	**2.104.035**	**-**	**2.104.035**
104.684.320	**14.966.872**	**290.875.525**	**189.669.469**	**295.004.364**	**1.579.671.185**	**487.082.315**	**2.066.753.500**
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	28.070.557	(4.243.480)	4.142.862	27.969.939	1.554.267	**29.524.206**
-	-	-	-	-	(91.304.747)	(34.293.700)	**(125.598.447)**
-	-	-	-	-	(15.293.762)	-	**(15.293.762)**
-	-	(787)	(357.015)	5.324	(352.478)	(297.285)	**(649.763)**
-	-	-	-	-	-	-	-
-	-	-	278.283.572	-	278.283.572	139.749.905	**418.033.477**
18.357.166	8.706.796	105.027.587	(135.068.974)	2.977.425	-	-	-
-	-	-	(50.000.000)	-	(50.000.000)	(27.357.099)	**(77.357.099)**
123.041.486	**23.673.668**	**423.972.882**	**278.283.572**	**302.129.975**	**1.728.973.709**	**566.438.403**	**2.295.412.112**

Audited Changes in Equity - December 31, 2019

Legal reserves	Statutory Reserves	Other reserves and retained earnings	Net profit/ (Loss) for the year	Retained earnings	Total equity before minority shares	Minority share	Total
123.041.486	**23.673.668**	**423.972.882**	**278.283.572**	**302.129.975**	**1.728.973.709**	**566.438.403**	**2.295.412.112**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
123.041.486	*23.673.668*	*423.972.882*	*278.283.572*	*302.129.975*	*1.728.973.709*	*566.438.403*	*2.295.412.112*
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(460.176)	130.091.467	(130.085.166)	(453.874)	2.957.266	2.503.391
-	-	-	-	-	137.867.758	67.768.855	205.636.613
-	-	-	-	-	9.542.481	-	9.542.481
-	-	441	66.211	7.007	73.659	8.357	82.016
-	-	-	-	-	-	-	-
-	-	-	309.978.881	-	309.978.881	191.763.696	501.742.577
32.892.509	14.294.236	305.758.995	(348.441.250)	(4.504.490)	-	-	-
-	-	-	(60.000.000)	-	(60.000.000)	(45.414.489)	(105.414.489)
155.933.995	**37.967.904**	**729.272.142**	**309.978.881**	**167.547.326**	**2.125.982.614**	**783.522.088**	**2.909.504.701**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

(Currency: Turkish Lira (TL))

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

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

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

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED DECEMBER 31, 2019

(Currency: Turkish Lira (TL))

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

General Information

Financial Rights Provided to the Members of the Governing Body and Senior Executives

Research & Development Activities

Activities and Major Developments Related to Activities

Financial Status

Risks and Assessment of the Governing Body

Unconsolidated Financial Statements Together with Independent Auditors' Report Thereon

Consolidated Financial Statements Together with Independent Auditors' Report Thereon

		Note	Audited Current Period December 31, 2019[*]	Audited Prior Period December 31, 2018
I.	**PROFIT DISTRIBUTION**			
1.1.	CURRENT YEAR PROFIT[**]		**350.548.490**	**309.275.069**
1.2.	TAX AND FUNDS PAYABLE	35	**(37.227.141)**	**(27.682.983)**
1.2.1.	Corporate Income Tax(Income Tax)	35	(37.227.141)	(27.682.983)
1.2.2.	Income tax deduction		-	-
1.2.3.	Other taxes and Duties		-	-
A.	**NET PROFIT(1.1 - 1.2)**		**313.321.349**	**281.592.086**
1.3.	PREVIOUS PERIOD LOSSES (-)			
1.4.	FIRST LEGAL RESERVE		(15.666.067)	(14.079.604)
1.5.	STATUTORY FUND (-)		-	-
B.	**NET PROFIT DISTRIBUTION [(A-(1.3 + 1.4 + 1.5)]**		**297.655.282**	**267.512.482**
1.6.	FIRST DIVIDEND TO SHAREHOLDERS (-)		-	(26.751.248)
1.6.1.	Holders of shares		-	(26.751.248)
1.6.2.	Holders of Preferred shares		-	-
1.6.3.	Holders of Redeemed shares		-	-
1.6.4.	Holders of Participation Bond		-	-
1.6.5.	Holders of Profit and Loss sharing certificate		-	-
1.7.	DIVIDEND TO PERSONNEL (-)		-	(3.378.675)
1.8.	DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9.	SECOND DIVIDEND TO SHAREHOLDERS (-)		-	(33.248.752)
1.9.1.	Holders of shares		-	**(33.248.752)**
1.9.2.	Holders of Preferred shares		-	-
1.9.3.	Holders of Redeemed shares		-	-
1.9.4.	Holders of Participation Bond		-	-
1.9.5.	Holders of Profit and Loss sharing certificate		-	-
1.10.	SECOND LEGAL RESERVE (-)		-	(3.037.868)
1.11.	STATUTORY RESERVES (-)		-	-
1.12.	EXTRAORDINARY RESERVES		-	(201.095.939)
1.13.	OTHER RESERVES		-	-
1.14.	SPECIAL FUNDS		-	-
II.	**DISTRIBUTION OF RESERVES**		-	-
2.1.	DISTRIBUTION OF RESERVES		-	-
2.2.	SECOND LEGAL RESERVES (-)		-	-
2.3.	COMMON SHARES (-)		-	-
2.3.1.	Holders of shares		-	-
2.3.2.	Holders of Preferred shares		-	-
2.3.3.	Holders of Redeemed shares		-	-
2.3.4.	Holders of Participation Bond		-	-
2.3.5.	Holders of Profit and Loss sharing certificate		-	-
2.4.	DIVIDENDS TO PERSONNEL (-)		-	-
2.5.	DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III.	**PROFIT PER SHARE**		-	-
3.1.	HOLDERS OF SHARES		-	281.592.086
3.2.	HOLDERS OF SHARES (%)		-	42,6655
3.3.	HOLDERS OF PREFERRED SHARES		-	-
3.4.	HOLDERS OF PREFERRED SHARES (%)		-	-
IV.	**DIVIDEND PER SHARE**		-	-
4.1.	HOLDERS OF SHARES		-	60.000.000
4.2.	HOLDERS OF SHARES (%)		-	9,0909
4.3.	HOLDERS OF PREFERRED SHARES		-	-
4.4.	HOLDERS OF PREFERRED SHARES (%)		-	-

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

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

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

1 General information

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

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

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

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

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

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

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

1.3 Main operations of the Company

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

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

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

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

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

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

(Currency: Turkish Lira (TL))

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

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

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

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

1.6 Remuneration and similar benefits provided to top management

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

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

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

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

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

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

(Currency: Turkish Lira (TL))

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

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

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

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

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

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

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

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

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

1.10 Subsequent events

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

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

2 Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

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

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

Additional paragraph for convenience translation to English

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

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

Accounting in hyperinflationary countries

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

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

Other accounting policies

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

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

2.1.3 Valid and presentation currency

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

2.1.4 Rounding scale of the amounts presented in the financial statements

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

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

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

2.1.6 Accounting policies, changes in accounting estimates and errors

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

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

(Currency: Turkish Lira (TL))

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

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

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

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

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

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

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

(Currency: Turkish Lira (TL))

2.2 Consolidation

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

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

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

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

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

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

Transactions eliminated on consolidation

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

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

Non-controlling interests

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

2.3 Segment reporting

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

2.4 Foreign currency transactions

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

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

2.5 Tangible assets

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

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

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

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

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

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

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

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

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

(Currency: Turkish Lira (TL))

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

Depreciation rates and estimated useful lives are as follows

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

2.6 Investment property

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

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

Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of retirement or disposal.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

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

2.7 Intangible assets

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

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

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

Costs associated with developing or maintaining computer software programs are recognized as expense when incurred. Costs that are directly associated with the development of identifiable and unique software products that are controlled by the Group and will probably provide more economic benefits than costs in one year are recognized as intangible assets. Costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding three years).

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

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

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

2.8 Financial assets

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

Securities are recognized and derecognized at the date of settlement.

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

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

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

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

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

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

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

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

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

2.9 Impairment on assets

Impairment on financial assets

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

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

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

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

Impairment on tangible and intangible assets

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

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

2.10 Derivative financial instruments

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

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

Derivative financial instruments are initially recognized at their fair value.

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

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

2.11 Offsetting of financial assets

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

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

(Currency: Turkish Lira (TL))

2.12 Cash and cash equivalents

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

2.13 Capital

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

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

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

Sources of capital increases during the period

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

Privileges on common shares representing share capital

There are no privileges on common shares representing share capital.

Registered capital system in the Company

None.

Repurchased own shares by the Company

None.

2.14 Insurance and investment contracts - classification

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

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

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

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

2.15 Insurance contracts and investment contracts with discretionary participation feature

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

(i) that are likely to comprise a significant portion of the total contractual benefits,

(ii) whose amount or timing is contractually at the discretion of the Issuer; and

(iii) that are contractually based on:

- (1) the performance of a specified pool of contracts or a specified type of contract;
- (2) realized and/or unrealized investments returns on a specified pool of assets held by the Issuer; or
- (3) the profit or loss of company, fund or other entity that issues the contract.

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

2.16 Investment contracts with discretionary participation feature

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

2.17 Liabilities

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

2.18 Income taxes

Corporate tax

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

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

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

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

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

Deferred tax

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

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

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

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

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

Transfer pricing

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

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

2.19 Employee benefits

Pension and other post-retirement obligations

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

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

(Currency: Turkish Lira (TL))

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

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

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

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

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

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

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

Employee termination benefits

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

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

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

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

Other benefits

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

2.20 Provisions

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

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

2.21 Revenue recognition

Written premiums

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

Claims paid

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

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

Subrogation, salvage and quasi income

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

(Currency: Turkish Lira (TL))

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

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

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

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

Commission income and expenses

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

Interest income and expenses

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

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

Trading income/expense

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

Dividends

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

2.22 Leasing transactions

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

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

Summary of the new standards, amendments and interpretations:

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

Right-of-use assets

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

Lease liabilities

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

(Currency: Turkish Lira (TL))

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

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

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

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

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

2.23 Dividend distribution

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

2.24 Unearned premiums reserve

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

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

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

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

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

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

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

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

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

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

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

2.25 Outstanding claims reserves

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

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

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

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

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

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

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

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

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

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

(Currency: Turkish Lira (TL))

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

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

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

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

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

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

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

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

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

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

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

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

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

(Currency: Turkish Lira (TL))

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

December 31, 2019

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

December 31, 2018

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

2.26 Mathematical reserves

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

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

2.27 Unexpired risk reserves

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

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

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

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

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

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

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

(Currency: Turkish Lira (TL))

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

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

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

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

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

2.28 Equalization reserves

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

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

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

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

2.29 Related parties

Parties are considered related to the Group if;

(a) Directly, or indirectly through one or more intermediaries, the party:
- Controls, is controlled by, or is under common control with the Group (this includes parent, subsidiaries and fellow subsidiaries);
- Has an interest in the Group that gives it significant influence over the Group; or
- Has joint control over the Group;

(b) The party is an associate of the Group;
(c) The party is a joint venture in which the Group is a venturer;
(d) The party is member of the key management personnel of the Group and its parent;
(e) The party is a close member of the family of any individual referred to in (a) or (d);
(f) The party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or
(g) The party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

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

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

2.30 Earnings per share

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

2.31 Subsequent events

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

2.32 The new standards, amendments and interpretations

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

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

IFRS 16 Leases

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

(Currency: Turkish Lira (TL))

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

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

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

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

Assets	
Property, plant and equipment (right-of-use assets)	TL 61.670.167
Liabilities	
Lease liabilities	TL 61.670.167

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

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

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

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

IFRIC 23 Uncertainty over Income Tax Treatments

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

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

(a) whether an entity considers uncertain tax treatments separately;

(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;

(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

(d) how an entity considers changes in facts and circumstances.

