

2019

Annual Report



AXA SİGORTA



**AXA HAYAT
EMEKLİLİK**



INTRODUCTION

MESSAGE FROM THE CHAIRMAN



2019 was a strong year for AXA, thanks to implementation of our focus and transformation strategy. In line with this strategy, we focused on greater growth, guided particularly by Life and Corporate business lines known as our "preferred segments", on simplification of the Group's occupational area and on specific targets to be able to preserve our strong balance sheet. On transformation side, we continued to mitigate our financial risk exposure, to increase customer satisfaction levels and to conduct our activities and efforts on innovation.

As a result of these efforts, AXA Group's revenues increased by 5% and have reached 104 million Euros. Above all, this growth brought us increased profitability thanks to our technical excellence, which lead to a record high income of 6.5 million Euros, exceeding the previous year's revenue by 2%. We also confirmed the strength of our balance sheet, reaching 198% with a 5-point Solvency Ratio.

International Markets Environment, in which AXA Sigorta is an important player, has achieved 6% increase in income and 17% in basic revenues with these results. In Turkey, AXA Sigorta once again confirmed its leadership in domestic insurance sector through achievement of 22% growth in non-Life segments and a stable market share of 7.1%. AXA Sigorta recorded a firm growth of 52% in Health segment and realized a net income of 316 million TRY despite the pressure on investment income due to low inflation and interest rates. This was possible in particular with the robust improvement in technical results. Compound ratio showed significant improvement in all main business lines, particularly in MTPL and Home insurance, thanks to the pricing and underwriting factors supported by an efficient loss management. .

In Life segment, Asset management grew by 42.5%, reaching 675 million TRY.

AXA Sigorta had a successful year after "From Payer to Solution Partner" incentives focused on Insurance 4.0 concept. We have taken many steps and succeeded in the market, resulting in +7 points increase in NPS compared to the previous year, which is +5 points above average. AXA Sigorta is proud of being known and recognized as a company supporting its agencies through mutual trust for obtaining large businesses, a great company to work with for its 2,176 agencies, which have scored 96% points.

2019 was an important year for AXA brand also, where AXA Sigorta won many marketing awards. We thank our customers for participating in our social media and marketing activities carrying AXA Sigorta to success and for appreciating our hard work. 2019 was also a year where AXA Sigorta made huge attempts in terms of Corporate Responsibility with events and activities in Climate Change, Health, Social Inequality and Social Welfare areas. This drew attention to AXA brand as a responsible insurance company creating positive impact for the entire society beyond the business world.

I would like to thank our customers on behalf of AXA Group and the Board of Directors for their trust in us which is the driving force behind our efforts and initiatives. I also would like to thank our agencies, banks and distribution partners for their endeavors for delivering our products and services to our customers. All these can be possible thanks to the hard work and collaboration of AXA Sigorta employees and the Executive Board, whose endeavors and dedication brought us these good results.

We are excited about all new possibilities to be brought by 2020 which we will greet as one single AXA.

MESSAGE FROM DEPUTY CHAIRMAN AND CEO



2019 was a positive year for AXA Sigorta and AXA Hayat Emeklilik where we have reinforced our firm steps in our "From Payer to Solution Partner" transition journey, obtained high evaluation scores in terms of satisfaction from our customers, agencies and employees, giving us happiness and joy and encouragement, and succeeded to create robust and sustainable technical and financial values for 2020 and beyond.

Within 2019, we accomplished our Customer First, Courage, Integrity and One AXA values within the scope of our Insurance 4.0 vision thanks to our technological infrastructure and innovative solutions and achieved 21.7% growth, reaching 7.1% market share in Property and Accident insurance products and 675 million TRY of total fund volume in Life and Pension segments. Our Life and Non-Life & Pension companies realized 323.4 million TRY consolidated profit after tax.

We developed many projects, digital and mobile solutions increasing efficiency of our agencies and distribution channels within 2019, where we became enriched through simplification within the entire organization and operations as well as in our customer and agency/distribution channel processes, with simple and comprehensible communication and with solution oriented approaches. Besides these, we also initiated training programs spreading throughout the year with "You're the Future" and "Stars of the Future" initiatives within the scope of our cooperation with reputable universities, where we bring academicians, insurance professionals and technology consultants with the second generation insurers employed by our agencies, at the end of which we aim to have 50 graduates.

We also accomplished to have all our customers, agencies and distributions channels meet with the culture of listening for understanding with the services we provide throughout 9 Regional Management centers and extended our solution center understanding to our strong regional organizations.

2019 was a year in which we increased our Agency Satisfaction Score up to 97%. According to the evaluations made by our customers, our Customer Net Advise Score also increased by +7 points, exceeding the sector's average score by +5 points. The fact that our company has been regarded as the most recommended insurance company by customers in 2019 is based on our strong and innovative organization and brand awareness. I would like to emphasize that this year "global warming and climate change" were among the highest priorities of our Company and we worked with numerous local and international specialists in a TV program consisting of 25 episodes with the purpose of raising awareness within the society and expressing our responsibility for change. As AXA Hearts in Action Volunteers, we also run various initiatives, namely No More Phone Accidents - Clean Seas with TURMEPA - Good Individual, Good Citizen, Good Athlete with Altınordu Soccer Club - Volleyball in Village Schools with Turkish Volleyball Federation, AXA Sigorta Turkey Cup. At this point, we were very happy to be the value partner of our Women's National Volleyball Team, which succeeded to get the visa for competing in team sports category in the Olympic Games after a quite long time.

In 2019, we experienced a year where we increased our efficiency through the significant steps we took in technology, including use of artificial intelligence and big data in loss claim processes and simplification of numerous business processes thanks to image processing technology.

So 2019 was a significant transformation year for use where new versions of AXAFit mobile application was developed, AXA Agency mobile solution stepped forward and internet of things and deep learning continued to meet with insurance products thanks to AXAGo Telematics MoD product.

Year 2019 may be regarded as a year where we have experienced significant results for our companies both in national and international level. We won various awards in both Marketing and Corporate Responsibility activity areas, including STEVIE International Business Awards, Sardis Awards 2019, Instachamp, The One Awards, Golden Spider Awards, Boğaziçi University Sports Awards and the W3 Awards. We felt proud and excited for our future projects by winning these awards in such a challenging year.

2019 is completed as an essentially challenging year where we have seen the developments towards normalization within the last quarter, which actually started with various hardships overlapped from last year and caused by uncertainties in the economy. Our Company made a very strong year closure in terms of growth, profitability, financial robustness, capital adequacy and the amount of reserves and we are very grateful to all our employees, agencies and distribution channels for their efforts and cooperation enabling us to achieve these successful results.

AXA Group's confidence in our country and Company management, continuous support of INM, International and New Markets Zone where we're affiliated, by sharing their global experiences made it possible for us to exhibit our OneAXA value and continue in our path even stronger.

We will continue to focus on creating "Happy Customer" & "Happy Agent/Distribution Channel", build a value chain that makes difference by using smart technologies and turn innovative solutions, collaborations, innovative products and services into focus points together with all our employees and we are ready to welcome 2020 and future years with strength and resilience.

As AXA Sigorta and AXA Hayat Emeklilik, we're pleased and hopeful for the future since we have achieved our goals in a very significant transformation year like 2019 and we are also able to build a sound basis in order to produce sustainable results for 2020 and from now on. I am confident that we will continue to take firm steps towards a more powerful and successful future with our strong global brand and AXA values and to passionately contribute even more in the future and the society with our social responsibility understanding.



**Members of
Company Board
of Directors**

Benoit Michel Claveranne

Chairman of Board

Benoit Claveranne graduated from Ecole Nationale d'U Administration (ENA), Institut d'Etudes Politiques (Paris) and Ecole Normale Supérieure (Economy Department) and got his Master's Degree from Faculty of Economy of Paris University. Before joining AXA, he had worked as Director in International Monetary Fund, World Bank and French Treasury. He joined AXA as a Vice Group President of Europe and Public Relations in September 2009. Mr. Benoît Claveranne worked as Head of AXA France Prevoyance & Patrimoine between years 2011 and 2013. He served as Chief Executive Officer of AXA Asia in charge of Life Insurance between 2014 and June 2016. He worked as Group Chief Transformation Officer in charge of Distribution, Data, Information Technology, Operational Excellence (including Efficiency) and Procurement between July 2016 - December 2017. He joined AXA Group Management Committee in July 2016. Mr. Benoît Claveranne was appointed as Chief Executive Officer for International and New Markets on December 1, 2017.

Yavuz Ölken

Deputy Chairman of Board and CEO

Born in 1966 in İzmir, Mr. Ölken graduated from Saint Joseph College in 1984, İzmir Atatürk High School in 1989 and Istanbul Technical University Department of Civil Engineering in 1989. Having started his career in 1989, Ölken has been working in AXA Sigorta since 2002 as Director of various departments, such as Corporate and Technical, Individual Technical, Pricing and Reserve, Reinsurance, Corporate and Commercial Risks Sales Support, Project Management, Information Technologies (Integration and Domestic Development, Life and Pension Software, Digital Solutions, System Performance and Non-Life Software, System and Network Management, Data Warehouse and Customer Value Management). Yavuz Ölken was appointed as Chief Executive Officer of Axa Sigorta in 2018.

Guillaume Herve Marie Xavier Lejeune

Board Member

Lejeune graduated from Hautes Etudes Commerciales (HEC Paris) and Centre d'Etudes Actuarielles (Actuary Department). He started his career as Consultant at Eurosept in 1990 and then continued as a Manager in AT Kearney in 1995. Lejeune joined AXA Group in 1996 and first worked as Financial Control Manager of USA, UK and Asia Regions in AXA GMS Planning Budget and Reporting Department. Afterwards he served as Head of Sales Department at AXA Conseil in 1999; Deputy CEO of AXA France in 2001; Head of Sales in charge of AXA France South West Region in 2003; Financial Control and Strategy Manager in AXA France in 2006; Chief Financial Officer of Axa Mexico in 2008 and he is currently working as Chief Operating Officer of AXA France since 2011. Lejeune has been working as the CEO and BoD Member of AXA Sigorta since 2015.

Celalettin Ali Erlat

Board Member

Erlat graduated from Heybeliada Naval High School in 1979 and Law School of Istanbul University in 1985. Having started his career in 1987, Erlat has been working in our company since 2002 and he is also a Managing Member of Company Board of Directors and the Director of AXA Sigorta's Legal, Bodily Damages, Compliance and Business Continuity Departments and all units affiliated thereto.

Christophe Knaub

Board Member

1977, Wissembourg. Knaub graduated from Ecole des Mines de Paris. Having started his business life in 2000 and participated in AXA Group in 2006, Knaub has been working as Director of many departments in AXA Sigorta since September 1, 2015, including Cash Management and Financial Investments, Accounting, PBR and Strategic Planning, Purchasing and all affiliated units of these departments Knaub was appointed as CFO for AXA International and New Markets.



1. General Information

COMMERCIAL TITLE OF THE COMPANY

AXA SİGORTA A.Ş. HEAD OFFICE



MECLİS-İ MEBUSAN CADDESİ NO: 15 SALIPAZARI 34433 ISTANBUL/TURKEY

TAX OFFICE	: BÜYÜK MÜKELLEFLER
TAX ID NO.	: 649 003 9946
TRADE REGISTRY OFFICE	: ISTANBUL TRADE REGISTRY DIRECTORATE
TRADE REGISTRY NO.	: 98645

Phone	: 0 212 334 24 24
Fax	: 0 212 252 15 15
e-mail	: iletisim@axasigorta.com tr
web	: www.axasigorta.com tr

AXA HAYAT VE EMEKLİLİK A.Ş. HEAD OFFICE



MECLİS-İ MEBUSAN CADDESİ NO: 15 SALIPAZARI 34433 ISTANBUL/TURKEY

TAX OFFICE	: BÜYÜK MÜKELLEFLER
TAX ID NO.	: 092 000 0019
TRADE REGISTRY OFFICE	: ISTANBUL TRADE REGISTRY DIRECTORATE
TRADE REGISTRY NO.	: 328116

Phone	: 0 212 334 24 24
Fax	: 0 212 252 15 15
e-mail	: iletisim@axasigorta.com tr
web	: www.axahayatemeklilik.com tr



CONTACT INFORMATION

REGIONAL OFFICES

MEDITERRANEAN REGIONAL MANAGEMENT OFFICE / ANTALYA

Phone: 0 242 247 49 00 • Fax: 0 242 242 47 68

BAKIRKOY REGIONAL MANAGEMENT OFFICE / ISTANBUL

Phone: 0 212 442 15 50 • Fax: 0 212 442 15 51

DENIZLI REPRESENTATIVE OFFICE / DENIZLI

Phone: 0 258 213 40 90 • Fax: 0 258 213 77 27

AEGEAN REGIONAL MANAGEMENT OFFICE / IZMIR

Phone: 0 232 464 87 97 • Fax: 0 232 464 84 58

ERZURUM REPRESENTATIVE OFFICE / ERZURUM

Phone: 0 442 234 15 65 • Fax: 0 442 235 04 75

SOUTH ANATOLIA REGIONAL MANAGEMENT OFFICE / ANKARA

Phone: 0 322 457 19 65 • Fax: 0 322 457 45 10

ISTANBUL REGIONAL MANAGEMENT OFFICE / ISTANBUL

Phone: 0 212 334 34 00 • Fax: 0 212 252 96 22

KADIKOY REGIONAL OFFICE / ISTANBUL

Phone: 0 216 468 20 20 • Fax: 0 216 478 60 87

BLACK SEA REGIONAL MANAGEMENT OFFICE / SAMSUN

Phone: 0 362 432 60 50 • Fax: 0 362 432 53 40

TURKISH REPUBLIC OF NORTHERN CYPRUS BRANCH OFFICE / NICOSIA

Phone: 0 392 228 73 85 • Fax: 0 392 228 73 91

MARMARA REGIONAL MANAGEMENT OFFICE / BURSA

Phone: 0 224 222 02 22 • Fax: 0 224 225 02 25

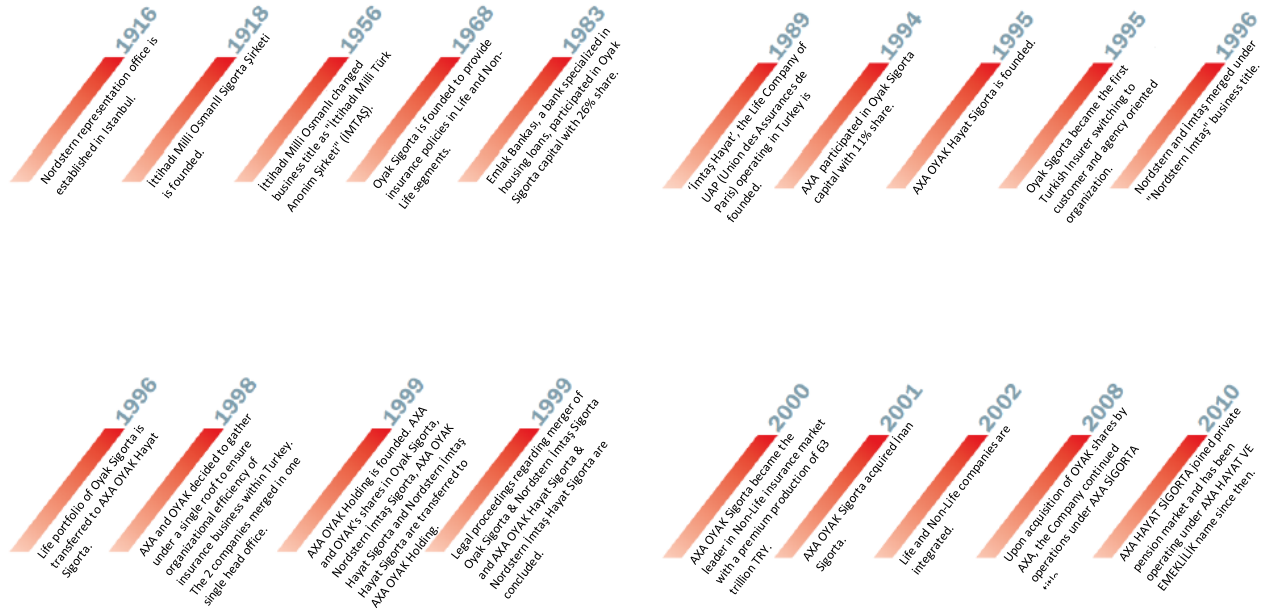
CENTRAL ANATOLIA REGIONAL MANAGEMENT OFFICE / ANKARA

Phone: 0 312 218 68 68 • Fax: 0 312 219 98 48

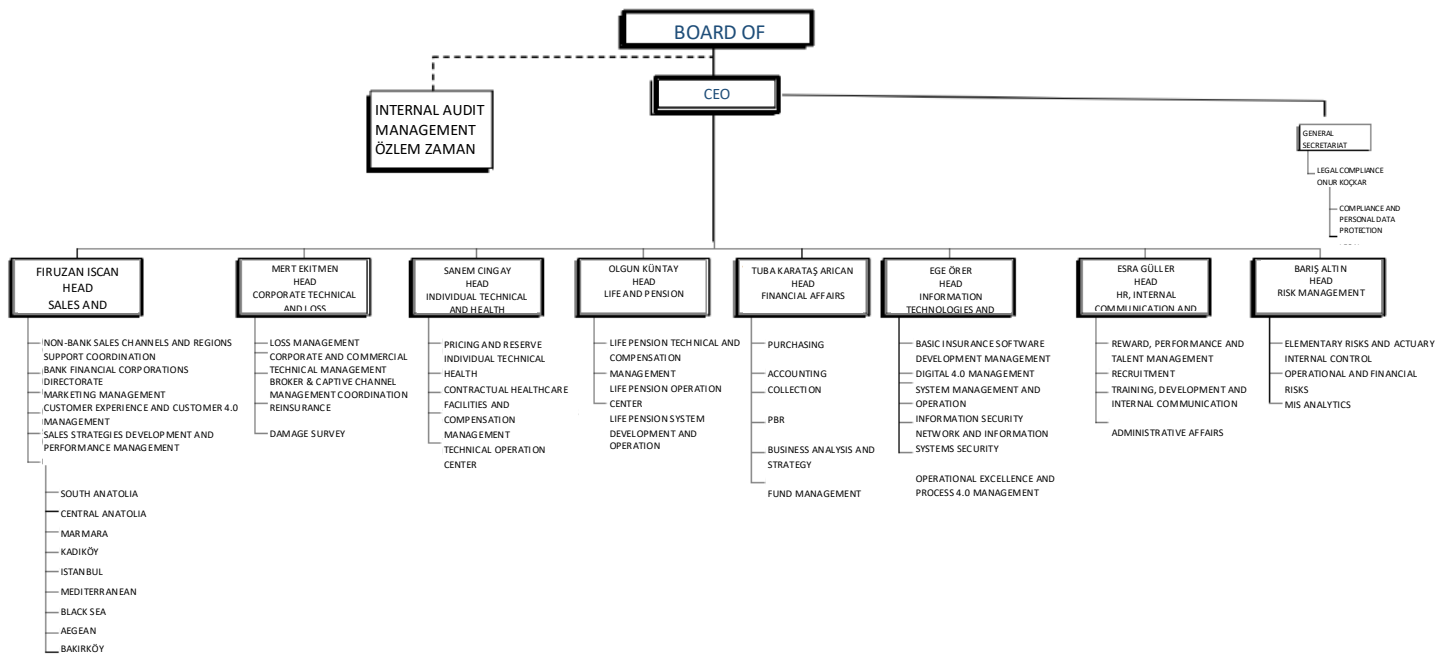
TRABZON REPRESENTATIVE OFFICE / TRABZON

Phone: 0 462 372 70 54 • Fax: 0 462 372 70 51

History



ORGANIZATION CHART



AXA SIGORTA EXECUTIVE BOARD



1

Onur KOÇKAR
Executive Board member, Legal and
Compliance Director

2

Ege ÖRER
Executive Board Member, Head of Information
Technologies and Innovation

3

Sanem ÇİNGAY
Executive Board Member, Head of Individual
Technical and Health

4

Yavuz ÖLKEN
Chief Executive Officer

5

Tuba KARATAŞ ARICAN
Executive Board Member, Chief Financial
Officer

6

Barış ALTIN
Executive Board Member, Chief Risk Officer

7

Esra GÜLLER
Executive Board Member, Head of Human
Resources, Internal Communications and
Administrative Affairs

8

Firuzan İŞCAN
Executive Board Member, Chief Sales and
Marketing Officer

9

Mert EKİTMEN
Executive Board Member, Chief Operating
Officer

10

Olgun KÜNTAY
Executive Board Member, Head of Life and
Pension



DEPUTY CEOs

İbrahim Olgun Küntay

Head of Life and Pension

Küntay graduated from Department of Statistics at Hacettepe University in 1983. He received his Ph.D degree in Statistics from the same university. Having started his career in 1983, Küntay has been working in our company since 1999 and he is currently the Head of Life, Pension Technical and Compensation management, Life System Development, Life Pension Operation Center (HOMER) Departments and all affiliated units in our Company.

Firuzan İşcan

Chief Sales and Marketing Officer

İşcan graduated from Galatasaray University Faculty of Industrial Engineering in 1997. He completed his post graduate study in 1999 again in Galatasaray University Faculty of Industrial Engineering. İşcan started his professional life in 1997 as a research assistant in Galatasaray University and assumed various positions in Allianz Turkey and Germany between 2001 - 2018. Last office he held in Allianz was CEO of Allianz Worldwide Partners Turkey before joining our team in AXA. İşcan is currently the Chief Sales and Marketing Officer in AXA Sigorta, in charge of Sales, Marketing, Customer Complaints Management, Innovative Cooperations Management and Business Development Departments and all affiliated units thereof.

Sanem Çingay

Head of Individual Technical and Health

Çingay graduated from Department of Mathematics at Middle East Technical University in 1998. She completed her Ph.D in Economy at Lancaster University in 1999, then Ph.D in Actuary Science at Caas Business School in 2009. Çingay assumed various position in Allianz Turkey and Germany between 2000 - 2010. Having worked as the Director of special Lines Technical Department in Ergo Turkey between 2010 - 2017, and as Head of Individual Technical Underwriting in Groupama Sigorta between 2017 - 2018, Çingay has been working as the Head of Individual Technical and Health in AXA Sigorta since May 2018, managing Individual Technical, Technical Operation Center, Pricing and Reserve, Contractual Healthcare Facilities and Compensation Management, Health, Health Compensation Departments and all affiliated units.

Şükrü Mert Ekitmen***Chief Operating Officer***

Ekitmen graduated from Civil Engineering Department at Istanbul Technical University in 1995 and received his MBA degree from Dogus University. Having started his career in 1996, Ekitmen joined AXA Group in 2017 and has been working in AXA Sigorta as Chief Operating Officer in charge of Loss Management, Corporate and Commercial Technical Management, Loss Communication Center, Broker & Captive Channel Management, Reinsurance, Recovery Departments and all affiliated units.

Tuba Karataş Arıcan***Chief Financial Officer***

Arıcan is a double major graduate of Middle East Technical University in 2004 both in Economics and Business Administration and obtained her Master's degree in Business Administration for Managers from Boğaziçi University in 2012. She began her professional life in 2004. She was the CFO of Libery Sigorta before joining AXA. Arıcan became an AXA member in 2018 and currently she is the Chief Financial Officer in charge of Accounting, Collection, Fund management, Purchasing, Business Analysis and Strategy and PBN Departments and all affiliated units.



DIRECTORS OF INTERNAL SYSTEMS AND COMPLIANCE DEPARTMENTS

Özlem Zaman

Internal Audit

Director

Zaman graduated from Department of Management Engineering at Istanbul Technical University in 1999. She received a Master's Degree in Actuary from Bahcesehir University. Having started her business life in 1999 and worked in AXA Sigorta since 2008, Zaman has been working as the Director of Internal Audit Department.

Cevat Murat Uytun

Compliance and Personal Data Protection

Manager


Uytun graduated from Department of Tourism and Hospitality Management at Bilkent University in 1992. He received Master's Degree in International Business from Istanbul University. Having started his business life in 1993 and worked in AXA Sigorta since 1999, Uytun has been working as Director of Compliance and Personal Data Protection Department.

Hakan Devecioğlu

Internal Control, Operational and Financial Risks

Manager

Devecioğlu graduated from Department of Public Finance at Celal Bayar University in 2003. He got his MBA in Istanbul Technical University. Having started his business life in 2004 and worked in AXA Sigorta since 2005, Devecioğlu has been working as Director of Internal Control, Operational and Financial Risk Department.



MANAGEMENT BODIES, SENIOR EXECUTIVES AND NUMBER OF EMPLOYEES

AXA SİGORTA and AXA HAYAT VE EMEKLİLİK provide services with nine regional management offices, three regional representative offices and one branch office in addition to Head Office functions. Our offices are listed as follows: Bakırköy Regional Management Office, Kadıköy Regional Management Office and Istanbul Regional Management Office in Istanbul; Marmara Regional Management Office in Bursa; Aegean Regional Management Office in Izmir and Denizli Representative Office; Mediterranean Regional Management Office in Antalya; Southern Anatolian Regional Management Office in Adana; Central Anatolian Regional Management Office in Ankara; Black Sea Regional Management Office in Samsun with its affiliated Erzurum Representative Office, Trabzon Representative Office and Cyprus Branch Office in TRNC.

General profile of employees working in AXA SİGORTA and AXA HAYAT VE EMEKLİLİK as of 31.12.2019 is provided below:

Sex		
	Number of Employees	Percentage
Female	382	51.8%
Male	356	48.2%
Total	738	
Locations		
Building	Life	Insurance
Region		285
Head Office	40	413
Total	40	698
Educational Background		
Post Graduate & PhD	110	15%
Bachelor's Degree	590	80%
High School and Below	38	5%
Titles		
	Female	Male
Senior Management	5	14
Director	67	92
Employee	310	250
Total	382	356

The rate of higher education among our employees is increasing year by year.

AXA Sigorta is a Group Company with a good ratio in terms of Female/Male employees according to the AXA Group Diversity Principle.



FINANCIAL RIGHTS PROVIDED TO MEMBERS OF MANAGEMENT BODIES AND SENIOR EXECUTIVES

AXA SİGORTA A.Ş./AXA HAYAT VE EMEKLİLİK A.Ş. Consolidated

2019


Allowance and General Expense Payments Allocated to Board Members and Senior Executives (*)

Travel Expenses	469,047
Representation Expenses	127,988
Other	2,060
Total	599,095

Financial Rights Provided to Board Members and Senior Executives (*)

Salaries	13,650,683
Accomplishment Premiums	4,722,524
Insurance Payments	1,057,163
Other Payments	711,293
Total	20,141,662

(*) Consists of Chairman and Members of Company Board of Directors, CEO, Deputy CEOs, Directors and Extended Executive Board Members.



CAPITAL AND PARTNERSHIP STRUCTURE

AXA SİGORTA A.Ş.
TABLE OF CAPITAL DISTRIBUTION 31.12.2019

NAME OF PARTNER	PARTICIPATION RATE(%)	Total Capital (TL)	NUMBER OF SHARES (1 KR)
AXA HOLDİNG A.Ş.	92.61%	1,135,204,390	113,520,439,013
T.C.ZİRAAT BANKASI A.Ş.	7.31%	89,547,369	8,954,736,910
GROUPAMA SİGORTA A.Ş.	0.04%	540.906	54,090,627
OTHER*	0.04%	446.522	44,652,142
TOTAL	100.00%	1,225,739,187	122,573,918,691

*Some of Board Members have one share in the said amount and the number of shares held by Board Members shall be effective during their membership period.

Our company did not increase its capital in 2019 and there is no privileges on shares representing the capital or the company has no own shares acquired by the Company.

AXA HAYAT VE EMEKLİLİK A.Ş.
TABLE OF CAPITAL DISTRIBUTION 31.12.2019

NAME OF PARTNER	PARTICIPATION RATE (%)	Total Capital (TL)	NUMBER OF SHARES (1 KR)
AXA HOLDİNG A.Ş.	99.996%	19,999,283	1,999,928,328
OTHER*	0.004%	717	71,672
TOTAL **	100%	20,000,000	2,000,000,000

*Some of Board Members have one share in the said amount and the number of shares held by Board Members shall be effective during their membership period.

** The Company held a Shareholders' Assembly Meeting on 3/29/2019 and according to the resulting Assembly Resolutions, following decisions are made: Decrease Company capital by 52,031,222 TRY from 62,975,000 TRY paid-in capital down to 10,943,778 TRY; subsequently increase capital by 9,056,222 TRY to reach a total paid-in capital amount of 20,000,000 TRY to be withdrawn from Secondary Legal Reserves; pay the amount obtained from capital decrease at the end of aforementioned transactions to shareholders in proportion with their share percentages, in accordance with the provisions of Turkish Commercial Code No.6102, Trade Registry Regulation and other relevant regulations.



AXA SİGORTA A.Ş.

AFFIRMATIVE OPINION ON ANNUAL REPORT



INDEPENDENT AUDITOR'S REPORT RELATED TO ANNUAL REPORT OF BOARD OF DIRECTORS

To the Board of Directors of Axa Sigorta A.Ş.

1. Opinion

We have completed our audit on Axa Sigorta A.Ş.'s Annual Report regarding activities and operations conducted between January 1 - December 31, 2019

In our opinion, the financial information included in the annual report and discussion of Board of Directors on Company's status are consistent, in all significant aspects, with the audited financial statements and information we obtained during independent audit and provide a fair presentation.

2. Basis of Opinion

Our audit has been conducted in accordance with Independent Auditing Standards ("IAS") which is an integral part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and with the regulations regarding independent auditing principles in force as required by insurance legislation. Our responsibilities under these Standards are explained thoroughly in "Responsibilities of the Independent Auditor for Independent Auditing of Annual Report" section in our report. We hereby declare that we are independent of the Company in accordance with the Code of Conduct for Independent Auditors ("Code of Conduct") issued by POA and with the ethical provisions in the relevant legislation. We have also fulfilled other ethical responsibilities assigned to independent auditors in the Code of Conduct and the relevant legislation. We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.

3. Auditor's Opinion on Full Set of Financial Statements

We express a positive opinion regarding the financial statements of the Company for the period January 1 - December 31, 2019 in our auditor's report dated March 13, 2020.

*PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A. Ş.
BJK Plaza, Süleyman Seba Caddesi No:48 B Blok Kat:9 Akaretler Beşiktaş 34357 İstanbul – Turkey
Phone: +90 212 3266060, Fax: +90 212 326 6050, www.pwc.com.tr Mersis No. 0-1460-0224-0500015*



4. Board of Directors' Responsibility for the Annual Report

Company Senior Management is responsible for the following regarding Company Annual Report in accordance with the Articles 514 & 516 of Turkish Commercial Code (TCC").

- a) The Board of Directors prepares annual report within the first three months of the financial period following the balance sheet day, and submits them to the General Assembly.
- b) The Board of Directors prepares annual report and flow of business of the Company in accurate, complete, truthful, honest and fair manner. In this report, the financial status is evaluated in accordance with financial statements. In the report, the development of the Company and the potential risk to be encountered are clearly indicated. Assessment of Board of Directors on these issues is also included in this report.
- c) The annual report also includes the following:
 - Crucial events occurred in the company after the end of activity year,
 - R&D Activities
 - Financial rights such as wages, premiums, bonuses, allowances, expenses of travel, accommodation and representation, in kind and cash benefits, insurance and similar guarantees paid to the members of the Board of Directors and senior executives.

The Board of Directors also pays regard to secondary legislative arrangements issued by Ministry of Trade and other relevant authorities during preparation of the annual report.



5. Independent Auditor's Responsibility for Independent Audit of the Annual Report


Our purpose is to present an opinion in accordance with provisions of TCC whether the financial information included in the annual report and examinations of Board of Directors conducted by using the information and data contained in the audited financial statements are consistent with the audited financial statements of the Company and information we obtained during independent audit and provide a fair presentation and to prepare a report containing our opinion.

Our independent audit activity is conducted in compliance with the IASs. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial information and examinations of Board of Directors made by using the information and data contained in the audited financial statements are consistent with financial statements and the information obtained during audit and provide a fair presentation.

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

Talar Gül, SMMM
Chief Auditor in Charge

İstanbul, March 13, 2020



AXA SİGORTA A.Ş.

AFFIRMATIVE OPINION ON ANNUAL REPORT



INDEPENDENT AUDITOR'S REPORT RELATED TO ANNUAL REPORT OF BOARD OF DIRECTORS

To the Board of Directors of Axa Sigorta A.Ş.

1. Opinion

We have completed our audit on Axa Sigorta A.Ş.'s Annual Report regarding activities and operations conducted between January 1 - December 31, 2019

In our opinion, the financial information included in the annual report and discussion of Board of Directors on Company's status are consistent, in all significant aspects, with the audited financial statements and information we obtained during independent audit and provide a fair presentation.

4. Basis of Opinion

Our audit has been conducted in accordance with Independent Auditing Standards ("IAS") which is an integral part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and with the regulations regarding independent auditing principles in force as required by insurance legislation. Our responsibilities under these Standards are explained thoroughly in "Responsibilities of the Independent Auditor for Independent Auditing of Annual Report" section in our report. We hereby declare that we are independent of the Company in accordance with the Code of Conduct for Independent Auditors ("Code of Conduct") issued by POA and with the ethical provisions in the relevant legislation. We have also fulfilled other ethical responsibilities assigned to independent auditors in Code of Conduct and the relevant legislation. We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.

5. Auditor's Opinion on Full Set of Financial Statements

We express a positive opinion regarding the financial statements of the Company drawn up for the period January 1 - December 31, 2019 in our auditor's report dated March 13, 2020.

*PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A. Ş.
BJK Plaza, Süleyman Seba Caddesi No:48 B Blok Kat:9 Akaretler Beşiktaş 34357 İstanbul – Turkey
Phone: +90 212 3266060, Fax: +90 212 326 6050, www.pwc.com.tr Mersis No. 0-1460-0224-0500015*



4. Board of Directors' Responsibility for the Annual Report

Company Senior Management is responsible for the following regarding Company Annual Report in accordance with the Articles 514 & 516 of Turkish Commercial Code (TCC").

- a) The Board of Directors prepares annual report within the first three months of the financial period following the balance sheet day, and submits them to the General Assembly.
- b) The Board of Directors prepares annual report and flow of business of the Company in accurate, complete, truthful, honest and fair manner. In this report, the financial status is evaluated in accordance with financial statements. In the report, the development of the Company and the potential risk to be encountered are clearly indicated. Assessment of Board of Directors on these issues is also included in this report.
- c) The annual report also includes the following:
 - Crucial events occurred in the company after the end of activity year,
 - R&D Activities
 - Financial rights such as wages, premiums, bonuses, allowances, expenses of travel, accommodation and representation, in kind and cash benefits, insurance and similar guarantees paid to the members of the Board of Directors and senior executives.

The Board of Directors also pays regard to secondary legislative arrangements issued by Ministry of Trade and other relevant authorities during preparation of the annual report.



5. Independent Auditor's Responsibility for Independent Audit of the Annual Report

Our purpose is to present an opinion in accordance with provisions of TCC whether the financial information included in the annual report and examinations of Board of Directors conducted by using the information and data contained in the audited financial statements are consistent with the audited financial statements of the Company and information we obtained during independent audit and provide a fair presentation and to prepare a report containing our opinion.

Our independent audit activity is conducted in compliance with the IASs. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial information and examinations of Board of Directors made by using the information and data contained in the audited financial statements are consistent with financial statements and the information obtained during audit and provide a fair presentation.

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

Talar Gül, SMMM
Chief Auditor in Charge

İstanbul, March 13, 2020



STATEMENT REGARDING ANNUAL REPORT

Statement Regarding 2019 Annual Report

We hereby declare that the financial statements drawn up as of December 31, 2019 and related statements and footnotes thereof have been prepared in accordance with the accounting principles and standards in effect as per the applicable insurance legislation and are consistent with the relevant legislation as well as the records of the Company, and that the information and documents included in 2019 Annual Report have been prepared in accordance with the provisions of Regulation on Financial Structure of Insurance, Reinsurance and Private Pension Companies published in Official Journal No.26606 dated August 7, 2007.