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

Annual Improvements - 2015-2017 Cycle

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

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

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

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

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

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

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

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

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

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

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

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

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

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

IFRS 17 - The new Standard for insurance contracts

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

Definition of a Business (Amendments to IFRS 3)

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

The amendments:

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

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

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

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

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

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

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

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

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

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

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

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

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

3 Significant accounting estimates and requirements

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

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

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

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

Note 4.1 - Management of insurance risk

Note 4.2 - Financial risk management

Note 7 - Investment properties

Note 9 - Investments in subsidiaries

Note 10 - Reinsurance assets/liabilities

Note 11 - Financial assets

Note 12 - Loans and receivables

Note 17 - Insurance contract liabilities and reinsurance assets

Note 17 - Deferred acquisition costs

Note 19 - Trade and other payables and deferred income

Note 21 - Deferred income taxes

Note 23 - Provision for other liabilities and charges

4 Management of insurance and financial risk

4.1 Management of insurance risk

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

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

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

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

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

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

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

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

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

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

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

(Currency: Turkish Lira (TL))

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

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

Sensitivity to insurance risk

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

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

Insurance risk concentrations

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

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

(Currency: Turkish Lira (TL))

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

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

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

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

4.2 Management of financial risk

Introduction and overview

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

- credit risk
- liquidity risk
- market risk

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

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

(Currency: Turkish Lira (TL))

Credit risk

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

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

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

Doubtful receivables are monitored quarterly.

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

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

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

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

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

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

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

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

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

(Currency: Turkish Lira (TL))

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

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

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

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

Liquidity risk

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

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

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

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

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

(Currency: Turkish Lira (TL))

Management of the liquidity risk

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

Maturity distribution of monetary assets and liabilities:

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

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

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

(Currency: Turkish Lira (TL))

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

[*] Equity shares amounting to TL 178.042.246 are not included.

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

Market risk

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

Foreign currency risk

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

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

(Currency: Turkish Lira (TL))

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

December 31, 2019	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	385.454.283	2.987.287.874	8.106.868	3.380.849.025
Financial assets and financial investments with risks on policyholders	630.606.290	45.903.303	-	676.509.593
Receivables from main operations	512.251.594	161.241.702	291.060.361	964.553.657
Total foreign currency assets	**1.528.312.167**	**3.194.432.879**	**299.167.229**	**5.021.912.275**
Liabilities:				
Payables arising from main operations	(223.426.526)	(49.438.829)	(27.715.306)	(300.580.661)
Insurance technical reserve(*)	(647.544.475)	(252.029.594)	(226.936.001)	(1.126.510.070)
Financial Liabilities	(226.054.310)	(2.951.667.120)	-	(3.177.721.430)
Total foreign currency liabilities	**(1.097.025.311)**	**(3.253.135.543)**	**(254.651.307)**	**(4.604.812.161)**
Net financial position	**431.286.856**	**(58.702.664)**	**44.515.922**	**417.100.114**

December 31, 2018	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	449.524.875	69.200.637	8.058.407	526.783.919
Financial assets and financial investments with risks on policyholders	291.955.528	44.130.994	-	336.086.522
Receivables from main operations	414.414.079	167.123.461	192.189.831	773.727.371
Total foreign currency assets	**1.155.894.482**	**280.455.092**	**200.248.238**	**1.636.597.812**
Liabilities:				
Payables arising from main operations	(168.696.157)	(73.220.617)	(12.937.850)	(254.854.624)
Insurance technical reserve(*)	(477.490.117)	(229.031.016)	(155.025.195)	(861.546.328)
Total foreign currency liabilities	**(646.186.274)**	**(302.251.633)**	**(167.963.045)**	**(1.116.400.952)**
Net financial position	**509.708.208**	**(21.796.541)**	**32.285.193**	**520.196.860**

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

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

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

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

(Currency: Turkish Lira (TL))

Exposure to foreign currency risk

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

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

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

Exposure to interest rate risk

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

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

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

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

(Currency: Turkish Lira (TL))

Fair value information

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

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

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

Classification relevant to fair value information

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

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

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

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

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

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

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

(Currency: Turkish Lira (TL))

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

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

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

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

Equity share price risk

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

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

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

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

(Currency: Turkish Lira (TL))

Gain and losses from financial assets

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

Financial gains and losses recognized in equity, net::	31 December 2019	31 December 2018
Fair value changes in available for sale financial assets *(Note 15)*	134.193.645	(12.664.199)
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15)*	3.674.113	(78.640.548)
Total	**137.867.758**	**(91.304.747)**

Capital management

The Company's capital management policies include the following:

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

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

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

5 Segment information

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

Business segment

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

Geographical segment

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

(Currency: Turkish Lira (TL))

6 Tangible assets

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

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

[*] Foreign currency translation effect resulted from Singapore Branch.

(Currency: Turkish Lira (TL))

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

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

[*] Foreign currency translation effect resulted from Singapore Branch.

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

(Currency: Turkish Lira (TL))

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

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

Fair value measurement

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

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

7 Investment properties

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

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

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

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

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

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

(Currency: Turkish Lira (TL))

Fair value measurement

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

8 Intangible Assets

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

	January 1, 2019	Additions	Transfers	Foreign currency translation effects(*)	Disposals	December 31, 2019
Cost:						
Other intangible assets	150.150.335	5.902.730	71.166.182	420.298	-	227.639.545
Goodwill	16.250.000	-		-	-	16.250.000
Advances given for intangible assets	58.674.584	54.676.670	(71.166.182)	-	-	42.185.072
	225.074.919	**60.579.400**		**420.298**	**-**	**286.074.617**
Accumulated amortization:						
Other intangible assets	119.916.179	25.193.983		419.924	-	145.530.086
	119.916.179	**25.193.983**		**419.924**	**-**	**145.530.086**
Net book value	**105.158.740**					**140.544.531**

(*) Foreign currency translation effect resulted from Singapore Branch.

Movement in intangible assets in the period from January 1 to December 31, 2018 is presented below:

	January 1, 2018	Additions	Transfers	Foreign currency translation effects(*)	Disposals	December 31, 2018
Cost:						
Other intangible assets	126.607.897	6.247.046	16.374.117	921.275	-	150.150.335
Goodwill	16.250.000	-	-	-	-	16.250.000
Advances given for intangible assets	45.049.361	29.999.340	(16.374.117)	-	-	58.674.584
	187.907.258	**36.246.386**		**921.275**	**-**	**225.074.919**
Accumulated amortization:						
Other intangible assets	104.579.269	14.417.469	-	919.441	-	119.916.179
	104.579.269	**14.417.469**	**-**	**919.441**	**-**	**119.916.179**
Net book value	**83.327.989**					**105.158.740**

(*) Foreign currency translation effect resulted from Singapore Branch.

(Currency: Turkish Lira (TL))

9 Investments in associates

	December 31, 2019		December 31, 2018	
	Book value	Participation rate %	Book value	Participation rate %
Anadolu Hayat Emeklilik A.Ş.	270.036.755	21,00	199.307.030	21,00
Affiliates, net	**270.036.755**		**199.307.030**	
Miltaş Turizm Inşaat Ticaret Anonim Şirketi	3.742.259	77,00	3.445.290	77,00
Subsidiaries, net	**3.742.259**		**3.445.290**	
Total financial asset	**273.779.014**		**202.752.320**	

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the year	Audited	Period
Subsidiaries:						
Miltaş Turizm Inşaat Ticaret AŞ	5.196.104	4.860.077	-	401.473	Unaudited.	December,31 2019
Associates*:*						
Anadolu Hayat Emeklilik AŞ (consolidated)	27.146.994.547	1.285.889.319	99.448.038	360.691.768	Audited.	December, 31 2019

In the current period TL 75.745.271 (December 31, 2018: 53.479.268) of income is obtained from associates and TL 309.134 of income is obtained from subsidiaries (December 31, 2018: TL 255.858) through equity accounted consolidation method.

10 Reinsurance assets and liabilities

As of December 31, 2019 and 2018, outstanding reinsurance assets and liabilities of the Group in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	December 31, 2019	December 31, 2018
Unearned premiums reserves, ceded (Note 17)	868.053.967	732.987.716
Outstanding claims reserve, ceded (Note 4.2), (Note 17)	1.507.010.830	1.195.809.112
Receivables from reinsurance companies (Note 12)	143.868.474	122.576.181
Cash deposited to reinsurance companies	293.628.897	188.736.338
Total	**2.812.562.168**	**2.240.109.347**

There are no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	December 31, 2019	December 31, 2018
Payables to the reinsurers related to premiums written *(Note 19)*	503.446.108	421.304.226
Deferred commission income *(Note 19)*	109.664.368	101.626.238
Cash deposited by reinsurance companies	4.871.763	8.527.925
Commission payables to the reinsurers related to written premiums *(Note 19)*	10.626.863	3.966.136
Total	**628.609.102**	**535.424.525**

(Currency: Turkish Lira (TL))

Gains and losses recognized in the consolidated statement of income in accordance with existing insurance and retrocession contracts are as follows:

	December 31, 2019	December 31, 2018
Premiums ceded during the period *(Note 17)*	(1.976.107.372)	(1.770.959.962)
Unearned premiums reserve, ceded at the beginning of the period *(Note 17)*	(732.987.716)	(551.618.894)
Unearned premiums reserve, ceded at the end of the period *(Note 17)*	868.053.967	732.987.716
Earned premiums, ceded *(Note 17)*	**(1.841.041.121)**	**(1.589.591.140)**
Claims paid, ceded during the period *(Note 17)*	918.359.421	674.389.796
Outstanding claims reserves, ceded at the beginning of the period *(Note 17)*	(1.195.809.112)	(595.038.575)
Outstanding claims reserves, ceded at the end of the period *(Note 17)*	1.507.010.830	1.195.809.112
Incurred claims, ceded *(Note 17)*	**1.229.561.139**	**1.275.160.333**
Commission income accrued from reinsurers during the period *(Note 32)*	219.921.607	248.982.078
Deferred commission income at the beginning of the period *(Note 19)*	101.626.238	77.376.043
Deferred commission income at the end of the period *(Note 19)*	(109.664.368)	(101.626.238)
Commission income earned from reinsurers *(Note 32)*	**211.883.477**	**224.731.883**
Changes in unexpired risk reserves, reinsurers' share *(Note 17)*	**(24.652.657)**	**16.269.641**
Total, net	**(424.249.162)**	**(73.429.283)**

11 Financial assets

As of December 31, 2019 and 2018, the Group's financial assets are detailed as follows:

	December 31, 2019	December 31, 2018
Available for sale financial assets	2.247.608.666	1.014.996.508
Financial assets held for trading	159.450.716	179.552.746
Impairment loss on available for sale financial assets	(6.954.540)	(6.954.540)
Total	**2.400.104.842**	**1.187.594.714**

As of December 31, 2019 and 2018, the Group's financial assets held for trading are detailed as follows:

	December 31, 2019			
	Nominal value	Cost	Fair value	Book value
Debt instruments:				
Other TL	-	13.310.217	13.313.760	13.313.760
	-	**13.310.217**	**13.313.760**	**13.313.760**
Non-fixed income financial assets:				
Investment funds	-	77.430.047	107.307.443	107.307.443
Equity shares	-	27.805.318	27.358.390	27.358.390
Derivative guarantees	-	11.638.912	11.471.123	11.471.123
	-	**116.874.277**	**146.136.956**	**146.136.956**
Total financial assets held for trading	**-**	**130.184.494**	**159.450.716**	**159.450.716**

(Currency: Turkish Lira (TL))

	December 31, 2018			
	Nominal value	Cost	Fair value	Book value
Debt instruments:				
Other TL	-	7.795.343	7.800.426	7.800.426
	-	**7.795.343**	**7.800.426**	**7.800.426**
Non-fixed income financial assets:				
Investment funds		108.810.773	146.293.529	146.293.529
Equity shares		22.802.751	19.110.609	19.110.609
Derivative guarantees		6.259.952	6.348.182	6.348.182
		137.873.476	**171.752.320**	**171.752.320**
Total financial assets held for trading		**145.668.819**	**179.552.746**	**179.552.746**

As of December 31, 2019 and 2018, the Group's available for sale financial assets are detailed as follows:

	December 31, 2019			
	Nominal value	Cost	Fair value	Book Value
Debt instruments:				
Government bonds - TL	203.645.804	200.229.115	216.169.741	216.169.741
Government bonds - USD	19.880.400	57.683.355	63.085.074	63.085.074
Government bonds - EUR	4.000.000	26.072.226	28.789.772	28.789.772
Private sector bonds - USD	318.470.984	353.401.000	386.505.158	386.505.158
Private sector bonds- TL	150.640.000	150.381.407	153.255.978	153.255.978
Impairment loss on private sector bonds			(6.954.540)	(6.954.540)
		787.767.103	**840.851.183**	**840.851.183**
Non-fixed income financial assets:				
Equity shares		165.537.729	240.347.804	240.347.804
Investment funds		1.108.128.409	1.159.455.139	1.159.455.139
		1.273.666.138	**1.399.802.943**	**1.399.802.943**
Total available for sale financial assets		**2.061.433.241**	**2.240.654.126**	**2.240.654.126**

	December 31, 2018			
	Nominal value	Cost	Fair value	Book Value
Debt instruments:				
Government bonds - TL	198.089.739	189.770.611	176.440.026	176.440.026
Government bonds - USD	87.330.940	98.641.422	79.242.874	79.242.874
Private sector bonds - TL	93.990.000	93.358.310	95.339.659	95.339.659
Private sector bonds- USD	228.707.105	219.165.166	212.712.655	212.712.655
Private sector bonds - EUR	30.350.980	30.138.814	30.896.016	30.896.016
Impairment loss on private sector bonds			(6.954.540)	(6.954.540)
		631.074.323	**587.676.690**	**587.676.690**
Non-fixed income financial assets:				
Investment funds		165.508.575	158.931.638	158.931.638
Equity shares		243.137.401	261.433.640	261.433.640
		408.645.976	**420.365.278**	**420.365.278**
Total available for sale financial assets		**1.039.720.299**	**1.008.041.968**	**1.008.041.968**

(Currency: Turkish Lira (TL))

All debt instruments presented above are traded in the capital markets, As of December 31, 2019, equity shares classified as available for sale financial assets with a carrying amount of TL 2.265.431 TL are not publicly traded (December 31, 2018: TL 2.265.431).

There is no debt security issued during the period or issued before and paid during the period by the Group.

Value increases in financial assets including equity shares classified as available for sale financial assets and subsidiaries for the last 3 years (including tax effects):

Year	Change in value increase	Total increase in value
2019	137.867.758	99.474.816
2018	(91.304.747)	(38.392.942)
2017	21.553.666	52.911.805

As of December 31, 2019 and 2018, there is no financial assets held to maturity.

As of December 31, 2019 and 2018, the movement of the financial assets is presented below:

	31 December 2019		
	Trading	Available-for-Sale	Total
Balance at the beginning of the period	**179.552.746**	**1.008.041.968**	**1.187.594.714**
Acquisitions during the period	1.911.737.578	3.821.906.413	5.733.643.991
Disposals (sale and redemption)	(1.972.103.440)	(2.961.977.960)	(4.934.081.400)
Change in the fair value of financial assets	40.263.832	359.052.564	399.316.396
Change in amortized cost of the financial assets	-	6.565.585	6.565.585
Bonus shares acquired	-	7.065.556	7.065.556
Balance at the end of the period	**159.450.716**	**2.240.654.126**	**2.400.104.842**

	31 December 2018		
	Trading	Available-for-Sale	Total
Balance at the beginning of the period	**347.535.150**	**1.207.066.038**	**1.554.601.188**
Acquisitions during the period	909.540.934	2.208.904.891	3.118.445.825
Disposals (sale and redemption)	(1.081.735.265)	(2.464.034.135)	(3.545.769.400)
Change in the fair value of financial assets	4.211.927	47.168.242	51.380.169
Change in amortized cost of the financial assets	-	1.300.960	1.300.960
Bonus shares acquired	-	7.635.972	7.635.972
Balance at the end of the period	**179.552.746**	**1.008.041.968**	**1.187.594.714**

(Currency: Turkish Lira (TL))

Details of the financial assets issued by related parties of the Group are as follows:

	December 31, 2019			
	Nominal value	Cost	Fair value	Book value
Available for sale financial assets - Investment funds	-	958.243.329	1.001.253.233	1.001.253.233
Available for sale financial assets - Private sector bonds	110.083.786	102.507.233	112.038.548	112.038.548
Available for sale financial assets - Private sector bonds	25.000.000	25.000.000	26.200.250	26.200.250
Financial assets held for trading - Investment funds	-	71.657.767	101.481.176	101.481.176
Available for sale financial assets - Equity shares	-	62.508.033	77.776.570	77.776.570
Available for sale financial assets - Private sector bonds	12.420.000	69.114.084	74.327.048	74.327.048
Total	**-**	**1.289.030.446**	**1.393.076.825**	**1.393.076.825**

	December 31, 2018			
	Nominal value	Cost	Fair value	Book value
Available for sale financial assets - Private sector bonds	76.951.184	73.255.316	74.238.986	74.238.986
Available for sale financial assets - Private sector bonds	9.000.000	8.428.500	8.759.700	8.759.700
Available for sale financial assets - Investment funds		230.903.832	249.190.611	249.190.611
Available for sale financial assets - Equity shares		62.508.033	50.045.854	50.045.854
Financial assets held for trading - Investment funds		103.272.965	140.574.851	140.574.851
Total	**85.951.184**	**478.368.646**	**522.810.002**	**522.810.002**

As of December 31, 2019 and 2018, there is no financial assets blocked in favour of the Republic of Turkey Ministry of Treasury and Finance as a guarantee for the insurance activities.

12 Loans and receivables

	December 31, 2019	December 31, 2018
Receivables from main operations *(Note 4.2)*	2.184.560.010	1.833.933.317
Prepaid taxes and funds *(Note 19)*, *(Note 4.2)*	6.312.824	38.869.531
Income accruals (*Note 4.2)*	39.168.327	88.437.494
Other receivables *(Note 4.2)*	32.484.190	30.607.644
Other current assets *(Note 4.2)*	10.000	624.023
Total	**2.262.535.351**	**1.992.472.009**
Short-term receivables	2.096.957.795	1.946.562.757
Medium and long-term receivables	165.577.556	45.909.252
Total	**2.262.535.351**	**1.992.472.009**

(Currency: Turkish Lira (TL))

General Information
Financial Rights Provided to the Members of the Governing Body and Senior Executives
Research & Development Activities
Activities and Major Developments Related to Activities
Financial Status
Risks and Assessment of the Governing Body
Unconsolidated Financial Statements Together with Independent Auditors' Report Thereon
Consolidated Financial Statements Together with Independent Auditors' Report Thereon

As at 31 December 2019 and 2018, receivables from main operations are detailed as follows:

	December 31, 2019	December 31, 2018
Receivables from insurance companies	192.271.606	148.133.885
Receivables from reinsurance companies *(Note 10)*	162.784.152	122.576.181
Receivables from agencies, brokers and intermediaries	76.206.486	77.713.598
Total receivables from reinsurance operations, net	**431.262.245**	**348.423.664**
Receivables from agencies, brokers and other intermediaries	1.167.036.824	1.047.189.149
Receivables from insurance and reinsurance companies	28.031.706	21.511.252
Long term receivable which is bank guarantee and three months credit card	198.701.172	143.082.277
Salvage and subrogation receivables *(Note 2.21)*	61.848.008	60.020.233
Receivables from policyholders	32.225.302	41.143.149
Total receivables from insurance operations, net	**1.487.843.012**	**1.312.946.060**
Cash deposited to insurance and reinsurance companies *(Note 4.2)*	293.628.897	188.736.338
Provisions for receivables from insurance operations - subrogation receivables *(Note 2.21)*	(28.174.144)	(16.172.745)
Doubtful receivables from main operations - premium receivables	63.483.134	57.039.003
Provision for doubtful receivables from main operations - premium receivables	(63.483.134)	(57.039.003)
Doubtful receivables from insurance operations - subrogation receivables	325.924.262	265.088.561
Provisions for doubtful receivables from insurance operations - subrogation receivables	(325.924.262)	(265.088.561)
Receivables from main operations	**2.184.560.010**	**1.833.933.317**

As of December 31, 2019 and 2018, mortgages and collaterals obtained for receivables are disclosed as follows:

	December 31, 2019	December 31, 2018
Mortgage notes	113.964.477	79.813.638
Letters of guarantees	97.755.103	120.487.796
Other guarantees	79.931.851	78.125.186
Government bonds and treasury bills	2.878.656	2.878.656
Total	**294.530.087**	**281.305.276**

Provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 63.483.134 for main operations (December 31, 2018: TL 57.039.003) and TL 754.788 (December 31, 2018: TL 409.363) for other receivables.

b) Provision for premium receivables (due): None (December 31, 2018: None).

c) Provision for subrogation receivables: TL 354.098.406 (December 31, 2018: TL 281.261.306).