İstanbul, 13 / 03 / 2020

AXA SİGORTA A.Ş.

AXA HAYAT VE EMEKLİLİK A.Ş.

Yavuz OLKEN

Deputy Chairman of
Board and CEO

Tuba KARATAŞ ARICAN

Chief Financial Officer

Gamze KAYGISIZ

Accounting &
Collection
Manager



FINANCIAL INFORMATION

AXA SİGORTA

1,000 TRY	2019	2018	2017	2016	2015
Premiums Received	4,104,058	3,374,670	2,908,210	3,562,467	3,065,688
Claims Paid	2,346,344	2,014,216	1,916,862	1,977,440	2,120,609
Technical Profits	433.247	532.238	-359.112	269.720	-311.004
Profit Before Tax	526.219	371.280	-335.120	150.803	-280.316
Net Profit/(Loss)	316.377	371.280	-335.120	150.803	-280.316
Paid-In Capital	1,225,739	1,225,739	1,225,739	1,225,739	1,225,739
Total Assets	8,143,081	6,692,842	6,022,373	5,530,089	4,899,657

AXA HAYAT VE EMEKLİLİK A.Ş

1,000 TRY	2019	2018	2017	2016	2015
Premiums Received	11,400	11,448	20,347	28,784	23,017
Loss and Compensation Paid	26,606	38,488	45,146	57,056	79,149
Technical Profits	-1,326	-4,692	-9,669	-13,312	-18,938
Profit Before Tax	11,944	13,489	3,824	-1,644	-6,733
Net Profit	7,047	13,489	3,824	-1,644	-6,733
Paid-In Capital	20,000	62,975	62,975	62,975	62,975
Total Assets	812,516	673,934	583,578	471,274	416,403



ASSESSMENTS OF FINANCIAL SITUATION

- ***Evaluation of financial condition, profitability and solvency (5.11)***

AXA Sigorta A.Ş. ends Year 2019 with an operating profit of 316,4 million TRY, whereas AXA Hayat ve Emeklilik A.Ş. ends the year with an operating profit of 7 million TRY. Details on financial results of both companies are given in the section of “Audit Reports”.

Sum of cash and securities and financial assets of AXA Sigorta A.Ş. forms 80% of total assets while this percentage in Axa Hayat ve Emeklilik A.Ş. is 29%. Both companies meet all their legal and commercial obligations without any financial difficulties thanks to their strong financial structure with a high liquidity ratio.

- ***Assessment of Company Capital (5.4)***

As a company with the highest paid-in capital of 1.2 billion TRY within the sector, AXA Sigorta A.Ş. is also one of the companies having the most powerful equity ratio. AXA Hayat ve Emeklilik A.Ş. has sufficient equity ratio to meet its existing and potential risk and obligations, as well.

Besides, capital adequacy calculations of both companies are conducted in accordance with the principles of “Regulation on Measurement and Assessment of Capital Adequacy of Insurance, Reinsurance and Pension Companies” published in the Official Journal No.29454 dated August 23, 2015. According to the results of calculation made in accordance with these principles, capital adequacy ratio of AXA Sigorta A.Ş. is 164.2% in 2019 but this ratio for AXA Hayat ve Emeklilik A.Ş. is 555.6%.

- ***Analysis and evaluation of the management body regarding the financial condition and results of activities, the level of realization of planned activities, Company’s situation against the determined strategic goals (5.2)***

AXA Sigorta A.Ş. and AXA Hayat ve Emeklilik A.Ş. continued to focus on sustainable profitability objectives and fulfilled strategic actions based on objectives determined by their management bodies in 2019. Both companies continued to make necessary investments for digital change and in order to provide right solutions for customer needs which are at the center of Company strategies. Additionally, the Companies made improvements in pricing and reserve management to strengthen the financial structure for the purpose of meeting their obligations to policyholders. And consequently, they have achieved the targets determined in key performance indicators such as profitability, productivity, capital adequacy calculated by both locally and internationally accepted standards.

Our companies continue their activities to attain profitable growth by providing the highest customer satisfaction without sacrificing service quality and inquire constantly their performance and determine actions to improve our service quality in line with the results they obtained. Accordingly, depending on results of various researches we have conducted, it is observed that the agency satisfaction ratio regarding our companies is 90%. According to the Pulse survey conducted for the measurement of employee satisfaction, there was an increase of +8 points in overall score compared to the previous year. All these results have shown that our activities/operations have successfully continued in 2019 as well.



TURKEY AND WORLD ECONOMY

Gross Domestic Products (GDP) over current prices was realized as 4.28 trillion TRY and Chain Volume GDP increased by 0.9% in 2019 according to TSI (Turkish Statistical Institute) data. Per capita income increased by 14% over current prices up to 51,834 TRY within the same period, equivalent to 9,127 USD with 5% decrease on USD basis.

Consumer Price Index (CPI) in Turkey increased by 11.83% in comparison with previous year end. Producer Price Index (PPI) on the other hand increased by 7.35% during the same period.

Turkey's export was realized as 171.5 billion USD with 2% increase in comparison with last year whereas imports decreased by 9% down to 202.7 billion USD. Foreign trade deficit also decreased by 43.4% down to 31.2 billion USD due to higher increase in exports.

Banking sector generated 49.8 billion TRY net profit in 2019 and the sector's size of assets reached 4.5 trillion TRY with 16.1% increase. Size of assets of banking sector was realized as 4 trillion 491 billion 708 million TRY in December 2019. Assets total of the sector reached 624 billion 283 million TRY, increasing by 16.1% as compared to 2018 year end. period net profit of the sector was realized as 49 billion 753 million TRY and solvency standard ratio was calculated as 18.43% within December 2019 period.

Main trends leaving a mark on global economy in 2019 were trade wars and fear of recession. Disputes between China and USA lead to mutual increases in trade customs duties and other trade barriers. But beyond the foregoing, publicly made endless debates and official opinions unexpectedly declared through social media had very serious negative impacts on expectations. For this reason, negative effect of political uncertainties on global economy was probably much more severe than such duty increases. According to IMF data, global economic growth decreased from 3.6% to 3.0% in 2019.

This decrease was realized as 1.7% from 2.3% in developed and 3.9% from 4.5% in developing countries. Shrinkage in Chinese economy mostly affected European economy. European economic growth is estimated to have decreased down to 1.2% from 1.8%. Large industrial countries, Germany's manufacturing industry in particular, entered into the shrinkage zone due to reduced global trade volume.



INSURANCE IN TURKEY

Total premium production in Turkish insurance sector was realized as 69.2 billion TRY in 2019, 57.9 billion TRY of which belongs to Non-Life and 11.3 billion TRY in Life segments. Premium production increased by 26.7% compared to 2018. Share of Non-Life segments in total premium production is higher than Life segment in Turkey. 83.6% of total premium production in 2019 was generated by Non-Life and 16.4% by Life segments.

Amount of funds invested in Private Pension system was 92.5 billion TRY at 2018 year end (including state subsidy and automatic participation system amounts) and this figure increased by 38% up to 127.3 billion TRY in 2019. Share of participants' fund in total invested funds at 2019 year end is 80%, state subsidy share is 14% and automatic participation system's share is 6%.

Turkish insurance sector realized 69.2 billion TRY of total premium production in 2019. GDP was realized as 4.3 trillion TRY within the same period so in light of this data, Turkish insurance sector generated a total premium amount equal to 1.62% of GDP. This rate was 1.47% according to 2018 data.

Due to its nature, insurance sector comes at the top among financial sectors highly and rapidly affected from developments in the economy. The sector grows more rapidly during economic expansions and shrinks more rapidly during recessions. Real growth in premium production of insurance sector in 2019 as compared to 2018 is 13.3%.

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2. Research and Development Activities



MARKETING ACTIVITIES

AXA SIGORTA and AXA HAYAT VE EMEKLILIK have also continued to carry out marketing activities for its national and international customers in 2019. They have organized trainings, campaigns and meetings for their distribution channels; however, they have also reached its customers through TV, radio, press, internet and social media advertising campaigns.

Distribution Channels

Having one of Turkey's most powerful and competent agency network, AXA SIGORTA has 2.200 agencies as of 2019 year end.

AXA SIGORTA has been managed by Regional Offices for the purpose of create more effective and dynamic organization structure for its distribution channels based in all provinces of Turkey. In 2019, AXA SIGORTA has continued to sell its products through 9 banks in total including Denizbank with which it cooperated exclusively in non-life insurance products. In 2019, the banks through which AXA SIGORTA carries out to sell its products are as follows: DenizBank, Alternatif Bank, Burgan Bank, ICBC Turkey Bank, Odeabank, ING Bank in Turkey; Nova Bank, Garanti Bank and Albank in TRNC.

Studies on Efficiency of Distribution Channel

Agencies have the highest share of the Company's distribution channel in terms of both quantity and weight in production. Various trainings, seminar, development program, meeting and campaigns have been organized for the purpose of ensuring that resolutions of the Company were adopted more and increasing motivation in short term but in the long term for the purpose of make the business processes of the agencies more efficient and contributing to the Company's targets in future by developing economical, sectoral and customer-oriented perspectives and competencies.

AXA SIGORTA holds various meeting ever year in order to move its agencies forward in accordance with its marketing vision. The Millionaires Club and Provincial Champions Club, which were established in order to emphasize the appreciation of activities of the agencies that make a difference by applying the Company's strategies in accordance with criteria determined every year and to maintain their motivation and which provide various awards and privileges to their members, has continued their existence in 2019. Within the framework of club activities designed to create loyalty and continuity in the agencies that reach a certain level in total premium production, an event has been organized for Millionaire and Provincial Champion agencies.

2019 Agencies Meeting, which has been organized for many years and in which all studies cover a different concept each time, was held in Antalya with the theme "We're AXA, We're Number One".

AXA SIGORTA Regional Management Offices employ sales representatives. Various motivational trainings and campaigns have also been organized for these representatives responsible for finding solutions to all kinds of requests, questions and problems of the agencies within the shortest time, giving Company's goals to the agencies in a correct and complete manner by providing mutual information flow between the Company and agency. Regional Offices are scored based on certain criteria and according to the realization of their goals with "Region Rating Report" prepared on a monthly basis and champion regional office is determined every month. As a result of defined criteria in parallel with yearly target, it is possible to extend the studies on yearly targets and thus to obtain healthier results in this regard, which allows regional offices improve themselves according to their weakness and strengths.

Thanks to this application where champion regional office is obtained various awards at the end of the year, efficiency of the regional offices can be maintained high during the year.

Advertising Campaigns

In 2019, the company organized various advertising campaigns for the purpose of increasing brand awareness, becoming a preferred brand, supporting sales and improving its growth rate further. The Company believes that its mission is to bring new products and services to consumers by showing the benefits of thereof and draws attention to the importance of becoming insured before they experience difficult moment by using the insight of “value it before you lose it”.

Viral Campaigns and Social Media Accounts

In 2019, the company published viral ads for its products such as Maximum Motor Insurance, Economical Motor Insurance, Complementary Health Insurance and Complementary Health Insurance for SME's with the motto “Value it before you lose it”.

AXA SIGORTA and AXA HAYAT VE EMEKLILIK take part in social media platforms such as Facebook, Instagram, Twitter and Youtube under the name of AXA Turkey since 2013 in order to take place in each media where they can give support their customers, to reach large masses, to be accessible from every platform in the digitalized world.

Mobile Applications

AXA Acentem

AXA SIGORTA enables agencies to follow-up their portfolios on their mobile devices through mobile application “AXA Acentem”. Agencies can easily access the production and performance figures of their own agencies from all mobile devices through the application “AXA Acentem”. Thanks to the application, they can give offer, follow-up renewal of thereof and also monitor many information on production, target, collection, damage, campaign, customer details etc. on a daily or even immediate basis. It is aimed to provide convenience and contribution to the business of agencies with the application. In 2018, the application “AXA Acentem” was renewed as to form and substance so that agencies used it more effectively.

AXA Fit:

AXAFit is a user-friendly application that is considered as good life, sports and activity companion, that provides customizability properties based on user's exercise and needs and in which users can easily access current good living contents.

Unlike standard insurance application, AXAFit can be regarded as an application that is often used during the day and provides content and support to its users about life and health. We aim to reach not only AXA Sigorta's customers but also all users interested in healthy living through this application.

Our aim regarding Fit section of the application is to help the users to adopt healthy life style and to feel AXA Sigorta's support all the time.

We support the users not only in compensation payment but also in the prevention of problems that may occur especially in terms of health thanks to this application.

AWARDS

AXA Sigorta won the following awards in 2019:

STEVIE International Business Awards

"Valuing before Losing"

"Product Sales" category Gold Stevie 2019

"Altınordu Sponsorship"

"Communications or PR Campaign of the Year - Sponsorship" category Bronze Stevie 2019

Sardis Awards 2019

AXAGo

«Product and Service Innovation» category Gold Award

Instachamp September

Retro Series

The One Awards

Insurance Companies Category "Reputable of the Year"

Golden Spider

Mobile Phone Insurance

"Digital Marketing - Online Advertisement"

Boğaziçi University Sports Awards

AXA Sigorta Sportsmanship Brotherhood Special Award

The W3 Awards

Road Safety

«Social Campaigns & Series-Public Service & Activism for Social» category Gold Award

«Campaigns-Social Campaign for Marketing» category Silver Award

Let'em See

«Campaigns-Social Campaign for category Silver Award Marketing»

Customer Satisfaction Survey

AXA Group conducts "Customer Satisfaction Field Survey" in all countries where AXA operates in. In the survey conducted by an independent research company in 2018, the satisfaction of the customers buying Motor Insurance and Housing has been measured. According to the research results, AXA Sigorta's Customer Net Advise Score in 2019 increased by +7 points up to 45%, exceeding the average score of its competitors (*) within the market by +5 points. AXA Sigorta NPS Score exceeded the average score of competitors by +12 points with 65% score from participants with MOD loss experience, +17 points with 53% score from participants with Home loss experience according to the evaluation of NPS scores per type of experience.

Agency Satisfaction Survey

AXA SIGORTA has been aware of requirement of having high motivation of all stakeholders in contact with the customer and has been improving its business processes in order to provide better service to its customers. In this regard, satisfaction from services and support provided to agencies is measured regularly. Agency Satisfaction survey, which measures the satisfaction rate of AXA SIGORTA agencies regarding the services and company activities received from all units of our company, was conducted through online survey method in 2019.

The survey was replied by 2,176 agencies, 93% of which indicated their satisfaction with the working conditions of AXA SIGORTA. The rate of participation in the survey, which showed how high satisfaction rate with AXA SIGORTA applications is, was 45%. 93% of the participating agencies replied as "Yes" to the question "Are you pleased with the conditions of working with AXA Sigorta?". The survey also measured the satisfaction rates of agencies with AXA SIGORTA units, which revealed that the satisfaction rate regarding sales support was 91%, satisfaction due to the positive effect of the trust in AXA brand on agency businesses was 96%, satisfaction rate regarding distinction of AXA Sigorta from other competitors due to the services offered to customers.



3. Significant Developments



INFORMATION ON COMPANY INVESTMENTS

IT INVESTMENTS

IT investments are established based on meeting needs of capacity and technology developing in parallel with company growth and maintaining system security and business continuity. Inventory which became old and cannot meet the current transaction volume is fed in hardware purchasing. The novel needs arising from the change of daily business way due to the occurrence of new technologies and trends are also provided by new investments. The most important investments in 2019 has been made for the purpose of enhancing capacity in line with the efforts in information and system security and company's growth targets. Besides, investments on licenses have been also made.

RESEARCH AND DEVELOPMENT WORKS	31.12.2019 (TRY)
Software / License	7,275,792
IT Equipment	6,333,165
TOTAL	13,608,957

2019

AXA SİGORTA A.Ş. VE AXA HAYAT VE EMEKLİLİK A.Ş.

DONATIONS AND GRANTS(TRY)

TEMA	275,791
KOC UNIVERSITY	161,014
WWF	57,400
TURKISH EDUCATION FOUNDATION	27,825
GALATASARAY EDUCATION FOUNDATION	10,000
LÖSEV (CHILDREN WITH LEUKEMIA	10,000
TURKISH FOUNDATION FOR CHILDREN IN NEED	6,455
TURKISH MARINE ENVIRONMENT PROTECTION	5,800
OTHER	15,266
TOTAL	569,550



INTERNAL AUDIT

Internal Audit Department of our Company exists to help the BoD and Executive Board protect the assets, reputation and sustainability of the organization by providing an independent and objective assurance activity designed to add value and improve the organization's operations. It helps the organization meet its objectives by bringing a systematic, disciplined approach to challenge Executive Management and evaluate the effectiveness of risk management, control and governance processes.

The duties, authorities and responsibilities of Internal Audit Department are defined by the "Internal Audit Regulation" approved by BoD and the Audit Committee. The independence of Internal Audit is ensured by the Internal Audit Regulation and the relevant regulation is reviewed every year and updates are made if necessary.

Internal Audit Department conducts its activities in line with the "Regulation on Internal Systems of Insurance and Reinsurance and Pension Companies" and AXA Internal Audit Standards, directly reporting to the Chairman of the Board and the Audit Committee. Also, it reports functionally to AXA Group Audit Management and AXA Group Audit Committee.

Audit Committee has three members. The annual meeting agenda is determined by the Committee and accordingly various directors of our Company and representatives of independent audit companies are invited to the meeting to inform the Audit Committee. Furthermore, Audit Committee results are reviewed and discussed with an agenda item continuously kept in the agenda of BoD meetings.

The Internal Audit Department builds the annual audit plan depending on the levels of structural risk and control and applies the plan with the approval of the Audit Committee and the Board. During the preparation of the audit plan, the Company's strategy and objectives, customer complaints, audit and control results and operational risk assessments are reviewed and the risk scaling obtained and risk perceptions of the managers are also taken into account.

Apart from the audits within the scope of the annual plan, the Internal Audit is also involved in carrying out investigations and examinations when necessary, raising awareness for abuse indicators.

The result of each audit activity is put into report form and submitted to the Audit Committee and the Board. Audit reports included the scope and purpose of the audit, findings and suggestions for solutions, the responsible unit and the date of the action. It is also followed periodically whether these actions are carried out or not and the results are reported to Management, Audit Committee and Board of Directors.

In 2019, Internal Audit Department carried out 10 audits and 1 examination/investigation. Action plans and dates were taken from the process owners and reports regarding the audit results were prepared.

There are tools defined for follow-up and continuous review of performance criteria of audit operations, results and performance of Internal Audit Department are monitored by the Audit Committee on a regular basis and Board of Directors is informed accordingly.

Internal Audit Department consists of two managers and four auditors as of 2019 year end. The audit team holds internationally recognized certifications (CIA, CFSA, CISA, CRMA) and the employees are supported for continuous development of the team.

In audits, adding value to the activities of the unit and the company in cooperation with the audited unit is embraced as the basic approach.

Risk Control and Audit Committee has been conducted in order to increase the coordination among the internal system functions; Control Functions Committee (monthly) and Executive Board Members (quarterly) have participated in this committee, in which defined agenda and current and serious issues have been discussed. As a result of internal audit activities coordinated with the functions of other internal systems, it is aimed to continuously improve the control structure so as to contribute to the achievement of the company's objectives.



INTERNAL CONTROL SYSTEM

Internal Control Department was established on August 2008 for the purpose of monitoring the performance of Company's activities and examining and controlling within the scope of risk based approach as per "Regulation on Internal Systems of Insurance, Reinsurance and Pension Companies" entered into force and published in Official Journal No.26913 dated June 21, 2008 and the Department was authorized to enable the effective evaluation of internal control medium. The scope of internal control activities is defined in "Internal Control Regulation" approved by the Board of Directors.

Internal Control System has been established to ensure the protection of Company assets; effective and efficient performance of business activities in accordance with applicable laws and regulations, with internal policies and rules and insurance practices; reliability and integrity of accounting and financial reporting systems and availability of information on time. Functional duties and responsibilities of all units within the administrative structure of the Company have been determined. Job descriptions for all employee positions have been established. The job descriptions have clearly indicated the authorization, responsibilities and employee qualification required by job. These job descriptions are accessible to all employees and directors and are updated when needed.

Directives, work instructions and work flow diagrams have been prepared for all business processes of the Company and recorded in electronic environment. These documents include application details, process manager, control areas for each process and cover the functions in Head Office Departments, Regional Offices and Representative Offices. These documents are published in an integrated management system in such a way as to be available to all employees. In case of any changes in application principles stated in these documents, it is updated quickly and reviewed periodically twice a year.

The directors take necessary measures in order to carry out the business activities in accordance with legislation, company's policies, procedures and targets for the departments they are responsible for. In this regard, internal control activities are considered as inseparable part of daily activities of the Company. It is ensured that the implementation procedures for internal control are developed primarily by the personnel carrying out the activity and secondarily by the personnel carrying out the internal control activity with a risk-based approach. Within the scope of the working plan, control studies are conducted and the results are reported by Internal Control Department in order to evaluate the structure and effectiveness of the controls in the defined areas and to increase the effectiveness of thereof.

Risk and risk limit Company may be exposed to are determined and monitored regularly by Risk Management Department.

The insurance information systems used in our company are integrated to cover the practices of all insurance branches and products in business and the controls of the processes and to enable risk and price analysis and reporting of thereof. All information systems of our company such as the infrastructure, server, security, etc. are up-to-date in terms of both software and hardware and meet the requirements related to company activities. Accounting and financial reporting system has been designed so as to keep accounting records in accordance with insurance account plan and registration statement on transaction basis and to prepare financial statements in a healthy way. Necessary measures are taken to ensure that all information about the Company is stored, used, backed up in electronic environment and maintained in an uninterrupted manner. A business continuity plan is prepared, reviewed regularly and tested periodically by the related department for the risks and problems that may arise in case of sudden and unexpected events.

Authorizations for each work step have been determined taking account of the nature of the work, duties and positions in our company. It is adopted to put the specified authorizations into the system in the form of parametric controls in all business steps. Therefore, authorization levels in the company systems are determined within the scope of authorization system for all users. Signing authorities are included in the signatory circular of the company.

E-mail addresses have been assigned for all users to ensure internal communication. Besides, many information and announcements are published and presented to the users on the intranet media, which is one of communication instruments, regarding the issues, especially the Company activities that the personnel should be informed about. Portals of various functions of the Company in the same environment are also an significant element of communication channels. Legislation and legislative amendments for which the Company is responsible are published on the intranet media in such a way as to be accessible to all users.

The efficiency and adequacy of the internal control system is individually audited by our Company's Internal Audit Department on a risk-based basis within the scope of the audit plan.

Within the scope of controls or analysis based on general or specific observations and monitoring through various documents and tools concerning the internal control system; the Company's Internal Control System is considered to have the necessary elements in terms of protection of company assets, carrying out business activities in an effective and efficient manner in accordance with the legislation, internal policies and rules and insurance practices, and ensuring the reliability, integrity of the accounting and financial reporting system and availability of information in time.



INVESTMENT SECURITIES

AXA SIGORTA A.Ş. AFFILIATES

NAME OF AFFILIATE	Participation Share (%)	CAPITAL (TRY)	Number of Shares	Nominal Amount of Shares (TRY)	Participation Book Value (TRY)
MİLLİ REASÜRANS T.A.Ş.	0.0914%	660,000,000	60,334,560	603.346	574.279
TARİM AS. (TARIM SİGORTALARI HAVUZ İŞLETMESİ A.Ş.)	4.17%	13,664,160	56,934,000	569.340	569.340
TOTAL				1,172,686	1,143,619

AXA HAYAT VE EMEKLİLİK A.Ş. AFFILIATES

NAME OF AFFILIATE	Participation Share (%)	CAPITAL (TRY)	Nominal Amount of Shares (TRY)	Participation Book Value (TRY)
EMEKLİLİK GÖZETİM MERKEZİ A.Ş.	5.56	4,275,225	237,500	427,810



REMARKS

REMARKS ON SPECIAL AND PUBLIC AUDIT CARRIED OUT IN THE ACCOUNTING PERIOD:

AXA SİGORTA A.Ş. Our company is subject to limited independent audit biannually and full independent audit annually carried out by the independent auditing company PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. Insurance Audits Board have initiated the loss audit process.

AXA HAYAT VE EMEKLİLİK A.Ş. Our company is subject to limited independent audit biannually and full independent audit annually carried out by the independent auditing company PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. Besides, State contribution transactions have been audited by Insurance Audits Board of the Undersecretariat of Treasury.

Lawsuits against the Company: There are no open legal cases against the Company which may negatively affect the Company's financial status or activities, excluding those filed for disputes arising from the insurance policies issued in various product segments for which the required reserves have been allocated.

OTHER ISSUES

- Modifications in Master Contract and Reasons

Master Contract of Life Company was modified and amended in 2019 and Article 7 "Capital and Shares" was revised and re-registered due to the capital increase carried out by the Company.

- Administrative and Judicial Sanctions Applied to The Company and Management Body Members Due to Non-Compliant Practices

There are no administrative or judicial sanctions imposed on the Company or members of its management body for any reason.

- Information on the transactions and activities made by members of the management body with the company on behalf of themselves or anyone else within the scope of the prohibition of competition as per permission granted by the General Assembly

Members of BoD have been granted the necessary permission as per the Resolution of Shareholders' Assembly made on March 29, 2019 and Articles 395&396 of Turkish Commercial Code and there are no transactions and activities made by BoD members with AXA Sigorta A.Ş. and AXA Hayat ve Emeklilik A.Ş. on behalf of themselves or anyone else within the scope of the prohibition of competition.

- Remarks on the crucial events occurred in the company after the end of activity year that may affect the rights of partners, creditors and other relevant persons and organizations

There is no the crucial events occurred in the company after the end of year 2019 that may affect the rights of partners, creditors and other relevant persons and organizations.

AXA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ
MINUTES OF THE ORDINARY GENERAL MEETING
REGARDING 2018 FINANCIAL YEAR HELD ON 29/03/2019

Ordinary Shareholders' Assembly Meeting of Hayat ve Emeklilik A.Ş. for 2019 financial year 2018 was held on 29/03/2019 at 4:00 PM at Meclis-i Mebusan Cad. No: 15 34433 Salıpazarı, Beyoğlu / İSTANBUL (address of Head Office) under the supervision of the Ministry representative Sevda ÇEÇEN, who was assigned with Letter No.43025450 of the Provincial Directorate of Commerce of the Turkish Ministry of Trade dated 28/03/2019.

The call for the meeting was held as stipulated in the law and the Articles of Association, so as to contain the agenda, thereby being promulgated in the Turkish Trade Registry Journal dated 12.03.2019 and numbered 9785, and also by registered mail from Karaköy Post Office to the owners of bearer shares by notifying about the meeting date and agenda on 13.03.2019.

Upon the examination of the list of attendees, it was seen that 6,297,274,322 shares were represented by proxy out of 6,297,500 total Company shares with a nominal value of 0.1 TRY, corresponding to total nominal value of Company shares worth of 62,975,000,00 TRY; therefore, upon observing that the minimum quorum foreseen in both the Law and the main contract is present in the meeting, the meeting was opened by YAVUZ OLKEN, BoD Deputy Chairman and CEO, and the discussion of the agenda was commenced.

1. As per the first item of the agenda, it was resolved to appoint Onur KOÇKAR as Chairman of the meeting, Bartu KARASALİH as Clerk, Gamze KAYGISIZ as Vote Collector and to establish a Presidential Committee consisting of these people.
Then, it was unanimously decided to authorize Presidential Committee to sign the minutes of the General Meeting.
2. As per the second item of the agenda, it was unanimously decided to approve the 2018 Annual Report prepared based on financial statements approved by Board of Directors in accordance with Article 514 of Turkish Commercial Code No. 6102 and with the principles set forth in Article 16 and cont'd of Fifth Section of the Regulation on Financial Structure of Insurance, Reinsurance and Pension Companies" entered into force and published in the Official Journal dated 7 August 2007.
3. As per the third item of the agenda, the independent auditor's report for 2018 was read and negotiated by Mr. Necip ÇAKMAKOĞLU, executive of independent auditing company. Since no one take the floor, the statements were accepted unanimously. ,
4. As per the fourth item of the agenda, it was unanimously decided to approve, accept and confirm balance sheet, profit and loss accounts and financial statements individually upon negotiations for 2018 Balance Sheet and Income Statements accounts issued by Board of Directors. According to this;

It was unanimously decided to allocate 674,465.94 TRY (sixhundredseventyfour thousandfourhundredsixtyfive Turkish Liras and ninetyfour Kurus) as primary reserves, obtained by adding 13,489,318.74 TRY (thirteenmillionfourhundredeightyninethousandthreehundredeighteen Turkish Liras and seventyfour Kurus) (net profit for 2018 free of taxes and other fiscal liabilities) and 1,989,527.14 TRY (onemillionninehundredeightyninethousandfivehundredtwentyseven Turkish Liras and fourteen Kurus) contingency reserved allocated from 2017 profit to the profit distribution, allocate 1,165,562.99 TRY (onemilliononehundredsixtyfivetousandfivehundredsixtytwo Turkish Liras and ninety-nine Kurus) as secondary reserves and distribute the remaining amount as dividends to the shareholders.

5. As per the fifth item of the agenda, it was unanimously decided to confirm the attached report prepared by Board of Directors in accordance with Article 473/1 of Turkish Commercial Code which includes the reasons and objectives for the capital decrease and the manner this decrease will be performed; the report issued by Certified Public Accountant numbered YMM 1281-383/4637-2 dated 01.03.2019 in which the company has assets enough to meet completely the rights of the creditors in spite of capital decrease; the report issued by Certified Public Accountant numbered YMM 1281-383/4636-20 dated 01.03.2019 indicating that company capital is maintained in equity and the company has actually the amount of the internal resources in case the capital increase has been made from internal resources; the report issued by Certified Public Accountant numbered YMM 1281-383/4635-19 dated 01.03.2019 indicating that the whole capital has been paid, and that whether the capital remain unsecured or not, of detection of equities and that the company has actually the amount of the internal resources.
6. As per the sixth item of the agenda, it was unanimously decided to make capital decrease in amount of 52,031,222 TRY from company's paid-in capital 62,975,000 TRY and thereby to decrease the paid in capital of the company to 10,943,778 TRY; to make capital increase, simultaneously, for being paid from secondary reserves and thus to increase paid-in capital of the Company up to 20,000,000 TRY and to refund the remaining amount to the shareholders in proportion to shares they hold by means of capital decrease.
7. As per the seventh item of the agenda, it was unanimously decided that Clause 7 of Articles of Association titled "Capital and Share" shall be adopted in the same way as amendment draft attached to the letter No.50035491-431.02-E-00042972894 dated 27.03.2019 issued by General Directorate of Domestic Trade of Turkish Ministry of Trade.
8. As per the eighth item of the agenda, it was unanimously decided to make the necessary applications before registry office and the other authorities; to obtain the necessary permission and to authorize Board of Directors in order to perform all transactions and proceedings required for profit distribution, capital decrease and capital increase. Simultaneously pursuant to legislation.
9. As per the ninth item of the agenda, it was unanimously decided to acquit each member of Board of Directors individually due to their activities of 2018 financial year. Members of Board of Directors holding shares did not exercise their voting rights arising from the shares and authorizations they hold in their acquittance.

10. As per the tenth item of the agenda, it was unanimously decided to appoint the following as Members of Board of Directors for a period of 3 (three) years:

Yavuz ÖLKEN, citizen of Turkey and holder of T.R ID No.11768536748

Wilm LANGENBACH, citizen of Germany and holder of Tax ID No.3130614736

Benoit Michel CLAVERANNE, citizen of France and holder of Tax ID No.2111029313

Guillaume Herve Marie Xavier LEJEUNE, citizen of France and holder of Tax ID No.6080629721

Celalettin Ali ERLAT, citizen of Turkey and holder of T.R ID No.38428491896

Andre WEILERT, citizen of Germany and holder of Tax ID No.8011271234.

11. As per the eleventh item of the meeting agenda, PWC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. registered at Istanbul Trade Registry Office with No.201465 and Mersis no.0146002240500015, operating in BJK Plaza, Süleyman Seba Cad. No.48 B Blok K.9 Akaretler Beşiktaş / Istanbul, registered to Boğaziçi Kurumlar Tax Office with No.1460022405, was appointed as the independent auditor to conduct the independent, legal, IFRS external audit of accounts and transactions of the company for 2019 in accordance with Turkish Commercial Code No. 6102 and the relevant legislation and that General Manager of the Company has been authorized to sign the contract in which work plan, price and payment conditions are going to be determined.
12. As per the twelfth item of the agenda, it was unanimously decided not to give daily allowance and remuneration regarding 2019 financial year to member of Board of Directors.
13. As per the thirteenth item of the agenda, it was unanimously decided to approve the resolution of Board of Directors regarding the distribution of success fee of 1,933,075.62 TRY (onemillionieundredthirtythreethousandseventyfive Turkish Liras and sixtytwo Kurus) allocated for 2018 to the personnel working in the company at the date of distribution until 25 April 2019 by taking into account of their loyalty to the company, knowledge, skills, success and efficiencies in order to be effective in the recruitment of the personnel and/or in the maintenance in the workplace, without the right acquired by the personnel and within the scope of criteria determined by Board of Directors, and it was unanimously resolved to distribute this success fee and authorize General Manager for detection way and date of payment and amount.
14. As per the fourteenth item of the agenda, it was unanimously decided to give necessary permission to the members of Board of Directors pursuant to Article 395 and 396 of Turkish Commercial Code.
15. As per the fifteenth item of the agenda, it was stated that the decisions taken in General Meeting would be beneficial for our Company and we wish a successful year of 2019.

Presidential Committee closed the meeting since there were no issues left on the agenda other than the decisions taken above. The minutes of the meeting were signed by the Presidential Committee at the place of meeting.

CHAIRMAN OF MEETING
Onur Koçkar

CLERK
Batu KARASALİH

VOTE COLLECTOR
Gamze KAYĞISIZ

REPRESENTATIVE OF MINISTRY OF TRADE
Sevda ÇEÇEN

AXA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ
MINUTES OF THE ORDINARY GENERAL MEETING
REGARDING 2018 FINANCIAL YEAR HELD ON 29/03/2019

Ordinary Shareholders' Assembly Meeting of AXA Sigorta A.Ş. for 2018 financial year was held on 29/03/2019 at 02:30 PM at Meclis-i Mebusan Cad. No: 15 34433 Salıpazarı, Beyoğlu / İSTANBUL (address of Head Office) under the supervision of the Ministry representative Sevda ÇEÇEN, who was assigned with letter No.43025529 on 28/03/2019 by Provincial Directorate of Trade affiliated to Turkish Ministry of Customs and Trade.

The call for the meeting was held as stipulated in the law and the Articles of Association, so as to contain the agenda, thereby being promulgated in the Turkish Trade Registry Journal No.9785 dated 12.03.2019, and also by registered mail from Karaköy Post Office to the owners of bearer shares by notifying about the meeting date and agenda on 13.03.2019.

Upon examination of the list of attendees, it was seen that 113,599,736,950 shares were represented in the meeting (25,207,308 shares were represented in person and 113,574,529,642 shares by proxy) out of 122,573,918,691 total Company shares with a nominal value of 0.1 TRY, corresponding to total nominal value of Company shares worth of 122,573,918,691; therefore, upon observing that the minimum quorum foreseen in both the Law and the main contract is present in the meeting, the meeting was opened by YAVUZ OLKEN, BoD Deputy Chairman and CEO, and the discussion of the agenda was commenced.

1. As per the first item of the agenda, it was resolved to appoint Onur KOÇKAR as Chairman of the meeting, Bartu KARASALİH as Clerk, Gamze KAYGISIZ as Vote Collector and to establish a Presidential Committee consisting of these people.
Then, it was unanimously decided to authorize Presidential Committee to sign the minutes of the General Meeting.
2. As per the second item of the agenda, it was unanimously decided to approve the 2018 Annual Report prepared based on financial statements approved by Board of Directors in accordance with Article 514 of Turkish Commercial Code No.6102 upon proposal and with the principles set forth in Article 16 and cont'd of Fifth Section of the Regulation on Financial Structure of Insurance, Reinsurance and Pension Companies" entered into force and published in the Official Journal on 7 August 2007.
3. As per the third item of the agenda, the independent auditor's report for 2018 was read and negotiated by Mr. Necip ÇAKMAKOĞLU, executive of independent auditing company. Since no one take the floor, the statements were accepted unanimously.
4. As per the fourth item of the agenda, it was unanimously decided to approve, accept and confirm balance sheet, profit and loss accounts and financial statements individually upon negotiations for 2018 Balance Sheet and Income Statements accounts issued by the Board of Directors.

According to this;

The Company's 2018 profit amount is 371,280,445.61 TRY (threehundredseventyonemilliontwohundredandeightythousandfourhundredfortyfiveTurkish Liras and sixtyone Kurus) and it was unanimously decided not to make any profit distributions since the Company's profit for the year 2018 has been used to clear the previous years' loss in accordance with the relevant articles of the Turkish Commercial Code and other relevant legislation,

5. As per the fifth item of the agenda, it was unanimously decided to acquit each member of Board of Directors individually due to their activities in 2018 financial year. Members of Board of Directors holding shares did not exercise their voting rights arising from the shares and authorizations they hold in their acquittance.
6. As per the sixth item of the meeting agenda, PWC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. registered with Mersis no.0146002240500015, operating at BJK Plaza, Süleyman Seba Cad. No.48 B Blok K.9 Akaretler Beşiktaş / İstanbul address, registered to Boğaziçi Kurumlar Tax Office with No.1460022405, was appointed as the independent auditor to conduct the independent audit of accounts and transactions of the company for 2019 and that General Manager of the Company has been authorized to sign the contract in which the work plan, price and payment conditions are going to be determined.

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- 7.
8. As per the eighth item of the agenda, it was unanimously decided not to give daily allowance and remuneration regarding 2019 financial year to member of Board of Directors.

As per the ninth item of the agenda, it was unanimously decided to approve the resolution of Board of Directors regarding the distribution of success fee of 20,807,397.84 (twentyandonehundredandseventhousandthreehundredninetyseven TurkishLiras and eightyfour Kurus) until 25 April 2019 which is allocated from 2018 reserves to the personnel working in the company at the date of distribution by taking into account their loyalty to the company, knowledge, skills, success and efficiencies in order to be effective in the recruitment of the personnel and/or in the maintenance in the workplace, without the right acquired by the personnel and within the scope of criteria determined by Board of Directors, and it was unanimously resolved to distribute this success fee and authorize General Manager for deciding on the payment means, payment date and amount.
10. As per the tenth item of the agenda, it was unanimously decided to give necessary permission to the members of Board of Directors pursuant to Article 395 and 396 of Turkish Commercial Code.
11. As per the eleventh item of the agenda, it was stated that the decisions taken in General Meeting would be beneficial for our Company and we wish a successful year of 2019.

Presidential Committee closed the meeting since there were no issues left on the agenda other than the decisions taken above. The minutes of the meeting were signed by the Presidential Committee at the place of meeting.

CHAIRMAN OF MEETING
Onur KOÇKAR

CLERK
Bartu KARASALIH

VOTE COLLECTOR
Gamze KAYĞISIZ

REPRESENTATIVE OF MINISTRY OF TRADE
Sevda ÇEÇEN

AFFILIATED COMPANY REPORT

Report Date 20.02.2020

This Report is issued by AXA Sigorta A.Ş. Board of Directors regarding relationships with controlling and affiliated companies pursuant to Article 199.1 of Turkish Commercial Code No.6102:

a) All legal transactions made by AXA Sigorta A.Ş. under the guidance of controlling company, a company affiliated to controlling company in favor of therein or its subsidiary and all other measures taken or avoided in favor of controlling company or a company affiliated to controlling company:

Transactions conducted with controlling and affiliated companies within the Group are common commercial activities and there are no transactions made under or without the guidance of a controlling company in favor of controlling company or one of affiliated companies and also no measures taken or avoided within this framework.

b) Whether an appropriate contra action was ensured or not in each legal transaction and whether the measures taken or avoided damages the corporation or not according to the case and circumstances known to AXA Sigorta A.Ş. in event that legal transaction was made or measure was taken or avoided:

There is no legal transaction within this framework and thus no need of contra action; there are no measures taken or avoided, therefore no loss was incurred.

Yavuz Ölken
BoD Deputy Chairman
CEO

Onur Koçkar
BoD Member

AFFILIATED COMPANY REPORT

Report Date 20.02.2020

This Report is issued by AXA Sigorta A.Ş. Board of Directors regarding relationships with controlling and affiliated companies pursuant to Article 199.1 of Turkish Commercial Code No.6102:

c) All legal transactions made by AXA Sigorta A.Ş. under the guidance of controlling company, a company affiliated to controlling company in favor of therein or its subsidiary and all other measures taken or avoided in favor of controlling company or a company affiliated to controlling company:

Transactions conducted with controlling and affiliated companies within the Group are common commercial activities and there are no transactions made under or without the guidance of a controlling company in favour of controlling company or one of affiliated companies and also no measures taken or avoided within this framework.

d) Whether an appropriate contra action was ensured or not in each legal transaction and whether the measures taken or avoided damages the corporation or not according to the case and circumstances known to AXA Sigorta A.Ş. in event that legal transaction was made or measure was taken or avoided:

There is no legal transaction within this framework and thus no need of contra action; there are no measures taken or avoided, therefore no loss was incurred.

Yavuz Ölken
BoD Deputy Chairman
CEO

Onur Koçkar
BoD Member



COMPLIANCE AND PERSONAL DATA PROTECTION

Compliance and personal data protection are responsible for the following two issues in “AXA SIGORTA A.Ş.” and “AXA HAYAT VE EMEKLILIK A.Ş.” as of January 11, 2010.

- 1) Compliance Management
- 2) Personal Data Protection Management

Compliance Management

It is the 2nd line of Defense Department which has development and monitoring functions in line with “AXA Group Compliance Policy”. Reporting is provided to Legal and Compliance Management. Primary responsibilities are as follows:

- ☐ Determination of compliance risks along with job families,
- ☐ Helping Management Body in establishing control and procedures required for reducing defined compliance risks and in adjusting thereof within the company,
- ☐ Monitoring compliance with local legislation, compliance and ethical standards,
- ☐ Reporting to Senior Executives, the relevant Committee and AXA Group regularly.

Compliance risk should be considered as legal or regulatory sanctions, material or reputational loss the Company faces when it fails to act in accordance with laws, regulations and administrative provisions. In this regard, compliance risks are determined / updated every year as a result of risk evaluation in detail performed with job families by taking into account of local and international regulations Turkey is subjected to (FATCA, UK, Bribery Act, UN-US-EU Sanctions etc.). Then, a process whose general principles are determined by AXA Group Risk Management put in place for the purpose of reducing these risks in cooperation with Internal Control, Operational and Financial Risks Department at the national level.

Subject headings for compliance risks taken into consideration in risk assessment process are listed in the table below:

Antitrust

Prevention of

Discrimination

Information Abuse

Conflicts of Interest

Distribution Channel Marketing

Regulatory risks related to outsourcing

Economic Sanctions and Embargo

Financial Crimes Anti-Money Laundering/ Prevention on Laundering of Crime Revenues and on Financing Terrorism

Misconduct

Customer Complaint Trends

Customer Data Protection and Responsible Use Anti-bribery / Anti-Corruption

Sales Channel compensation / billing

Sales Applications

Insurance Brokers and rules of distribution channel

Cross-border transactions

Social Media Association

Prevention of Abuse

Product Compliance

Compliance & Ethics

Scope of Compliance Risks Analysis

Internal Fraud related to Compliance, Financial Crimes and Ethics

Compliance management works are determined in accordance with “Compliance Plan” prepared annually and are put into effect upon approval of Executive Board. Compliance Plan is a framework program which includes preparation of annual control plan, risk assessment and update efforts, determination of monitoring program, compliance reporting etc.

AXA Group has put Group Standards into effect in order to maintain its business activities at high level in every countries where it operates insurance activities. Compliance Manager gives all kinds of supports to ensure that all insurance activities of Management Body and job families comply with AXA Group Standards as well as national legislation. Compliance AXA Group Standards is recorded every year through “certification” process of Senior / Middle Level Executives and the relevant job families.

Compliance studies are audited by Compliance Managers from various AXA Companies affiliated to AXA Group and International & New Markets Regions in accordance with “Compliance Support and Development Program” carried out biyearly by AXA Group. Following audit, possible findings are reported to the CEO and Compliance Manager of audited AXA Group Company. Necessary improvement activities are monitored periodically by AXA Group, International & New Markets and local Internal Audit Department.

Anti-Corruption, Prevention on Laundering of Crime Revenues and Financing Terrorism are among the significant compliance issues. Control and awareness actions are put into practice in accordance with "Anti-corruption Program" approved by Board of Directors at the beginning of the year. Studies on Prevention of Laundering of Crime Revenues and Financing Terrorism are carried out in accordance with "Compliance Program" issued by MASAK Compliance Team within the framework of national legislation and AXA Group Standards. Necessary improvement activities taken are monitored periodically by AXA Group and International & New Markets Zone. Processes are recorded every year through "certification" procedure of "Anti-corruption" and "AXA Group Compliance and Ethics Standards" of Senior / Middle Level Executives and the relevant job families.

Personal Data Protection Management

The processing of personal/private data in accordance with national legislation and AXA Group Data Protection Policy is carried out through necessary technical/legal investigations ("Privacy by Design") by Legal and Information Technologies Department before domestic data transfer and the projects to be implemented by job families by In this regard, Legal and Compliance Department are directly reported and primary responsibilities are as follows:

- Development and adaptation of AXA SIGORTA Data Protection Policy,
- Providing training and giving technical opinion about data protection to different departments in various areas,
- Contacting with regulatory authorities,
- Helping the preparation of internal and external Non-disclosure Agreements,
- Examination and follow-up business activities and supplier contracts for the purpose of ensuring compliance with legislation provisions and AXA SIGORTA Data Protection Policy,
- Approval of projects or processes in compliance with the legislation,
- Ensuring compliance of data processing application and procedures with the legislation,
- Giving information Senior Management and Executives of Data Protection Policy and their responsibilities in this regard.



OPERATIONAL STABILITY AND PHYSICAL SECURITY MANAGEMENT

Operational Stability and Physical Security Management Department are responsible for the following two issues in “AXA SIGORTA A.Ş.” and “AXA HAYAT VE EMEKLİLİK A.Ş.”.

- 1) Operational Stability Management
- 2) Physical Security Management

Operational Stability Management

Operational Stability Management Department is the unit that defines and manages the procedure to follow in case of failure in critical processes related to “Production” and “Damage”.

AXA Sigorta uses lost of resources in order to carry out business activities. AXA Group has declared the most important 5 dangers that may affect these resources: Cyber Attack, Earthquake, Fire, Civil Disorder/Terrorism and Epidemics. Our department is responsible for ensuring the following advantages and continuity of thereof:

- To define the risks that may hinder/terminate business activities and to reduce/eliminate them proactively,
- To ensure and maintain reputational integrity,
- To provide the best service quality,
- To recover within the shortest time after crisis,
- To develop constantly,

The results of "Risk Analysis" and "Business Impact Analysis" activities, updated on annual basis by job families, are analyzed every year in compliance with various predetermined risk scenarios under coordination of our Department. Disaster backup activities are performed in coordination with Information Technologies Department and activities regarding quantification of foreseen risks are conducted together with Risk Management Department.

CEO of AXA Sigorta is responsible for operational stability policy and development and implementation of thereof. CEO has appointed Olgun Küntay, member of Executive Committee, as Managing Director responsible for Business Continuity in order to audit the activities related to operational stability in this regard. Business Continuity Sponsor, IT Service Continuity Sponsor and Crisis Officer lend assistance to Olgun Küntay in this process.

In addition to the foregoing, Operational Resilience Executive Board, comprising of Senior Manager in charge of Business Continuity, Crisis Coordinator, Disaster Recovery Coordinator, CIO and General Secretary, closely monitors business continuity activities and level of preparation against risk scenarios and convenes in case of extraordinary situations. Furthermore, Operational Stability Committee convenes twice a year to evaluate periodic activities in this regard and set a road map for compliance with AXA Group Operational Stability strategy.

Awareness level of employees and stakeholders is ensured to be maximized with the tests and practices performed in different categories every year. All activities are controlled by AXA Group / AXA International & New Markets at local level. AXA Group is reported regularly every year.

Physical Security

It is aimed to protect employees and assets against “barratry” actions. Barratry actions include actions due to crime, terrorism, political or social instability. AXA Group Management Committee confirmed a physical security road map in April 2015. This confirmation requires AXA Companies to align or create physical security measures with AXA Physical Security Method prepared pursuant to the best practices in the world.

Reporting is made directly to Olgun Küntay. The four main pillars of AXA Group Physical Security are as follows:

- Security Organization: Creating a clear and formal physical security structure within the company is an significant step for effective physical security management.
- Travel Safety: Management of International business travel and trips requires risk-based safety procedure and safety measures.
- Space Safety: A physical security plan should be established in order to ensure safety, in which all taken measures are specified.
- Incident Intervention: Need to be prepared in order to reduce potential impact of physical security incidents on company reputation, employees and assets.



PROMINENT AMENDMENTS ON INSURANCE LEGISLATION IN 2019

No significant legislative amendments directly affecting our sector took place in 2019.



4. Risk Management



RISK MANAGEMENT

Risk management policies and procedures of AXA SIGORTA A.Ş. and AXA HAYAT VE EMEKLİLİK A.Ş. have been developed in parallel to AXA Group Risk Management Standards, to ensure monitoring, checking, and where necessary revising the risk and return structure of the company's future cash flows, and the characteristics and level of the associated activities. The purpose of these standards determined by AXA Group is to ensure systematic identification, measurement, management and control of any risks the group companies may encounter with. The risk groups the companies may be exposed to are incorporated in these standards in line with their extent, characteristics, and complexities as well as experiences from previous periods. AXA SIGORTA A.Ş. and AXA HAYAT VE EMEKLİLİK A.Ş. have adopted AXA Group Risk Management standards within the framework of Risk Management Activities; the Company works in close cooperation with and regularly report to AXA Group and the affiliated AXA Mediterranean Regional Risk Management teams.

The primary purpose of our Risk Management operations, constituting an integral part of all our business operations in line with AXA Group Risk Management standards, is collective monitoring of financial, insurance, and operational risk exposures, as well as measuring the impacts of these exposures on significant financial indicators (profitability, company value, capital, liquidity).

All these activities are conducted by the Risk Management Department within AXA SİGORTA A.Ş. and AXA HAYAT VE EMEKLİLİK A.Ş. While performing these assessments, the Risk Management shall be held responsible particularly for implementation of AXA Risk Management standards and fulfillment of responsibilities set forth in local regulations and for meeting all requirements within this context. Roles and responsibilities of Risk Management Department, which directly reports to Risk Management, is approved by the Board.

In accordance with national and international legislation, insurance companies are required to actively manage the risks that they are exposed to, which are comparable to the nature and complexity of the activities they engage in and which can affect their ability to meet their obligations or fulfill their corporate objectives. Also they are required to establish an effective and adequate risk management system that allows them to be assessed. The system has to be integrated into the company and it is essential that the roles played by key personnel are formally identified.

Insurance companies, within the framework of the necessities of legislative regulation, through a rigorous analysis process, must be able to understand the nature of the identified risks, their origin, the likelihood or need to control them and must understand also the effects that may arise from them in terms of possible losses and opportunities. In particular, the role of risk management is not to prevent risk taking by insurers and investment managers, but to selectively develop a risk-taking culture of AXA SIGORTA A.Ş. and AXA HAYAT VE EMEKLİLİK A.Ş. with the tools and metrics to help consciously select the risks that it really wants to carry. Considering these requirements, AXA SİGORTA A.Ş. and AXA HAYAT EMEKLİLİK A.Ş. have established a framework of Corporate Risk Management which is a complex framework based on a set of standards, policies, procedures, committees and governance. Five key processes have been identified as relevant to this framework, fixed with a strong risk culture:

a) Organization and Management: AXA SIGORTA A.Ş. and AXA HAYAT VE EMEKLİLİK A.Ş. have a Risk Governance Scheme established and structured by Risk Management policies and procedures.

b) Risk Appetite Framework: The role of the Risk Management team is to make sure that senior management has approved actionable risks, understands the consequences of adverse developments in risk and has actionable plans when things start to deteriorate. This is achieved through the Risk Appetite framework, which shows the risks involved in causes, company value, capital and liquidity under different scenarios.

c) Secondary Opinion: Risk Management is to be able to look at risk areas and identify these areas by measuring, inspecting financial risks, insurance risks and operational risks, and to be vigilant against extremes and to think about them. Risk management has processes and governance to ensure that AXA Turkey's major decision-making processes receive a systematic and independent second opinion.

d) Underwriting Rules and Product Approval: The release of new products or the re-pricing / re-design of products allows the senior management to evaluate the long-term consequences of such actions and to determine the profitability objectives determined based on the risk in order to realize the strategy of AXA.

e) Internal Model (STEC - Short Term Economic Capital): can provide a concrete and powerful metric that controls and measures most of the exposed risk. The AXA STEC model is also designed as a consistent and wide-ranging risk management tool that is an important component in capital management, planning process and performance measurement process.

Risk Classification

In line with AXA Group standards, the risk management practices of AXA SIGORTA A.Ş. and AXA HAYAT VE EMEKLİLİK A.Ş. assess the Risk Portfolio in 3 primary groups, which are also divided into various sub-groups.

I. Financial Risks

This category covers the impact of interest rate, exchange rate and real estate price variations to be caused by potential fluctuations in financial markets and various investment instruments on the company's financial indicators. These assessments allow the implementation of action plans to ensure that the potential impacts remain below the risk limits defined.

On the other hand, the Asset-Liability management is crucial particularly for the preservation of earnings on long term portfolios and liquidity; assessments performed in this respect guide the investment decisions taken to assure cash flows for our obligations.

Furthermore, our reinsurance structure is reviewed on company basis within the scope of financial analyses activities, classified in accordance with the ratings issued by international rating agencies and the reinsurance risks are assessed with the models utilized in AXA Group standards.

II. Insurance Risks

These risks are grouped in two primary segments: Life and Non-Life.

Within the scope of these risks arising from insurance agreements, the financial loss which may occur due to realization of the insured event are measured through statistical methods, which in return determines the minimum capital level the company should keep to cover these risks. These measurements are made in accordance with the internal models established in line with AXA Group standards and by the Undersecretariat of Treasury, and are reported regularly.

III. Operational Risks

These risks refer to the losses which may be incurred, directly or indirectly, due to external events, or inadequate or failed internal processes, personnel, and systems. The task of Risk Management unit is to identify, measure, and monitor the operational risks which may be exposed to. The risk scenarios identified on self-assessment basis are updated annually and measured at AXA Group Standard levels through use of statistical methods. The risks identified are monitored by the relevant unit and Internal Audit department and reviewed by the Operational Risk Committee.

The table identified in line with AXA Group Risk Management standards that indicates the risk groups AXA companies are exposed to, is as follows:

Primary Risk Group	Secondary Risk Group	Subject of Risk
Financial Risks	Market Risks	Stock Risks
		Real Estate Risks
		Interest Rate Risk
		Private Sector Bonds Risk
		Asset Based Financial Investment Risk
		Alternative Investment Risks
		Foreign Currency Risk
		Volatility Risk
		Base Risk
	Credit Risk	Country Risk
		Counter-Party Risks
	Liquidity Risk	Liquidity Risk
Non Life Insurance Risks	Reserve Risk	Insufficient Reserve Risk
		Rising Risks (e.g. Asbestos)
	Insurance Risk	Underwriting Risk
		Pricing Risk
		Customer Value Risk
	Catastrophe Risk	Catastrophe Risk - Natural Disaster
		Catastrophe Risk - People
Life Insurance Risks	Reserve Risk	Mortality Risk
		Longevity Risk
		Surrender Risk
		Expense Risk
	Insurance Risk	Disability Risk
		Long-Term Care Risk
		Health Risks
	Catastrophe Risk	Catastrophe Risk - Epidemic
Operational Risks	Internal Misconduct	Internal Misconduct and Unauthorized Transactions
	External Misconduct	External Misconduct and System Security
	Workplace security and employment practices	Employee relations, discrimination
		Safe work environment (e.g. Epidemic)
		Personnel Management (loss of key personnel)
	Customer, product and business practices	Compliance, reporting and product responsibilities (e.g. incorrect sales, aggressive sales, misleading marketing)
		Non-compliant and illegal business and market practices (antitrust, unlicensed sales, illicit money, non-compliance with regulations)
		Product defects (product shortcomings and model defects)
	Potential Damage on Material Assets	Natural disasters and other disasters caused by humans
	System Failure and Work Disruption	Information Security
		System Disruption
	Transaction, management and process errors	Transaction Errors (e.g. incorrect claim payments...)
		Writing and Loss Process Errors
		Public disclosure and reporting errors
		Project Management Errors
		Errors or low performance by internal service providers (associated agencies, sales and provision teams)
		Errors and low performance by external service providers

Risk Limits

By taking the financial structures of the companies into account, the impact of sub risk groups on the most critical financial indicators of the company, namely profitability, company value and capital adequacy are considered during determination of risk limits in accordance with AXA Group standards. While the risk limits vary by the diversity and scale of the company's financial asset investments, the operational limits set on a per-personnel or per-unit basis may also vary with reference to the complexity of the transactions performed, and the characteristics of the products.

The limits set are then reviewed annually with reference to the market circumstances, the financial state and strategies of the company, and AXA standards. Any excess of limits are monitored both through the alerts defined in the system by responsible units, and on a collective basis; the operations are executed through a structure which allows immediate intervention and reporting in case of any limit excess.

A detailed explanation regarding the risk group of the company and its transactions is provided in footnote 45, attached to the Independent Audit Reports provided in the Annual Report.




5. Other Issues

AXA SİGORTA A.Ş. VE AXA HAYAT VE EMEKLİLİK A.Ş.

BOARD OF DIRECTORS MEETINGS

Company	Date of Meeting	Members Required in Meeting	Particip	Participation Rate
AXA SİGORTA A.Ş.	14-01-19	Wilm LANGENBACH	Yes	83.3%
AXA SİGORTA A.Ş.	14-01-19	Yavuz ÖLKEN	Yes	
AXA SİGORTA A.Ş.	14-01-19	Benoit Michel CLAVERANNE	Yes	
AXA SİGORTA A.Ş.	14-01-19	Guillaume Herve Marie Xavier LEJEUNE	No	
AXA SİGORTA A.Ş.	14-01-19	Celalettin Ali ERLAT	Yes	
AXA SİGORTA A.Ş.	14-01-19	Marc Paul Andre BERNARDIN	Yes	
AXA SİGORTA A.Ş.	09-05-19	Wilm LANGENBACH	Yes	83.3%
AXA SİGORTA A.Ş.	09-05-19	Yavuz ÖLKEN	Yes	
AXA SİGORTA A.Ş.	09-05-19	Benoit Michel CLAVERANNE	No	
AXA SİGORTA A.Ş.	09-05-19	Guillaume Herve Marie Xavier LEJEUNE	Yes	
AXA SİGORTA A.Ş.	09-05-19	Celalettin Ali ERLAT	Yes	
AXA SİGORTA A.Ş.	09-05-19	Andre WEILERT	Yes	
AXA SİGORTA A.Ş.	23-10-19	Benoit Michel CLAVERANNE	Yes	100%
AXA SİGORTA A.Ş.	23-10-19	Yavuz ÖLKEN	Yes	
AXA SİGORTA A.Ş.	23-10-19	Guillaume Herve Marie Xavier LEJEUNE	Yes	
AXA SİGORTA A.Ş.	23-10-19	Christophe Stephane KNAUB	Yes	
AXA SİGORTA A.Ş.	23-10-19	Celalettin Ali ERLAT	Yes	
AXA SİGORTA A.Ş.	23-10-19	Onur KOÇKAR	Yes	

Company	Date of Meeting	Members Required in Meeting	Particip	Participation Rate
AXA HAYAT VE EMEKLİLİK A.Ş.	14-01-19	Wilm LANGENBACH	Yes	83.3%
AXA HAYAT VE EMEKLİLİK A.Ş.	14-01-19	Yavuz ÖLKEN	Yes	
AXA HAYAT VE EMEKLİLİK A.Ş.	14-01-19	Benoit Michel CLAVERANNE	Yes	
AXA HAYAT VE EMEKLİLİK A.Ş.	14-01-19	Guillaume Herve Marie Xavier LEJEUNE	No	
AXA HAYAT VE EMEKLİLİK A.Ş.	14-01-19	Celalettin Ali ERLAT	Yes	
AXA HAYAT VE EMEKLİLİK A.Ş.	14-01-19	Marc Paul Andre BERNARDIN	Yes	
AXA HAYAT VE EMEKLİLİK A.Ş.	09-05-19	Wilm LANGENBACH	Yes	83.3%
AXA HAYAT VE EMEKLİLİK A.Ş.	09-05-19	Yavuz ÖLKEN	Yes	
AXA HAYAT VE EMEKLİLİK A.Ş.	09-05-19	Benoit Michel CLAVERANNE	No	
AXA HAYAT VE EMEKLİLİK A.Ş.	09-05-19	Guillaume Herve Marie Xavier LEJEUNE	Yes	
AXA HAYAT VE EMEKLİLİK A.Ş.	09-05-19	Celalettin Ali ERLAT	Yes	
AXA HAYAT VE EMEKLİLİK A.Ş.	09-05-19	Andre WEILERT	Yes	
AXA HAYAT VE EMEKLİLİK A.Ş.	23-10-19	Benoit Michel CLAVERANNE	Yes	100%
AXA HAYAT VE EMEKLİLİK A.Ş.	23-10-19	Yavuz ÖLKEN	Yes	
AXA HAYAT VE EMEKLİLİK A.Ş.	23-10-19	Guillaume Herve Marie Xavier LEJEUNE	Yes	
AXA HAYAT VE EMEKLİLİK A.Ş.	23-10-19	Christophe Stephane KNAUB	Yes	
AXA HAYAT VE EMEKLİLİK A.Ş.	23-10-19	Celalettin Ali ERLAT	Yes	
AXA HAYAT VE EMEKLİLİK A.Ş.	23-10-19	Onur KOÇKAR	Yes	



AXA SİGORTA A.Ş. CORPORATE MANAGEMENT COMMITTEE REPORT - 2019

CORPORATE MANAGEMENT COMMITTEE

AXA Sigorta A.Ş. (hereinafter referred to as “Company”) established a Corporate Management Committee in June 2011 to follow-up the compliance with the principles set out in the "Circular on Corporate Management Principles in Insurance, Reinsurance and Pension Companies (2011/8)".

The duties of the Committee are as follows: to perform the necessary activities for the purpose of ensuring compliance with the principles, to give suggestions to the Board of Directors in this regard and to monitor Company’s compliance with the principles.

Corporate Management Committee prepares a report indicating the evaluations and submits it to Board of Directors in March every year. A copy of the report is submitted to Turkish Ministry of Treasury and Finance.

THE PRINCIPLES AXA SIGORTA A.Ş. HAS ADOPTED

PRINCIPLE 1 - Corporate Management Principles

The company has established its corporate management principles by taking into account of the principles of “equality”, “transparency”, “accountability” and “responsibility”. These principles are guaranteed in consideration of the following policy, procedure and guidelines within the company.

- Equality
 - Compliance and Ethics Guide, Conflict of Interest Prevention;
08.01.Y.019 - Conflict of Interest Guideline
- Transparency
 - 98.11.P.001 - Human Resources Directive,
 - 98.11.P.005 - Data Privacy Policy,
 - 98.11.P.010 - Personal Data Protection Policy,
 - 98.11.P.006 - Information Security Policy,
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 - 06.07.01.Y.001- Information Security Management System Policy
- Accountability
 - Strategic Plan,
 - 29.01.Y.001 - Strategic Planning Guideline,
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- Responsibility
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 - Compliance Standard,
 - AXA Group Standards,
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 - 17.01.Y.001 - Internal Audit Guideline,
 - 17.01.Y.002 - Guideline on Prevention of Abuse and Corruption,
 - 08.02.T.016 - Code of Conduct for Prevention of Abuse and Corruption,

- 98.11.P.002 - Anti-Corruption Policy,
- 98.11.P.003 - Abuse Policy,
- 17.01.Y.003 - Black Money Audit Guideline,
- 98.11.P.005 - Media Relations Guide,
- 98.11.P.006 - Employee Social Media Guide,
- 17.02.T.001 - Contradictions and Irregularities Reporting Instruction,
- Audit Committee Directive,
- Internal Audit Directive,

PRINCIPLE 2 - Principles on Exercise of Share Ownership's Rights

All shareholders are treated equally in accordance with the principles.

No distinction is made between shareholders in exercise of the right to demand information and examination. Any information that may affect the exercise of shareholder's rights is accessible to shareholders in electronic environment.

The company shall take all necessary measures to ensure the participation of shareholders in General Meeting in a timely manner and provide information on the agenda in such a way so as not to create any hesitation and to provide shareholders with the opportunity to make necessary arrangements. The issues set out the agenda are transferred in an objective and detailed manner with a clear and understandable way in Shareholders' Assembly Meeting; shareholders are given opportunity to express their opinions and ask questions under equal conditions by creating a healthy discussion environment.

Practices that make the exercise of voting difficult are avoided. Each shareholder is given an opportunity to exercise his/her right of voting in the easiest and most appropriate manner.

The voting procedure is announced to all shareholders before and at the beginning of the meeting.

The company shows utmost care to the exercise of minority rights.

The company avoids the practices that make it difficult for shareholders to transfer their shares freely.

The company has a specific and coherent profit distribution policy. Our company performs the profit distribution in accordance with laws and regulations to which it is subjected. The following items are taken into consideration during profit distribution: our long-term group strategies, investment and financing policies, profitability and cash positions, and above all, capital adequacy ratio. Profit distribution decisions are taken by the shareholders in General Meeting held in March every year in accordance with Company's Capital Adequacy Forecasts and company's targets.

Accordingly, profit distribution is made in cash or non-paid up shares over the net profit for the period in the financial statements prepared in accordance with legislation and subjected to independent audit as well as the "distributable profit" calculated pursuant to the relevant legislation.

PRINCIPAL 3 – Transparency in Business and Operations

The Company undertakes to announce all kinds of up-to-date information that will be disclosed to the public and that may have an impact on its financial condition and operating results.

Certified Information on financial condition of the company, which is also used in public disclosure, is easily available in "Financial Info" segment in "AXA SIGORTA" section through <https://www.axasigorta.com.tr>. All annual reports are available electronically on the company's website since 2003.

The company's website is easily accessible. In addition to the information contained in the subparagraph (a) of Article 13/3 titled "Obligation to Create Website" of Regulation on Information on Insurance Contracts published in the Official journal No.31039 dated 14/02/2020 on the company's

website, the following are also included:

- a) Institutional Information regarding the Company (in English and Turkish),
- b) Information on Trade Registration,
- c) Articles of Association,
- ç) Information on members of Board of Directors,
- d) Annual Reports,
- e) Financial statement for the current year and the last four years, including independent audit reports and footnotes,
- f) Company's vision and mission.

The content of the dedicated part of our company's website which should be available has started to be kept in a secure environment, to be made available for company's access and to be archived by signing a protocol with Central Registry Agency (CRA) pursuant to Regulation on Website of Equity Companies published in Official Journal No.28663 dated 31 May 2013.

The company has an "Information Policy" on public disclosure, indicating which / how and how often/ in what ways the information defined by Board of Directors, other than the ones determined by laws, shall be disclosed to the public. In this Information Policy, the company pursues the balance between identifying confidential business information and protecting its transparency and interests.

A total of 36 standards have been implemented for governance standardization in the countries where AXA Group operates in insurance, which were approved by AXA Group Board of Directors and updated in January every year. This process is finalized with a year-end certification (original signed) that the relevant Directors undertake to carry out their daily activities in accordance with the standards under the guidance of CEO.

The company's code of ethics is listed under the "Compliance and Ethics Guide". Besides, the internal code of ethics Company employees should follow are gathered under the name of "AXA SIGORTA Compliance and Ethics Guide" and Senior Management and Directors declare, in writing, every year, that they are working in compliance with the principles in the Guide during the year. This process is called Compliance and Ethics Guide Certification.

The information required pursuant to "Data Controller's Obligation to Inform" of Personal Data Protection Act No. 6698 enacted on April 7, 2016 was published under <https://www.axasigorta.com.tr/aydinlatma-bildirimi> Furthermore, data Protection Statement, Personal Data Protection Policy and a document including information regarding the application process for data Owners to Execute their Rights can also be found in Company website.

The profit distribution policy is included in the annual report and disclosed to public pursuant to the Information Policy.

The Annual Report is prepared in detail so as to ensure that public can reach all kinds of information about the Company's activities. A special section was included in the Annual Report, where the main legislative amendments affecting the insurance activities during the year were discussed.

PRINCIPLE 4 - Protection of Stakeholders' Rights

A well-balanced policy is followed in order to protect stakeholders' rights in case of conflicts of stakeholders' interests.

The company takes all measures to ensure customer satisfaction in delivery of products and services. AXA Group "Know Your Customer" Process is aligned with all company's processes. In this regard, a customer-driven organizational structure has been adopted. In addition to local legislation, AXA Group "Product Approval Process- PAP" is followed for product development under the responsibilities of Internal Control, Operational and Financial Risks Department and before technical,

financial, marketing, legal, internal control, actuary, compliance and information technologies departments.

Besides, the company show attention to confidentiality of customer and supplier data in terms of trade secret. AXA Group "Information Security Policy" determines the measures to be taken and systemic infrastructure standards in this regard. Moreover, AXA SIGORTA Project Management Office performed a detailed analysis in order to check the compliance with secondary legislation published within the framework of the Personal Data Protection Act No.6698 and took necessary actions regularly.

All purchases, including service procurements, are carried out automatically through the approval mechanism defined using the portal "Corporate Expense Management (Truck)". Purchase Tenders are performed through internet by providing user name and password to the tenderer over the portal "e-Tender Purchase Portal". The parties participating in the tenders are able to see each other's offers and thereby transparency is ensured in maximum level.

Everyone is regarded as a talent in AXA Sigorta and each employee is given equal opportunity in all processes of discovering talent, recruitment, evaluation of skills, developing and dependence of thereof performed by HR Department. This cycle is considered as an experience journey and each step is planned with care and by obtaining the opinions of employees.

Our "Values" underlying this process are as follows: Customer First, Courage, Integrity and ONE AXA. Commitments expected from all Company employees in accordance with these values are summarized as follows:

CUSTOMER FIRST

We put the customer at the center of everything we do.

- We begin every project, process and product with the customer's view.
- We put our entire energy and creativeness in facilitating and simplifying our customers' lives.
- We do everything we can to match our interests with those of customers', even if this means a challenge for the existing order.

COURAGE

We support others to take action for creating learning and development opportunities.

- We make our decision much more rapidly and 80% sure to implement them with the right pace and to be able to continue to innovate. We always prefer "good enough but complete" to "excellent but too late".
- We think much more simple and decide and implement much faster both for our teams and for our customers.
- We value feedback; we both request feedback and also give feedback, always respectfully.
- We try to learn and develop to achieve the better and encourage other teams to do the same.

ONE AXA

We achieve mutual success with diversity and cooperation. Big decisions, creative ideas and sustainable success can only be possible through minds, support and energy of others.

- We are aware that cooperation is the most significant capability we should seek for during promotions, recruitment and rewarding processes.

- We encourage diversity and inclusion because we are sure different mindsets, opinions, different backgrounds and experiences would eventually bring us success.

INTEGRITY

We take responsibility and walk the talk.

- We always think about the long term and always act upon our ethical values, no matter how hard.
- With utmost transparency we do as we say and say as we do.
- We surely have the courage to share our opinions; however, once a decision is made, we back up and support that decision even if we do not entirely agree.