The Company's receivables from and payables to shareholders, associates and subsidiaries are detailed in *Note 45 - Related party transactions.*

The details of the receivables and payables denominated in foreign currencies and foreign currency rates used for the translation are presented in *Note 4.2- Financial risk management.*

13 Derivative financial assets

As of December 31, 2019, the Company has derivative financial instruments recognized in the financial assets held for trading amounting to TL 11.471.123 (December 31, 2018: TL 6.348.182).

As of December 31, 2019, the Company has accounted in income accruals and other financial liabilities amounting to TL 24.850.393 (December 31, 2018: TL 77.683.687) that is increase in value and TL (59.472.753) TL (December 31, 2018: TL (2.877.823)) that is decrease in value respectively, due to forward foreign currency agreement.

14 Cash and cash equivalents

As of December 31, 2019 and December 31, 2018, the details of the cash and cash equivalents are as follows:

	December 31, 2019		December 31, 2018	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	117.671	70.338	70.338	68.699
Cheques received	240.000	-	-	-
Bank deposits	5.803.536.011	5.364.205.897	5.364.205.897	4.328.461.218
Cheques given and payment orders	(35.083)	(79.251)	(79.251)	(87.620)
Bank guaranteed credit card receivables with maturities less than three months	587.341.970	451.595.523	451.595.523	399.367.075
Cash and cash equivalents in the balance sheet	**6.391.200.569**	**5.815.792.507**	**5.815.792.507**	**4.727.809.372**
Bank deposits - blocked(*)	(467.204.688)	(567.003.815)	(567.003.815)	(483.583.442)
Time deposits with maturities longer than 3 months	(2.191.076.064)	(2.054.680.462)	(2.054.680.462)	(945.825.944)
Interest accruals on banks deposits	(11.488.428)	(21.420.939)	(21.420.939)	(13.872.173)
Cash and cash equivalents presented in the statement of cash flows	**3.721.431.389**	**3.172.687.291**	**3.172.687.291**	**3.284.527.813**

(*) As of December 31, 2019, cash collateral amounting to TL 447.225.909 is kept in favour of the Republic of Turkey Ministry of Treasury and Finance and TL 19.978.279 is kept in favour of Agricultural Insurance Pool as a guarantee for the insurance activities of Anadolu Sigorta. (31 December 2018: TL 567.003.315).

As of December 31, 2019 and 2018, bank deposits are further analysed as follows:

	December 31, 2019	December 31, 2018
Foreign currency denominated bank deposits		
- time deposits	3.351.095.077	2.824.786.884
- demand deposits	29.673.971	17.017.671
Bank deposits in Turkish Lira		
- time deposits	2.417.322.407	2.517.440.747
- demand deposits	5.444.556	4.960.595
Bank deposits	**5.803.536.011**	**5.364.205.897**

(Currency: Turkish Lira (TL))

15 Equity

Paid in Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group having 77.06% of outstanding shares. As of December 31, 2019 and 2018, the shareholding structure of the Company is presented below:

	December 31, 2019		December 31, 2018	
Name	Shareholding amount(TL)	Shareholding rate (%)	Shareholding amount(TL)	Shareholding rate (%)
Türkiye İş Bankası A.Ş.	508.573.072	77,06	505.810.925	76,64
Millî Reasürans T.A.Ş. Mensupları Yardımlaşma Sandığı Vakfı	69.604.854	10,55	69.604.854	10,55
Groupama Hayat A.Ş*.	38.809.894	5,88	38.809.894	5,88
Ankara Doğal Elektrik Üretim ve Ticaret A.Ş.(*)	22.240.456	3,37	22.240.456	3,37
T.C. Ziraat Bankası A.Ş.	16.430.944	2,49	16.430.944	2,49
Other	4.340.780	0,65	7.102.927	1,07
Paid in capital	**660.000.000**	**100,00**	**660.000.000**	**100,00**

(*) As of April 12, 2019, the name of Groupama Emeklilik A.Ş. is changed to Groupama Hayat A.Ş.

As of December 31, 2019, the issued share capital of the Group is TL 660.000.000 (December 31, 2018: TL 660.000.000) and the share capital of the Group consists of 66.000.000.000 (December 31, 2018: 66.000.000.000 shares) issued shares with TL 0,01 nominal value each. There are no privileges over the shares of the Group.

There are not any treasury shares held by the Group itself or by its subsidiaries or associates.

There are not any treasury shares issued which will be subject to sale in accordance with forward transactions and contracts.

Equity method consolidation

As of December 31, 2019 and 2018, in the accompanying consolidated financial statements of the Group, Anadolu Hayat, 21% and Miltaş, 77% of shares is owned by the Group are consolidated by using the equity method.

Legal Reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

The movements of legal reserves are as follows:

	December 31, 2019	December 31, 2018
Legal reserves at the beginning of the period	**123.041.486**	**104.684.320**
Transfer from profit	32.892.509	18.357.166
Legal reserves at the end of the period	**155.933.995**	**123.041.486**

As of December 31, 2019 and 2018, "Other Reserves and Retained Earnings" includes extraordinary reserves, sales profits to be capitalized and buidings for own use revaluation differences.

(Currency: Turkish Lira (TL))

As at December 31, 2019 and 2018, "Other Reserves and Retained Earnings" are detailed as below:

	December 31, 2019	December 31, 2018
Other profit reserves	24.424.400	24.481.758
Extraordinary reserves	588.605.356	284.629.618
Other capital reserves	165.814.989	163.749.852
Sales profits to be capitalized	24.245.511	24.245.511
Other earnings and losses	(2.758.065)	(2.073.808)
Subsidiary capital correction	(71.060.049)	(71.060.049)
Total	**729.272.142**	**423.972.882**

Other capital reserves

According to TAS 16 - "Property Plant and Equipment", property, plant and equipment are initially recorded at cost and can be subsequently measured at their fair values. The Company has started to show based on the revaluation model by measuring over fair value as of the third quarter of 2015 by making changes in the use of the property which is measuring the cost model in the financial statements before.

In accordance with tax legislation, 75% of profits from sales of participation shares and 50% of profits from sales real estates included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years..

Anadolu Sigorta, as of December 31, 2019, the tax exempt which obtained thanks to sale of participation shares and real estate in 2010, 2011, 2013, 2014, 2015, 2016 and 2017 years respectively, amounting to TL 8.081.516, TL 80.025, TL 647.763, TL 920.272, TL 2.541.500, TL 15.094 and TL 838.049 and real estate revaluation funds of 2018 and 2019 and the profit not subject to distribution for 2018 are classified as other capital reserves.

Milli Reasürans, according to expertise reports, fair value of property for use is calculated as TL 179.340.000 and revaluation differences amounting to TL 162.300.435 is recognized in 'Other Capital Reserves' account under equity as TL 146.070.394 with net tax effect in financial statements as of December 31, 2019 (December 31, 2018: TL 146.070.394). As of 31 December 2019, Non-Distributable Profit amount recognized according to the equity method is TL 19.744.595. (December 31, 2018: TL 17.679.458).

Extraordinary reserves

The movement of extraordinary reserves is as follows:

	December 31, 2019	December 31, 2018
Extraordinary reserves at the beginning of the period	**284.629.618**	**179.927.446**
Transfer from profit	303.975.738	104.702.172
Extraordinary reserves at the end of the period	**588.605.356**	**284.629.618**

Subsidiary capital correction

On September 30, 2010, the Company purchased 35.53% shares of Anadolu Sigorta Anonim Şirketi with nominal value of TL 177.650.110 from İş Bankası amounting to TL 248.710.154. As Anadolu Sigorta and the Company are under common control and when information transfer and structure is considered, Anadolu Sigorta is accepted as a part of the Company's operations. This subsidiary under common control is recorded at cost in the financial statements. In the business combination of subsidiary under common control, the purchasing company is not obliged to, but has the permission to reflect the effects of business combination the prior year financial statements. In business combinations under common control, shares are transferred from one company to the other in the same group and independent third parties are not included in the transaction and purchasing price is not determined on fair value, the application is determined by the management's decision. The Company management decided not to reflect the effects of the business combination in the comparative financial statements. The difference between purchase price and net asset value amounting to TL (71.060.049), is recorded under "Subsidiary Capital Correction" account under equity.

Other profit reserves

In accordance with the July 4, 2007 dated and 2007/3 numbered Compliance Circular issued by the Republic of Turkey Ministry of Treasury and Finance, it was stated that the companies would not further provide earthquake provision for the year 2007. However, it was also stated that earthquake provisions provided in previous periods (earthquake provision in the financial statements as at December 31, 2006) should be transferred to the reserve accounts under equity in accordance with the 5th Temporary Article of the Insurance Law. The companies had to transfer total amount of provisions, including earthquake provisions reserved as at December 31, 2006 and related gains obtained from investment of these amounts, to the account called as "549.01 - transferred earthquake provisions" which would be opened as at September 1, 2007 within Uniform Chart of Account and the reserves amount should not be subject to dividend distribution or should not be transferred to other accounts.

According to revision on TAS 19, actuarial profit and losses that recognized in income statement in termination indemnity calculation before, is recognized in "Other Profit Reserves" account under equity in current period financial statements. As of December 31, 2019, TL (2.758.065) (31 December 2018: TL (2.073.808 TL)), of actuarial gains and losses, which are presented in profit or loss is presented under "other profit reserves". As of 31 December 2019, other profit reserves amount recognized according to the equity method is TL 24.424.400 (December 31, 2018: TL 24.481.758).