Examples of the exchange of views between the employee-agency-customer throughout the year are as follows: the organization called “Being from AXA” organized with the participation of all Company employees in order to strengthen a participatory management environment; “Agencies Meetings” where information and evaluations are provided for agencies; “Regional Meetings”, which enable agencies to meet face-to-face with the top executives of the company and in which the issues related to the economy or personal development have been discussed; “Employee Satisfaction Survey” where employee satisfaction is determined online; Agency Satisfaction Survey where agency satisfaction is determined; various satisfaction surveys conducted by independent organizations; "Axa Sigorta Employee Health Insurance" information benefited by employees and their relatives and Orientation Training Program for new employees.

Job descriptions and distribution of all company employees are determined by Directors and announced to employees. The entire process is performed automatically through use of AXABiz HR Portal.

The decisions taken or development regarding the employees are shared with all employees via e-mail, information screens and/or intranet by HR-Training, Development and Internal Communication Department.

In 2019, the company implemented various projects in order to enable communication and socialization with the aim of increase the interaction within the company.

- In this regard, the organization called “Being from AXA” was held in Antalya with the participation of all our employees this year. In the organization with the motto “We’re AXA, We’re Number One”, our employees took opportunity to listen to the strategies of company for future from Senior Executives and to have fun.
- In parallel with Company’s Digitalization strategy, we continued the integration activities of ONE, global intranet program, having been used by all Company employees since 2015 and we plan to start using this program in April 2020.
- Furthermore, the studies have been carried out in order to disseminate the use of YesLearning, a global training and management system that allows employees to follow their programs in all countries where AXA operates globally, by all employees as an active portal where people can follow training details, make evaluation after training and see calendar details.
- Regarding the LinkedIn Learning platform, which brings the online certificate programs offered by the leading universities together under the same roof and available for our employees through a contract executed by our Company, we The Company made announcements stating that all employees could benefit the advantages of this platform

freely and encouraged our employees to use this platform.

- Besides, the information sharing was provided through digital screen at the Head Office and all other locations.
- We designed and started to implement an Online Orientation program to facilitate the adaptation of new hires to our Company culture and environment.

In 2019, the AXA Sigorta focused on the dimensions of corporate responsibility ranging from society, environment, customer, employees and suppliers and implemented many projects with the support of increasing voluntary participation that it embraced and applied in every sphere of life. However, the company that has acted with the aim of dissemination of this awareness continued to lead many activities where the corporate responsibility approach touched the "society". As Turkey's largest insurance company with international identity, one of our main responsibility is to empower people to live a better life.

The projects and activities carried out in 2019 can be listed as follows:

Different from previous years, this year our Company focused on sustainable projects compatible with our Company strategy. These projects can be expressed under "Climate Change and Environment, Health and Social Inclusion" titles.

Various projects performed under these titles and other actions taken with the contributions of AXA Hearts in Action Volunteers are provided below.

- **We Created Collaborations with TEMA and Turmepa**
We performed common projects with TEMA for protection of country forests and with Turmepa for keeping our seas clean. We cleaned shores together with our AXA Hearts in Action Volunteers.
- **WWF - We Acted upon Our Green Office Certificate**
We reviewed our processes and practices for continuation of our Green Office certificate given to our building.
- **We Performed Awareness Activities regarding Road Safety**
We carried our awareness activities at gas stations and road sides drawing attentions to road safety.
- **We Participated in Bakış, A Live TV Program Providing Information on Climate Change and Environment**
We made a series of programs drawing attention to climate and environment throughout the country with the contributions of Company senior managers.
- **We Supported Sera Çamaş for "Music in Every Village" and "Virtual Forest" Projects**
We gave support to Sera Çamaş, a young friend of ours, with her project for taking musical events to villages and her Virtual Forest project engineered after the forest fire in İzmir with the aim of collective tree planting. We invited her to our organizations and listed to her story.

- **We Became Sinemasal Project Partner**
We supported the organization which offers the movie action, the event children always dream of but have difficulty to reach, as a real experience by wandering around villages. We also organized a child festival in Istanbul with this organization.
- **We Performed Awareness Activities with Turkish Red Crescent and Green Crescent**
Our blood donation campaigns and activities regarding ways of recovery from bad habits continued throughout the year.
- **We Sponsored Turkish Volleyball National Teams**
We supported both Cup Volley team and Women's National Volleyball Team during eliminations to participate in the Olympic Games. Our support for development of Turkish sports continues.
- **We Became Values Sponsor of Altınordu Football School**
We continue our partnership with Altınordu Sports Club which thrives for development of young generation in terms of both sporting and also academic activities.
- **We Went Live with AXAFIT Application**
We share tips and suggestions for a healthy life through this App and these are not limited only with our employees or our customers.
- **We Sponsored the Robotics Team “Beyond Dreams”**
We are now going on with the support we have started in Mardin for Muğla Ören Secondary School as well. Our Company assumed the sponsorship of “Science Heroes” Project carried out by Muğla Ören Secondary School. We continue to contribute in issues such as project registration fee, theme set, project table in order to support our children.
- **We Became the Lab Sponsor of Başkent University**
We provided support for establishment of an Insurance and Finance Laboratory in the University and for procurement of necessary equipment with the purpose of supporting our business sector.
- **We Supported Scholarship Students of Koç University**
We provide support for educational expenses of two young students, one attending the Faculty of Psychology and the other the Faculty of Business Administration, within the scope of the project launched in 2018 aiming at supporting successful students.
- **We Organized Healthy Life Seminars**
We organized seminars on Prostate Cancer, Breast Cancer, healthy nutrition and similar topics in our Head Office and also in other locations.

- **Helped Non-Governmental Organizations**

We arranged stand organizations at our Head Office building to support various associations and NGOs. These include Down Syndrome Association, Nahil Association, Gülümseten Dükkan, etc.

- **We Made a Visit to an Animal Shelter**

We visited our lovely friend with our volunteers in Yedikule Animal Shelter that currently hosts more than 3000 animals by supplying their needs such as milk, dry food, old newspaper and leftovers from our supplier company from which we purchase cafeteria services.

- **We Raised Awareness on Carbon Footprint**

We performed walking activities in order to draw attention to the studies on reducing our carbon footprint. All our colleagues supported this activity by participating in walking in the relevant locations.

- **We Cared for Recycling**

Waste materials such as waste batteries, paper, cartridges, bulbs and covers have been collected thanks to the “recycling corners” established in order to get all employees adopt environmental awareness and recycling habit. To attain this goal, we ceased use of personal waste bins and aimed at ensuring separation of wastes at central points.

- **We Made Contributions to Professional Education**

We visited universities giving insurance education and locating at various provinces and provided seminars to the students for the purpose of improving the cooperation between the Sector and the University. In these seminars given by Company executives; sectoral information, business world and the clues to help the students in career choices are shared.

- **We Made Charities**

Providing support to children and young people is one of AXA's most important principles. In this regard, we provide financial and in-kind aid and support throughout the year to schools and organizations in need. We have granted “stationery materials, books, computers, clothes, sports equipments, shoes etc.” depending on the messages we have received from these organizations regarding their needs.

- **We Also Invested in the Future**

In 2019, just like every other year, the participation fees paid by our agencies for the trainings conducted at AXA Academy were granted to Turkish Education Foundation (TEV) and thus we contributed to student scholarships and to the development of Turkey’s future generation with these donation amounts.

PRINCIPLE 5 - Activities of Board of Directors and Executives

Board of Directors determines company's policy and strategies, the ways to be followed in achieving these strategies and policies, development related to them and the processes to be followed in supervision and evaluation. The Board of Directors, constantly and effectively, reviews the degree to which the Company has achieved its goals, activities and past performance of thereof. And, it takes precautions promptly and before the problem occurs if required.

The Board of Directors looks out for the compliance of company's business activities with legislation, articles of association, internal regulations and policies established.

The Board of Directors plays a leading role in removal any possible disputes between Company and shareholders.

The authorities and responsibilities of members of Board of Directors and other Executives are clearly and understandably determined and included in the annual report.

The member of Board of Directors performs her/his duties circumspectly and well-meaningly. Performing the duty circumspectly and well-meaningly means that the minimum attention and care have been taken under similar situations and circumstances. The member of Board of Directors should take enough time for the company's business. Meetings of Board of Directors are planned and held effectively and efficiently.

Necessary mechanisms have been established to ensure that all members of Board of Directors have access to all kinds of information in time to ensure the performance of their duties.

The Board of Directors is responsible for the preparation and presentation of financial statements in accordance with the existing legislation and international accounting standards and the authenticity and accuracy of thereof. The Board of Directors takes an individual decision on acceptance of the periodic financial statement and annual report.

Directors ensure the performance of company's activities pursuant to mission, vision, targets, strategies and policies and act in accordance with financial and operational plans approved by Board of Directors every year. Directors follow the rules of legislation, articles of association, internal regulations and policies while performing their duties.

Directors have necessary qualifications to perform their duties.

Directors shall not use confidential and non-public information about Company in favor of themselves or anyone else and shall not give false, misleading, groundless information about Company and shall not disseminate and comment about Company.


PRINCIPLE 6 - Remuneration Policy

General policy regarding remunerations to be paid to the members of Board of Directors, senior executives and other employees is determined by the Board of Directors. The remunerations to be paid to the members of Board of Directors are calculated per meeting and valid only for the independent members; however, the members of Board of Directors who are the employees of any AXA company at the same time are not paid salary.

The qualifications of the employees and their contributions to the Company are taken into consideration in determination of the salaries and wages and other benefits to be given to the directors and employees. The company performed a clear and target-oriented performance evaluation consisting of all complete target and competency assessments. The results obtained and the attitudes and behaviors to these results are taken into account during performance evaluation. Performance Evaluation System runs online through AXABiz İK Portal and is based on the evaluation of targets and competencies entered into the system, with face-to-face meetings between the Director and the employee. All transactions performed in electronic environment regarding performance evaluation system are carried out with personal passwords and the records of thereof

is monitored by the system.

These implementations are available on our intranet open to all users. Personal Data, Total Earnings (salary plus bonuses), Payroll, Business Travels, Leaves, Expenses made on behalf of the Company for business purposes, Probation Periods, Development Plans, Job Definitions, Recruitment and Lay Off/Termination processes are automatically recorded and managed on fully automated "AXABiz HR Portal" which is accessible via Company intranet.



AXA SİGORTA HAYAT VE EMEKLİLİK A.Ş.

CORPORATE MANAGEMENT COMMITTEE

REPORT - 2019

CORPORATE MANAGEMENT COMMITTEE

AXA Hayat ve Emeklilik A.Ş. (hereinafter referred to as “Company”) established a Corporate Management Committee in June 2011 to follow-up the compliance with the principles set out in the Circular “on Corporate Management Principles in Insurance, Reinsurance and Pension Companies (2011/8)

The duties of the Committee are as follows: to perform the necessary activities for the purpose of ensuring compliance with the principles, to give suggestions to the Board of Directors in this regard and to monitor Company’s compliance with the principles.

Corporate Management Committee prepares a report indicating the evaluations and submits it to Board of Directors in March every year. A copy of the report is submitted to Turkish Ministry of Treasury and Finance.

THE PRINCIPLES AXA SIGORTA A.Ş. HAS ADOPTED

PRINCIPLE 1 - Corporate Management Principles

The company has established its corporate management principles by taking into account of the principles of “equality”, “transparency”, “accountability” and “responsibility”. These principles are guaranteed in consideration of the following policy, procedure and guidelines within the company.

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Practices that make the exercise of voting difficult are avoided. Each shareholder is given an opportunity to exercise his/her right of voting in the easiest and most appropriate manner.

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The company shows utmost care to the exercise of minority rights.

The company avoids the practices that make it difficult for shareholders to transfer their shares freely.

The company has a specific and coherent profit distribution policy. Our Company performs the profit distribution in accordance with laws and regulations to which it is subjected. The following items are taken into consideration during profit distribution: our long-term group strategies, investment and financing policies, profitability and cash positions, and above all, capital adequacy ratio. Profit distribution decisions are taken by the shareholders in General Meeting held in March every year in accordance with Company's Capital Adequacy Forecasts and company's targets.

Accordingly, profit distribution is made in cash or non-paid up shares over the net profit for the period in the financial statements prepared in accordance with legislation and subjected to independent audit as well as the "distributable profit" calculated pursuant to the relevant legislation.

PRINCIPAL 3 – Transparency in Business and Operations

The Company undertakes to announce all kinds of up-to-date information that will be disclosed to the public and that may have an impact on its financial condition and operating results.

Certified Information on financial condition of the company, which is also used in public disclosure, is easily available in "Financial Info" segment in "AXA HAYAT VE EMEKLİLİK" section through

<https://www.axahayatemeklilik.com.tr>.

All annual reports are available electronically on the company's website since 2003.

The company's website is easily accessible. In addition to the information contained in the subparagraph (a) of Article 13/3 titled "Obligation to Create Website" of Regulation on Information on Insurance Contracts published in the Official journal No.31039 dated 14/02/2020 on the company's website, the following are also included:

- a) Institutional Information regarding the Company (in English and Turkish),
- b) Information on Trade Registration,
- c) Articles of Association,
- ç) Information on members of Board of Directors,
- d) Annual Reports,
- e) Financial statement for the current year and the last four years, including independent audit reports and footnotes,
- f) Company's vision and mission.

The content of the dedicated part of our company's website which should be available has started to be kept in a secure environment, to be made available for company's access and to be archived by signing a protocol with Central Registry Agency (CRA) pursuant to Regulation on Website of Equity Companies published in Official Journal No.28663 dated 31 May 2013.

The company has an "Information Policy" on public disclosure, indicating which / how and how often/ in what ways the information defined by Board of Directors, other than the ones determined by laws, shall be disclosed to the public. In this Information Policy, the company pursues the balance between identifying confidential business information and protecting its transparency and interests.

A total of 36 standards have been implemented for governance standardization in the countries where AXA Group operates in insurance, which were approved by AXA Group Board of Directors and updated in January every year. This process is finalized with a year-end certification (original signed) that the relevant Directors undertake to carry out their daily activities in accordance with the standards under the guidance of CEO.

The company's code of ethics is listed under the "Compliance and Ethics Guide". Besides, the internal code of ethics Company employees should follow are gathered under the name of "AXA SIGORTA Compliance and Ethics Guide" and Senior Management and Directors declare, in writing, every year, that they are working in compliance with the principles in the Guide during the year. This process is called Compliance and Ethics Guide Certification.

The information required pursuant to "Data Controller's Obligation to Inform" of Personal Data Protection Act No. 6698 enacted on April 7, 2016 was published under www.axahayatemeklilik.com.tr/aydinlatma-bildirimi.aspx?pageID=128. Furthermore, data Protection Statement, Personal Data Protection Policy and a document including information regarding the application process for data Owners to Execute their Rights can also be found in Company website.

The profit distribution policy is included in the annual report and disclosed to public pursuant to information policy.

The Annual Report has been prepared in detail so as to ensure that public can reach all kinds of information about the Company's activities. A special section was included in the Annual Report, where the main legislative amendments affecting the insurance activities during the year were discussed.

PRINCIPLE 4 - Protection of Stakeholders' Rights

A well-balanced policy is followed in order to protect stakeholders' rights in case of conflicts of stakeholders' interests. The company takes all measures to ensure customer satisfaction in delivery of products and services. AXA Group "Know Your Customer" Process is aligned with all company's processes. In this regard, a customer-driven organizational structure has been adopted. In addition to local legislation, AXA Group "Product Approval Process- PAP" is followed for product development under the responsibilities of Internal Control, Operational and Financial Risks Department and before technical, financial, marketing, legal, internal control, actuary, compliance and information technologies departments.

Besides, the company shows attention to confidentiality of customer and supplier data in terms of trade secret. AXA Group "Information Security Policy" determines the measures to be taken and systemic infrastructure standards in this regard. Moreover, AXA Hayat ve Emeklilik Project Management Office performed a detailed analysis in order to check the compliance with secondary legislation published within the framework of the Personal Data Protection Act No.6698 and took necessary actions regularly.

All purchases, including service procurements, are carried out automatically through the approval mechanism defined using the portal "Corporate Expense Management (Truck)". Purchase Tenders are performed through internet by providing user name and password to the tenderer over the portal "e-Tender Purchase Portal". The parties participating in the tenders are able to see each other's offers and thereby transparency is ensured in maximum level.

Everyone is regarded as a talent in AXA Hayat ve Emeklilik and each employee is given equal opportunity in all processes of discovering talent, recruitment, evaluation of skills, developing and dependence of thereof performed by HR Department. This cycle is considered as an experience journey and each step is planned with care and by obtaining the opinions of employees.

Our "Values" underlying this process are as follows: Customer First, Courage, Integrity and ONE AXA. Commitments expected from all Company employees in accordance with these values are summarized as follows:

CUSTOMER FIRST

We put the customer at the center of everything we do.

- We begin every project, process and product with the customer's view.
- We put our entire energy and creativeness in facilitating and simplifying our customers' lives.
- We do everything we can to match our interests with those of customers', even if this means a challenge for the existing order.

COURAGE

We support others to take action for creating learning and development opportunities.

- We make our decision much more rapidly and 80% sure to implement them with the right pace and to be able to continue to innovate. We always prefer "good enough but complete" to "excellent but too late".
- We think much more simple and and decide and implement much faster both for our teams and for our customers.
- We value feedback; we both request feedback and also give feedback, always respectfully.
- We try to learn and develop to achieve the better and encourage other teams to do the same.

ONE AXA

We achieve mutual success with diversity and cooperation. Big decisions, creative ideas and sustainable success can only be possible through minds, support and energy of others.

- We are aware that cooperation is the most significant capability we should seek for during promotions, recruitment and rewarding processes.
- We encourage diversity and inclusion because we are sure different mindsets, opinions, different backgrounds and experiences would eventually bring us success.

INTEGRITY

We take responsibility and walk the talk.

- We always think about the long term and always act upon our ethical values, no matter how hard.
- With utmost transparency we do as we say and say as we do.
- We surely have the courage to share our opinions; however, once a decision is made, we back up and support that decision even if we do not entirely agree.

Examples of the exchange of views between the employee-agency-customer throughout the year are as follows: the organization called “Being from AXA” organized with the participation of all Company employees in order to strengthen a participatory management environment; “Agency Meetings” where information and evaluations are provided for agencies; “Regional Meetings”, which enable agencies to meet face-to-face with the top executives of the company and in which the issues related to the economy or personal development have been discussed; “Employee Satisfaction Survey” where employee satisfaction is determined online; Agency Satisfaction Survey where agency satisfaction is determined; various satisfaction surveys conducted by independent organizations; "Axa Sigorta Employee Health Insurance" information benefited by employees and their relatives and Orientation Training Program for new employees.

Job descriptions and distribution of all company employees are determined by Directors and announced to employees. The entire process is performed automatically through the use of AXABiz HR Portal.

The decisions made or developments regarding employees are shared with all employees via e-mail, information screens and/or intranet by HR-Training, Development and Internal Communication Department.

In 2019, the company implemented various projects in order to enable communication and socialization with the aim of increase the interaction within the company.

- In this regard, the organization called “Being from AXA” was held in Antalya with the participation of all our employees this year. In the organization with the motto “We’re AXA, We’re Number One”, our employees took opportunity to listen to the strategies of company for future from Senior Executives and to have fun.
- In parallel with Company’s Digitalization strategy, the Company continued the integration activities for integrating the new version of ONE, the global intranet program being used by all company employees since 2015 and this program is planned to be opened to the use of employees.
- Furthermore, the studies have been carried out in order to disseminate the use of YesLearning, a global training and management system that allows employees to follow their programs in all countries where AXA operates globally, by all employees as an active portal where people can follow training details, make evaluation after training and see

calendar details. Regarding the LinkedIn Learning platform, which brings the online certificate programs offered by the leading universities together under the same roof and available for our employees through a contract executed by our Company, we The Company made announcements stating that all employees could benefit the advantages of this platform freely and encouraged our employees to use this platform.

- Besides, the information sharing was provided through digital screen at the Head Office and all other locations.
- We designed and started to implement an Online Orientation program to facilitate the adaptation of new hires to our Company culture and environment.

In 2019, AXA Hayat ve Emeklilik focused on the dimensions of corporate responsibility ranging from society, environment, customer, employees and suppliers and implemented many projects with the support of increasing voluntary participation that it embraced and applied in every sphere of life. However, the company that has acted with the aim of dissemination of this awareness continued to lead many activities where the corporate responsibility approach touched the “society”. As Turkey’s largest insurance company with international identity, one of our main responsibility is to empower people to live a better life.

The projects and activities carried out in 2019 can be listed as follows:

Different from previous years, this year our Company focused on sustainable projects compatible with our Company strategy. These projects can be expressed under "Climate Change and Environment, Health and Social Inclusion" titles.

Various projects performed under these titles and other actions taken with the contributions of AXA Hearts in Action Volunteers are provided below.

We Created Collaborations with TEMA and Turmepa

We performed common projects with TEMA for protection of country forests and with Turmepa for keeping our seas clean. We cleaned shores together with our AXA Hearts in Action Volunteers.

WWF - We Acted upon Our Green Office Certificate

We reviewed our processes and practices for continuation of our Green Office certificate given to our building.

We Performed Awareness Activities regarding Road Safety

We carried our awareness activities at gas stations and road sides drawing attentions to road safety.

We Participated in Bakış, A Live TV Program Providing Information on Climate Change and Environment

We made a series of programs drawing attention to climate and environment throughout the country with the contributions of Company senior managers.

We Supported Sera Çamaş for "Music in Every Village" and "Virtual Forest" Projects

We gave support to Sera Çamaş, a young friend of ours, with her project for taking musical events to villages and her Virtual Forest project engineered after the forest fire in İzmir with the aim of collective tree planting. We invited her to our organizations and listed to her story.

We Became Sinemasal Project Partner

We supported the organization which offers the movie action, the event children always dream of but have difficulty to reach, as a real experience by wandering around villages. We also organized a child festival in Istanbul with this organization.

We Performed Awareness Activities with Turkish Red Crescent and Green Crescent

Our blood donation campaigns and activities regarding ways of recovery from bad habits continued throughout the year.

We Sponsored Turkish Volleyball National Teams

We supported both Cup Volley team and Women's National Volleyball Team during eliminations to participate in the Olympic Games. Our support for development of Turkish sports continues.

We Became Values Sponsor of Altınordu Football School

We continue our partnership with Altınordu Sports Club which thrives for development of young generation in terms of both sporting and also academic activities.

We Went Live with AXAFIT Application

We share tips and suggestions for a healthy life through this App and these are not limited only with our employees or our customers.

We Sponsored the Robotics Team “Beyond Dreams”

We are now going on with the support we have started in Mardin for Muğla Ören Secondary School as well. Our Company assumed the sponsorship of “Science Heroes” Project carried out by Muğla Ören Secondary School. We continue to contribute in issues such as project registration fee, theme set, project table in order to support our children.

We Became the Lab Sponsor of Başkent University

We provided support for establishment of an Insurance and Finance Laboratory in the University and for procurement of necessary equipment with the purpose of supporting our business sector.

We Supported Scholarship Students of Koç University

We provide support for educational expenses of two young students, one attending the Faculty of Psychology and the other the Faculty of Business Administration, within the scope of the project launched in 2018 aiming at supporting successful students.

We Organized Healthy Life Seminars

We organized seminars on Prostate Cancer, Breast Cancer, healthy nutrition and similar topics in our Head Office and also in other locations.

Helped Non-Governmental Organizations

We arranged stand organizations at our Head Office building to support various associations and NGOs. These include Down Syndrome Association, Nahıl Association, Gülümseten Dükkan, etc.

We Made a Visit to an Animal Shelter

We visited our lovely friend with our volunteers in Yedikule Animal Shelter that currently hosts more than 3000 animals by supplying their needs such as milk, dry food, old newspaper and leftovers from our supplier company from which we purchase cafeteria services.

We Raised Awareness on Carbon Footprint

We performed walking activities in order to draw attention to the studies on reducing our carbon footprint. All our colleagues supported this activity by participating in walking in the relevant locations.

We Cared for Recycling

Waste materials such as waste batteries, paper, cartridges, bulbs and covers have been collected thanks to the “recycling corners” established in order to get all employees adopt environmental awareness and recycling habit. To attain this goal, we ceased use of personal waste bins and aimed at ensuring separation of wastes at central points.

We Made Contributions to Professional Education

We visited universities giving insurance education and locating at various provinces and provided seminars to the students for the purpose of improving the cooperation between the Sector and the University. In these seminars given by Company executives; sectoral information, business world and the clues to help the students in career choices are shared.

We Made Charities

Providing support to children and young people is one of AXA's most important principles. In this regard, we provide financial and in-kind aid and support throughout the year to schools and organizations in need. We have granted “stationery materials, books, computers, clothes, sports equipment, shoes etc.” depending on the messages we have received from these organizations regarding their needs.

We Also Invested in the Future

In 2019, just like every other year, the participation fees paid by our agencies for the trainings conducted at AXA Academy were granted to Turkish Education Foundation (TEV) and thus we contributed to student scholarships and to the development of Turkey's future generation with these donation amounts.

PRINCIPLE 5 - Activities of Board of Directors and Executives

Board of Directors determines company's policy and strategies, the ways to be followed in achieving these strategies and policies, development related to them and the processes to be followed in supervision and evaluation. The Board of Directors, constantly and effectively, reviews the degree to which the Company has achieved its goals, activities and past performance of thereof. And, it takes precautions promptly and before the problem occurs if required.

The Board of Directors looks out for the compliance of company's business activities with legislation, articles of association, internal regulations and policies established.

The Board of Directors plays a leading role in removal any possible disputes between Company and shareholders.

The authorities and responsibilities of members of Board of Directors and other Executives are clearly and understandably determined and included in the annual report.

The member of Board of Directors performs her/his duties circumspectly and well-meaningly. Performing the duty circumspectly and well-meaningly means that the minimum attention and care have been taken under similar situations and circumstances. The member of Board of Directors should take enough time for the company's business. Meetings of Board of Directors are planned and held effectively and efficiently.

Necessary mechanisms have been established to ensure that all members of Board of Directors have access to all kinds of information in time to ensure the performance of their duties.

The Board of Directors is responsible for the preparation and presentation of financial statements in accordance with the existing legislation and international accounting standards and the authenticity and accuracy of thereof. The Board of Directors takes an individual decision on acceptance of the periodic financial statement and annual report.

Directors ensure the performance of company's activities pursuant to mission, vision, targets, strategies and policies and act in accordance with financial and operational plans approved by Board of Directors every year. Directors follow the rules of legislation, articles of association, internal regulations and policies while performing their duties.

Directors have necessary qualifications to perform their duties.

Directors shall not use confidential and non-public information about Company in favor of themselves or anyone else and shall not give false, misleading, groundless information about Company and shall not disseminate and comment about Company.

PRINCIPLE 6 - Remuneration Policy

General policy regarding remunerations to be paid to the members of Board of Directors, senior executives and other employees is determined by the Board of Directors. The wages to be paid to the members of Board of Directors are calculated per meeting and valid only for the independent members; however, the members of Board of Directors who are the employees of any AXA company at the same time are not paid salary.

The qualifications of the employees and their contributions to the Company are taken into consideration in determination of the salaries and wages and other benefits to be given to the directors and employees. The company performed a clear and target-oriented performance evaluation consisting of all complete target and competency assessments. The results obtained and the attitudes and behaviors to these results are taken into account during performance evaluation. Performance Evaluation System runs online through AXABiz İK Portal and is based on the evaluation of targets and competencies entered into the system, with face-to-face meetings between the Director and the employee. All transactions performed in electronic environment regarding performance evaluation system are carried out with personal passwords and the records of thereof is monitored by the system.

These implementations are available on our intranet open to all users. Personal Data, Total Earnings (salary plus bonuses), Payroll, Business Travels, Leaves, Expenses made on behalf of the Company for business purposes, Probation Periods, Development Plans, Job Definitions, Recruitment and Lay Off/Termination processes are automatically recorded and managed on fully automated "AXABiz HR Portal" which is accessible via Company intranet.

HUMAN RESOURCES PRACTICES

We run the PULSE employee satisfaction survey three times in 2019 (March 2019, June 2019 and December 2019), with which we measure Employee Satisfaction and Engagement on a global scale. Additionally, we also run the PULSE Employee Satisfaction survey on local scale in October 2019.

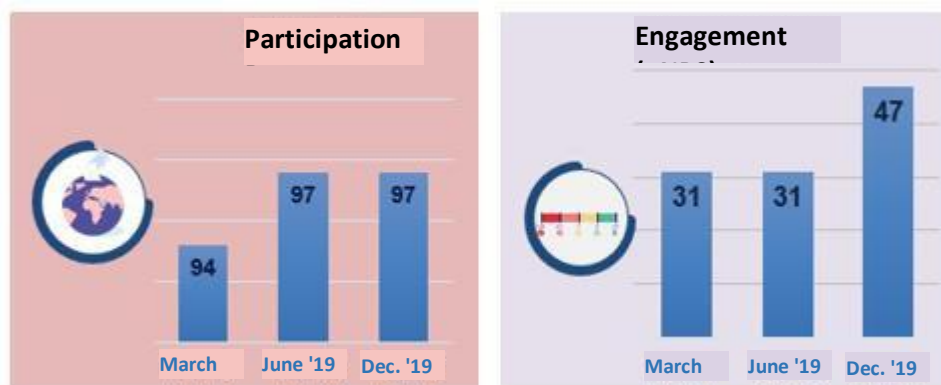
This PULSE survey consisting of short and few questions plays a significant role in commitment of our employees to our company and its applications in the successful performance of our Company.

Rate of participation in PULSE survey, which was carried out through an online application named CultureIQ, was 94% in March 2019, 97% in June 2019 and 97% in December 2019.

Participation rate in PULSE Survey carried out on local scale in October 2019 was 96%.

Our colleagues' participation ratio in the PULSE survey and their opinions in this regard allow us make our values "ONE AXA" and "Courage" happen. We can see this very clearly from the comments. Sincere replies given by employees to PULSE questions encourage us to chase the better.

Employee engagement levels increased up to 31 in March 2019, 31 in June 2019 and 47 in December 2019 according to the results of the survey we run among our employees based on our motto "Your Voice Matters". We are glad to share with you that the engagement level in our Company is quite good as compared to the levels within INM and AXA Group.



The fact that we have been awarded to get "Great Place to Work" prize for the fifth time in a row indicates the consistence of these data.



TRAINING AND DEVELOPMENT

In 2019 just like in every year, AXA Sigorta has acted in accordance with development plans and needs of its employees by being aware of contribution of Training and Development activities to the performance of companies and employees and taking into account of the needs of the developing world. Accordingly, in 2019 just like in previous years, the company has implemented different training programs with the experience of global environment and the support of local solutions and continued to make a difference in the sector in terms of both employee and distribution channels.

The different development opportunities arising from being a part of global force reflects credit upon the programs conducted within the company. The program contents are designed to support the company culture and to provide contribution to development journey of the employees and specialization in business processes. There is a system that blends and builds the differences inclusively in these programs which aim to develop the employees both individually and professionally. In the programs developed with AXA University and expert foreign institutions on a global scale and with national universities and consultancy firms on a local scale for this purpose, employees are supported with all kinds of development tools in order to think multi-directionally and to acquire other competencies required for performing their duties at the expected level outside their main responsibility areas. AXA Sigorta has continued to provide regular contributions to the development of its employees and agencies in 2019 just like in every year thanks to the training programs carried out with this understanding the contributions of different solution partners.

Employee Training

AXA Sigorta Directors have the opportunity to increase their skills in corporate culture as well as professional business competencies with customized and applicable training and development programs within the scope of creating values of "Customer First, Courage, Integrity and ONE AXA" targeted on a global level and maintaining thereof.

Development Programs for Executives

The executives of our company have participated in the technical and management trainings carried out in cooperation with AXA University on a global scale and increased their knowledge and had an opportunity to share their experiences.

The Manager@AXA program, which was developed within AXA University and aimed to improve the managerial competencies of our executives and launched to be implemented in 2013, has also continued with all AXA Group companies in 2019. This program consisting of 12 different topics and 3 different modules (each of which lasts 2 days) has been segmented as new Executives and experienced Executives, and 36 Executives had the chance to participate in the training program in 2019.

"AXELERATE" development program prepared by AXA Group, which aims to spread the strategies and targets determined by the AXA Group starting from the Executives to the entire company, was also localized at AXA Sigorta. 44 Executives with a total of 2 groups have participated in this program between June-November 2019.

The 5-day "Executive Mini MBA Program" carried out in cooperation with Boğaziçi University Lifelong Learning Center (BUYEM) has been participated by 22 Employees.

We also had the annual Executive Meetings on online platform this year at our Head Office building in February and July 2019.

Technical Training Program

AXA Sigorta has carried out training programs in order to allow its Employees keep and develop their technical know-how up-to-date with national and international programs.

The 35th term of Basic Insurance Training Program issued by TSEV has been participated by 4 employees.

24 employees successfully completed the Data Science Mathematics training organized in cooperation with Galatasaray University and all 24 were awarded with a certificate.

Internship Program

As we do every year, this year we employed 33 university students from different universities and departments/faculties in short term internship programs, with the purpose of creating human resources for our Company and also as a requirement of our Corporate Social Responsibility understanding. Also 23 individuals worked in different regions and Company departments within the scope of AXIS program (AXA Intern Story – interns welcomed for long term projects).

We have supported internship program pursuant to the agreements with universities and Non-governmental Organizations in line with this mentality as well.

Personal Development Programs

Following trainings for personal development are organized in 2019 based on the development areas revealed by the results of performance appraisal meetings held by employees and their direct managers:

Key to Contingency; Flexibility, Success in Communication and Conflict Management

Do I Always Get the Difficult, How to Cope? Critical Thinking and Project Management

Source of Competitive Edge; Time

Efficiency with Cooperation Culture; There's A Team in This Job

From Awareness to Success; Coming Out of the Cocoon Focus 360

Inspiring Transformation Rotation Programs

A total of 13 colleagues made use of Rotation trainings, which were designed to provide information about different applications and business processes between different departments and regional offices.

Orientation Program

We have organized an Orientation Program with 3 groups consisting of 94 employee in order to enable new employees learn about the corporate culture and general work flow. We have also carried out an Orientation Program for 3 Executives.

Overseas Training Program

A total of 10 employees from AXA Sigorta have participated in overseas trainings within the AXA Group in order to ensure the development of related specialties. These trainings include contents for technical knowledge of the participants' specialties.

Employee Development		2019		
		Number of Participants	Number of Trainings	Training Hours
AXA Sigorta	Technical Development	425	42	3777.42
	Personal Development	699	43	9636.5
	Organizational Development	775	53	5403.4?
	Leadership Development	169	7	2633
	Total	2068	165	21655.41

Distribution Channel Trainings, Agency Trainings

Technical Application and Product Training

We have continued to increase the technical know-how and skills of our Agencies through trainings on product and system usage in the branches of Elemental, Life & Pension and Health in our regional offices this year.

AXA Sigorta Academic Trainings

AXA Insurance Academy is designed in order to enable our agencies to improve their competencies in business management as well as technical know-how and to make use of their academic knowledge and practices by combining them with facts of business world. We conducted different programs throughout the year in cooperation with Boğaziçi University Lifelong Learning Center (BUYEM) and professional consulting firms. Besides, the program titled "Digital and Social Media Marketing Certificate", which is carried out in cooperation with Boğaziçi University, aims to enable our Agencies to use social media in their business lives effectively.

Training Programs:

Digital and Social Media Marketing Certificate Program

Successful Leader AXA Sigorta Agency Certification Program

Professional Sales Workshop Certificate Program

New Trends in Sales

Negotiation Skills Program

Executive Mini MBA (Agency)

Furthermore, "Future Faculty" was established under AXA Academy roof in 2019, again with collaboration with BÜYEM (Boğaziçi University Lifetime Training Center). Future Faculty initially started with "You're the Future" and "Rising Stars" programs with the participation of 46 agencies. Topics of both programs are provided below:

Academic courses given by BÜYEM;

Economics

Marketing

Sales - Creation of Customer Loyalty,

Customer Experience

Professionalism and Creation of

Personal Distinction, Finance

Inter-Generation Conflict Management,

Communication from I to We

Business Management

Digital and Social Media Marketing,

Leadership Skills

Institutionalization in Family Businesses

Technical courses to be provided by AXA Sigorta Executives;

Industrial Package Policy & Electronic Device and Machinery Breakdown &

Liability and Home & SME

Engineering & Freight/Marine

Insurance Products, Health,

Technical & Health Strategies,

Information Security & Risk

Inspection

	2019		
	Employee	Agency	AXA Academy
Number of Participants	2,068	902	344
Number of Trainings	165	95	27
Training Hours	21,656	1,948	343
Overseas Trainings			
Number of Participants	10	-	-
Number of Trainings	5	-	-
Training Hours	227	-	-
Total Cost	978,000 TRY	69,000 TRY	251,000 TRY



INTERNAL COMMUNICATION

In 2019, the AXA Sigorta implemented various projects in order to enable communication and socialization with the aim of increase the interaction within the company.

We opened our @axa.kariyer instagram account with this purpose, both for sharing our internal applications on social media and also for creating synergy among our employees. This account had a significant number of followers within a very short time. It succeeded to rapidly become a communication channel where we demonstrated, both with posts and with stories, the working environments, development opportunities of AXA Sigorta employees and available career opportunities for individuals who wish to become an AXA employee and where we quite actively created and posted contents.

In this regard, the organization called “Being from AXA” was held in Antalya with the participation of all our employees this year. In the organization with the motto “We’re AXA, We’re Number One”, our employees took opportunity to listen to the strategies of company for future from Senior Executives and to have fun.

The company concluded an agreement with the platform of Coursera that brings together the online certificate programs offered by the leading universities under the same roof and thus made an announcement that all employees could benefit the advantages of this platform freely. Many of our colleagues in AXA Sigorta completed the certificate program through Coursera.

Furthermore, the studies have been carried out in order to disseminate the use of YesLearning, a global training and management system that allows employees to follow their programs in all countries where AXA operates globally, by all employees as an active portal where people can follow training details, make evaluation after training and see calender details.

Besides, the information sharing was provided through digital screen at the Head Office and all other locations. Moreover, a new environment had been prepared for practical information and training activities through the platform called “AXA Vizyon” where information could be shared with short videos.

In 2019, the AXA Sigorta has focused on the dimensions of corporate responsibility ranging from society, environment, customer, employees and suppliers and implemented many projects with the support of increasing voluntary participation that it embraced and applied in every sphere of life. However, the AXA Sigorta that has acted with the aim of dissemination of this awareness continued to lead many activities where the corporate responsibility approach touched the “society”. As Turkey’s largest insurance company with international identity, one of our main responsibilities as per our sacred purpose we believe in is to provide support to social life through our mission to **“Empower People for a Better Life”**. We established a booth in our Head Office Building to be used in the treatment costs of children with autism in order to contribute to “Tohum Autism Foundation”.

We said “Blood Donation saves lives” and we wanted to be hope and save lives for others and thus we donated blood in cooperation with Red Crescent.

We established a Smile Shop stand in our Head Office Building to contribute to Foundation for the Handicapped since we were aware of healthy food and healthy nutrition.

We performed walking activities in order to draw attention to the studies on reducing our carbon footprint. All our colleagues supported this activity by participating in walking in the relevant locations. We visited universities giving insurance education and locating at various provinces and provided seminars to the students for the purpose of improving the cooperation between the Sector and the University. In these seminars given by AXA Sigorta Executives; sectoral information, business world and the clues to help the students in career choices are shared.

One of our most significant principles, as AXA Sigorta, is to support children and young people. Accordingly, we have provided financial and in-kinds aids throughout the year to the schools and institutions within the framework of Our Corporate Social Responsibility mentality. We have granted “stationery equipment, book, computer, clothes, sports equipment, shoes etc.” depending on the messages regarding need our company received.

We also become the Book Parent to 25 students studying on scholarship in Darüşşafaka Elementary School. We have presented one-year prepaid book cards thanks to this sponsorship. Thus, students have an opportunity to exchange books with the equal opportunities provided.

All our colleagues pinned a pink ribbon badge in October under the name of “PinkOctober” in order to raise awareness of breast cancer and we conducted a seminar on “Breast Cancer Awareness” at our Head Office in cooperation with Liv Hospital. We decorated all our locations with the pink balloons and shared broadcasts with the hashtag “#PinkOctober” in social media.

We also carried out various activities with all our colleagues in November under the name “Movember” in order to raise awareness of prostate cancer, simultaneously with AXA Group We decorated all our locations with black balloons. We also joined in a campaign in which AXA Group supported the Movember initiative. We shared our photos with moustaches and photos of walking/running on digital platform under the hashtag of #Movember on social media.

In 2019 just like every year, the participation fee paid by agencies for the trainings conducted within the AXA Academy has been granted to Turkish Education Foundation (TEV) and we have contributed to the development of Turkey’s future generation with these donation amount.

We came together with over 250 students in Virtual Career Fair. Our CEO Yavuz Ülken also accompanied us. He gave sincere advices to young talents who found the opportunity to talk to him online. We address young talents with "Gelişim Sana Özel, Başarı Seninle Güzel" initiative and continue to support young individuals with career opportunities within the insurance sector.

AXA SİGORTA A.Ş.

**FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORT for JANUARY
1 - DECEMBER 31, 2019 PERIOD**



CONVENIENCE TRANSLATION of INDEPENDENT AUDITOR'S REPORT

To Axa Sigorta A.Ş. General Board

A. Independent Audit of Financial Statements

1. Opinion

We have completed the audit on Axa Sigorta A.Ş.'s ("Company") financial statements drawn up as of December 31, 2019, comprising of detailed Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity, Statement of Cash Flows documents and also the Notes to these financial statements, including summary of significant accounting policies.

In our opinion, enclosed Financial Statements present fairly, in all material respects, the Company's financial position as at and the financial performance and cash flows for the period ended on December 31, 2019 in accordance with the regulations regarding accounting and financial reporting under the currently applicable insurance legislation and in accordance with the "Regulation on Accounting and Financial Reporting for Insurance Companies" on issues not covered by the aforementioned legislation.

2. Basis of Opinion

The independent audit has been conducted in accordance with the regulations regarding independent audit principles in effect pursuant to the insurance legislation and with the Independent Audit Standards ("IAS") as part of Turkish Audit Standards issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under these Standards are explained in detail under "Independent Auditor's Responsibility for Independent Audit of Financial Statements" section provided below. We hereby represent that we are independent of the Company in accordance with the Code of Conduct for Independent Auditors ("Code of Conduct") issued by POA and with the ethical rules and requirements set forth in the legislation regarding independent audit of financial statements. We have also fulfilled other ethical responsibilities assigned to independent auditors in Code of Conduct and the relevant legislation. We believe the independent audit evidences obtained during the independent audit activity constitute adequate and appropriate grounds in forming our opinion.



3. Key Audit Issues

Key audit issues are the most critical issues according to our professional judgment for independent audit of financial statements belonging to the current period. Key audit issues are already considered as a whole during the independent audit of and in forming our professional opinion about Company financial tables, therefore a separate opinion in this regard shall not be provided additionally.

<i>Key Audit Issue</i>	<i>Audit Approach to the Issue</i>
<p><i>Incurred But Not Reported Outstanding Claims Reserve</i></p> <p>As explained in Notes 2 and 17, the Company allocated an provision amount of 1,689,801,879 TRY for IBNR (incurred but not reported) compensations.</p> <p>Pursuant to Circular No.2014/16 on Outstanding Claims Reserves, issued by Turkish Ministry of Treasury and Finance on December 05, 2015, this provision amount is calculated with the best forecast methods determined in line with the Company Actuary's opinions.</p> <p>The reason why we have focused in this area during the audit is the significance of the provision amount allocated for compensations for incurred but not reported losses within Company's financial tables and also the calculations of such provisions include significant actuarial judgments and forecast.</p>	<p>We checked the mathematical accuracy of the calculation of IBNR provision amount in branches selected with sampling method and then compared these amounts with the data contained in the financial tables for reconciliation purposes. Appropriateness of the methods and assumptions used in this calculation is discussed on the basis of the selected branches by our actuary specialists with the Company's actuary and Company senior management team. Additionally, reasonable interval forecasts are made for the provision for IBNR compensations for the selected branches through an independent assessment, which are afterwards compared with the relevant figures contained in the Company's records.</p> <p>Also the accuracy and compliance with the Insurance Accounting and Financial Reporting Legislation of the disclosures for these provision amounts presented in financial statement notes are also checked.</p>

4. Other Issue

Company's financial statements prepared for the previous financial year ended on December 31, 2018 were audited by another independent auditor, which declared positive opinion for the audit process and results in the report prepared on March 8, 2019.



5. Responsibilities of Management and Those in Charge of Governance for Company Financial Statements

Company Management is responsible for ensuring preparation and fair presentation of financial statements in accordance with the applicable Insurance Accounting and Financial Reporting Legislation and for the internal control required to prepare true and fair financial statements free of material mistakes arising from errors or fraud

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to the 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 in charge of governance are responsible for overseeing the Company's financial reporting process.

6. Auditor's Responsibilities for Independent Audit of Financial Statements

As independent auditors, our responsibilities for an independent audit are as follows:

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 does not guarantee that an audit conducted in accordance with the regulations regarding independent audit principles in effect under insurance legislation and with IASs shall always detect a material misstatement whenever it exists. Misstatements can arise from fraud or error and these 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 financial statements.

As part of an audit conducted in accordance with the regulations regarding independent audit principles in effect under insurance legislation and with IASs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of "material misstatement" in financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence 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 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 financial statements, including disclosures, and whether financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those in charge of Company 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.

From the matters communicated with officers in charge of Company governance, we determine those matters that were of most significance in the audit of financial statements for the current period, which therefore constitute the key audit issues. We describe these matters in our auditor's report unless existing laws or regulations preclude public disclosure about the issue or when, in extremely rare circumstances, we determine that an issue 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. Other Liabilities Arising from the Legislation

1. Pursuant to Article 402.4 of Turkish Commercial Code no.6102 ("TCC"), no significant item was found in the Company's bookkeeping pattern during and financial statements belonging to the accounting period between January 1 - December 31, 2019 showing non-compliance with the provisions of TCC and Company Articles of Establishment regarding financial reporting.
2. Pursuant to Article 402.4 of TCC, Company Board of Directors made the necessary disclosures and provided the documents requested during the audit activity.

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

Talar Gül, SMMM
Chief Auditor in Charge

İstanbul, March 13, 2020

**OUR STATEMENT regarding COMPANY FINANCIAL
STATEMENTS DRAWN UP as of DECEMBER 31, 2019**

We hereby declare that the attached financial statements drawn up as of December 31, 2019 and related notes have been prepared in accordance with the accounting principles and standards in effect as per the insurance regulations and are consistent with the relevant regulations and the records of the Company.

AXA SİGORTA A.Ş. General Management

İstanbul, 13 / 03 / 2020

Yavuz ÖLKEN	Tuba KARATAŞ ARICAN	Gamze KAYĞISIZ	Özgün Güvener
BoD Deputy Chairman & CEO	CFO	Accounting & Collection Manager	Actuary

AXA SİGORTA A.Ş.

FINANCIAL STATEMENTS for JANUARY 1 - DECEMBER 31, 2019 PERIOD

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AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION of the DETAILED
BALANCE SHEETS as at DECEMBER 31, 2019 and 2018
(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

I- Current Assets		Current Period Audited December 31, 2019	Previous Period Audited December 31, 2018
	Note		
A- Cash and Cash Equivalents	2.12 and 14	1,253,920,451	1,165,030,458
1- Cash		-	-
2- Checks Received		-	-
3- Banks	2.12 and 14	685,574,031	738,201,075
4- Checks and Payment Orders Issued (-)		-	-
5- Bank Guarantees and Three Months Short Term Credit Card	2.12 and 14	562,751,420	426,829,383
6- Other Cash and Cash Equivalents	2.12 and 14	5,595,000	-
B- Financial Assets and Financial Investments at Policyholders' Risk	11	5,350,616,703	4,185,927,261
1- Available for Sale Investments	11	5,352,616,703	4,188,020,228
2- Held to Maturity Investments		-	-
3- Trading Investments		-	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Financial Assets at Policyholder's Risk		-	-
7- Company Shares		-	-
8- Provision for Impairment of Financial Assets (-)	11	(2,000,000)	(2,092,967)
C- Receivables from Operations	2.8, 11 and 12	945,335,418	818,755,198
1- Due from Insurance Operations	12	1,036,649,249	894,687,857
2- Provision for Due from Insurance Operations (-)	12	(169,390,840)	(148,175,715)
3- Due from Reinsurance Operations		-	-
4- Provision for Due from Reinsurance Operations (-)		-	-
5- Cash Deposited with Insurance and Reinsurance Companies	12 and 45	78,077,009	72,243,056
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Due from Private Pension Operations		-	-
9- Doubtful Receivables from Main Operations	12	613,698,469	534,122,841
10- Provision for Doubtful Receivables from Main Operations (-)	12	(613,698,469)	(534,122,841)
D- Due from Related Parties		257,238	238,478
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	45	257,238	238,478
7- Rediscount on Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
E- Other Receivables		24,416,690	14,942,490
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		152,311	192,647
4- Other Receivables	47	24,264,379	14,749,843
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
F- Deferred Expenses and Income Accruals		359,174,180	278,025,371
1- Deferred Production Expenses	17.15-17.19	315,606,518	245,343,363
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Deferred Expenses	47.1	43,567,662	32,682,008
G- Other Current Assets		2,572,601	14,359,510
1- Prepaid Office Supplies		3,924	2,825
2- Prepaid Taxes and Funds	35	2,565,185	14,307,537
3- Deferred Tax Assets		-	-
4- Cash Advances		3,492	9,803
5- Advances to Personnel		-	39,345
6- Count Shortages		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		7,936,293,281	6,477,278,766

Enclosed Notes are complementary to these Financial Statements.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION of the DETAILED
BALANCE SHEETS as at DECEMBER 31, 2019 and 2018
(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

II - Non-Current Assets		Current Period Audited December 31, 2019	Previous Period Audited December 31, 2018
	Note		
A- Receivables from Operations		-	-
1- Due from Insurance Operations		-	-
2- Provision for Due from Insurance Operations (-)		-	-
3- Due from Reinsurance Operations		-	-
4- Provision for Due from Reinsurance Operations (-)		-	-
5- Cash Deposited with Insurance and Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Due from Private Pension Operations		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations (-)		-	-
B- Due from Related Parties		-	-
1- Due from 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 Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
C- Other Receivables		-	-
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
D- Financial Assets	45.2	1,143,619	28,791,743
1- Investment Securities	45.2	1,143,619	28,791,743
2- Affiliates		-	-
3- Affiliates Capital Commitments (-)		-	-
4- Subsidiaries		-	-
5- Subsidiaries Capital Commitments (-)		-	-
6- Joint Ventures		-	-
7- Joint Ventures Capital Commitments (-)		-	-
8- Financial Assets and Financial Investments at Policyholders' Risk		-	-
9- Other Financial Assets		-	-
10- Provision for Impairment of Financial Assets (-)		-	-
E- Tangible Assets		94,910,689	82,353,916
1- Investment Property	7	41,542,440	38,592,440
2- Provision for Diminution in Value of Investment Property (-)		-	-
3- Property for Operational Usage	6	44,571,034	45,426,799
4- Machinery and Equipment		-	-
5- Furniture and Fixtures	6	55,369,953	49,191,857
6- Motor Vehicles		-	-
7- Other Tangible Assets (including leasehold improvements)	6	1,392,536	1,164,442
8- Leased Assets	2.1 and 6	12,196,468	-
9- Accumulated Depreciation (-)	6 and 7	(60,205,802)	(52,065,682)
10- Advances Given for Tangible Assets (including construction in progress)	6	44,060	44,060
F- Intangible Assets	8	44,849,970	46,106,912
1- Rights	8	112,721,542	105,648,669
2- Goodwill		-	-
3- Start-up Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets	8	2,801,468	2,801,468
6- Accumulated Amortization (-)	8	(70,673,040)	(62,343,225)
7- Advances Given for Intangible Assets		-	-
G- Deferred Expenses and Income Accruals		-	-
1- Deferred Acquisition Expenses		-	-
2- Income Accruals		-	-
3- Other Deferred Expenses		-	-
H- Other Non-Current Assets	21 and 35	65,883,670	58,310,738
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Prepaid Office Supplies		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21 and 35	65,883,670	58,310,738
6- Other Non-Current Assets		-	-
7- Other Non-Current Assets Depreciation (-)		-	-
8- Provision for Other Non-Current Assets (-)		-	-
II- Total Non-Current Assets		206,787,948	215,563,309
TOTAL ASSETS (I + II)		8,143,081,229	6,692,842,075

Enclosed Notes are complementary to these Financial Statements.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION of the DETAILED
BALANCE SHEETS as at DECEMBER 31, 2019 and 2018
(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

III- Current Liabilities		Current Period Audited December 31, 2019	Previous Period Audited December 31, 2018
	Note		
A- Financial Liabilities		3,166,309	-
1- Due to Credit Institutions		-	-
2- Leasing Payables	20	3,166,309	-
3- Deferred Leasing Costs (-)		-	-
4- Short Term Installments of Long Term Borrowings		-	-
5- Issued Debt Securities		-	-
6- Other Issued Debt Securities		-	-
7- Value Differences of Other Issued Debt Securities (-)		-	-
8- Other Financial Payables		-	-
B- Payables from Operations	19	256,751,328	164,619,614
1- Payables from Insurance Operations	4, 10 and 19	242,287,886	152,265,489
2- Payables from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables from Private Pension Operations		-	-
5- Payables from Other Operations	4, 19 and 47.1	14,463,442	12,354,125
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties		4,442	4,633
1- Due to Shareholders	4 and 45	2,568	2,568
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel		1,874	2,065
6- Due to Other Related Parties		-	-
D- Other Payables		129,592,950	99,969,484
1- Deposits and Guarantees Received		9,789,953	7,038,516
2- Payables to SSI regarding Medical Expenses	4 and 19	36,103,858	23,272,555
3- Other Payables	19 and 47.1	83,699,139	69,658,413
4- Rediscount on Other Payables (-)		-	-
E- Insurance Technical Provisions		5,440,715,641	4,988,162,956
1- Unearned Premium Reserve - Net	2.24, 4 and 17	1,766,211,355	1,477,317,020
2- Unexpired Risks Reserve-Net	2.24, 4 and 17	23,613,963	11,677,760
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net	2.24, 4 and 17	3,600,077,680	3,456,033,401
5- Bonus Provision-Net		-	-
6- Other Technical Reserves - Net	4 and 47.1	50,812,643	43,134,775
F- Taxes and Other Fiscal Liabilities		137,508,781	39,220,787
1- Taxes and Funds Payable		43,023,792	28,845,008
2- Social Security Premiums Payable		2,358,040	1,914,159
3- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
4- Other Taxes and Fiscal Liabilities	47.1	10,276,057	8,461,620
5- Corporate Tax Provision and Other Fiscal Liabilities	35	209,842,169	-
6- Prepaid Taxes and Other Similar Liabilities for Profit	35	(127,991,277)	-
7- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks	23	77,925,202	63,109,569
1- Provision for Employment Termination Benefits		-	-
2- Provision for Social Aid Fund Asset Shortage		-	-
3- Provision for Expense Accruals	23	77,925,202	63,109,569
H- Deferred Income and Expense Accruals		75,327,576	62,276,682
1- Deferred Commissions Income	10, 17 and 19	73,382,124	60,094,632
2- Expense Accruals		-	-
3- Other Deferred Income		1,945,452	2,182,050
I- Other Current Liabilities	47.1	3,338,352	953,497
1- Deferred Tax Liabilities		-	-
2- Count Overages		-	-
3- Other Current Liabilities	47.1	3,338,352	953,497
III - Total Current Liabilities		6,124,330,581	5,418,317,222

Enclosed Notes are complementary to these Financial Statements.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION of the DETAILED
BALANCE SHEETS as at DECEMBER 31, 2019 and 2018
(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

IV – Non-Current Liabilities		Current Period Audited December 31, 2019	Previous Period Audited December 31, 2018
	Note		
A- Financial Liabilities	20	6,140,852	-
1- Due to Credit Institutions		-	-
2- Leasing Payables	20	6,140,852	-
3- Deferred Leasing Costs (-)		-	-
4- Issued Debt Securities		-	-
5- Other Issued Debt Securities		-	-
6- Value Differences of Other Issued Debt Securities (-)		-	-
7- Other Financial Payables		-	-
B- Payables from Operations		-	-
1- Payables from Insurance Operations		-	-
2- Payables from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables from Private Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to 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- Payables to SSI regarding Medical Expenses		-	-
3- Other Payables		-	-
4- Rediscount on Other Payables		-	-
E- Insurance Technical Provisions		217,093,059	176,991,253
1- Unearned Premium Reserve - Net		-	-
2- Unexpired Risks Reserve - Net		-	-
3- Mathematical Reserves - Net		1,171	2,428
4- Outstanding Claims Reserve - Net		-	-
5- Bonus Provision-Net		-	-
6- Other Technical Reserves - Net	2.24, 4, 17 and 47.1	217,091,888	176,988,825
F- Other Liabilities and Related Provisions		-	-
1- Other Payables		-	-
2- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
3- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks	22	20,651,501	15,249,864
1- Provision for Employment Termination Benefits	22	20,651,501	15,249,864
2- Provision for Social Aid Fund Asset Shortage		-	-
H- Deferred Income and Expense Accruals		-	-
1- Deferred Commissions Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
1- Other Current Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Other Non-Current Liabilities		-	-
IV- Total Non-Current Liabilities		243,885,412	192,241,117

Enclosed Notes are complementary to these Financial Statements.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION of the DETAILED
BALANCE SHEETS as at DECEMBER 31, 2019 and 2018
(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

V- Shareholders' Equity	Note	Current Period Audited December 31, 2019	Previous Period Audited December 31, 2018
A- Share Capital	2.13 and 15	1,225,739,187	1,225,739,187
1- (Nominal) Capital	2.13 and 15	1,225,739,187	1,225,739,187
2- Unpaid Capital (-)		-	-
3- Adjustments to Share Capital		-	-
4- Adjustments to Share Capital (-) 5- Capital of Expected Registration		-	-
B- Capital Reserves		163,732	163,732
1- Share Premium		-	-
2- Share Premiums of Canceled Shares		-	-
3- Sales Profit Addition to the Capital		-	-
4- Foreign Currency Translation		-	-
Differences	16	163,732	163,732
C- Profit Reserves		105,025,589	(271,178,421)
1- Legal Reserves	15	51,203,816	51,203,816
2- Statutory Reserves		-	-
3- Extraordinary Reserves		-	-
4- Special Reserves		-	-
5- Valuation of Financial Assets:	15	54,076,734	(326,010,922)
6- Other Profit Reserves	16	(254,961)	3,628,685
D- Retained Earnings		127,559,238	-
1- Retained Earnings		127,559,238	-
E- Accumulated Loss (-)		-	(243,721,208)
1- Previous Years' Losses		-	(243,721,208)
F- Net Profit / Loss(-) for the Period	37	316,377,490	371,280,446
1- Net Profit for the Period		316,377,490	371,280,446
2- Net Loss for the Period (-)		-	-
3- Profit Not Subject to Distribution		-	-
Total Shareholders' Equity		1,774,865,236	1,082,283,736
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (III+IV+V)		8,143,081,229	6,692,842,075

Enclosed Notes are complementary to these Financial Statements.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION for the DETAILED INCOME
STATEMENTS for JANUARY 1 - DECEMBER 31, 2019 and 2018
PERIODS

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

I- TECHNICAL SECTION	Note	Current Period	Previous Period
		Audited January 1 - December 31, 2019	Audited January 1 - December 31, 2018
A- Non-Life Technical Revenues		3,586,903,466	3,442,679,277
1- Earned Premiums (Net of Reinsurer's Share)		2,888,857,817	2,467,970,595
1.1- Written Premiums (Net of Reinsurer's Share)	2.21 and 24	3,189,663,560	2,647,133,101
1.1.1- Gross Written Premiums (+)	24	4,104,057,687	3,374,669,830
1.1.2- Ceded Premiums (-)	10 and	(812,815,700)	(646,702,494)
1.1.3- Premiums Ceded to SSI (-)	10 and	(101,578,427)	(80,834,235)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17	(288,869,540)	(187,992,574)
1.2.1- Unearned Premium Reserve (-)	17	(369,033,877)	(285,489,332)
1.2.2- Reinsurer's Share in Unearned Premium Reserve (+)	10 and	64,942,804	87,916,100
1.2.3- SSI Share of Unearned Premiums Reserve	10 and	15,221,533	9,580,658
1.3- Change in Unexpired Risks Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17	(11,936,203)	8,830,068
1.3.1- Unexpired Risks Reserve (+/-)	17	(14,717,737)	9,064,772
1.3.2- Reinsurer's Share in Unexpired Risks Reserve (+/-)	10 and	2,781,534	(234,704)
2- Investment Income Transferred from Non-Technical Section		617,093,968	886,292,465
3- Other Technical Income (Net of Reinsurer's Share)		6,200,886	6,760,348
3.1- Gross Other Technical Income (+/-)		6,200,886	6,760,348
3.2- Reinsurer Share in Gross Other Technical Revenues (-)		-	-
4- Recovery and Salvage Income Accruals		74,750,795	81,655,869
B- Non-Life Technical Expenses (-)		(3,153,656,046)	(2,910,440,899)
1.1- Incurred Losses (Net of Reinsurer's Share)		(2,230,405,832)	(2,151,731,740)
1.1.1- Paid Claims (Net of Reinsurer's Share) (-)		(2,086,361,553)	(1,878,799,467)
1.1.1.1- Gross Paid Claims (-)		(2,346,344,335)	(2,014,216,394)
1.1.1.2- Reinsurers Share in Paid Claims (+)	10	259,982,782	135,416,927
1.2- Change in Outstanding Claims Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		(144,044,279)	(272,932,273)
1.2.1- Outstanding Claims Reserve (+/-)		(279,779,452)	(407,325,535)
1.2.2- Reinsurer's Share in Outstanding Claims Reserve (-)	10	135,735,173	134,393,262
2- Change in Bonus and Rebate Reserve (Net of Reinsurers' Share and Reserves Carried Forward)		-	-
2.1- Bonus and Rebate Reserve		-	-
2.2- Reinsurer's Share in Bonus and Rebate Reserve		-	-
3- Change in Other Technical Reserves (Net of Reinsurer's Share and Reserves Carried Forward)	17	(39,902,931)	(35,144,051)
4- Operating Expenses	31 and	(795,023,765)	(653,200,358)
5- Change in Mathematical Reserves (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		1,257	1,784
5.1- Mathematical Reserves (-)		1,257	1,784
5.2- Reinsurer's Share in Mathematical Reserves (+)		-	-
6- Other Technical Expenses (-)	47.1	(88,324,775)	(70,366,534)
6.1- Gross Technical Expenses (-)		(88,324,775)	(70,366,534)
6.2- Reinsurer's Share in Gross Technical Expenses (+)		-	-
C- Net Technical Income - Non-Life (A - B)		433,247,420	532,238,378
D- Life Technical Revenues		-	-
1- Earned Premiums (Net of Reinsurer's Share)		-	-
1.1- Written Premiums (Net of Reinsurer's Share)		-	-
1.1.1- Gross Written Premiums (+)		-	-
1.1.2- Ceded Premiums (-)		-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		-	-
1.2.1- Unearned Premium Reserve (-)		-	-
1.2.2- Reinsurer's Share in Unearned Premium Reserve (+)		-	-
1.3- Change in Unexpired Risks Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		-	-
1.3.1- Unexpired Risks Reserve (-)		-	-
1.3.2- Reinsurer's Share in Unexpired Risks Reserve (+)		-	-
2- Life Segment Investment Revenues		-	-
3- Unrealized Profits in Investments		-	-
4- Other Technical Income (Net of Reinsurer's Share)		-	-
4.1- Gross Other Technical Income (+)		-	-
4.2- Reinsurer's Share in Gross Other Technical Income (+/-)		-	-
5- Recovery Income Accruals (+)		-	-
E- Life Technical Expenses		-	-
1.1- Incurred Losses (Net of Reinsurer's Share)		-	-
1.1.1- Paid Claims (Net of Reinsurer's Share) (+/-)		-	-
1.1.1.1- Gross Paid Claims (-)		-	-
1.1.1.2- Reinsurer's Share in Paid Claims (+)		-	-
1.2- Change in Outstanding Claims Reserve (Net of Reinsurer's share and Reserves Carried Forward) (+/-)		-	-
1.2.1- Outstanding Claims Reserve (-)		-	-
1.2.2- Reinsurer's Share in Outstanding Claims Reserve (+)		-	-
2- Change in Bonus and Rebate Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		-	-
2.1- Bonus and Rebate Reserve (-)		-	-
2.2- Reinsurer's Share in Bonus and Rebate Reserve (+)		-	-
3- Change in Mathematical Reserves (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		-	-
3.1- Mathematical Reserves (-)		-	-
3.1.1- Actuarial Mathematical Reserves (+/-)		-	-
3.1.2- Profit Share Reserve (Reserves for Policies with Investment Risk Borne by Policyholders)		-	-
3.2- Reinsurer's Share in Mathematical Reserves (+)		-	-
3.2.1- Reinsurer's Share in Actuarial Mathematical Reserves (+)		-	-
3.2.2- Reinsurer's Share in Profit Share Reserve (Reserves for Policies with Investment Risk Borne by Policyholders) (+)		-	-
4- Change in Other Technical Reserves (Net of Reinsurer's Share and Reserves Carried Forward)		-	-
5- Operating Expenses (-)		-	-
6- Operating Expenses (-)		-	-
7- Unrealized Losses in Investments (-)		-	-
8- Investment Income Transferred to Non-Life Technical Section (-)		-	-
F- Net Technical Income - Life (D - E)		-	-
G- Private Pension Technical Income		-	-
1- Fund Management Income		-	-
2- Management Cost Charge		-	-
3- Entrance Fee Income		-	-
4- Management Cost Charge in case of Suspension		-	-
5- Special Service Expense Charge		-	-
6- Capital Allowance Value Increase Income		-	-
7- Other Technical Income		-	-
H- Private Pension Technical Expense		-	-
1- Fund Management Expenses (-)		-	-
2- Capital Allowance Value Decrease Expenses (-)		-	-
3- Operating Expenses (-)		-	-
4- Other Technical Expenses (-)		-	-
I- Net Technical Income - Private Pension (G - H)		-	-

Enclosed Notes are complementary to these Financial Statements.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION for the DETAILED INCOME
STATEMENTS for JANUARY 1 - DECEMBER 31, 2019 and 2018
PERIODS

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

II- NON-TECHNICAL SECTION	Note	Current Period Audited January 1 - December 31, 2019	Previous Period Audited January 1 - December 31, 2018
C- Net Technical Income - Non-Life (A - B)		433,247,420	532,238,378
F- Net Technical Income - Life (D - E)		-	-
I - Net Technical Income-Private Pension(G-H)		-	-
J- Total Net Technical Income (C+F+I)		433,247,420	532,238,378
K- Investment Income		925,176,530	1,283,299,750
1- Income from Financial Investments	26	449,775,940	388,094,627
2- Income from Liquidation of Financial Investments	26	155,218,316	21,019,411
3- Valuation of Financial Investments	26	22,895,169	411,131,182
4- Foreign Exchange Gains	26 and 36	291,999,524	460,331,135
5- Income from Affiliates		-	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment	7 and 26	5,280,606	2,517,680
8- Income from Derivatives		-	-
9- Other Investments	26	6,975	205,715
10- Investment Income Transferred from Life Technical Section		-	-
L- Investment Expenses (-)		(841,229,619)	(1,237,935,733)
1- Investment Management Expenses - Interest Included (-)	26	(15,987,117)	(15,573,081)
2- Diminution in Value of Investments (-)	26	(6,234,319)	(3,372,427)
3- Loss from Realization of Financial Investments (-)	26	(34,465,060)	(34,054,310)
4- Investment Income Transferred to Non-Life Technical Section (-)		(617,093,968)	(886,292,465)
5- Loss from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	26 and 36	(147,315,494)	(284,922,404)
7- Operating Expenses (-)	6	(17,992,055)	(13,721,042)
8- Other Investment Expenses (-)	20	(2,141,606)	-
M- Income and Expenses from Other Operations and Extraordinary Operations (+/-)		9,025,328	(206,321,949)
1- Provisions (+/-)	47.5	(112,554,253)	(99,958,298)
2- Rediscounts (+/-)		-	-
3- Special Insurances (+/-)		-	-
4- Inflation Adjustments (+/-)		-	-
5- Deferred Tax Assets (+/-)	21 and 35	119,253,343	-
6- Deferred Tax Liabilities Expenses (-)	21 and 35	-	(108,093,327)
7- Other Income	47.1	2,631,871	2,285,964
8- Other Expenses and Losses (-)	47.1	(305,633)	(556,288)
9- Revenues and Profits from Previous Year		-	-
10- Expenses and Losses from Previous Year (-)		-	-
N- Net Profit or Loss(-) for the Period	37	316,377,490	371,280,446
1- Profit/Loss(-) for the Period		526,219,659	371,280,446
2- Provision for Corporate Tax and Other Fiscal Liabilities (-)	35	(209,842,169)	-
3- Net Profit/Loss(-) for the Period		316,377,490	371,280,446
4- Inflation Adjustment		-	-

Enclosed Notes are complementary to these Financial Statements.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION of STATEMENT of CASH
FLows for JANUARY 1 - DECEMBER 31, 2019 and 2018
PERIODS

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

		Current Period Audited January 1 - December 31, 2019	Previous Period Audited January 1 - December 31, 2018
	Note		
A. CASH FLOW FROM OPERATING ACTIVITIES			
1. Cash Inflow from Insurance Operations		4,980,019,145	3,367,468,782
2. Cash Inflow from Reinsurance Operations		-	-
3. Cash Inflow from Private Pension Operations		-	-
4. Cash Outflow from Insurance Operations (-)		(4,532,377,291)	(3,152,805,135)
5. Cash Outflow from Reinsurance Operations (-)		-	-
6. Cash Outflow from Private Pension Operations (-)		-	-
7. Net Cash from Operating Activities (A1+A2+A3-A4-A5-A6)		447,641,854	214,663,647
8. Interest Payment (-)		-	-
9. 9- Income Tax Payment (-)		(116,248,925)	(14,307,537)
10. Other Cash Inflows		45,940,811	86,215,236
11. Other Cash Outflows (-)		(349,950,674)	(261,982,798)
12. Net Cash Inflow from Operating Activities		27,383,066	24,588,548
B. CASH FLOW FROM INVESTMENT OPERATIONS			
1. Sale of Tangible Assets	6 and 8	2,425,357	273,793
2. Tangible Asset Acquisitions (-)	6, 7 and 8	(15,351,079)	(4,423,170)
3. Financial Asset Acquisitions (-)		(1,440,764,465)	(670,192,010)
4. Sale of Financial Assets		835,141,401	313,569,238
5. Interest Received		627,407,150	385,751,197
6. Dividends Received	26	1,503,617	2,337,203
7. Other Cash Inflows		27,287,829	2,723,395
8. Other Cash Outflows (-)		(1,522,120)	(32,437,148)
9. Net Cash Inflow from Investment Activities		36,127,690	(2,397,502)
C. CASH FLOW FROM FINANCING OPERATIONS			
1. Issue of Shares		-	-
2. Cash Inflows from Borrowings		-	-
3. Leasing Payments (-)		(5,030,913)	-
4. Dividends Paid (-)		-	-
5. Other Cash Inflows		-	-
6. Other Cash Outflows (-)		-	-
7. Net Cash Inflow from Financing Operations		(5,030,913)	-
D. EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH		46,977,230	67,529,298
E. Net Increase in Cash and Cash Equivalents		105,457,073	89,720,344
F. Cash and Cash Equivalents at the Beginning of the Period		1,132,647,524	1,042,927,180
G. Cash and Cash Equivalents at the End of the Period (E+F)	2.12	1,238,104,597	1,132,647,524

Enclosed Notes are complementary to these Financial Statements.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION of STATEMENT of CASH FLOWS for JANUARY 1 - DECEMBER 31, 2019
and 2018 PERIODS

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

	Shareholders' Equity	Own Shares (-)	Increase in Asset Values	Inflation Adjustment on Share Capital	Foreign Currency Translation Differences	Legal Reserves	Statutory Reserves	Other Reserves and Retained Profit	Profit (or Loss) for the Period	Retained Earnings / (Accumulated Loss)	Total
I- Balance at the End of Previous Period (31/12/2017)	1,225,739,187	-	(23,690,382)	-	-	51,203,816	-	(904,563)	(335,119,792)	91,562,316	1,008,790,582
II- Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
III- New Balance (01/01/2018) (I+II)	1,225,739,187	-	(23,690,382)	-	-	51,203,816	-	(904,563)	(335,119,792)	91,562,316	1,008,790,582
A- Capital Increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From Internal Resources	-	-	-	-	-	-	-	-	-	-	-
B- Company's Own Shares	-	-	-	-	-	-	-	-	-	-	-
C- Gains and Losses Not Included in Income Statement	-	-	(302,320,540)	-	-	-	-	4,533,248	-	-	(297,787,292)
D- Increase/(Decrease) in Asset Values	-	-	-	-	-	-	-	-	-	-	-
E- Foreign Currency Translation Differences	-	-	-	-	-	-	-	-	-	-	-
F- Other Income and Losses	-	-	-	-	-	-	-	-	-	-	-
G- Inflation Adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net Profit / (Loss) for the Period	-	-	-	-	-	-	-	-	371,280,446	-	371,280,446
I- Dividends Paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	-	-	-	-	-	163,732	335,119,792	(335,283,524)	-
IV- Balances at Period End (31/12/2018) (III+ A+B+C+D+E+F+G+H+I+J)	1,225,739,187	-	(326,010,922)	-	-	51,203,816	-	3,792,417	371,280,446	(243,721,208)	1,082,283,736
I- Balance at the End of Previous Period (31/12/2018)	1,225,739,187	-	(326,010,922)	-	-	51,203,816	-	3,792,417	371,280,446	(243,721,208)	1,082,283,736
II- Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
III- New Balance (01/01/2019) (I+II)	1,225,739,187	-	(326,010,922)	-	-	51,203,816	-	3,792,417	371,280,446	(243,721,208)	1,082,283,736
A- Capital Increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From Internal Resources	-	-	-	-	-	-	-	-	-	-	-
B- Company's Own Shares	-	-	-	-	-	-	-	-	-	-	-
C- Gains and Losses Not Included in Income Statement	-	-	380,087,656	-	-	-	-	(3,883,646)	-	-	376,204,010
D- Increase/(Decrease) in Asset Values	-	-	-	-	-	-	-	-	-	-	-
E- Foreign Currency Translation Differences	-	-	-	-	-	-	-	-	-	-	-
F- Other Income and Losses	-	-	-	-	-	-	-	-	-	-	-
G- Inflation Adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net Profit / (Loss) for the Period	-	-	-	-	-	-	-	-	316,377,490	-	316,377,490
I- Dividends Paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	-	-	-	-	-	-	(371,280,446)	371,280,446	-
IV- Balances at Period End (31/12/2019) (III+ A+B+C+D+E+F+G+H+I+J)	1,225,739,187	-	54,076,734	-	-	51,203,816	-	(91,229)	316,377,490	127,559,238	1,774,865,236

Enclosed Notes are complementary to these Financial Statements.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION of NOTES to FINANCIAL
STATEMENTS for JANUARY 1 - DECEMBER 31, 2019 PERIOD
(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

1. General Information

1.1 Name of Parent Company: Axa Holding A.Ş. is the direct partner and Axa SA is the ultimate main partner of Axa Sigorta A.Ş. ("Company") as of December 31, 2019.