Profit for the period that is extraneous from the distribution

In accordance terms of tax legislation 50% portion of the gains from sales real estate and 75% portion of the gains from subsidiaries are exempt from corporate tax on condition that it has kept in a special fund account at least five years. Exempt gains cannot be transferred to another account except to add capital or in any way cannot be withdrawn from the business in five years. In the direction of sector announcement made by Treasury dated October 27, 2008 and numbered 2008/41, for the year ended December 31, 2016, the Company categorized the TL 23.723.323 profit on sale from the sale of the properties realized on April 10, 2015 under the company's equity as "sales profits to be capitalized" and "other capital reserves" under the equity for the current period. As of 31 December 2019, sales profits to be capitalized amount recognized according to the equity method is TL 522.188 (December 31, 2018: TL 522.188). As of December 31, 2019, non-distributable profit is accounted for using the equity method is TL 3.129.194 (December 31, 2018: TL 1.549.719.)

Statutory reserves

After the allocation of first legal reserves and first dividend to shareholders, reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly. As of December 31, 2019, total funds allocated is amounting TL 37.967.904 (December 31, 2018: TL 23.673.668), and there's not any fund allocated from current period profit in current period.

(Currency: Turkish Lira (TL))

Foreign currency translation differences

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. As at December 31, 2019, foreign currency translation reserve amounting to TL 34.192.451 loss (December 31, 2018: TL 43.734.932 loss) stems from Singapore Branch whose functional currency is US Dollars.

Valuation of financial assets

As of December 31, 2019 and 2018, changes in fair values that stem from securities classified as available for sale financial assets that present share in capital and associates are detailed as below:

	December 31, 2019	December 31, 2018
Fair value reserves at the beginning of the period	**(38.392.942)**	**52.911.805**
Change in the fair value during the period *(Note 4.2)*	140.101.037	(34.148.167)
Deferred tax effect *(Note 4.2)*	(5.099.087)	4.183.047
Net gains transferred to the statement of income *(Note 4.2)*	3.674.113	(78.640.548)
Deferred tax effect *(Note 4.2)*	(808.305)	17.300.921
Fair value reserves at the end of the period	**99.474.816**	**(38.392.942)**

16 Other reserves and equity component of discretionary participation

As of December 31, 2019 and 2018, other reserves are explained in detail in Note 15 - Equity above.

As of December 31, 2019 and 2018, the Group does not hold any insurance or investment contracts which contain a DPF.

17 Insurance contract liabilities and reinsurance assets

Estimation of the ultimate payment for the outstanding claims is one of the most important accounting assumptions of the Company. Estimation of the insurance contract liabilities contains several ambiguities by nature. The Company makes calculation of the related insurance technical provisions accordance with the Insurance Legislation and reflects them into consolidated financial statements as mentioned in Note 2 - *Summary of significant accounting policies*.

(Currency: Turkish Lira (TL))

General Information
Financial Rights Provided to the Members of the Governing Body and Senior Executives
Research & Development Activities
Activities and Major Developments Related to Activities
Financial Status
Risks and Assessment of the Governing Body
Unconsolidated Financial Statements Together with Independent Auditors' Report Thereon
Consolidated Financial Statements Together with Independent Auditors' Report Thereon

As of December 31, 2019 and 2018, technical reserves of the Group* are as follows:

	December 31, 2019	December 31, 2018
Unearned premiums reserves, gross	3.899.597.423	3.280.229.790
Unearned premiums reserves, ceded *(Note 10)*	(868.053.967)	(732.987.716)
Unearned premiums reserves, SSI share	(74.462.604)	(63.611.725)
Unearned premiums reserves, net	**2.957.080.852**	**2.483.630.349**
Outstanding claims reserve, gross	6.595.436.311	5.416.277.390
Outstanding claims reserve, ceded *(Note 10)*	(1.507.010.830)	(1.195.809.112)
Outstanding claims reserve, net	**5.088.425.481**	**4.220.468.278**
Unexpired risk reserves	89.355.440	109.401.448
Unexpired risk reserves, ceded	(15.528.210)	(40.180.867)
Unexpired risk reserves, net	**73.827.230**	**69.220.581**
Equalization reserves, net(*)	357.827.967	276.734.089
Other technical reserves, net	**357.827.967**	**276.734.089**
Life mathematical reserves	**38.691**	**73.795**
Total technical reserves, net	**8.477.200.221**	**7.050.127.092**
Short-term	8.117.368.295	6.772.584.798
Medium and long-term	359.831.926	277.542.294
Total technical reserves, net	**8.477.200.221**	**7.050.127.092**

As of December 31, 2019 and 2018, movements of the insurance liabilities and related reinsurance assets are presented belows:

	December 31, 2019			
Unearned premiums reserve	**Gross**	**Ceded**	**SSI Share**	**Net**
Unearned premiums reserve at the beginning of the period	3.280.229.790	(732.987.716)	(63.611.725)	2.483.630.349
Written premiums during the period	8.091.533.647	(1.976.107.372)	(136.068.059)	5.979.358.216
Earned premiums during the period	(7.471.816.014)	1.841.041.121	125.217.180	(5.505.557.713)
Unearned premiums reserve at the end of the period	**3.899.947.423**	**(868.053.967)**	**(74.462.604)**	**2.957.430.852**

	December 31, 2018			
Unearned premiums reserve	**Gross**	**Ceded**	**SSI Share**	**Net**
Unearned premiums reserve at the beginning of the period	2.761.900.572	(551.618.894)	(58.817.233)	2.151.464.445
Written premiums during the period	6.874.082.761	(1.770.959.962)	(120.450.837)	4.982.671.962
Earned premiums during the period	(6.355.753.543)	1.589.591.140	115.656.345	(4.650.506.058)
Unearned premiums reserve at the end of the period	**3.280.229.790**	**(732.987.716)**	**(63.611.725)**	**2.483.630.349**

(Currency: Turkish Lira (TL))

	December 31, 2019		
Outstanding claims reserves	**Gross**	**Ceded**	**Net**
Outstanding claims reserve at the beginning of the period	5.416.277.390	(1.195.809.112)	4.220.468.278
Claims reported during the period and changes in the estimations of outstanding claims reserves provided at the beginning of the period	5.896.974.740	(1.229.561.139)	4.667.413.601
Claims paid during the period	(4.717.815.819)	918.359.421	(3.799.456.398)
Outstanding claims reserve at the end of the period	**6.595.436.311**	**(1.507.010.830)**	**5.088.425.481**

	December 31, 2018		
Outstanding claims reserves	**Gross**	**Ceded**	**Net**
Outstanding claims reserve at the beginning of the period	4.142.682.408	(595.038.575)	3.547.643.833
Claims reported during the period and changes in the estimations of outstanding claims reserves provided at the beginning of the period	5.338.724.811	(1.275.160.333)	4.063.564.478
Claims paid during the period	(4.065.129.829)	674.389.796	(3.390.740.033)
Outstanding claims reserve at the end of the period	**5.416.277.390**	**(1.195.809.112)**	**4.220.468.278**

Total amount of guarantee that should be placed by the Group for life and non-life branches and guarantees placed for the life and non-life branches in respect of related assets

As the Company is a reinsurance company, there is not any guarantee that should be placed. The details given below are the amounts of guarantees for Anadolu Sigorta A.Ş.

	December 31, 2019		
	Should be placed(*)	**Placed**	**Book value**
Non-life:			
Bank deposits *(Note 14)*	494.545.433	447.110.868	447.225.909
Total	**494.545.433**	**447.110.868**	**447.225.909**

	December 31, 2018		
	Should be placed(*)	**Placed**	**Book value**
Non-life:			
Bank deposits *(Note 14)*	453.845.445	566.555.904	567.003.315
Total	**453.845.445**	**566.555.904**	**567.003.315**

(*) Insurance companies and pension companies, which are carrying out activities in life insurance and personal accident insurance branches, are required to allocate their guarantees within two months following capital adequacy calculation periods in accordance with article 7 of Regulation on Financial Structure of Insurance and Reassurance Companies and Pension Companies, regulating allocating and releasing of guarantees. Companies issue capital adequacy statement twice in June and December periods in accordance with "Regulation on Measurement and Review of Capital Adequacy of Insurance and Reassurance and Pension Companies" and submit such statements to Ministry of Treasury and Finance within 2 months.

Total amount of insurance risk on a branch basis

Total amount of insurance risk on branch basis for non-life insurance branch is not kept by the Group.

Group's number of life insurance policies, additions, disposals during the year and the related mathematical reserves

None.

Distribution of new life insurance policyholders in terms of numbers and gross and net premiums as individual or group during the period

None.

Distribution of mathematical reserves for life insurance policyholders who left the Group's portfolio as individual or group during the period

None.

Pension investment funds established by the Group and their unit prices

None.

Number and amount of participation certificates in portfolio and circulation

None.

Portfolio amounts in terms of number of new participants, left or cancelled participants, and existing participants for individuals and groups

None.

Valuation methods used in profit share calculation for saving life contracts with profit sharing

None.

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups

None.

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups which were transferred from other insurance companies during the year

None.

Distribution of individual and group participants and their gross and net contributions which were transferred from life insurance portfolio to private pension portfolio during the year

None.

Distribution of individual and group participants which were cancelled or transferred to other insurance companies in terms of their numbers and gross and net contributions

None.

Profit share distribution rate of life insurances

None.

Deferred commission expenses

The Group capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As of December 31, 2019, short-term prepaid expenses amounting to TL 606.023.035 (December 31, 2018: TL 500.778.298) consist of deferred acquisition cost; deferred commission expenses amounting to TL 555.184.994 (December 31, 2018: TL 461.641.048) and other prepaid expenses amounting to TL 50.838.041 (December 31, 2018: TL 39.137.250). Long-term prepaid expenses amounting TL 1.444.448 (December 31, 2018: TL 9.445.638) are composed of other prepaid expenses.

(Currency: Turkish Lira (TL))

	December 31, 2019	December 31, 2018
Deferred commission expenses at the beginning of the period	461.641.048	384.974.032
Commissions accrued during the period *(Note 32)*	1.254.393.951	914.371.048
Commissions expensed during the period	(1.160.850.005)	(837.704.032)
Deferred commission expenses at the end of the period	**555.184.994**	**461.641.048**

(*) Commission expenses accounted under reinsurance commissions are included.

Individual pension funds

None.

18 Investment contract liabilities

None.