Pursuant to the Share Purchasing Agreement executed on February 5, 2008 between Axa SA, a partner of Axa Sigorta A.Ş.'s main partner Axa Holding A.Ş. and OYAK, all shares of OYAK in Axa Oyak Holding A.Ş. is transferred to Axa Mediterranean Holding SA. Following the official approvals given by the Undersecretariat of Treasury affiliated to the Turkish Ministry of Treasury and Finance ("the Ministry") and Turkish Competition Authority validating the said share transfer, Company's former name Axa Oyak Sigorta A.Ş. is changed as Axa Sigorta A.Ş. with the resolution made in Company Shareholders' Assembly held on August 12, 2008 and the title change is officially registered on the same date. Business title of the Company's main partner Axa Oyak Holding A.Ş. is also changed and registered on the same date as Axa Holding A.Ş.

Regarding completion of the transfer of Axa Hayat Sigorta A.Ş.'s health portfolio and execution of the transfer agreement, Company management decided (with Resolution No.25 made during Company Board of Directors ("BoD") meeting held on October 15, 2009) to execute the transfer over financial statements drawn up as of October 31, 2009, pursuant to the authorization given to BoD during the Extraordinary Shareholders' Assembly meeting held on September 10, 2009. The Ministry approved this transfer with the official letter dated August 25, 2009 and the transfer is realized through recognition in Company financial statements drawn up on October 31, 2009 in accordance with the portfolio transfer agreement signed on September 10, 2009.

1.2 Company's Legal Residence Address, Legal Structure, Country of Incorporation and Address of Officially Registered Office: The Company is registered in Istanbul, Turkey and registered address is "Meclis-i Mebusan Cad. No: 15, 34443 Salıpaazarı/İstanbul".

1.3 Nature of Operations: The Company operates in fire, accident, motor vehicles, motor vehicles liability, freight, engineering, legal protection, agriculture and health insurance business areas.

1.4 Explanation of Company Activities and Characteristics of Main Operations: Disclosed in Notes 1.2 and 1.3.

1.5 Average Number of Employees During the Period by Category:

	January 1 - December	January 1 - December 31,
Senior and middle level managers	76	67
Other employees	618	594
Total	694	661

1.6 Total amount of remunerations and other benefits provided to senior management such as chairman, members of BoD, general manager, general coordinator, assistant general managers etc. (TRY): January 1 - December 31, 2019 18,597,567 TRY (January 1 - December 31, 2018: 18,808,392 TRY)

1.7 Criteria set for the allocation of investment income and operating expenses (personnel, management, research and development, marketing and sales, outsourcing services and other operating expenses) in financial statements: "Communiqué No.2008/1 regarding the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan" dated January 4, 2008, issued regarding the procedures and principles related to keys used in company financial statements was amended with "Communiqué No.2010/9 regarding the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan" dated August 9, 2010, issued by the Ministry of Treasury and Finance. According to the latter, all investment income generated by investments backing non-life technical provisions is transferred from non-technical to technical section of the income statement. Other investment income is classified under non-technical section. The Company distributed the operational expenses transferred to technical section to the sub segments by considering the weighted average of the number of policies produced within the last three years.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION of NOTES to FINANCIAL
STATEMENTS for JANUARY 1 - DECEMBER 31, 2019 PERIOD

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

1. General Information (continued)

1.8 Information on financial statements as to whether financial statements include only one firm or a group of firms: Financial Statements are drawn up for only one company (Axa Sigorta A.Ş.).

1.9 Name and other identification information of the reporting firm and changes in this information from the previous balance sheet date: Company's name and other identification details and changes in the foregoing information from the previous balance sheet date are disclosed in Notes 1.1, 1.2, & 1.3.

1.10 Events after Balance Sheet date: Financial statements for the period ended on December 31, 2019 are authorized by Board of Directors on March 13, 2020. Events after Balance Sheet date are disclosed in Note 46.

2. Summary of Significant Accounting Policies

2.1. Basis of Preparation

The Company prepares its financial statements in accordance with the Insurance Act No.5684 and the regulations issued for insurance and reinsurance companies by the Ministry.

The financial statements are prepared in accordance with the Insurance Chart of Accounts included in the Communiqué issued by the Ministry regarding the Insurance Chart of Accounts and Prospects, published in Turkish Official journal (No:25686) dated December 30, 2004 (Insurance Accounting System Communiqué No.1) and also with the Industry Announcement No.2011/14 dated December 27, 2011 regarding Opening New Account Codes in the Insurance Chart of Accounts. Content and format of the financial statements and explanations and notes thereof are determined in accordance with the Communiqué on Presentation of Financial Statements published in the Official journal No.26851 dated April 18, 2008 and with the Industry Announcement No.2012/7 dated May 31, 2012 regarding Presentation of Financial Statements with New Account Codes.

Since January 1, 2008, the Company has been booking its activities and operations in line with the "Regulation on Financial Reporting of Insurance and Reinsurance Companies and Pension Companies", issued on July 14, 2007 and effective as of January 1, 2008, in addition to other regulations, announcements and communiqués issued by the Ministry regarding the principles of accounting and financial reporting; and for issues not covered by the foregoing, in accordance with the "Insurance Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards ("TFRS") as issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). "TAS 1- Financial Statements and Presentation", "TAS 27- Consolidated and Non-consolidated Financial Statements", "TFRS 1 - Transition to TFRS" and "TFRS 4- Insurance Contracts" have been scoped out of this application pursuant to the notice No. 9 issued by the Ministry on February 18, 2008. In addition, the companies are obliged to comply with the "Communiqué on Preparation of Consolidated Financial Statements of Insurance and Reinsurance Companies and Pension Companies" ("Consolidation Communiqué") dated December 31, 2008 which was published in the Official Journal No. 27097 and effective as of March 31, 2009. The Company does not have any subsidiaries required to be consolidated in the aforementioned scope.

Financial statements were prepared in TRY and on historical cost basis, being adjusted for inflation until December 31, 2004, excluding financial assets and various properties measured at fair value.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION of NOTES to FINANCIAL
STATEMENTS for JANUARY 1 - DECEMBER 31, 2019 PERIOD
(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

2. Summary of Significant Accounting Policies (continued)

2.1. Basis of Preparation (continued)

The Company calculated the insurance technical reserves amounts as of December 31, 2019 in accordance with the Regulation on Technical Reserves of Insurance, Reinsurance And Pension Companies, and Assets in which such Provisions are to be Invested" ("Technical Provisions Regulation") issued under Insurance Law No.5684 as amended through the amendments promulgated in Turkish Official Journal No.27655 on July 28, 2010 and No.28356 on July 17, 2012, as well as with other relevant regulations and then reflected these figures to its financial statements (see Note 2.24).

Comparative data is reclassified where required to ensure compliance with the presentation of current period's financial statements.

Accounting policies and measurement and assessment principles used in preparation of financial statements are explained in the notes from 2.4 to 2.24 below.

a) Adjustment of Financial Statements During Hyperinflationary Periods

Pursuant to the Official Letter No.19387 of the Ministry dated April 4, 2005, Company financial statements as at December 31, 2004 were restated and 2005 opening balances were determined accordingly in accordance with "Financial Reporting in Hyperinflationary Economies" section included in the regulations of Capital Markets Board's ("CMB") Communiqué XI No.25, which came into force as published in the Official Journal No: 25290 on November 15, 2003. Restatement of financial statements according to the inflation rate is ceased within 2005, again in accordance with the aforementioned Official Letter of the Ministry. Therefore, non-monetary assets and liabilities including shareholders' equity items included in the Balance Sheet are calculated through indexing of entries until December 31, 2004 and carrying of entries made after this date with respective nominal values.

b) Comparative Data and Correction of Financial Statements of Previous Periods

Company Balance Sheet as at December 31, 2019, Income Statement, Statement of Changes in Shareholders' Equity and Cash Flow Statement for the period January 1 - December 31, 2019 are presented together and in comparison with the Balance Sheet as at December 31, 2018 and Income Statement, Statement of Changes in Shareholders' Equity and Cash Flow Statement for the period January 1 - December 31, 2018, respectively.

c) Other Accounting Policies

Information regarding other accounting policies is disclosed individually under dedicated titles in following sections of this report.

2.1.1 Currency Used

The functional and reporting currency of the Company is Turkish Lira (TRY).

2.1.2 Rounding scale of the amounts presented in the financial statements

All figures presented in TRY in financial statements have been rounded to the nearest integer.

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2. Summary of Significant Accounting Policies (continued)

2.1. Basis of Preparation (continued)

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

Financial statements are prepared on the historical cost basis, except for valuation of financial assets.

2.1.4 New and Revised Financial Reporting Standards

New and Modified Standards and Interpretations

Modifications made in relevant standards and respective interpretations should be presented in the financial statement notes as explained below during preparation of financial statements compliant with Turkish Financial Reporting Standards (TFRS).

a. New standards effective as of December 31, 2019 and modifications to and interpretations of previously existing standards:

Explanations regarding the effect of the new TFRS on financial statements:

- a) Title of TAS/TFRS
- b) The accounting policy change being made in accordance with the relevant transition provisions, if any,
- c) Explanation of the changes in the accounting policy,
- d) Description of the transitional provisions, if any,
- e) Effect of the transition provisions, if any, to the future periods,
- f) Adjustment amounts for the current period and for each previous period presented, to the extent possible,
 - i. Should be presented for each effected financial statement item, and
 - ii. The amount of ordinary shares and diluted earnings per share should be recalculated in case "TAS 33 - Earnings per Share" standard is applicable.
- g) Correction amounts, if possible, of the periods before the periods which are not presented, and
- h) In case retrospective approach is not possible for any period, events preventing such approach should be disclosed and explanations should also be provided as to the effective date and the means of implementation of the respective accounting policy change.

Modifications in "**TFRS 9 - Financial Instruments**" shall be applicable for the reporting periods starting with January 1, 2019 and afterwards. This modification has clarified two issues: In consideration of whether a financial asset represents only the principal amount and the interest for this principal amount, the earlier paid amount can have both positive and also negative cash flows; and when a financial liability measured at amortized cost is changed without a consequence of de-recognition, the resulting gain or loss should be directly recognized in profit or loss account. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.

The Company will use temporary exemption provisions of TFRS 9 included in TFRS 4 until IFRS 17 becomes effective.

Modifications in "**TAS 28 - Investments in Affiliates and Joint Ventures**" shall be applicable for the reporting periods starting with January 1, 2019 and afterwards. It is clarified that the companies shall book their investments in affiliates or joint ventures by using TFRS 9 standard for long term investments in affiliates and joint ventures which are not subject to equity method.

2. Summary of Significant Accounting Policies (continued)

2.1. Basis of Preparation (continued)

2.1.4. New and Revised Financial Reporting Standards (continued)

a. New standards effective as of December 31, 2019 and modifications to and interpretations of previously existing standards (continued):

Modifications in "**TFRS 16 - Leases**" shall be applicable for the reporting periods starting with January 1, 2019 and afterwards. Earlier implementation shall be permitted if "**TFRS 15 - Revenue from Contracts with Customers**" is also applied. This new standard replaces the current guidance in TAS 17 and introduces far-reaching change in accounting by lessees in particular. Under current TAS 17 standard, lessees were required to make a distinction between a financial lease (on balance sheet) and an operating lease (off balance sheet). However, TFRS 16 now requires lessees to recognize in their balance sheets any lease liability reflecting future lease payments and a 'right of use asset', for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied for lessors. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors shall also be affected by the new standard. At the very least, the new accounting model is expected to impact the negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if such contract conveys the right to control the use of an identified asset for a period of time in exchange for a certain consideration.

The company has applied first adoption of "IFRS 16 - Leases" among the new standards, modifications and interpretations effective as of January 1, 2019, in accordance with the transition provision of the relevant standard.

The effects of the changes in accounting policies arising from standards and the application of the related standards for the first time shall be as follows:

Company - as Lessee

The Company shall assess whether a contract has a lease nature or includes a lease transaction at initial contract stage. In case a contract assigns for a certain period the right to control the use of a defined asset in return for a payment amount, such contract has a lease nature or includes a lease transaction. The Company shall also consider the following conditions when assessing whether the contract assigns for a certain period the right to control the use of a defined asset:

- a) The contract shall include a defined asset; an asset is usually defined either explicitly or implicitly in a contract.
- b) A functional part of such asset shall be physically separate or shall represent a portion close to the entire capacity of such asset. The asset is not defined in case the supplier has a principal right for and derives an economic benefit from replacement of the asset.
- c) Right to obtain almost the entire economic benefit to be derived from use of such defined asset should exist.
- d) Right to manage the defined asset should exist. The Company considers that the right to use of such defined asset exists in case the decisions regarding how and for which purpose(s) such asset shall be used have previously been made. The Company shall have the right to manage the use of such asset in following conditions:
 - i. The Company has the right to operate the asset (or guide third parties to have the asset operated in line with the means and ways as determined by the Company) during the period of use, or
 - ii. The Company has designed the asset (or certain features of the asset) such that how and for which purpose(s) such asset shall be used during its usage period is determined beforehand.

2. Summary of Significant Accounting Policies (continued)

2.1. Basis of Preparation (continued)

2.1.4 New and Revised Financial Reporting Standards (continued)

- a. New standards effective as of December 31, 2019 and modifications to and interpretations of previously existing standards (continued):

The Company shall reflect the existence of right to use and a lease liability to its financial statements on the date when the lease is actually started.

Right of Use Asset

The right of use asset shall initially be recognized as measured at cost and shall include the following:

- a) The amount of the initial measurement of lease liability
- b) Amount found by deducting all lease incentives received from all lease payments made on or before the actual lease start date,
- c) All initial direct costs borne by the Company, and

The Company shall measure the right of use asset:

- a) free of accumulated depreciation and accumulated impairment loss amounts, and
- b) adjusted according to the re-measurement of the lease liability.

The Company shall apply the depreciation provisions set forth in TAS 16 - Tangible Assets standard to depreciate the right of use assets. TAS 36 - Impairment of Assets standard shall be applicable to determine whether the right of use asset is impaired and to recognize any assessed impairment loss amount.

Lease Liability

The Company shall measure its lease liability over the present value of the lease amounts not yet paid on the actual start date of such lease. The lease payments shall be discounted by using the interest rate implicit in the lease transaction in case such rate can be readily determined, or otherwise, by using the alternative borrowing interest rate available to the lessee.

Lease payments included in the measurement of Company's lease liability and not yet realized at the actual start date of the lease comprise of the following:

- a) Amount found through deduction of all leasing incentive receivables from fixed payments,
- b) Payments of penalties regarding termination of the lease in cases where the lease period indicates that the Company shall use an option to terminate the leasing.

The Company shall measure the lease liability as follows after the actual start date of the lease:

- a) Increase the book value to reflect the interest amount for the lease liability,
- b) Decrease the book value to reflect the lease payments realized, and
- c) Re-measure the book value to reflect the revaluations or restructuring made or to reflect the lease payments which are fixed in nature after revision. The Company shall reflect the re-measured amount of the lease liability to its financial statements as an adjustment to the right of use asset.

Short term lease contracts with a period of maximum 12 months and lease contracts regarding leasing of information technology equipment assessed to have a low value by the Company (printers, laptops, mobile phones etc.) are considered within the exception permitted by the relevant standard and payments made for such contracts are continued to be booked as expense within the period in which they are realized.

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2. Summary of Significant Accounting Policies (continued)

2.1. Basis of Preparation (continued)

2.1.4 New and Revised Financial Reporting Standards (continued)

- a. New standards effective as of December 31, 2019 and modifications to and interpretations of previously existing standards (continued):

Initial Application of TFRS 16 Leases

The Company started applying the "TFRS 16 Leases" standard replacing "TAS 17 Leases" standard as of the effective date which is January 1, 2019. The Company rearranged the comparable figures for the previous period by using the simplified transition method. In this method, all right of use assets are measured with the leasing payable amounts (adjusted according to the prepaid or accrued leasing costs) as at initial application date.

At initial application stage, the Company recorded a leasing liability amount for leases which previously used to be classified as "operational lease" in accordance with TAS 17. Such liabilities are measured over the present values of outstanding lease payment discounted by using the alternative borrowing interest rates applicable as of January 1, 2019. Right of use assets, on the other hand, are recognized with an amount equal to the leasing payable amounts (adjusted according to the prepaid or accrued leasing costs), again in accordance with the simplified transition method prescribed in the relevant standard. Weighted average of alternative borrowing rates used by the Company as of January 1, 2019 for leases in TRY is 24% on annual basis.

January 01, 2019

Operational lease commitments under TAS 17

Total lease liability under TFRS 16 (not discounted)	17,671,063
Total lease liability under TFRS 16 (discounted with alternative borrowing rate)	11,388,281
Short term lease liabilities	2,090,594
Long term lease liabilities	9,297,687

Details per asset regarding capitalized right of use assets are as follows:

	December 31, 2019	January 01, 2019
Property, net	4,562,177	5,909,842
Vehicles, net	4,209,807	6,286,626
Total right of use assets	8,771,984	12,196,468

As of January 1, 2019, the Company has 808,187 TRY prepaid lease expense and 3,424,484 depreciation expense with regards to booked right of use assets belonging to the period between January 1- December 31, 2019.

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2. Summary of Significant Accounting Policies (continued)

2.1. Basis of Preparation (continued)

2.1.4 New and Revised Financial Reporting Standards (continued)

a. New standards effective as of December 31, 2019 and modifications to and interpretations of previously existing standards (continued):

Modifications in "TFRIC 23 - Leases" shall be applicable for the reporting periods starting with January 1, 2019 and afterwards. This interpretation clarifies how the recognition and measurement requirements of "TAS 12 Income taxes" are applied where there is uncertainty over income tax treatments. IFRS IC had clarified previously that IAS 12, and not IAS 37 "Provisions, contingent liabilities and contingent assets" shall apply to recognition of uncertain income tax treatments. TFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. TFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

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

Annual improvements 2015 - 2017; effective from annual periods beginning on or after January 1, 2019. These improvements include minor changes to:

- TFRS 3 "Business Combinations"; a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- TFRS 11 "Joint Arrangements; a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- TAS 12 "Income Taxes"; a company accounts for all income tax consequences of dividend payments in the same way.
- TAS 23 "Borrowing costs"; a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The Company is in the process of assessing the impact of the aforementioned standards on financial position or performance of the Company.

Improvements to TAS 19 "Employee Benefits" regarding plan amendment, curtailment or settlement; effective from annual periods beginning on or after January 1, 2019. These amendments require an entity to:

- Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- Recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

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

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2. Summary of Significant Accounting Policies (continued)

2.1. Basis of Preparation (continued)

2.1.4 New and Revised Financial Reporting Standards (continued)

b. Standards and amendments issued but not put into effect as of December 31, 2019:

Amendments to TAS 1 and TAS 8 on the definition of material; effective from Annual periods beginning on or after January 1, 2020. These amendments to TAS 1 "Presentation of Financial Statements", and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and consequential amendments to other TFRSs are as follows:

- i) Use a consistent definition of materiality throughout TFRS and the Conceptual Framework for Financial Reporting;
- ii) Clarify the explanation of the definition of material; and
- iii) Incorporate some of the guidance in TAS 1 about immaterial information.

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

Amendments to TFRS 3 - Definition of Business; effective from Annual periods beginning on or after January 1, 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

Amendments to TFRS 9, TAS 39 and TFRS 7 – Interest rate Benchmark Reform; effective from Annual periods beginning on or after January 1, 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

Modifications in "**TFRS 17 - Insurance Contracts**" shall be applicable for the reporting periods starting with January 01, 2023 and afterwards. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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

2.2 Consolidation

The Company does not have any subsidiaries required to be consolidated under the "Communiqué on Preparation of Consolidated Financial Statements of Insurance and Reinsurance Companies and Pension Companies" ("Consolidation Communiqué") dated December 31, 2008, which was published in the Official Journal No. 27097 and effective as of March 31, 2009. (December 31, 2018: None).

2.3 Segment Reporting

As of December 31, 2019, the Company operates within Turkey and only in non-life insurance business segment, which is followed as a single reportable unit. The Company is not listed in stock market and does not make any segment reporting as defined in "TFRS 8- Segment Reporting".

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2. Summary of Significant Accounting Policies (continued)

2.4 Foreign Currency Translation

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

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

Foreign exchange translation differences from non-monetary financial assets and liabilities are considered as part of fair value changes and these differences are classified under the accounts where fair values changes are booked.

2.5 Tangible Assets

Tangible assets are carried at cost less accumulated depreciation and accumulated impairment amounts.

Assets held for use in the construction, or for leasing, administrative or any other purposes are carried at cost, less any impairment. Legal charges are also added to costs. For assets that need substantial time to be ready for use or sale, borrowing costs are capitalized based on the Company's accounting policy.

Such assets are depreciated, on the same basis used for other fixed assets, when they are ready to use.

Assets, other than land and ongoing constructions, are depreciated over their expected useful lives by using the straight line method. Estimated useful life, residual value, and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gain or loss arising on the disposal or retirement of an item of tangible assets are determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized to profit or loss. These assets are included in "Other Income" and "Other Expense" accounts in the Income Statement.

Depreciation periods for tangible assets are presented in the table below:

Property for operational usage (Buildings)	50 years
Furniture and fixtures	3-10 years
Leasehold improvements	5 years

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

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2. Summary of Significant Accounting Policies (continued)

2.6 Investment Properties

Investment properties are held either to earn rentals and/or for capital appreciation or for both and first registration is measured on fair value including transaction costs after measured at cost. After initial booking, investment properties are measured over fair value reflecting real market conditions at the Balance Sheet date. In cases where fair value assessments cannot be reliably made, properties under construction are measured with historical cost value until such assessment can be made reliably or until the date before the completion date of such investment. Any gains or losses from the changes in the fair values of investment properties are recognized in the Income Statement within the period of such change.

The Company has started to present investment properties over fair values as of December 31, 2014 for this purpose. Fair value difference as of December 31, 2019 is 35,296,656 TRY in total (December 31, 2018: 32,649,080 TRY) (Note 7).

2.7 Intangible Assets

Intangible assets consist of the acquired information systems, royalty rights and computer software. Intangible assets are carried at acquisition cost and amortized by the straight-line and accelerated methods over their estimated useful lives after their acquisition date. If impairment exists, carrying amount of intangible assets is written down immediately to its recoverable amount (Note 8).

The amortization periods of intangible assets are within 3-5 year range.

2.8 Financial Assets

Financial investments, other than those that are classified as financial assets at fair value through profit and loss, are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Investments are recognized and derecognized on trade date, where the purchase or sale of an investment under a contract, whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: financial assets as "available-for-sale" (AFS) financial assets, "financial assets at fair value through profit and loss" and "loans and receivables".

Effective interest method

Effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and Receivables (Receivables from Operations)

Loans and Receivables are financial assets created through provision of cash or service to the debtor. These receivables are recognized at acquisition value. Fees paid and other similar expenses incurred for assets received as a guarantee of such receivables are not considered as transaction costs and these are reflected to respective expense accounts.

The Company allocates provisions where Company management deems as required for the receivables based on the assessments and estimations made. Such provision is presented under "Provision for Due from Insurance Operations" item in the Balance Sheet. The Company considers the general structure of existing receivables portfolio, financial structures of policyholders and intermediaries, non-financial data and the economic conjuncture in line with the risk policies and precautionary principle while making its forecasts.

2. Summary of Significant Accounting Policies (continued)

2.8 Financial Assets (continued)

In addition to "Provision for Due from Insurance Operations", the Company also allocates a provision amount for receivables under administrative and legal proceedings for doubtful receivables not included in Provision for Due from Insurance Operations in accordance with Article 323 of Tax Procedural Law. This provision is classified under "Provision for Doubtful Receivables from Main Operations" item in the Balance Sheet.

Provisions for doubtful receivables are deducted from the income of the current year. In case a doubtful receivable for which a provision has been allocated previously is collected, the collected amount is deducted from the relevant provision account and reflected in "Provision Expenses" account. Bad receivables are removed from respective accounts after all legal transactions are completed (Note 12).

Available for Sale Investments

Listed equity instruments and various debt securities held by the Company and traded in an active market are classified as available for sale financial assets and are valued at fair value within the periods after initial recognition. It is considered that the fair value cannot be reliably measured if the price that provides a basis for fair value is not set in active market conditions and discounted value calculated with the effective interest method is used as fair value. Securities representing share of capital classified as available for sale financial assets are recorded at fair value if they are traded within structured markets and/or the fair value can be reliably determined. In case these assets are not traded within structured markets and/or the fair value cannot be reliably determined, they are reflected in financial statements over cost value, after deduction of the provision for impairment amount.

"Unrealized profits and losses" arising from changes in fair values of available for sale securities are not reflected in the Income Statement for the relevant period until either collection of the amount corresponding to or sale/disposal of or impairment of such asset is realized and followed under "Valuation of Financial Assets" account in Shareholders' Equity. Accumulated fair value differences booked under Shareholders' Equity are reflected to the Income Statement on maturity dates or upon disposal of such assets.

The Company evaluates on each Balance Sheet date whether objective evidence exists regarding impairment in financial assets. Decrease of fair values of securities classified as available for sale down to levels significantly lower than their respective costs and for prolonged periods is considered as an indicator of impairment.

In case objective evidence exists for impairment of available for sale financial assets, differences between acquisition cost and fair value of the relevant financial asset are deducted from Shareholders' Equity and reflected to Income Statement within subsequent periods. Impairment expenses recorded in the Income Statement regarding capital instruments cannot be reversed.

The Company does not allocate any impairment provisions for short-term market fluctuations, provided that a collection risk has not been born for securities classified under available for sale financial assets and representing borrowings (Note 11).

Affiliates and Investment Securities

These are stock certificates or shares acquired by the Company for investment purposes belonging to entities where the Company does not take part in management of other entities or determination of partnership policies even if the Company holds above 10% of the shares. The difference between carrying value and fair value (to the extent that it is measured reliably) of such assets are recognized in shareholders' equity and assets that have fair value are carried at fair value while the other assets are carried at book value net of impairments, if any.

2. Summary of Significant Accounting Policies (continued)

2.9 Impairment of Assets

Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate, that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that are impaired are reviewed for possible reversal of the impairment at each reporting date.

Impairment of financial assets

The Company assesses its financial assets, other than those at FVTPL, at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as held-to-maturity, available-for-sale or loans and receivables is impaired.

A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

For loans and receivables, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets except for trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Except for AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. For AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Mortgages or guarantees on assets are explained in Note 43, provisions for overdue receivables and provisions for receivables which are not overdue are explained in Note 12, and provision and rediscount expenses for the period are explained in Note 47.5.

2.10 Derivative Financial Instruments

None (December 31, 2018: None).

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2. Summary of Significant Accounting Policies (continued)

2.11 Offsetting of Financial Instruments

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

2.12 Cash and Cash Equivalents

Cash and cash equivalents include demand deposits held at banks and bank guaranteed short term credit card receivables with a term less than three months.

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

	December 31, 2019	December 31, 2018
Banks (Note 14)	685,574,031	738,201,075
Bank Guaranteed Credit Card Receivables (Note14)	562,751,420	426,829,383
Other Cash and Cash Equivalents	5,595,000	-
Minus – Accrued Interest (*)	(3,235,968)	(23,942,517)
Minus - Earmarked Accounts (Disclosed in Notes 14 and 43) (*)	(12,579,886)	(8,440,417)
Total Cash and Cash Equivalents	1,238,104,597	1,132,647,524

(*) The mentioned interest accruals and changes in the earmarked deposit accounts are included in "Net Cash Inflow from Operating Activities" section in the Cash Flow Statement.

The Company has 4,529,000 TRY in time deposit accounts, excluding interest accruals earmarked in favor of public institutions, and 8,050,886 TRY in demand deposit accounts as of December 31, 2019 (December 31, 2018: 3,743,329 TRY in time deposit and 4,697,088 TRY in demand deposit accounts).

2.13 Shareholders' Equity

The composition of the Company's share capital at December 31, 2019 and December 31, 2018 is as follows:

	December 31, 2019		December 31, 2018	
Name of Shareholder	Share	Share Amount	Share	Share Amount
Axa Holding A.Ş.	92.61%	1,135,204,390	92.61%	1,135,204,390
T.C. Ziraat Bankası A.Ş.	7.31%	89,547,369	7.31%	89,547,369
Other	0.08%	987,428	0.08%	987,428
Total	100%	1,225,739,187	100%	1,225,739,187

As of December 31, 2019 no privileges are granted to the preference shares representing the share capital (December 31, 2018: None).

The Company is not subject to the registered share capital system as of December 31, 2019 and December 31, 2018. Other information about the Company's share capital is explained in Note 15.

2. Summary of Significant Accounting Policies (continued)

2.14 Insurance and Investment Contracts – Classification

Insurance contracts are those contracts that transfer insurance risk. Insurance contracts provide protection to policyholders against adverse economic consequences of an event of loss as covered under the terms and conditions stipulated in the insurance policy. Main contracts issued by the Company are insurance contracts prepared in non-life segment as also explained below, mainly in fire, freight, accident and engineering.

Accident insurance contracts (liability, personal accident and motor) serve two main objectives: These contracts protect policyholders against the damage risk on the asset and the damage risk to third parties. Fire insurance contracts are divided into three: individual, commercial and industrial. Policyholder is insured against physical losses and damages arising from risks like fire, lightning, explosion etc. included in the policy. Profit Loss clause protects policyholders against absolute indirect losses arising from partial or total operational discontinuity as a result of an event covered by the insurance contract. Freight insurance contracts cover transportation insurance (boat, motor vehicles, aircraft) and in-transit property insurance. Engineering insurance contracts are divided into two sub-groups. Contracts covering risks permanently exists and valid for indefinite period of time and contracts covering non-repetitious risks for a limited period of time. First group covers sudden and unpredictable losses and damages to mechanical equipment, facilities and electronic devices. Second group includes assembly and construction-installation insurances naturally limited to the validity period of assembly-construction-installation warranty. Additionally, agriculture insurances issued by Tarım Sigortaları Havuz İşletmesi A.Ş. ("TARSİM") and compulsory earthquake insurance contracts Doğal Afet Sigortaları Kurumu ("DASK") are also available. Calculation principles for income and liabilities arising from insurance contracts are provided in Notes 2.21 and 2.24.

Reinsurance Treaties

Reinsurance contracts are insurance contracts put in effect by the Company and the respective reinsurance firm for potential losses which might occur regarding one or more insurance contracts executed by the Company where contractual parties calculate the premium amounts and loss assessments according to mutually agreed terms and conditions according to the type of treaty. Company's reinsurance policy and treaties are summarized below.

The Company has excess of loss, surplus and proportional quota-share reinsurance treaties in effect, depending on operational segments.

The Company has entered into risk and excess of loss per event treaties in fire, freight, non-motor accident and engineering segments. Such excess of loss treaties function according to the date of loss realization. Surplus reinsurance treaties are used for construction and installation segments. Various sub segments of non-motor accident segment are protected with proportional quota-share reinsurance treaties. These are run-off type treaties since reinsurer's responsibility still continues after contract termination. Company holds proportional treaties in MTPL (Motor Third Party Liability) and MOD (Motor Own Damage) segments. Protection for natural disasters such as flood and earthquake is provided only with catastrophic excess of loss reinsurance treaties.

Additionally, The Company also has facultative reinsurance treaties on insurance contract basis for certain risks.

The Company executes a major portion of its reinsurance treaties through Axa Global RE.

2. Summary of Significant Accounting Policies (continued)

2.14 Insurance and Investment Contracts – Classification (continued)

Premiums Ceded to Social Security Institution

New procedures and principles are introduced for collection and settlement of amounts for health services provided to relevant persons due to traffic accidents with Article 98 of Highway Act No.2918 as amended by Article 59 of "Act No.6111 on Restructuring Settlement of Various Receivables and Modification of Social Insurance and General Health Insurance and Various Acts and Statutory Decrees" ("Act"), promulgated in Turkish Official Journal on February 25, 2011. In this regard, all amounts incurred for health services provided by public and private healthcare institutions to individuals due to traffic accidents shall be covered by SSI (Turkish Social Security Institution) regardless of whether the casualties have a registered social security account or not. Moreover, amounts of health services provided due traffic accidents occurred before enactment of Act No.6111 shall also be paid by SSI according to Provisional Article 1 of this Act.