19 Trade and other payables and deferred income

	December 31, 2019	December 31, 2018
Financial payables	117.648.540	53.578.314
Payables from main operations	796.914.881	700.067.699
Other payables	133.712.351	97.294.815
Short/long term deferred income and expense accruals	221.449.286	181.638.382
Taxes and other liabilities and similar obligations	136.600.008	57.436.673
Due to related parties *(Note 45)*	368.661	370.388
Total	**1.406.693.727**	**1.090.386.271**
Short-term liabilities	1.347.115.950	1.087.656.012
Long-term liabilities	59.577.777	2.730.259
Total	**1.406.693.727**	**1.090.386.271**

As of December 31, 2019, other payables amounting to TL 133.712.351 (December 31, 2018: TL 97.294.815) consist of treatment cost payables to SSI amounting to TL 39.979.932 (December 31, 2018: TL 30.867.740) payables to Tarsim and DASK and outsourced benefits and services amounting to TL 83.941.498 (December 31, 2018: TL 56.972.083) and deposits and guarantees received amounting to TL 9.790.921 (December 31, 2018: 9.454.992).

Payables arising from main operations of the Group as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Payables to reinsurance companies *(Note 10)*	503.446.108	421.304.226
Payables to agencies, brokers and intermediaries	72.191.799	65.074.280
Cash deposited by insurance and reinsurance companies	5.469.130	9.088.597
Total payables arising from reinsurance and insurance operations	**581.107.037**	**495.467.103**
Payables arising from other operating activities	215.807.844	204.600.596
Payables arising from main operations	**796.914.881**	**700.067.699**

(Currency: Turkish Lira (TL))

Corporate tax liabilities and prepaid taxes are disclosed below:

	December 31, 2019	December 31, 2018
Corporate tax liabilities	(201.913.417)	(106.996.427)
Taxes paid during the period	137.083.224	142.657.523
Corporate tax assets, net	**(64.830.193)**	**35.661.096**

Total amount of investment incentives which will be benefited in current and forthcoming periods

None.

20 Financial liabilities

	31 December 2019	31 December 2018
Expense accruals arising from derivative contracts (Note 13) (**)	59.472.753	2.877.823
Payables from operating leases (Note 34) (***)	58.175.787	-
Short-term	3.620.551	-
Medium and long-term	54.555.236	-
Payables from repo transactions (*)	-	50.700.491
Total	**117.648.540**	**53.578.314**

(*) As of the reporting date, there is no balance arising from cash loans and debts to money markets (As of December 31, 2018, the Company has financial debt amounting TL 50.700.491 arising from repo/Takasbank Money Market transactions).

(**) As of December 31, 2019, the Group's expense accrual details amounting to TL 59.472.753 arising from derivative contracts are explained in Note 13 (December 31, 2018: TL 2.877.823).

(***) As of December 31, 2019, the Group's operating leases are explained in the *Note 34 - Financial Costs*.

21 Deferred taxes

As of December 31, 2019 and 2018, deferred tax assets and liabilities are attributable to the following::

	December 31, 2019	December 31, 2018
	Deferred tax assets/(liabilities)	Deferred tax assets/(liabilities)
Unexpired risk reserves	16.241.991	15.228.528
Provision for the pension fund deficits	10.643.391	8.947.362
Equalization reserves	53.535.621	41.127.247
Provisions for employee termination benefits	8.307.197	7.543.894
Other provisions	19.583.644	14.837.226
Subrogation provision	6.198.312	3.558.004
Discount of receivables and payables	(336.314)	522.078
TAS adjustment differences in depreciation	(10.658.223)	(3.159.259)
Profit commission accruals	(2.723.769)	(2.028.998)
Subrogation receivables from third parties	(6.931.925)	(5.651.737)
Valuation differences in financial assets	(3.022.005)	(15.377.031)
Time deposits	91.793	192.055
Other	1.866.480	1.598.347
Valuation of real estate	(63.004.554)	(60.193.714)
Deferred tax assets/(liabilities), net	**29.791.639**	**7.144.002**

As of December 31, 2019, the Group does not have deductible tax losses. (December 31, 2018: None.)

(Currency: Turkish Lira (TL))

Movement of deferred tax assets as of December 31, 2019 and 2018 are given below:

	December 31, 2019	December 31, 2018
Opening balance at January 1	**7.144.002**	**(5.078.019)**
Recognized in profit or loss	69.039.680	(4.635.421)
Recognized in equity	(46.392.043)	16.857.442
Closing balance at December 31	**29.791.639**	**7.144.002**

22 Retirement benefit obligations

Employees of the Company are the members of "Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı ("Milli Reasürans Pension Fund") and the employees of Anadolu Sigorta are the members of Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı ("Pension Fund of Anadolu Anonim Türk Sigorta Şirketi") which has been founded in accordance with the Article 20 of the Social Securities Act No: 506.

As per the provisional article No: 23 of the Banking Law No: 5411, pension funds of the banks which were established within the framework of Social Security Institution Law, should be transferred to the Social Security Institution within three years after the publication of the prevailing Banking Law enacted on November 1, 2005. However, the said article of the Banking Law has been vetoed by the President on November 2, 2005 and the execution of the article was ceased based on the Supreme Court's decision numbered E.2005/39, K.2007/33 and dated March 22, 2007 effective from March 31, 2007. Supreme Court asserted possible losses on acquired rights of employees of pension fund as reason for cancellation decision.

Following annulment of the temporary Article 23 of the Banking Law, the new law "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" was published in the Official Gazette dated May 8, 2008 and came into force. The new law requires transfer of the participants or beneficiaries of pension funds to Social Security Institution as at the effective date of the Act within 3 years and prescribe the extension period of the transfer as maximum of two years upon the order of the Cabinet. Accordingly, the three-year period expired on May 8, 2011 was extended to the May 8, 2013. On March 8, 2012, "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" numbered 28227, was published on Official Gazette and 4th article of this act changed "two years" phrase as "four years" which takes part on second sentence of first clause of 20th article of the code numbered 5510. Also, under the scope of Decree of the Council of Ministers numbered 2013/4617 was published on Official Gazette numbered 28636, on May 3, 2013 and 20th temporary article of the Social Security Laws numbered 506 banks, insurance and reinsurance companies, chambers of commerce, stock markets or participants of pension funds and salary or income provided ones and their shareholders' transfer duration has been extended one year to the Social Security Institution by Decree of the Council of Ministers.

Under the scope of Decree of Turkish Ministry of Labour and Social Security numbered 174, according to 20th temporary article of the Social Security Laws numbered 5510, the Council of Ministers postpone transfer of the funds until May 8, 2015 with the decision of The Council of Ministers dated February 24, 2015.

Lastly, first paragraph of temporary 20th article of 5510 numbered Law, article 51 of the law regarding changing of several laws and delegated legislations and the law of occupational health and safety which are published in April 23, 2015 dated Official Gazette is changed as following.

"Council of minister is entitled to determine the Social Security Intuition's turnover date for banks, assurance and reinsurance companies, chamber of commerce and industry, stock markets or pension fund' partnerships that is constituted by them for union employees along with monthly income endowed people and their rights holder within the scope of 506 numbered law' provisional 20. Article. Pension fund contributors as of the transfer date and considered insured by the first paragraph of Article 4 of this law.

In accordance with the Act, as of the transfer date, present value of the liabilities will be determined by considering the income and expense of the pension fund.

(Currency: Turkish Lira (TL))

On the other hand, the application made on June 19, 2008 by the Republican People's Party to the Constitutional Court for the annulment and motion for stay of some articles, including the first paragraph of the provisional article 20 of the Law, which covers provisions on transfers, was rejected in accordance with the decision taken at the meeting of the afore-mentioned court on March 30, 2011.

As per the temporary sub article No: 20 of the Article 73 of the above mentioned law also includes the following:

a) technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and
b) uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by the entities who transfer the funds.

In accordance with the law; after fund affiliates along with monthly salary and/or revenue endowed people and their rights holder transfer to Social Security Intuition, these people' uncovered social rights and payments is paid, even if it is written in the foundation's obligation which they are belong to, by funds and fund affiliate's employer institutions.

The benefits stated in the settlement deeds of pension fund but not subject to transfer will continue to be covered by the pension funds.

The technical financial position of the Milli Reasürans Pension Fund is audited by the registered actuary in accordance with the Article 21 of the Insurance Law and Actuary Act. As per the calculations based on the above mentioned assumptions, actuarial and technical deficit amounting to TL 53.216.955 TL (December 31, 2018: TL44.736.812) is accounted as "Provision for pension fund deficits" in the accompanying consolidated financial statements.

An actuarial report has been obtained from registered actuary regarding calculation of the amount to be paid to the Social Security Institution by the Company in accordance with the new law. The CSO 1980 mortality table for December 31,2019 and the TSI 2013 mortality table for December 31, 2018 9.8% of technical deficit interest rate are taken into account in the calculation of the said technical deficit. No real increase/decrease is anticipated in salary and health expenses. The health benefits to be paid will be considered by the Group management due to the changes in the Social Security Institution legislation and other regulations. As of December 31, 2019 and 2018, technical deficit from pension funds comprised the following.

	December 31, 2019	December 31, 2018
Net present value of total liabilities other than health	(154.412.630)	(133.663.392)
Net present value of insurance premiums	36.399.424	29.450.709
Net present value of total liabilities other than health	**(118.013.206)**	**(104.212.683)**
Net present value of health liabilities	(18.531.186)	(16.741.096)
Net present value of health premiums	19.953.802	16.332.152
Net present value of health liabilities	**1.422.616**	**(408.944)**
Pension fund assets	**63.373.635**	**59.884.815**
Amount of actuarial and technical deficit	**(53.216.955)**	**(44.736.812)**

Plan assets are comprised of the following items:

	December 31, 2019	December 31, 2018
Cash and cash equivalents	51.228.641	48.840.924
Associates	10.648.699	9.682.845
Other	1.496.295	1.361.046
Total plan assets	**63.373.635**	**59.884.815**

(Currency: Turkish Lira (TL))

Up to date, as per the actuarial calculation performed, there has not been any deficit in Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı and Anadolu Sigorta has made no payment for this purpose. It is believed that the assets of this institution are adequate enough to cover its total obligations; therefore this shall not constitute any additional liability on Anadolu Sigorta.