Liability of insurance companies regarding the amounts to be paid for services to be incurred in accordance with the aforementioned articles of the Act are stipulated according to the "Regulation on Principles and Procedures for Collection of Health Service Prices Provided to Relevant Persons due to Traffic Accidents" issued by the Ministry on August 27, 2011 ("Regulation"); "Circular No.2011/17 on Procedures and Principles regarding Implementation of Regulation on Principles and Procedures for Collection of Health Service Prices Provided to Relevant Persons due to Traffic Accidents" dated September 15, 2011 ("Circular No.2011/17"); "Circular No.2011/18 on Recognition of Payments Made to Social Security Institution (SSI) for Medical Treatment Expenses and Opening New Account in Insurance Chart of Accounts" ("Circular No.2011/18").

On this basis, regarding medical treatment expenses arising from traffic accidents occurring after the enactment date of the Act, the Company should transfer to SSI the premium amounts determined in accordance with the Regulation, Circular No.2011/17, Circular No.2012/3 and "Regulation on Amendment of the Regulation on Principles and Procedures for Collection of Amounts of Health Services Provided to Relevant Persons due to Traffic Accidents" promulgated in Official Journal No.28280 on May 2, 2012 for insurance policies arranged in "Compulsory Freight Insurance", "MTPL", "Compulsory Road Passenger Personal Accident Insurance" segments before February 25, 2011. According to the foregoing, the Company calculated 101,578,427 TL TRY premium amount for January 1 - December 31, 2019 period (January 1 - December 31, 2018: 80,834,235 TRY) (see Notes 10 & 24) and a provision for unearned premiums amount (on days basis) equal to 58,265,797 TRY (December 31, 2018: 43,044,264 TL) as of December 31, 2019 and booked these figures under "Premiums Ceded to SSI" and "SSI Share in Unearned Premium Reserve" accounts, respectively.

Premiums and Losses Ceded to Turkish Motor Insurers' Bureau

A "High Risk Policies Pool" ("Pool" or "RPP") is established, upon enactment of "Regulation for Amendment of Regulation on Tariff Implementation Principles regarding Compulsory Financial Liability Insurance for Land Motor Vehicles" promulgated in Turkish Official Journal No.30121 on July 11, 2017, for compulsory traffic (MTPL) insurance policies written on and after April 12, 2017 only, for high loss frequency stages and/or vehicle groups as defined in the aforementioned Regulation. Premium and loss shares regarding MTPL insurance policies included in this Pool is calculated by Turkish Motor Insurers' Bureau ("TMIB") at two stages in accordance with the Operating Principles of High Risk Policies which began to be implemented after enactment of the aforementioned Regulation. .

According to these Principles, 50% of written premiums and paid loss claims is equally shared among insurers and the remaining 50% is calculated according to the market shares in terms of MTPL premiums held by those insurance companies within the last 3 years.

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2. Summary of Significant Accounting Policies (continued)

2.14 Insurance and Investment Contracts – Classification (continued)

According to the Operating Principles of High Risk Policies issued by TMIB on August 15, 2017, 76% of total premiums net of deductions to be received from policyholders for policies issued after July 11, 2017 which are subject to the Pool, will be ceded to the Pool.

The Company has recorded the amounts of premiums, claims and commissions paid to the Pool under the regulation and taken over from the Pool within the scope of the Company's share, taking into account the monthly receipts finalized by the TMIB as of December 31, 2019 and the estimated figures for the months for which no receipt was forwarded by TMIB by the same date. The Company recorded 186,480,584 TRY for premiums, 58,095,363 TRY for compensation payments, 31,654,412 TRY for outstanding claims ceded to the Pool; and 165,994,587 TRY for premiums, 102,604,545 TRY for compensation payments, 968,192 TRY for recovery, 1,192,343 TRY for salvage and 67,438,383 TRY for outstanding claims on December 31, 2019 as reported by the Pool as the Company's share and in accordance with the requirements stipulated in the legal legislation. Additionally, provision amounts for IBNR compensation payments taken over from the Pool are calculated according to the expected loss ratios provided by TMIB and the opinions of Company actuary and recorded accordingly.

2.15 Insurance Contracts and Investment Contracts with Discretionary Participation Feature

None (December 31, 2018: None).

2.16 Investment Contracts without Discretionary Participation Feature

None (December 31, 2018: None).

2.17 Loans

None (December 31, 2018: None).

2.18 Taxes

Corporate Tax

Applicable corporate tax in Turkey for 2019 is 22% (December 31, 2018: 22%). Corporate tax rate is applied to the tax base amount calculated by adding certain disallowable expenses to and deducting exempt income and investments (such as affiliation privileges) from revenues of business entities. No further tax is payable unless the profit is distributed.

Withholding tax is not applied to dividends paid to limited taxpayer entities earning income within Turkey through an office or a permanent representative and to entities residing in Turkey. Dividend payments made to other persons and entities except the foregoing shall be subject to 15% withholding tax. Appropriation of retained earnings to capital is not considered as profit distribution; therefore no withholding tax is applied.

Entities calculate the provisional tax amount equal to 22% of their quarterly financial profits, submit their provisional tax return statements until the 14th day and pay the tax amount until the end of 17th day of the second month following the quarterly period subject to provisional tax. Provisional tax amounts paid within the year belong to that specific year and these amounts are rebated against the corporate tax amount to be calculated over the corporate tax return statement to be submitted within the subsequent year.

In case a surplus paid amount provisional tax exists even after such rebate, such surplus amount can be recollected or set off against other fiscal payables due to the government.

75% of the revenues from sale of affiliate shares stocked for minimum 2 years and founders' shares, participating redeemed shares and stock privilege rights also held for the same time period and 50% of revenues from sale of immovable properties included in Company assets, again held for the same time period, shall be exempt from tax liabilities, provided that the foregoing shall be capitalized as prescribed in Turkish Corporate Tax Law or kept in equity for 5 years.

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2. Summary of Significant Accounting Policies (continued)

2.18 Taxes (continued)

According to Turkish tax legislation, financial losses on tax return statements can be offset against period income for up to 5 years. However, financial losses cannot be offset against previous years' profits. There is no practice of reconciliation of payable taxes with the tax authority within Turkey. Corporate tax returns are submitted to the relevant tax office by the last day of the 4th month following the month when the accounting period ends. For tax reviews, authorized bodies are entitled to review the accounting records for the past five years and if errors are detected, tax amounts may change due to tax assessment.

In addition to the corporate tax, withholding tax should be applied to tax payer entities for profit shares (if distributed) which are included in and disclosed as company revenues in financial statements, excluding dividends distributed to the branches of multinational companies located in Turkey. Withholding tax rate shall be applied as 10% until further notice by the Council of Ministers. Profit amounts not distributed as dividends but included in shareholders' equity shall not be subject to withholding tax.

Income or corporate taxpayers calculating their revenues on Balance Sheet basis are required to apply inflation adjustment to their financial statements starting as of January 1, 2004 in accordance with the "Law on Amendment of Tax Procedural No.5024, Income Tax Law and Corporate Tax Law" ("Law No.5024") promulgated in Turkish Official Journal on December 30, 2003. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (TÜİK TEFE (Wholesale Price Index) increase rate). Since the conditions in question were not fulfilled in 2018 and 2019, no inflation adjustments were performed.

Deferred Taxes

Deferred tax assets and/or liabilities are calculated in consideration of legal tax rates on the tax effects of the provisional differences between the amounts of such assets and liabilities reflected on Company's financial statements and the amounts taken into account for calculation of the legal tax base amount. Deferred tax liabilities are calculated for the entire taxable provisional differences, whereas deferred tax assets comprising of deductible provisional differences are calculated with the condition that a strong possibility exists for the Company to be entitled to use such differences (i.e. tax rebate) by obtaining taxable revenues in near future. Aforementioned assets and liabilities shall not be recognized in Company books if arising from provisional transactional differences with no impact on profit or loss, goodwill or initial inclusion of other assets and/or liabilities in financial statements (excluding mergers).

Deferred tax liabilities are calculated for all taxable provisional differences related with the investments in affiliates and joint ventures and shares in joint ventures, excluding cases where the Company is in control of the removal of such provisional differences and where such removal in near future is not very likely. Deferred tax assets arising from such taxable provisional differences related with such investments and shares are calculated with the constraints that a strong possibility exists for the Company to be entitled to use such differences (i.e. tax rebate) by obtaining taxable revenues and for removal of such differences in near future.

Corporate tax rate is raised from 20% to 22% for 2018, 2019 and 2020 under the "Act No.7061 on Amendment of Certain Tax Laws and Other Laws" promulgated in Turkish Official Journal No.30261 on December 5, 2017. The Company calculated its deferred tax assets and liabilities over 22% tax rate in accordance with the aforementioned law.

The Company has 65,883,670 TRY of deferred tax assets in its financial tables drawn up on December 31, 2019 (December 31, 2018: 58,310,738 TRY). (*) Deferred Tax Assets are recorded in the financial statements drawn up as of December 31, 2019 over financial losses carried in accordance with the assumptions for availability of taxable profit for future periods made in line with the business plans and projections prepared by Company management.

2. Summary of Significant Accounting Policies (continued)

2.19 Employee Benefits

The Company accounts for its liability related to employment termination, vacation benefits and other benefits provided to employees according to “Turkish Accounting Standards Regarding Employee Benefits”(“TAS 19”) and classifies these in the Balance Sheet under “Provision for Employment Termination Benefits” and “Provision for Expense Accruals” accounts.

According to the Turkish Labor Law, the Company is required to pay termination benefits to each employee whose job is terminated except for the reasons such as resignation, retirement and attitudes determined in Labor Law. The provision for employment termination benefits is calculated over present value of the possible liability in scope with the Labor Law by considering certain actuarial estimates (Note 22).

2.20 Provisions

In case a liability arising from past events exists and fulfillment of such liability is likely and the amount of such liability is reliably predictable, provisions are allocated in financial statements. Provision amount is calculated in consideration of the risks and uncertainties regarding such liability, through estimating the expense expected to be incurred in the most reliable way on the Balance Sheet date. In case the provision is measured by using the expected cash flows required to fulfill such liability, the book value of such provision equals to the present value of the relevant cash flows.

In cases where the economic benefit required for payment of such liability is expected to be totally or partially borne by third parties, the amount to be collected is recognized as an asset if the collection of such amount is almost certain and can reliably be measured.

Liabilities arising from past events and whose existence would be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are classified as contingent liabilities and not included in the financial statements (Note 23).

2.21 Recognition of Revenues

Written Premiums

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

Reinsurance Commissions

Commission income for premiums ceded to reinsurance companies are recorded on an accrual basis over the period, and classified in the technical section of the Income Statement under operating expenses. As disclosed in Note 2.24, reinsurance commission income is recognized in the financial statements on accrual basis by allocating unearned commissions reserve over charged commissions.

2. Summary of Significant Accounting Policies (continued)

2.21 Recognition of Revenues (continued)

Recovery and Salvage Income

The Company accrued the recovery receivable amounts up to the coverage limit of the debtor insurer in financial statements drawn up as of December 31, 2019 and December 31, 2018 in accordance with Circular No.2010/13 on Recovery and Salvage Income issued by the Ministry on September 2010, provided that the compensation payment is made and a certificate of release or a confirmation document proving such payment is obtained from relevant beneficiaries and a notification is made to counter party insurer or relevant third parties. A provision amount is allocated for these receivables if no collection is made within the first six months after the payment of such compensation amount from the counter party insurer or within the first four months from relevant third parties. In this regard, the accrued recovery and salvage receivable amount net of reinsurer's share as of December 31, 2019 is 223,249,969 TRY (December 31, 2018: 207,556,850 TRY) and the provision amount for such receivable is 162,397,971 TRY (December 31, 2018: 141,182,846 TRY).

The Company's doubtful recovery and salvage receivables amount from main operations is 610,632,015 TRY on December 31, 2019 (December 31, 2018: 530,359,214 TRY). Provision is allocated for the entire doubtful recovery and salvage receivables (Note 12).

Interest Income

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

Dividend Income

Dividend income from the equity share investments are recognized when the shareholder has the right to receive dividends.

2.22 Leases

Leases are recognized in accordance with TFRS 16 as disclosed in Note 2.1.

2.23 Dividend Distribution

Dividend payables are reflected to financial statements as a profit distribution item among the liabilities of the declaration period.

2.24 Technical Reserves

Unearned Premiums Reserve

Unearned premiums reserve consists of the portion of the accrued premium amounts of effective insurance contracts extending to the subsequent accounting period(s) in gross figures, without any deductions of commissions etc. For freight policies with an uncertain end date, unearned premium reserve is calculated as 50% of the premiums written in the last three months. Policies are assumed to begin at 12:00 and expire at 12:00 in general for calculation of the portion carried to the subsequent period on daily basis during calculation of unearned premiums reserve amount. The portion of the commissions paid to intermediaries and commission amounts received from reinsurers for ceded premiums extending to subsequent period(s) are recognized under "Deferred Expense" and "Deferred Income" accounts in the Balance Sheet, respectively, and under "Operational Expenses" account in Income Statement. According to the Technical Reserves Regulation, foreign exchange selling rates declared by Turkish Central Bank in the Official Journal on the date of accrual of the relevant premium are taken into account for unearned premiums related to the insurance contracts arranged in foreign currencies, if no foreign exchange rate is specified in such insurance contract (Note 17).

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2. Summary of Significant Accounting Policies (continued)

Technical Reserves (continued)

Deferred Production Expenses and Assistance Premiums and Deferred Commissions Income

Pursuant to Circular No.2007/25 issued by the Ministry on December 28, 2007, the portion of the commissions paid to intermediaries and commission amounts received from reinsurers for ceded premiums corresponding to subsequent period(s) are recognized under "Deferred Acquisition Expenses" and "Deferred Commissions Income", respectively in Balance Sheet and under "Operational Expenses" account in Income Statement (Note 17).

The Company deferred the portion related to the future months out of the payments made to the assistance service providers as 36,160,452 TRY in total and recorded this amount under "Other Deferred Expenses" in the Balance Sheet on December 31, 2019 (December 31 2018: 28,754,872 TRY).

Unexpired Risks Reserve

Pursuant to Technical Provisions Regulation, insurance companies are required to allocate provision amounts for ongoing risks by considering the expected loss ratio for the possibility of potential compensation payments which may be incurred due to valid insurance contracts to exceed the unearned premiums reserve amount allocated for the mentioned contracts. The expected loss ratio is calculated through dividing the realized loss amount by earned premium amount. Pursuant to "Circular No.2012/15 on Modifications on Calculation of Unexpired Risk Reserve" ("Circular No.2012/15") issued by the Ministry on December 13, 2012, calculation of the mentioned expected loss ratio are made per main business segments as of December 31, 2019 and 2018. .

In case the expected loss ration calculated on segment basis exceeds 95%, the amount found by multiplying the percentage in excess of 95% with net unearned premiums reserve is calculated as the net unexpired risks reserve ("URR") and the amount found by multiplying the percentage in excess of 95% with gross unearned premiums reserve is calculated as the gross unexpired risks reserve. The difference between gross and net amounts is considered as the Reinsurer's share.

All amounts regarding premiums and losses to be ceded to SSI are deducted from the numerator and the denominator in calculation of the expected loss ratio to be used for the Unexpired Risks Reserve amount as of December 31, 2019 as stipulated in Circular No.2011/18.

Industrial Announcement No.2016/1 on Unexpired Risks Reserve Account states that "Regarding calculation of Unexpired Risks Reserve calculation, Outstanding Claims Reserve amount for the previous period should also be calculated with the new method to ensure elimination of the misleading effect of the Outstanding Claims Reserve calculation method (within the current assumptions set used by the actuary) and the amount calculated with the new method should be used for Outstanding Claims Reserve amount carried forward".

With the Technical Reserves Regulation and "Circular No. 2019/15 on Unexpired Risk Reserve" issued by the Ministry, insurers are allowed to make the Unexpired Risk Reserve calculation over the gross loss ratio of the last accident quarters in all segments. Gross loss ratio is calculated by dividing the final loss amount, found through the total of the last four quarters including the current period and also indirect businesses, by gross earned premiums amount. The Company takes into account the discounted amounts in segments for which a discount is applied for Outstanding Claims Reserve account during calculation of final loss amount realized in URR account. In case separate calculations are made for businesses where 100% of direct production is ceded to pools established in Turkey in accordance with the Technical Reserves Regulation and "Circular No. 2019/15 on Unexpired Risk Reserve" issued by the Ministry and in case gross loss ratio exceeds 100% for such ceded business and exceeds 85% for other businesses, gross URR amount shall be calculated by multiplying the excess portion by gross unearned premiums reserve and net URR amount shall be calculated by multiplying the excess portion with net unearned premiums reserve. In case no separate calculations are made, then URR calculation shall be made by considering 85% threshold within the segment total.

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2. Summary of Significant Accounting Policies (continued)

2.24 Technical Reserves (continued)

Unexpired Risks Reserve (continued)

Amounts of direct businesses where 100% of direct production is ceded to pools established in Turkey shall not be included in gross loss ratio calculation. The Company's liabilities regarding this production arises only from indirect production, therefore URR is calculated separately from other productions of the relevant segment for such businesses and similar ones.

On the other hand, "Circular No. 2019/15 on Unexpired Risk Reserve" stipulates that the URR amount can be calculated at the beginning of the fiscal year specified in the first paragraph or at the beginning of the accident year. The Company calculates URR at the beginning of the accident year for MTPL (Land Vehicles Compulsory Financial Liability) segment and at the beginning of the fiscal year for all other segments.

The Company calculated a Net Unexpired Risk Reserve of 23,613,963 TRY as of December 31, 2019 (December 31, 2018: 11,677,760 TRY) and reflected this figure in relevant accounts (Notes 4 & 17).

Outstanding Claims Reserve

The Company allocates provisions for loss claim and compensation amounts accrued and assessed through calculations but not actually paid in previous periods or in the current period or for estimated amounts if such calculation has not been made and for loss claim and compensation amounts which are realized but not reported. Outstanding claims reserve amount is determined according to expert reports or to expert and policyholder assessments from which no recovery, salvage or similar income items are deducted.

Compensation amounts for losses realized before but reported after the accounting periods are considered as Incurred But Not Reported ("IBNR") claim compensations.

The Company calculated the provision for compensations of incurred but not reported losses ("IBNR") by using the Actuarial Chain Ladder Method ("ACLM") in accordance with the "Regulation on Amendment of the Regulation on Technical Reserves of Insurance, Reinsurance And Pension Companies, and Assets in which such Provisions are to be Invested" promulgated in Turkish Official Journal No.27655 on July 28, 2010 and "Circular No.2014/16 on Outstanding Claims Reserve" issued by the Ministry on December 5, 2014.

The Regulation on Amendment of the Relevant Regulation issued in Turkish Official Journal No.28356 on July 17, 2012 states that "the compensation amount for incurred but not reported losses shall be calculated according to the Actuarial Chain Ladder Method, content and application principles of which shall be specified by, or to other calculation methods to be determined and announced by the Ministry of Treasury and Finance".

"Circular No.2014/16 on Outstanding Claims Reserve" issued by the Ministry on December 5, 2014 ("Circular") stipulates that ACLM calculations can be made by using the following six methods: "Standard Chain, Loss Ratio, Cape Cod, Frequency/Severance, Munich Chain Method and Bornhuetter-Ferguson". Additionally, this Circular grants the authority to company actuaries for selection of the data to be used, adjustment transactions, selection of the most suitable method and development factors and intervention to development factors by using actuarial methods. Pursuant to this Circular, IBNR calculation can also be made with other methods to be determined by companies, provided that a valid actuarial basis exists and the amount should exceed the calculation result of the actuarial chain ladder method employed by the company.

The Company made IBNR calculation in all segments by considering the characteristics of the respective segment and by using the actuarial method determined in accordance with Article 4 of "Circular No.2014/16 on Outstanding Claims Reserve" issued by the Treasury on December 5, 2014. This method covers MTPL segment on the basis of loss reason (material damages, death, disability, impairment, driver faults, caretaker expenses) in addition to coverage based distinction (material/bodily-physical). Both average cost and loss frequency developments of loss triangles are evaluated for all segments including MTPL. Additionally, the legal status of the files is also assessed. Furthermore, extreme losses (so called "major losses") are eliminated via statistical methods to ensure that calculations can be made with a more homogeneous data set in all segments, excluding MTPL and MOD. Moreover, the mentioned IBNR calculations are performed in gross amounts and net figures are determined depending on the applicable or relevant reinsurance treaties of the Company.

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2. Summary of Significant Accounting Policies (continued)

2.24 Technical Reserves (continued)

Outstanding Claims Reserve (continued)

The difference between the incurred loss amount -consisting of accrued and calculated outstanding claims reserve and the total of payments made until the relevant date (net of recovery and salvage collection amounts)- and the final loss amount calculated by using the actuarial chain ladder method -content and application principles of which is determined in accordance with Technical Provisions Regulation and the Circular put in effect on January 1, 2015- is recorded as incurred but not reported compensation amount. The Company made the actuarial chain ladder method ("ACLM") calculations over incurred losses (total of outstanding and paid claims) for each segment.

The ACLM selected by the Company to use for each segment, results of these calculations as of December 31, 2019 and December 31, 2018, the methods for determination of the net amounts after reinsurance and limits used for major loss screening, interventions to development factors in ACLM calculations and effects of these interventions are explained in Note 17.

As disclosed in Note 2.14, the Company is no longer liable for payment of medical treatment expenses related with the coverages provided for "Compulsory Land Transportation Financial Liability", "MTPL" and "Compulsory Road Passenger Personal Accident" segments in accordance with Circular No.2011/18, therefore compensation payments made for medical treatment expenses, outstanding claims covered by the Law and collected recovery, salvage amounts and other similar income amounts are removed from the ACLM development triangle prepared for determination of IBNR claim amounts as of December 31, 2019.

The Company allocated a total additional outstanding claims reserve amount of 1,689,801,879 TRY on December 31, 2019 December 31, 2018: 1,709,450,670 TRY) for IBNR claims.

Pursuant to "Circular No.2017/7 on Amendment of Circular No.2016/22 on Discounting of Cash Flows from Outstanding Claims Reserves" issued by the Ministry on September 15, 2017, the Company discounted the net cash flows to be generated by outstanding claims reserves calculated and allocated for General Liability and Motor Vehicles Liability segments according to Insurance Law and relevant Legislation, in accordance with the provisions and principles set forth in "Circular No.2016/22 on Discounting of Cash Flows from Outstanding Claims Reserves" issued by the Ministry on June 10, 2016. The Company reflected 618,118,264 TRY of discount to its financial statements drawn up on December 31, 2019 (December 31, 2018: 556,970,656 TRY).

Pursuant to "Circular No.2011/23 on Explanations regarding Calculation of Incurred but Not Reported (IBNR) Claims Reserve" dated December 26, 2011 ("Circular No.2011/23"), insurance companies can calculate a win rate per sub-segments over the amounts of the legal cases filed against the company based on the realizations within last five years (starting as of December 31, 2011 and by considering the finalization dates of such legal cases) and perform deductions from the outstanding claims reserve amount accrued for legal cases still in litigation process according to this win rate. The Company has no win rate calculated per sub-segments and no deduction amounts from the accrued outstanding claims reserve as of December 31, 2019 (December 31, 2018: None). Additionally, all legal case files in litigation process are considered without any deductions in all calculations made for assessment of the IBNR claims amount in accordance with the Circular No.2011/23 dated December 26, 2011 (Note 17).

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2. Summary of Significant Accounting Policies (continued)

2.24 Technical Reserves (continued)

Equalization Reserve

According to the Technical Provisions Regulation, insurance companies are required to provide equalization reserve in their financial statements for earthquake and credit coverage in order to balance the fluctuations in the claim ratios and to meet the catastrophic risks in the subsequent periods. Equalization provision is calculated as 12% of net premiums written in credit insurance and earthquake segments. In calculation of net premiums, fees paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms.

It is possible to deduct the outstanding claims reserve from equalization reserve or update the equalization reserve amount allocated for earthquake compensations based on evidence such as compensation payments made due to realized earthquakes or documents obtained from competent authorities during natural disaster conditions, provided that this deduction shall not be made from the equalization reserve allocated for the current year.

In this regard, the Company deducted 1,173,628 TRY claims amount as of December 31, 2019 from equalization reserve amount for claim files for which a compensation amount has been paid for earthquake losses realized or for which an outstanding claims reserve amount has been allocated previously (December 31, 2018: 214,040 TRY deducted from equalization reserve). The Company allocated 217,091,888 TRY of equalization reserve as of December 31, 2019 (December 31, 2018: 176,988,825 TRY) and recognized this amount in "Other Technical Reserves" account in the attached financial statements (Notes 17 & 47.1).

2.25 Share Based Payments

Share certificates are generally provided to employees as part of their salary packages in addition to the salary and other employee benefit amounts. An entity providing shares and share options to its employees is considered to pay an additional amount to gain additional benefits. Such company would measure the fair value of such working service received by taking the fair value of equity based financial instruments as reference, due to the difficulty in measurement of fair values of services received.

Regarding transaction measured with reference to the fair values of equity based financial instruments, fair values of equity based financial instruments are measured over their market values (if available) as of the measurement date, also by taking the terms, conditions and principles of such financial instruments into account.

The Company provides own shares to its employees, provided that the recipient employees' performance levels meet the performance criteria and conditions specified by the Company's ultimate main partner Axa SA. The Company allocates a provision amount in its Balance Sheet in return for these shares for cost reflections made by Axa SA under TFRS 2 "Share Based Payments", while Axa SA recognizes the changes in share prices in Shareholders' Equity account and the costs incurred for provision of shares to qualified employees in Income Statement (Note 23).

3. Critical Accounting Estimates and Judgments in Applying Accounting Policies

Preparation of financial statements requires calculation of asset and liability amounts reported on Balance Sheet date, disclosure of contingent assets and liabilities and making judgments and using estimates and assumptions which might affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Accounting assessments, estimates and underlying assumptions are reviewed on an ongoing basis, considering past experiences and other relevant factors in addition to current condition and reasonable expectations for future events. Actual results may differ from these estimates although the estimates rely on the best knowledge of management regarding existing events and transactions.

One of the most important accounting estimates for the entity is the forecast of final net liabilities related with the expenses arising from effective insurance policies. Forecast of insurance liabilities include assessment of many contingencies by nature. Estimates and assumption regarding such liabilities are explained in Notes 2.24 and 17.

Estimates and assumptions comprising the basis thereof are continuously reviewed. The updates of accounting estimates are recorded within the period where such updates are made and also in subsequent periods affected by such updates.

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3. Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)

In particular, information regarding uncertainties in significant estimates having the highest impact on the amounts presented in the financial statements and the interpretations thereof are provided in the Notes listed below.

Note 4 - Insurance and Financial Risk Management
Notes 6, 7, 8 - Tangible & Intangible Assets and Investment Property
Note 10 - Reinsurance Assets / (Liabilities)
Note 11- Financial Assets
Note 12 - Loans and Receivables:
Note 21- Deferred Taxes
Note 22 - Employee Benefits
Note 23- Reserves (Provisions)
Note 42- Risks

4. Insurance and Financial Risk Management

Management of Insurance Risk

Risk regarding insurance contracts is related with the possibility of realization for the insured event and uncertainty of the potential loss and damage amounts resulting from such realization. By nature of insurance contracts, such risk is random and therefore it is not possible to make a precise estimate. For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. The Company determines its strategy when issuing policies according to the type of insurance risks taken and the claims occurred. The Company manages the risks mentioned above by its strategy formed for policy issuance and the reinsurance agreements to which the Company is a party in all branches.

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

	December 31, 2019	December 31, 2018
Land Vehicles Liability	2,874,196,086,386	2,929,410,724,371
Fire and Natural Disasters	468,799,759,903	412,299,609,477
General Damage	273,913,774,670	227,344,558,518
Freight/Transportation	176,730,132,451	132,593,513,307
General Liability	39,447,210,563	59,434,851,508
Land Vehicles	63,712,996,839	57,927,473,477
Accident	19,940,122,211	24,034,947,702
Financial Losses	22,336,201,339	13,928,858,323
Legal Protection	5,912,649,611	6,334,214,416
Watercraft	3,559,771,808	3,484,319,043
Aircraft	345,914,100	774,534,600
Travel Health (Personal Accident)	167,696,510	188,803,021
Aircraft Liability	1,975,516	2,248,888
Total (*)	3,949,064,291,907	3,867,758,656,651

(*) The Company bears no coverage risk for DASK, Tarsim and SSI, therefore such coverage amounts are not included in the table.

Management of Financial Risk

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

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4. Insurance and Financial Risk Management (continued)

(a) Credit Risk

Credit risk is most simply defined as the potential that a bank borrower or counter party will partially or totally fail to meet its obligations on time and in accordance with agreed terms and the resulting situations the Company shall have to face with.

The Company limits the credit risk of its financial assets classified as credit and receivables and the receivable amounts from insurance operations (including receivables from reinsurers) with the guarantees received and the procedures applied for selection of counter parties. Other information about these receivables is explained in Note 12.

The Company's financial assets, except for Loans and Receivables, which are subject to credit risk generally consist of domestic government bonds, time and demand deposits kept in banks and other financial institutions established in Turkey, commercial bills and corporate bonds and such receivables are not deemed to have high credit risk.

Credit risk exposures per type of financial instruments as of December 31, 2019 and December 31, 2018 are provided below. Banks and bank guaranteed short term (<3 months) credit card receivables are also included in credit risk.

Credit risk exposures per type of financial instruments as of December 31, 2019 and December 31, 2018 are provided below. Banks and bank guaranteed short term (<3 months) credit card receivables are also included in credit risk.

December 31, 2019	Loans and Receivables				Available for Sale Investments (*)	Cash and Cash Equivalents
	Due from Insurance Operations		Other Receivables			
	Relevant	Other	Relevant			
Maximum Credit Risk Exposure as at Reporting Date (A+B+C)	49,632,066	895,703,352	257,238	24,416,690	5,351,760,322	1,253,920,451
- Portion of Maximum Risk Secured with Guarantees, Provisions, etc.	-	96,234,698	-	-	-	-
A. Net Book Value of Financial Assets Undue or Not Impaired	49,632,066	753,759,288	257,238	24,416,690	5,351,760,322	1,253,920,451
B. Net Book Value of Financial Assets Overdue but Not Impaired		81,092,066				
C. Net Book Value of Impaired Assets		60,851,998				
-Gross Book Value	-	843,941,307	-	-	2,000,000	-
-Impairment	-	(783,089,309)	-	-	(2,000,000)	-
-Portion of Net Value Secured with Guarantees, Provisions, etc.	-	60,851,998	-	-	-	-

(*) Investment Securities included.

December 31, 2019	Loans and Receivables				Available for Sale Investments (*)	Cash and Cash Equivalents
	Due from Insurance Operations		Other Receivables			
	Relevant	Other	Relevant			
Maximum Credit Risk Exposure as at Reporting Date (A+B+C)	39,928,442	778,826,756	238,478	14,942,490	4,214,719,004	1,165,030,458
- Portion of Maximum Risk Secured with Guarantees, Provisions, etc.		86,123,775				
A. Net Book Value of Financial Assets Undue or Not Impaired	39,928,442	654,292,198	238,478	14,942,490	4,214,719,004	1,165,030,458
B. Net Book Value of Financial Assets Overdue but Not Impaired		58,160,554				
C. Net Book Value of Impaired Assets		66,374,004				
-Gross Book Value	-	748,672,560	-	-	2,092,967	-
-Impairment	-	(682,298,556)	-	-	(2,092,967)	-
-Portion of Net Value Secured with Guarantees, Provisions, etc.	-	66,374,004	-	-	-	

(*) Investment Securities included.

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4. Insurance and Financial Risk Management (continued)

(b) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and credit spreads will affect the Company's income or the value of its holdings of financial instruments.

Interest Rate Risk

Changes in interest rates resulting in fluctuations in financial instrument prices require the Company to deal with the emerging interest rate risk. The Company's sensitivity to interest rate risk is related with the inconsistencies between the due dates of asset and liability accounts. This risk is managed by matching the assets affected by interest rate changes with the same type of liabilities.

The Company's interest bearing assets include financial instruments with both fixed and variable interest rates.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial Instruments w/ Fixed Interest Rate		
Financial Assets (Available for Sale)	3,234,948,702	1,935,508,537
Time Deposits	673,396,992	720,839,888
Financial Instruments w/ Variable Interest Rate		
Financial Assets (Available for Sale)	2,090,264,595	2,052,469,773

Sensitivity to Interest Rate

The Company is exposed to interest rate risk arising from the changes in the interest rates applied to the financial assets and liabilities subject to variable interest rates. The increase and decrease effect in fair values of government bonds classified as available for sale assets and therefore in valuation of financial assets account kept among the Company's equity items as a result of the changes in interest rates is explained below. Other variables, particularly the foreign exchange rates are assumed to be constant during this analysis.

	<u>December 31, 2019</u> <u>Impact on Equity</u>	<u>December 31, 2018</u> <u>Impact on Equity</u>
1% Increase in Interest Rates	(60,108,219)	(126,958,370)
1% Decrease in Interest Rates	61,853,283	145,855,348

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4. Insurance and Financial Risk Management (continued)

Exchange Rate Risk

The Company is exposed to foreign exchange rate risk due to transactions, payables and receivables in foreign currencies. These risks are monitored and limited through analysis of foreign exchange rates. Foreign exchange position of the Company as at Balance Sheet date is provided below.

Foreign Exchange Position Table
December 31, 2019

	Total TRY Equivalent	US Dollar (TRY Equivalent)	EUR (TRY Equivalent)	GBP (TRY Equivalent)	Other
Available for Sale Investments	1,145,410,875	944,429,577	200,981,298		
Cash and Cash Equivalents	435,258,052	370,580,168	64,595,364	79,531	2,989
Due from Insurance Operations	159,430,986	19,112,694	10,512,598	122,100,805	7,704,889
Total Assets	1,740,099,913	1,334,122,439	276,089,260	122,180,336	7,707,878
Outstanding Claims Reserve	291,600,110	207,123,904	84,412,918		
Reinsurers Other Payables	128,991,457	9,970,853	118,867,459	63,288	32,946
	6,489,417	4,938,789	1,550,628	120,199	
Total Liabilities	427,080,984	222,033,546	204,831,005	183,487	32,946
Net Foreign Currency Asset Position	1,313,018,929	1,112,088,893	71,258,255	121,996,849	7,674,932

Foreign Exchange Position Table
December 31, 2018

	Total TRY Equivalent	US Dollar (TRY Equivalent)	EUR (TRY Equivalent)	GBP (TRY Equivalent)	Other
Available for Sale Investments	955,291,762	771,174,887	184,116,875		
Cash and Cash Equivalents	367,987,505	290,478,384	77,460,855	46,015	2,251
Due from Insurance Operations	189,348,610	108,035,475	81,306,514		6,621
Total Assets	1,512,627,877	1,169,688,746	342,884,244	46,015	8,872
Outstanding Claims Reserve	265,728,616	194,704,531	70,795,255		
Reinsurers	64,453,423	19,225,054	45,075,142	228,830	34,328
Other Payables	4,054,088	2,884,373	1,169,715	118,899	
Total Liabilities	334,236,127	216,813,958	117,040,112	347,729	34,328
Net Foreign Currency Asset/(Liability) Position	1,178,391,750	952,874,788	225,844,132	(301,714)	(25,456)

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4. Insurance and Financial Risk Management (continued)

Foreign Exchange Rate Sensitivity

The table below shows the increases and decreases in equity and income statement items (excluding tax effect) within periods ended on December 31, 2019 and 2018 due to valuation or devaluation of TRY by 10 percent against following foreign currencies. This analysis is prepared with assumption that all other variables stay constant.