23 Provision for other liabilities and expense accruals

As of December 31, 2019 and 2018, the provisions for other risks are disclosed as follows:

	December 31, 2019	December 31, 2018
Provision for pension fund deficits *(Note 22)*	53.216.955	44.736.812
Provision for employee termination benefits	38.340.411	35.080.373
Provision for unused vacation	2.905.069	2.399.183
Total provision for other risks	**94.462.435**	**82.216.368**

Movement of provision for employee termination benefits during the period is presented below:

	December 31, 2019	December 31, 2018
Provision at the beginning of the period	35.080.373	29.233.214
Interest cost *(Note 47)*	4.280.225	3.073.462
Service cost *(Note 47)*	2.429.854	2.326.182
Payments during the period *(Note 47)*	(4.378.995)	(2.710.704)
Actuarial gain/loss	928.954	3.158.219
Provision at the end of the period	**38.340.411**	**35.080.373**

24 Net insurance premium revenue

Net insurance premium revenue for non-life branches is presented in detailed in the accompanying consolidated statement of income.

25 Fee revenue

None.

26 Investment income

Investment income is presented in Note 4.2 - *Financial risk management*.

27 Net income accrual on financial asset

Net realized gains on financial assets are presented in Note 4.2 - *Financial risk management*.

28 Assets held at fair value through profit or loss

Presented in "*Note 4.2* - Financial Risk Management".

(Currency: Turkish Lira (TL))

29 Insurance rights and claims

	December 31, 2019	December 31, 2018
Claims paid, net off reinsurers' share	(3.799.456.398)	(3.390.740.033)
Changes in outstanding claims reserves, net off reinsurers' share	(867.957.203)	(672.824.445)
Changes in unearned premium reserves, net off reinsurers' share	(472.362.222)	(332.165.904)
Change in equalization reserves	(81.093.878)	(66.543.242)
Change in life mathematical reserves, net off reinsurers' share	35.104	42.314
Changes in unexpired risks reserves, net off reinsurers' share	(4.606.649)	(39.774.848)
Total	**(5.225.441.246)**	**(4.502.006.158)**

30 Investment contract benefits

None.

31 Other expenses

The allocation of the expenses with respect to their nature or function is presented in Note 32 - *Expenses by nature* below.

32 Operating expenses

For the years ended December 31, 2019 and 2018, the operating expenses are disclosed as follows:

	December 31, 2019	December 31, 2018
Commission expenses *(Note 17)*	996.680.788	837.704.032
Commissions to the intermediaries accrued during the period (Note 17)	*1.083.550.914*	*914.371.048*
Changes in deferred commission expenses (Note 17)	*(86.870.126)*	*(76.667.016)*
Employee benefit expenses *(Note 33)*	291.494.818	239.728.958
Foreign exchange losses	30.188.546	70.480.481
Administration expenses	140.528.715	155.172.151
Commission income from reinsurers *(Note 10)*	(211.883.477)	(224.731.883)
Commission income from reinsurers accrued during the period (Note 10)	*(219.921.607)*	*(248.982.078)*
Change in deferred commission income (Note 10)	*8.038.130*	*24.250.195*
Advertising and marketing expenses	28.727.445	18.968.329
Outsourced benefits and services	25.179.548	21.559.689
Commission expenses from reinsurance transactions (Note 10)	164.169.217	116.479.375
Commissions from reinsurance transactions during the period (Note 10)	*170.843.037*	*127.915.936*
Change in deferred reinsurance commission expenses (Note 10)	*(6.673.820)*	*(11.436.561)*
Other	14.804.358	35.622.658
Total	**1.479.889.958**	**1.270.983.790**

(Currency: Turkish Lira (TL))

33 Employee benefit expenses

As of December 31 2019 and 2018, employee benefit expenses are disclosed as follows:

	December 31, 2019	December 31, 2018
Wages and salaries	211.068.619	179.381.299
Employer's share in social security premiums	56.028.392	40.460.148
Pension fund benefits	5.362.795	5.044.995
Other	19.035.012	14.842.516
Total *(Note 32)*	**291.494.818**	**239.728.958**

34 Financial costs

As of December 31, 2019, interest expense arising from the leases that the Group has subject to TFRS 16 Leasing Standards amounting to TL 12.262.383 has accounted under "Investment Management Expenses - Including Interest"; amortization expense amounting to TL 7.196.904 has been accounted under "Depreciation and Amortization Expense" accounts (January 1 - December 31, 2018: None).

As of December 31, 2019, discounted repayment plans for the Group's operating leases are as follows (December 31, 2018: None):

	Operating lease repayments -TL
Up to 1 year	3.620.551
1 - 2 years	2.813.212
2 - 3 years	3.500.198
3 - 4 years	4.354.946
4 - 5 years	5.387.487
Over 5 years	38.499.393
Total	**58.175.787**

35 Income tax

Income tax expense in the accompanying consolidated financial statements is as follows:

	December 31, 2019	December 31, 2018
Current tax expense provision:		
Corporate tax provision	(201.913.417)	(106.996.427)
Deferred taxes:		
Origination and reversal of temporary differences	69.039.680	(4.635.421)
Total income tax expense/(income)	**(132.873.737)**	**(111.631.848)**

(Currency: Turkish Lira (TL))

General Information
Financial Rights Provided to the Members of the Governing Body and Senior Executives
Research & Development Activities
Activities and Major Developments Related to Activities
Financial Status
Risks and Assessment of the Governing Body
Unconsolidated Financial Statements Together with Independent Auditors' Report Thereon
Consolidated Financial Statements Together with Independent Auditors' Report Thereon

A reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended December 31, 2019 and 2018 is as follows:

	2019		2018	
Profit before taxes	**634.616.315**	**Tax rate (%)**	**529.665.325**	**Tax rate (%)**
Taxes on income per statutory tax rate	139.615.589	22,00	116.526.372	22,00
Tax exempt income	(63.502.257)	(10,01)	(60.400.133)	(11,40)
Non-deductible expenses	56.760.405	8,95	55.505.609	10,48
Total tax expense recognized in consolidated profit or loss	**132.873.737**	**20,94**	**111.631.848**	**21,08**

36 Net foreign exchange gains

Net foreign exchange gains are presented in Note 4.2 - *Financial Risk Management* above.

37 Earnings per share

Earnings per share are calculated by dividing Group's net profit of the year to the weighted average number of shares.

	2019	2018
Net profit/loss for the period	309.978.881	278.283.572
Weighted average number of shares	66.000.000.000	66.000.000.000
Earnings/losses per share (TL)	0,0047	0,0042

38 Dividends per share

Dividend distribution policy of the Company stated its Articles of Association are as follows:

Net profit for the year presents remaining amount of total income of the year after deducting operating expenses, amortisation, provisions, taxes and other similar obligations and prior year losses if any. Net profit is divided and distributed in accordance with order as follows.

- 5% of legal reserve is divided from annual net profit, until it reaches 20% of share capital.
- Amounts described by a and b clauses of 2nd paragraph of 519th article of the Turkish Commercial Law will be added to general legal reserves, after legal limit is reached.
- 10% of the remaining net profit amount is distributed to shareholders, as first dividend.
- If the company has acquired his share, according to 520th article of the Turkish Commercial Law, legal reserve is divided to meet the acquiring amount.
- Reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly,
- After the allocation of first legal reserves, first dividend to shareholders and statutory reserves, up to 3% of the remaining amount not exceeding three-wages is distributed to personnel.
- After the allocation of above mentioned reserves and dividends, second dividend to shareholders might be allocated, based on the suggestion of the Board of Directors and decision of the General Assembly.
- According to c clause of 2nd paragraph of 519th article of the Turkish Commercial Law, 10% of total amount distributed to people have share of profit will be added to general legal reserves.
- The fate of remaining amount will be determined by the General Assembly.

Judgements of 3rd paragraph of 519th article of Turkish Commercial Law are reserved.

Other legal reserves can not be divided, profit can not be transferred to next year and share of profit can not be distributed to workers, unless legal reserves have to be divided according to laws and first dividend for shareholders is divided, in accordance with the Articles of Association.

It is decided in Ordinary General Assembly Meeting of the Company, held on March 25, 2019, to make a cash dividend payment of TL 60.000.000 to shareholders and to allocate remaining balance as voluntary reserves from the net period income amounting to TL 278.213.412, from 2018 activities of the Company, after the legal reserves are allocated.

Paid dividend amount is reflected to financial statements as liability in the period it is declared by the Company.

39 Cash generated from operations

The cash flows from operating activities are presented in the accompanying consolidated statement of cash flows.

40 Convertible bond

None.

41 Redeemable preference shares

None.

42 Risks

In the normal course of its operations, the Group is exposed to legal disputes, claims and challenges, which mainly stem from its insurance operations. The necessary income/expense accruals for the revocable cases against/on behalf of the Group are provided under outstanding claims reserves in the accompanying consolidated financial statements.

As of December 31,2019, total amount of the claims that the Group face is TL 1.716.620.953 in gross (December 31, 2018: TL 1.776.535.000). The Group provided outstanding claims reserves in the consolidated financial statements by considering collateral amounts.

As of December 31, 2019, ongoing law suits prosecuted by the Company's subsidiary Insurance Company against the third parties amounting TL 409.892.582 (December 31, 2018: TL 455.213.000).

Anadolu Anonim Türk Sigorta Şirketi Mensupları Dayanışma Vakfı" was established by Anadolu Anonim Türk Sigorta Şirketi in accordance with the Turkish Commercial and Civil Laws which is examined by Tax Audit Committee inspectors due to the Company payments what are fulfilled obligations to the foundation owing to deed of the foundation and the related act. As a result of this investigation, an examination was reported for periods of 2007, 2008, 2009, 2010 and 2011.

The final legal process which is related the period of 2007 and 2008 is expected to result in the Company's favour and the amount of provision TL 12.768.684 which was published on the Official Gazette dated November 12, 2014. December 2013 and after the condition of the provision is evaluated later ongoing development of the legal process. There is a provision amount of TL 4.360.015 (December 31, 2018: TL 4.007.764) related with this process.

An examination related to payments made for Company's liabilities in frame of related regulations to "Milli Reasürans Türk Anonim Şirketi Mensupları Yardımlaşma Sandığı Vakfı" that established by Milli Reasürans Türk Anonim Şirketi in accordance with the Turkish Commercial and Civil Laws is realized by Tax Inspection Board inspectors. As a result of this investigation, a tax audit report is issued for the periods 2007, 2008, 2009, 2010 and 2011 with the claim that liability amounts shall be taxed at cost principle and be taxable for income tax withholding and stamp tax.

Legal process has been started for the years 2007, 2008, 2009, 2010, 2011 and the later years and the payment regarding to the revenue authorities was paid. As of the report date, there is no recognized provision.

43 Commitments

Details of the guarantees given by the Group in non-life insurance branches are shown in Note 17.

44 Business combinations

None.

(Currency: Turkish Lira (TL))

General Information
Financial Rights Provided to the Members of the Governing Body and Senior Executives
Research & Development Activities
Activities and Major Developments Related to Activities
Financial Status
Risks and Assessment of the Governing Body
Unconsolidated Financial Statements Together with Independent Auditors' Report Thereon
Consolidated Financial Statements Together with Independent Auditors' Report Thereon

45 Related party transactions

For the purpose of the accompanying consolidated financial statements, shareholders, key management and members of board of directors together with their families and companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties.

The related party balances as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Türkiye İş Bankası AŞ	1.774.359.555	2.056.738.212
Other	3.137	1.883
Banks	**1.774.362.692**	**2.056.740.095**
Investment funds founded by İş Portföy Yönetimi A.Ş. *(Note 11)*	1.085.620.877	376.530.484
Bond issued by Türkiye Sınai Kalkınma Bankası A.Ş. *(Note 11)*	41.955.002	52.951.656
Eurobond issued by Türkiye İş Bankası *(Note 11)*	74.327.048	
Equity shares of the related parties *(Note 11)*	77.776.570	50.045.854
Bond issued by Türkiye İş Bankası *(Note 11)*	96.283.796	21.287.330
Investment funds founded by İşbank AG *(Note 11)*	17.113.532	13.234.978
Bond issued by İş Finansal Kiralama A.Ş. (Note 11)	-	8.759.700
Financial assets	**1.393.076.825**	**522.810.002**
İş Gayrimenkul Yatırım Ortaklığı A.Ş. - TFRS 16 Operating leases	1.956.528	-
Financial liabilities	**1.956.528**	**-**
Türkiye İş Bankası A.Ş	469.586.257	426.011.481
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	5.181.827	3.539.765
Ziraat Sigorta A.Ş.	3.586.897	2.872.372
Groupama Sigorta A.Ş.	3.416.718	-
Anadolu Hayat Emeklilik A.Ş.	930.395	1.094.136
İstanbul Umum Sigorta A.Ş.	169.977	161.487
HDI Sigorta A.Ş	102.879	
Ziraat Hayat ve Emeklilik	86.250	-
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	87.846	-
Receivables from main operations	**483.149.046**	**433.679.241**
Türkiye İş Bankası A.Ş.	11.021.482	8.419.250
Axa Sigorta A.Ş.	4.481.577	10.596.518
Allianz Sigorta A.Ş.	1.836.870	582.788
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	1.519.469	693.757
Şişecam Sigorta Aracılık Hizmetleri AŞ	696.535	407.838
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	65.482	-
İstanbul Umum Sigorta A.Ş.	22.541	22.993
Groupama Sigorta A.Ş.	-	609.487
Güven Sigorta T.A.Ş.	-	209.260
Ziraat Hayat ve Emeklilik	-	18.039
Anadolu Hayat Emeklilik A.Ş.	-	278.417
Payables from main operations	**19.810.655**	**21.838.347**
Due to personnel	211.925	214.924
Due to shareholders	131.570	105.548
Due to subsidiaries	-	38.024
Due to other related parties	25.166	11.892
Due to related parties	**368.661**	**370.388**

No guarantees have been taken against receivables from related parties.

(Currency: Turkish Lira (TL))

There are no doubtful receivables and payables from/to shareholders, subsidiaries and joint ventures.

There are no guarantees, commitments, guarantee letters, advances and endorsements given in favor of shareholders, associates and subsidiaries.

The transactions with related parties during the years ended December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Türkiye İş Bankası A.Ş.	845.874.415	761.904.845
Ziraat Sigorta A.Ş.	24.283.392	18.439.443
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	21.067.933	18.305.225
Groupama Sigorta A.Ş.	18.950.974	2.939.670
Anadolu Hayat Emeklilik A.Ş.	7.714.571	6.255.998
Axa Sigorta A.Ş.	1.493.921	8.928.768
HDI Sigorta A.Ş.	631.473	-
Ziraat Hayat ve Emeklilik	444.848	290.000
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	122.159	96.696
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	7.768	-
Güven Sigorta T.A.Ş.	-	(222)
Allianz Sigorta A.Ş.	(5.197)	355.191
Premium received	**920.586.257**	**817.515.614**
Groupama Sigorta A.Ş	760	15.878
Axa Sigorta A.Ş	582	6688
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	426	7003
Güven Sigorta TAŞ	189	2380
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	165	-
HDI Sigorta A.Ş.	40	-
Premiums ceded	**2.162**	**31.949**
HDI Sigorta A.Ş.	(12)	-
Güven Sigorta	(24)	-
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	(38)	-
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	(55)	(72.656)
Groupama Sigorta A.Ş.	(67)	(284)
Axa Sigorta A.Ş.	(91)	(172)
Commissions received	**(287)**	**(73.112)**
Türkiye İş Bankası A.Ş.	82.199.913	75.251.737
Ziraat Sigorta A.Ş	5.872.836	4.525.564
Groupama Sigorta A.Ş.	4.167.015	461.648
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	4.204.632	3.573.459
Anadolu Hayat Emeklilik A.Ş.	434.254	170.168
Axa Sigorta A.Ş	141.462	1.917.506
Hdi Sigorta A.Ş.	100.488	-
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	31.312	-
Allianz Sigorta A.Ş	11.611	69.543
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	1.165	-
Güven Sigorta T.A.Ş.	-	3
Commissions given	**97.164.688**	**85.969.628**

(Currency: Turkish Lira (TL))

	December 31, 2019	December 31, 2018
Axa Sigorta A.Ş.	6.508.049	24.591.209
Ziraat Sigorta A.Ş.	7.724.930	6.879.276
Allianz Sigorta A.Ş.	1.999.105	2.318.683
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	1.937.515	4.924.629
Groupama Sigorta A.Ş	1.507.011	2.818.246
Anadolu Hayat Emeklilik A.Ş.	1.270.970	389.733
Ziraat Hayat ve Emeklilik	704.475	456.788
Güven Sigorta T.A.Ş.	416.584	461.340
Hdi Sigorta A.Ş.	163.922	-
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	118	-
Claims paid	**22.232.679**	**42.839.904**
İstanbul Umum Sigorta A.Ş.	16.564	65.852
Güven Sigorta T.A.Ş	13.938	163.000
Allianz Sigorta A.Ş	11.525	48.908
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	7.651	
Groupama Sigorta A.Ş.	(19.547)	164.940
Axa Sigorta A.Ş.	(33.949)	197.781
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	(40.506)	42.109
Reinsurance's share of claims paid	**(48.759)**	**682.590**
Anadolu Hayat Emeklilik A.Ş.	260.401	222.777
Allianz Sigorta A.Ş.	122.530	136.561
Ziraat Sigorta A.Ş.	113.157	258.981
Groupama Sigorta A.Ş.	43.842	48.543
Axa Sigorta A.Ş	41.981	1.394.118
Hdi Sigorta A.Ş.	19.160	-
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	5.384	21.262
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	2.535	-
Ziraat Hayat ve Emeklilik A.Ş.	2.049	
Güven Sigorta T.A.Ş.	1.405	6.405
İstanbul Umum Sigorta A.Ş.	1.200	2.520
Other income	**613.644**	**2.091.167**
İş Merkezleri Yönetim ve İşletim A.Ş. - Office service cost	7.500.919	5.900.277
İş Gayrimenkul Yatırım Ortaklığı A.Ş. - IFRS 16 interest expense	678.267	-
Yatırım Finansman Menkul Değerler - management commission	584.816	-
İş Portföy Yönetimi - management commission	312.361	220.355
Axa Sigorta A.Ş.	132.217	302.204
Allianz Sigorta A.Ş.	75.604	80.431
Ziraat Sigorta A.Ş.	18.633	1.126
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	9.710	-
Güven Sigorta A.Ş	7.786	25.177
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	6.241	641.708
Hdi Sigorta A.Ş.	5.710	-
İstanbul Umum Sigorta A.Ş.	4.005	11.744
Groupama Sigorta A.Ş	3.378	54.044
Anadolu Hayat Emeklilik A.Ş.	698	2.001
Other expenses	**9.340.345**	**7.239.067**

(Currency: Turkish Lira (TL))

46 Subsequent events

Subsequent events are disclosed in note 1.10 - *Subsequent events*.

47 Other

Items and amounts classified under the "other" account in financial statements either exceeding 20% of the total amount of the group to which they relate or 5% of the total assets in the balance sheet

They are presented in the related notes above.

Payables to employees and receivables from employees presented under accounts, "other receivables" and "other short or long term payables", and which have balance more than 1% of the total assets

None.

Subrogation recorded in "Off-Balance Sheet Accounts

None.

Real rights on immovable and their values

None.

Explanatory note for the amounts and nature of previous years' income and losses

None.

Information about the other technical expenses in the income statement

The amounting to TL 140.222.386 (31 December 2018: TL 139.447.460) which is the part of other technical expenses in the income statement of amounting to TL 149.972.159 (31 December 2018: TL 145.297.383) is the assistance services, postponement of these amounts and their technical expenses.

As of and for the year ended December 31, 2019 and 2018, details of discount and provision expenses are as follows:

	December 31, 2019	December 31, 2018
Provision expense for doubtful receivables *(Note 4.2)*	(67.539.019)	(78.512.916)
Provision for pension fund deficits *(Note 23)*	(8.480.143)	(5.401.697)
Provision expense for employee termination benefits *(Note 23)*	(2.331.085)	(2.688.940)
Provision expenses for unused vacation *(Note 23)*	(505.886)	(520.275)
Terminated provision income/(expense)	252.776	8.425.669
Other provision expenses *(Note 4.2)*	(362.689)	(5.166.283)
Impairment loss on financial assets	-	(356.186)
Provision expenses	**(78.966.046)**	**(84.220.628)**

	December 31, 2019	December 31, 2018
Rediscount income/(expense) from main operations receivables	45.201.232	33.824.128
Rediscount income/(expense) from main operations payables	(39.824.588)	(44.229.349)
Total of rediscounts	**5.376.644**	**(10.405.221)**

CONTACT INFORMATION

Milli Re T.A.Ş.

Harbiye Mahallesi Maçka Caddesi No: 35
34367 Şişli - İstanbul

Phone +90 212 231 47 30
Fax +90 212 230 86 08
E-mail info@millire.com
millire@millire.com

www.millire.com

Singapore Branch

4 Battery Road #20-01
Bank of China Building
Singapore 049908

Phone +65 6499 9340
Fax +65 6534 2884
E-mail singapore@millire.com

Produced by Tayburn
Tel: (90 212) 227 04 36
www.tayburnkurumsal.com

www.millire.com

ISBANK Subsidiary