FX Rate Sensitivity Analysis Table - December 31, 2019

	Profit/Loss		Shareholders' Equity (*)	
	Increase in Foreign Currency Value	Decrease in Foreign Currency Value	Increase in Foreign Currency Value	Decrease in Foreign Currency Value
In case of 10% change in USD against TRY:				
1- Net Asset / Liabilities in USD	111,208,889	(111,208,889)	111,208,889	(111,208,889)
2- Portion Protected from USD Risk	-	-	-	-
3- USD Net Effect	111,208,889	(111,208,889)	111,208,889	(111,208,889)
In case of 10% change in EUR against TRY:				
1 - Net Asset / Liabilities in EUR 2- Portion Protected from EUR Risk	7,125,826	(7,125,826)	7,125,826	(7,125,826)
3- EUR Net Effect	7,125,826	(7,125,826)	7,125,826	(7,125,826)
In case of 10% change in GBP against TRY:				
1- Net Asset / Liabilities in GBP 2- Portion Protected from GBP Risk	12,199,685	(12,199,685)	12,199,685	(12,199,685)
3- GBP Net Effect	12,199,685	(12,199,685)	12,199,685	(12,199,685)
In case of 10% change in other foreign currencies against TRY:				
1- Net Asset / Liabilities in Other Currencies 2- Portion Protected from Other Currency Risk	767,493	(767,493)	767,493	(767,493)
3- Other Currencies Net Effect	767,493	(767,493)	767,493	(767,493)
Total Foreign Currency Net Effect	131,301,893	(131,301,893)	131,301,893	(131,301,893)

(*) Equity effect includes P/L effect.

FX Rate Sensitivity Analysis Table - December 31, 2018

	Profit/Loss		Shareholders' Equity (*)	
	Increase in Foreign Currency Value	Decrease in Foreign Currency Value	Increase in Foreign Currency Value	Decrease in Foreign Currency Value
In case of 10% change in USD against TRY:				
1- Net Asset / Liabilities in USD 2- Portion Protected from USD Risk	95,287,479	(95,287,479)	95,287,479	(95,287,479)
3- USD Net Effect	95,287,479	(95,287,479)	95,287,479	(95,287,479)
In case of 10% change in EUR against TRY:				
1 - Net Asset / Liabilities in EUR 2- Portion Protected from EUR Risk	22,584,413	(22,584,413)	22,584,413	(22,584,413)
3- EUR Net Effect	22,584,413	(22,584,413)	22,584,413	(22,584,413)
In case of 10% change in GBP against TRY:				
1- Net Asset / Liabilities in GBP 2- Portion Protected from GBP Risk	(30,171)	30,171	(30,171)	30,171
3- GBP Net Effect	(30,171)	30,171	(30,171)	30,171
In case of 10% change in other foreign currencies against TRY:				
3- Net Asset / Liabilities in Other Currencies 4- Portion Protected from Other Currency Risk	(2,546)	2,546	(2,546)	2,546
3- Other Currencies Net Effect	(2,546)	2,546	(2,546)	2,546
Total Foreign Currency Net Effect	117,839,175	(117,839,175)	117,839,175	(117,839,175)

(*) Equity effect includes P/L effect.

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4. Insurance and Financial Risk Management (continued)

Price Risk

Share Price Risk

Stock share price risk means the risk of decrease in market prices of shares due to a change in share index levels and in relevant share's value. The Company has no stock investments as of December 31, 2019. The Company is exposed to stock price risk as of December 31, 2018 arising from investments in listed shares traded in stock market.

	December 31, 2019	December 31, 2018
	Impact on Equity	Impact on Equity
1% Increase in Stock Prices		277,299
1% Decrease in Stock Prices		(277,299)

(a) *Liquidity Risk*

The Company uses its available cash resources to pay claims arising from insurance contracts. Liquidity risk is the risk of cash unavailability to pay obligations on due dates at a reasonable cost. Management sets limits on the minimum portion of funds available to meet such claims.

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

Cash Flow from Insurance Contracts					
3 Months - 1					
December 31, 2019	< 3 Months	Year	1 - 5 Years	> 5 Years	Total
Due to Insurers and Reinsurers (Notes 10 & 19)	222,249,390	20,038,496			242,287,886
Due to Related Parties (Note 45)	2,568	-	-	-	2,568
Payables to SSI regarding Medical Expenses	36,103,858	-	-	-	36,103,858
Leasing Liabilities	-	3,166,309	6,140,852	-	9,307,161
Payables to DASK	14,463,442	-	-	-	14,463,442
Other Payables	83,699,139	-	-	-	83,699,139
Other Current Liabilities	3,338,352	-	-	-	3,338,352
Total	359,856,749	23,204,805	6,140,852	-	389,202,406

Expected Cash Flows					
3 Months - 1					
December 31, 2019	< 3 Months	Year	1 - 5 Years	> 5 Years	Total
Unearned Premiums Reserve - Net	1,259,109	1,764,952,246	-	-	1,766,211,355
Outstanding Claims Reserve - Net (*)	110,653,910	1,221,995,755	2,267,428,015		3,600,077,680
Other Technical Reserves (Equalization Reserve) - Net				217,091,888	217,091,888
Unexpired Risks Reserve - Net	16,834	23,597,129	-	-	23,613,963
Mathematical Reserves - Net	-			1,171	1,171
Other Technical Reserves - Net	-	50,812,643	-	-	50,812,643
Total	111,929,853	3,061,357,773	2,267,428,015	217,093,059	5,657,808,700

(*) Outstanding claims reserve is subject to due date distribution in consideration of estimated payment dates. Entire Outstanding claims reserve amounts are shown in current liabilities section of the enclosed financial statements.

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4. Insurance and Financial Risk Management (continued)

Cash Flow from Insurance Contracts					
December 31, 2018	< 3 Months	3 Months - 1 Year	1 - 5 Years	> 5 Years	Total
Due to Insurers and Reinsurers (Notes 10 & 19)	116,245,539	36,019,950	-	-	152,265,489
Due to Related Parties (Note 45)	2,568	-	-	-	2,568
Payables to SSI regarding Medical Expenses	23,272,555	-	-	-	23,272,555
Payables to DASK	12,354,125	-	-	-	12,354,125
Other Payables	69,658,413	-	-	-	69,658,413
Other Current Liabilities	953,497	-	-	-	953,497
Total	222,486,697	36,019,950	-	-	258,506,647

Expected Cash Flows					
December 31, 2018	< 3 Months	3 Months - 1 Year	1 - 5 Years	> 5 Years	Total
Unearned Premiums Reserve - Net	78,652,662	1,398,664,358	-	-	1,477,317,020
Outstanding Claims Reserve - Net (*)	105,297,071	1,124,254,505	2,226,481,825	-	3,456,033,401
Other Technical Reserves (Equalization Reserve) - Net	-	-	-	176,988,825	176,988,825
Unexpired Risks Reserve - Net	621,726	11,056,034	-	-	11,677,760
Mathematical Reserves - Net	-	-	-	2,428	2,428
Other Technical Reserves - Net	-	43,134,775	-	-	43,134,775
Total	184,571,459	2,577,109,672	2,226,481,825	176,991,253	5,165,154,209

(*) Outstanding claims reserve is subject to due date distribution in consideration of estimated payment dates. Entire Outstanding claims reserve amounts are shown in current liabilities section of the enclosed financial statements.

The Company foresees to fulfill the liabilities explained above by its financial assets and cash or cash equivalents included in the assets.

Fair Value of Financial Instruments

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

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, analysis of market information needs interpretation and judgment.

The following methods and assumptions were used to estimate the fair value of the financial instruments if such value can be determined.

- 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.

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4. Insurance and Financial Risk Management (continued)

In this regard, fair value classification of financial assets and liabilities measured at fair value is as follows:

	December 31, 2019			Total
	Level 1	Level 2	Level 3	
<i>Financial Assets:</i>				
Available for Sale Investments	5,352,616,703	-	-	5,352,616,703
Total Financial Assets	5,352,616,703	-	-	5,352,616,703

	December 31, 2018			Total
	Level 1	Level 2	Level 3	
<i>Financial Assets:</i>				
Available for Sale Investments	4,188,020,228	-	-	4,188,020,228
Investment Securities (*)	27,787,432	-	-	27,787,432
Total Financial Assets	4,215,807,660	-	-	4,215,807,660

(*) Tarsim and Milli Reasürans T.A.Ş. shares in Investment Securities account are recorded with cost values; therefore these shares are not included in the above table (Note 45.2).

Cash and cash equivalents are considered to approximate their carrying values since their fair values are short term. Carrying value of Receivables from Operations is estimated to reflect fair values after deduction of relevant doubtful receivable provision amount.

Costs and values net of impairment (if any) of Unlisted Available for Sale Investments are considered as fair values. Carrying values of Payables from Operations and Other Financial Payables are considered to approximate their fair values.

Capital Management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements determined by the Turkish Ministry of Treasury and Finance;
- To ensure the continuity of the Company's activities within the framework of the Company's continuity principle.

Based on the regulation on evaluation and assessment of capital adequacy, the minimum required shareholders' equity amount is calculated as 1,212,571,018 TRY as of December 31, 2019 (December 31, 2018: 1,088,190,211 TRY). Company capital calculated on December 31, 2019 in accordance with the Regulation on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Private Pension Companies is 778,811,828 TRY in excess of the minimum required Shareholders' Equity amount (December 31, 2018: 170,508,071 TRY in excess).

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5. Segment Information

Disclosed in Note 2.3.

6. Tangible Assets

6.1 Total depreciation and depletion expenses for the period:

17,992,055 TRY (January 1 - December 31, 2018: 13,721,042 TRY)

6.1.1 Depreciation expenses: 9,660,220 TRY (January 1 - December 31, 2018: 6,936,427 TRY)

6.1.2 Depletion expenses: 8,331,835 TRY (January 1 - December 31, 2018: 6,784,617 TRY)

6.2 Calculation Methods for Depreciation and Increases (+) or Decreases (-) in Depreciation Expenses through Changes in These Methods:

None (January 1 - December 31, 2018: None).

6.3 Tangible Asset Movements in Current Period:

6.3.1 Cost of purchased, produced or constructed tangible assets (including Investment Property): 8,075,287 TRY (January 1 - December 31, 2018: 4,423,170 TRY).

6.3.2 Cost of sold or scrapped tangible assets (including Investment Property): 2,222,438 TRY (January 1 - December 31, 2018: 5,120,713 TRY).

6.3.3 Revaluation increases in current period:

6.3.3.1 In asset costs (+): None (January 1 - December 31, 2018: None).

6.3.3.2 In Accumulated Depreciation (-): None (January 1 - December 31, 2018: None).

6.3.4 Nature, amount, beginning and ending dates of construction-in-progress: 44,060 TRY (December 31, 2018: 44,060 TRY).

Tangible Asset Movements Table:

	January 01, 2019	Additions	Disposals	December 31, 2019
<u>Cost:</u>				
Property for Operational Usage	45,426,799	137,578	(993,343)	44,571,034
Furniture and Fixtures	49,191,857	7,407,191	(1,229,095)	55,369,953
Leasehold improvements (*)	1,164,442	228,094	-	1,392,536
Advances Given for Tangible Assets	44,060	-	-	44,060
Total Cost	95,827,158	7,772,863	(2,222,438)	101,377,583
<u>Accumulated Depreciation:</u>				
Property for Operational Usage	(10,306,484)	(1,061,403)	690,919	(10,676,968)
Furniture and Fixtures	(40,677,734)	(5,044,550)	829,181	(44,893,103)
Leasehold improvements (*)	(1,081,464)	(129,783)	-	(1,211,247)
Total Accumulated Depreciation	(52,065,682)	(6,235,736)	1,520,100	(56,781,318)
Net Book Value	43,761,476			44,596,265

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6. Tangible Assets (continued)

6.3 Tangible Asset Movements in Current Period: (continued)

	January 01, 2018	Additions	Disposals	December 31, 2018
<u>Cost:</u>				
	43,965,639	1,461,160	-	45,426,799
Property for Operational Usage	48,686,150	1,791,714	(1,286,007)	49,191,857
Furniture and Fixtures	4,625,651	170,296	(3,631,505)	1,164,442
Leasehold improvements (*)	44,060	-	-	44,060
Advances Given for Tangible Assets				
Total Cost	97,321,500	3,423,170	(4,917,512)	95,827,158
<u>Accumulated Depreciation:</u>				
Property for Operational Usage	(9,228,181)	(1,078,303)	-	(10,306,484)
Furniture and Fixtures	(36,158,747)	(5,752,937)	1,233,950	(40,677,734)
Leasehold improvements (*)	(3,744,595)	(105,187)	2,768,318	(1,081,464)
Total Accumulated Depreciation	(49,131,523)	(6,936,427)	4,002,268	(52,065,682)
Net Book Value	48,189,977			43,761,476

(*) Included in Other Tangible Assets account in Balance Sheet.

The Company has no allocated provisions for impairment of Properties for Operational Usage as of December 31, 2019 (December 31, 2018: None).

There are no mortgages on Properties for Operational Usage (December 31, 2018: None).

Following table presents the movements as of December 31, 2019 of asset usage rights included in Company records for the first time pursuant to TFRS 16.

Right of Use Assets	January 01, 2019	Additions	Disposals	December 31,
Property	5,909,842	-	-	5,909,842
Motor Vehicles	6,286,626	-	-	6,286,626
Total	12,196,468	-	-	12,196,468
Accumulated Depreciation (-)	January 01, 2019	Period Expense	Disposals	December 31,
Property	-	(1,347,665)	-	(1,347,665)
Motor Vehicles	-	(2,076,819)	-	(2,076,819)
Total	-	(3,424,484)	-	(3,424,484)
Net Book Value	12,196,468			8,771,984

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7. Investment Properties

	January 01, 2019	Fair Value Assessment Difference	Additions	Disposals	December 31, 2019
Land and Buildings	38,592,440	2,647,576	302,424	-	41,542,440
Total	38,592,440	2,647,576	302,424	-	41,542,440

	January 01, 2018	Fair Value Assessment	Additions	Disposals	December 31, 2018
Land and Buildings	37,727,791	67,850	1,000,000	(203,201)	38,592,440
Total	37,727,791	67,850	1,000,000	(203,201)	38,592,440

The fair values of the Company's investment properties are determined according to the expertise reports prepared by licensed real estate valuation companies. Increases and decreases in property values arising from assessment of investment properties are recognized in Income Statement. Fair value level of investment properties is Level 3.

Accumulated value increase on Company's Investment Properties as of December 31, 2019 is 35,296,656 TRY (December 31, 2018: 32,649,080 TRY).

Fair values of the Company's land and property are assessed by a real estate assessment company licensed by CMB with an assessment report prepared between November 15 - 19, 2018 and on September 19, 2019; according to this report, the Company obtained 2,633,030 TRY rent income from Investment Properties within the current period (January 1 - December 31, 2018: 2,444,520 TRY).

There is no mortgage or pledge on Investment Properties (December 31, 2018: None).

8. Intangible Assets

	January 01, 2019	Additions	Disposals	December 31, 2019
<u>Cost:</u>				
Exclusive Bankassurance Agreement (*)	56,251,383	-	-	56,251,383
Rights	49,397,286	7,275,792	(202,919)	56,470,159
Value of Received Portfolio (**)	2,801,468	-	-	2,801,468
Total Cost	108,450,137	7,275,792	(202,919)	115,523,010
<u>Accumulated Amortization:</u>				
Exclusive Bankassurance Agreement		(3,750,279)	-	(31,254,393)
Rights	(32,037,643)	(4,581,556)	2,020	(36,617,179)
Value of Received Portfolio (**)	(2,801,468)	-	-	(2,801,468)
Total Accumulated Amortization	(62,343,225)	(8,331,835)	2,020	(70,673,040)
Net Book Value	46,106,912			44,849,970

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8. Intangible Assets (continued)

	January 01, 2018	Additions	Disposals	December 31, 2018
Cost:				
Exclusive Bankassurance Agreement (*)	56,251,383	-	-	56,251,383
Rights	35,754,071	13,868,815	(225,600)	49,397,286
Value of Received Portfolio (**)	2,801,468	-	-	2,801,468
Total Cost	94,806,922	13,868,815	(225,600)	108,450,137
Accumulated Amortization:				
Exclusive Bankassurance Agreement (*)	(23,753,835)	(3,750,279)	-	(27,504,114)
Rights	(29,228,905)	(3,034,338)	225,600	(32,037,643)
Value of Received Portfolio (**)	(2,801,468)	-	-	(2,801,468)
Total Accumulated Amortization	(55,784,208)	(6,784,617)	225,600	(62,343,225)
Net Book Value	39,022,714			46,106,912

(*) The Company appointed Denizbank A.Ş. ("Denizbank") as its exclusive agent in accordance with the "Agency Agreement for Non-Life Insurance Business" executed with Denizbank and its subsidiary Deniz Finansal Kiralama A.Ş. on July 7, 2011. 56,251,383 TRY is paid on September 23, 2011 for this agreement including taxes and this amount is classified in "Rights" account under "Intangible Assets". The Company has amortized the distribution channel rights exclusively purchased through this agreement during the agreement validity period of 15 years starting from September 26, 2011, by using standard amortization method.

(**) Classified under Other Intangible Assets in the Balance Sheet.

9. Investments in Affiliates

The Company has no affiliates as of December 31, 2019 and 2018 reflected to Company accounts according to equity accounting method.

10. Reinsurance Assets / (Liabilities)

	December 31, 2019	December 31, 2018
Reinsurer's Share in Outstanding Claims Reserve (Note 17)	460,523,040	324,787,867
Reinsurer's Share in Unearned Premiums Reserve (Note 17)	375,357,041	295,217,499
Cash Deposited with Insurance and Reinsurance Companies (Note 12.1)	78,077,009	72,243,056
Due from Insurers and Reinsurers (Note 12.1)	79,916,079	66,924,165
Reinsurer's Share in Unexpired Risks Reserve (Note 17)	7,028,034	4,246,500
Deferred Reinsurance Commissions Income (Note 19)	(73,382,124)	(60,094,632)
Due to Insurers and Reinsurers (Note 19)	(242,287,886)	(152,265,489)
	January 1 - December 31, 2019	January 1 - December 31, 2018
Reinsurer's Share in Paid Claims	259,982,782	135,416,927
Earned Reinsurance Commissions Income (Note 32)	124,229,832	92,492,232
Reinsurer's Share in Change in Unearned Premiums Reserve	64,942,804	87,916,100
Reinsurer's Share in Change in Outstanding Claims Reserve	135,735,173	134,393,262
SSI Share in Change in Unearned Premiums Reserve	15,221,533	9,580,658
Reinsurer's Share in Change in Unexpired Risks Reserve (Note 17)	2,781,534	(234,704)
Premiums Ceded to SSI (Notes 2.14 & 24)	(101,578,427)	(80,834,235)
Ceded Premiums (Note 24)	(812,815,700)	(646,702,494)

Detailed information about reinsurance treaties is provided in Note 2.14.

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11. Financial Assets

11.1 Sub-classification of Presented Items According to Company Operations

	December 31, 2019		
	Earmarked	Free	Total
Financial Assets			
Available for Sale Investments (*)			
Government Bonds	287,190,291	4,190,217,399	4,477,407,690
Eurobonds	128,802,472	442,716,851	571,519,323
Private Sector Bonds (***)	-	276,286,284	276,286,284
Investment Fund Participation Certificates	-	27,403,406	27,403,406
Total	415,992,763	4,936,623,940	5,352,616,703
	December 31, 2018		
	Earmarked	Free	Total
Financial Assets			
Available for Sale Investments (*)			
Government Bonds	259,190,695	2,876,414,566	3,135,605,261
Eurobonds	99,155,880	376,203,084	475,358,964
Shares (**)	-	27,729,946	27,729,946
Commercial Bills	-	23,988,000	23,988,000
Private Sector Bonds (***)	-	355,119,052	355,119,052
Investment Fund Participation Certificates	-	170,219,005	170,219,005
Total	358,346,575	3,829,673,653	4,188,020,228

- (*) Average interest rates of following items included in Available for Sale Investments vary between following ranges: Government Bonds 9.41% - 22.05% (December 31, 2018: 9.41% - 22.05%), Eurobonds 3.29% - 6.39% (December 31 2018: 3.29% - 6.39%), Private Sector Bonds in TRY 13.36% - 39.35% (December 31, 2018: 4.75% - 32.17%), Private Sector Bonds in USD 4.64% - 6.40% (December 31, 2018: 4.64% - 6.40%). Interest rate of Private Sector Bonds in EUR is 2.01% (December 31, 2018: 2.01%).
- (**) All shares included in Available for Sale Investments portfolio are traded in Istanbul stock exchange (Borsa İstanbul).
- (***) The Company allocated Provision for Impairment of Financial Assets for all private sector bonds followed up in market value of 2,000,000 TRY under Available for Sale Investments account as of December 31, 2019 (December 31, 2018: 2,092,967 TRY).

	December 31, 2019	December 31, 2018
Loans and Receivables		
Loans and Receivables (Note 12)	945,335,418	818,755,198
Total	945,335,418	818,755,198

11.2 Securities Issued within the Year except Shares: None (December 31, 2018: None).

11.3 Debt Securities Settled during the Year: None (December 31, 2018: None).

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11. Financial Assets (continued)

11.4 Market value of marketable securities and financial assets carried at cost and carrying values and cost and carrying values of marketable securities and financial assets shown at market value in the Balance Sheet:

<i>Financial Assets</i>	December 31, 2019		December 31, 2018	
	Cost Value	Book Value (Fair Value)	Cost Value	Book Value (Fair Value)
Government Bonds	3,532,530,277	4,477,407,690	2,712,830,858	3,135,605,261
Eurobonds	591,488,757	571,519,323	521,253,510	475,358,964
Shares	-	-	25,846,073	27,729,946
Commercial Bills	-	-	22,394,300	23,988,000
Private Sector Bonds	260,675,351	276,286,284	348,269,818	355,119,052
Investment Fund	19,282,388	27,403,406	167,759,148	170,219,005
Total	4,403,976,773	5,352,616,703	3,798,353,707	4,188,020,228

11.5 Amounts of marketable securities issued by the Company's shareholders, affiliates and subsidiaries and entities issuing the foregoing: None (December 31, 2018: None).

11.6 Revaluation of financial assets in the last three years: Disclosed in Note 15.

11.7 Other information regarding Financial Assets:

Interest, FX rate difference and sales revenues from Available for Sale Investments within the current year is 865,246,667 TRY (January 1 - December 31, 2018: 1,187,830,365 TRY) and FX rate difference and sales expenses is 204,001,990 TRY (January 1 - December 31, 2018: 337,922,224 TR) and net revenue amount is 661,244,677 TRY (January 1 - December 31, 2018: 849,908,141 TRY). The relevant amounts are recognized under Investment Income and Investment Expense items in Income Statement. Unrealized fair value increase is 519,201,867 TRY (January 1- December 31, 2018: 377,147,454 TRY decrease) before deferred tax and this amount is included in the respective item under Shareholders' Equity (Note 15).

Maturity analysis of Financial Assets is as follows:

December 31, 2019						
	Demand Deposit	0 Month - 3 Years	3 Month - 6 Years	1 - 3 Years	1 Month - 3 Years	> 3 Years
Government Bonds		50,688,800	143,985,449	74,357,519	1,080,281,892	3,128,094,030
Eurobonds	-	71,661,683			37,254,204	462,603,436
Private Sector Bonds (*)	-	46,935,165	53,330,033	34,713,108	67,574,428	73,733,550
Investment Fund	27,403,406	-	-	-	-	-
Total	27,403,406	169,285,648	197,315,482	109,070,627	1,185,110,524	3,664,431,016

(*) The Company allocated Provision for Impairment of Financial Assets for all private sector bonds followed up in market value of 2,000,000 TRY under Available for Sale Investments account as of December 31, 2019 (December 31, 2018: 2,092,967 TRY).

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11. Financial Assets (continued)

11.7 Other information regarding Financial Assets: (continued)

December 31, 2018							
	Demand Deposit	0 - 3 Months - Months 6 Years 1 - 3 Years 1 - 3 Years > 3 Years					Total
Government Bonds	-	132,087,016	-	-	737,375,845	2,266,142,400	3,135,605,261
Eurobonds	-	-	28,790,094	62,488,192	-	384,080,678	475,358,964
Shares	27,729,946	-	-	-	-	-	27,729,946
Commercial Bills	-	23,988,000	-	-	-	-	23,988,000
Private Sector Bonds (*)	-	49,019,617	22,871,101	32,611,152	180,207,383	70,409,799	355,119,052
Investment Fund	170,219,005	-	-	-	-	-	170,219,005
Total	197,948,951	205,094,633	51,661,195	95,099,344	917,583,228	2,720,632,877	4,188,020,228

(*) The Company allocated Provision for Impairment of Financial Assets for all private sector bonds followed up in market value of 2,000,000 TRY under Available for Sale Investments account as of December 31, 2019 (December 31, 2018: 2,092,967 TRY).

Distribution of Financial Assets denominated in foreign currencies is as follows:

Financial Assets (excluding Loans and Receivables)

December 31, 2019			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	158,989,525	5.9402	944,429,577
EUR	30,220,025	6.6506	200,981,298
Total			1,145,410,875

December 31, 2018			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	146,586,114	5.2609	771,174,887
EUR	30,543,609	6.0280	184,116,875
Total			955,291,762

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12. Loans and Receivables

12.1 Classification receivables as "receivables from main customers", "receivables from related parties", "receivables for advance payments" (short-term and long-term prepayments) and "other receivables":

	December 31, 2019	December 31, 2018
Receivables from Intermediaries	484,674,516	428,860,683
Bank Guaranteed Credit Card Receivables (>3 Months)	215,042,230	176,204,374
Recovery and Salvage Receivables	223,249,969	207,556,850
Due from Policyholders	29,261,564	10,636,894
Due from Insurers and Reinsurers (Note 10)	79,916,079	66,924,165
Other Receivables	4,504,891	4,504,891
Due from Insurance Operations	1,036,649,249	894,687,857
Doubtful Receivables from Main Operations	613,698,469	534,122,841
Cash Deposited with Insurance and Reinsurance Companies	78,077,009	72,243,056
Receivables from Operations	1,728,424,727	1,501,053,754
Provision for Net Recovery Receivables under Administrative and Legal Proceeding (*)	(610,632,015)	(530,359,214)
Provision for Recovery and Salvage Receivables (**)	(162,397,971)	(141,182,846)
Provision for Doubtful Receivables from Policyholders and Intermediaries (*)	(3,066,454)	(3,763,627)
Provision for Due from Insurance Operations (**)	(2,487,978)	(2,487,978)
Provision for Other Receivables (**)	(4,504,891)	(4,504,891)
Doubtful Receivable Amounts for Due and Undue Receivables	(783,089,309)	(682,298,556)
Receivables from Operations - Net	945,335,418	818,755,198

Detail of Recovery and Salvage Receivables is as follows:

	December 31, 2019	December 31, 2018
Recovery Receivables under Administrative and Legal Proceeding - Gross	654,295,479	565,498,148
Recovery and Salvage Receivables - Gross	230,457,488	215,142,628
Total Recovery and Salvage Receivables - Gross	884,752,967	780,640,776
Recovery and Salvage Receivables - Reinsurer's Share	(50,870,983)	(42,724,712)
Recovery and Salvage Receivables - Net	833,881,984	737,916,064
Provision for Net Recovery Receivables under Administrative and Legal Proceeding	(773,029,986)	(671,542,060)
Total	60,851,998	66,374,004

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12. Credit and Receivables (continued)

12.2. Debit-Credit Relation of the Company with Shareholders, Affiliates and Subsidiaries:

Balances and transactions with the related parties are disclosed in Note 45.

12.3 Total amount of mortgages and other guarantees obtained for receivables: Details of deposits, guarantees and collaterals received in foreign currencies are provided below: Deposits and Guarantees Received

December 31, 2019				
	US Dollar (TRY Equivalent)	EUR (TRY Equivalent)	TRY	Total
Mortgage Bonds			103,369,040	103,369,040
Guarantee Letters	89,103	-	68,700,766	68,789,869
Cash	4,938,492	1,550,627	1,180,485	7,669,604
Guarantee Checks	-	-	145,000	145,000
Government Bonds	-	-	55,700	55,700
Surety Bonds	-	-	22,500	22,500
Other Guarantees and Sureties	539,787	62,403	2,676,731	3,278,921
Total	5,567,382	1,613,030	176,150,222	183,330,634

December 31, 2018				
	USD (TRY Equivalent)	EUR (TRY Equivalent)	TRY	Total
Mortgage Bonds			101,460,290	101,460,290
Guarantee Letters	236,741	-	64,390,105	64,626,846
Cash	2,884,110	1,169,715	1,175,266	5,229,091
Government Bonds	-	-	86,145	86,145
Guarantee Checks	-	-	145,000	145,000
Surety Bonds	-	-	52,500	52,500
Other Guarantees and Sureties	464,907	56,561	3,024,578	3,546,046
Total	3,585,758	1,226,276	170,333,884	175,145,918

12.4 Receivables and payables denominated in foreign currencies without foreign exchange rate guarantees and assets in foreign currencies and conversion rates:

Loans and Receivables

December 31, 2019			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
GBP	15,701,254	7.7765	122,100,805
USD	3,217,517	5.9402	19,112,694
EUR	1,580,699	6.6506	10,512,598
SWC	11,470,755	0.64431	7,390,722
CNY	187,393	0.84545	158,431
CHF	25,559	6.0932	155,736
Total			159,430,986

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12. Credit and Receivables (continued)

12.4 Receivables and payables denominated in foreign currencies without foreign exchange rate guarantees and assets in foreign currencies and conversion rates (continued):

Currency	December 31, 2018		Amount in TRY
	Foreign Currency Amount	FX Rate	
USD	20,535,550	5.2609	108,035,475
EUR	13,488,141	6.0280	81,306,514
JPY	95,477	0.0475	4,535
NOK	2,066	0.6000	1,240
SWC	1,249	0.5844	730
DKK	75	0.8060	60
AUD	15	3.7026	56
Total			189,348,610

Aging of receivables from insurance operations is provided below:

	December 31, 2019	December 31, 2018
Overdue	88,084,935	68,095,704
< 3 Months	253,900,863	228,627,724
3-6 Months	310,995,089	260,682,946
6 Months-1 Year	76,585,420	60,998,915
> 1 Year	3,916,894	1,801,553
Total	733,483,201	620,206,842

Recovery and Salvage Receivables	223,249,969	207,556,850
Due from Insurers and Reinsurers	79,916,079	66,924,165

Due from Insurance Operations	1,036,649,249	894,687,857
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Aging of overdue but not impaired receivables from policyholders and agencies is as follows:

< 3 Months	67,346,541	60,414,392
3-6 Months	7,313,667	2,927,155
6 Months-1 Year	7,951,960	1,659,480
> 1 Year	5,472,767	3,094,677
Total	88,084,935	68,095,704

Table of movements in Provision for Due from Insurance Operations is as follows:

	2019	2018
Period Beginning - January 1	2,487,978	3,453,978
Change within Period - Net	-	(966,000)
Period End - December 31	2,487,978	2,487,978

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12. Credit and Receivables (continued)

12.5. Other Information regarding Loans and Receivables

Table of movements in Provision for Recovery and Salvage Receivables is as follows:

	2019	2018
Period Beginning - January 1	141,182,846	122,378,294
Change within Period - Net	21,215,125	18,804,552
Period End - December 31	162,397,971	141,182,846

Table of movements in Provision for Doubtful Recovery Receivables under Administrative and Legal Proceeding is as follows:

	2019	2018
Period Beginning - January 1	530,359,214	457,107,295
Change within Period - Net	80,272,801	73,251,919
Period End - December 31	610,632,015	530,359,214

Table of movements in Provision for Doubtful Receivables from Policyholders and Intermediaries is as follows:

	2019	2018
Period Beginning - January 1	3,763,627	3,833,212
Change within Period - Net	(697,173)	(69,585)
Period End - December 31	3,066,454	3,763,627

Total amount of Guarantees received for the above mentioned receivables is as follows:

	December 31, 2019	December 31, 2018
Mortgage Bonds	103,369,040	101,460,290
Guarantee Letters	68,789,869	64,626,846
Cash	7,669,604	5,229,091
Guarantee Checks	145,000	145,000
Government Bonds	55,700	86,145
Surety Bonds	22,500	52,500
Other Guarantees and Sureties	3,278,921	3,546,046
Total	183,330,634	175,145,918

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13. Derivative Financial Instruments

None (December 31, 2018: None).

14. Cash and Cash Equivalents

Cash and cash equivalents that are included the Statements of Cash Flows for the periods ended on December 31, 2019 and December 31, 2018 are explained in Note 2.12 and the details of bank deposits and other cash equivalents of the Company are as follows:

	December 31, 2019	December 31, 2018
Banks		
Bank Guarantees and Three Months Short	685,574,031	
Term Credit Card Receivables	562,751,420	738,201,075
Other Cash and Cash Equivalents	5,595,000	426,829,383
Total	1,253,920,451	1,165,030,458
Bank Deposits in Foreign Currencies		
- Demand Deposits	2,107,994	4,049,975
- Time Deposits	433,150,058	363,937,530
	435,258,052	367,987,505
Deposits in TRY		
- Demand Deposits	10,069,045	13,311,212
- Time Deposits	240,246,934	356,902,358
	250,315,979	370,213,570
Total	685,574,031	738,201,075

The Company has 4,529,000 TRY in time deposit account earmarked in favor of public institutions and net of interest accruals as of December 31, 2019 (December 31, 2018: 3,743,329 TRY). The Company has 8,050,886 TRY in demand deposit account earmarked in favor of public institutions as of December 31, 2019 (December 31, 2018: 4,697,088 TRY).

Weighted average interest rate of time deposit accounts:

	December 31, 2019	December 31,
	(%)	2018
		(%)
TRY	11.65	18.14
USD	1.65	2.29
EUR	0.02	1.36

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14. Cash and Cash Equivalents (continued)

Demand and Time Deposit Accounts in Foreign Currencies:

	December 31, 2019			
	Foreign Currency		TRY Equivalent	
	Time Deposit	Demand Deposit	Time Deposit	Demand Deposit
USD	62,225,171	159,962	369,629,961	950,207
EUR	9,551,033	161,680	63,520,097	1,075,267
GBP	-	10,227	-	79,531
CHF	-	491	-	2,989
Total		433,150,058	2,107,994	

	December 31, 2018			
	Foreign Currency		TRY Equivalent	
	Time Deposit	Demand Deposit	Time Deposit	Demand Deposit
USD	54,790,832	423,748	288,249,088	2,229,296
EUR	12,556,145	294,030	75,688,442	1,772,413
GBP	-	6,917	-	46,015
CHF	-	409	-	2,180
JPY	-	1,493	-	71
Total		363,937,530	4,049,975	

15. Shareholders' Equity

The Company has 122,573,918,691 shares fully paid-in (December 31, 2018:122,573,918,691). Each Company share has a nominal value of 1 Kr (Kuruş), total nominal value of Company shares is 1,225,739,187 TRY (December 31, 2018: 1,225,739,187 TRY).

Movements in shares between period beginning and period end are as follows:

	January 01, 2019		New Issue		Redemption		December 31, 2019	
	Units	Nominal TRY	Units	Nominal TRY	Units	Nominal TRY	Units	Nominal TRY
Paid	122,573,918,691	1,225,739,187	--	--	-	-	122,573,918,691	1,225,739,187
Total	122,573,918,691	1,225,739,187					122,573,918,691	1,225,739,187

	January 01, 2018		New Issue		Redemption		December 31, 2018	
	Units	Nominal TRY	Units	Nominal TRY	Units	Nominal TRY	Units	Nominal TRY
Paid	122,573,918,691	1,225,739,187	-	-	-	-	122,573,918,691	1,225,739,187
Total	122,573,918,691	1,225,739,187					122,573,918,691	1,225,739,187

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15. Shareholders' Equity (continued)

Legal Reserves:

Accumulated profit amounts in legal books can be distributed, excluding the provision regarding legal reserves stated below. According to Turkish Commercial Code ("TCC"), legal reserves are divided into Primary and Secondary Legal Reserves. Pursuant to TCC, primary reserves are allocated as 5% of legal net profit until the amount reaches up to 20% of the Company's paid-in/issued capital. Secondary reserves constitute 10% of distributed profit exceeding 5% of the Company's paid-in/issued capital.

. In accordance with TCC, legal reserves can be used only for offsetting the loss as long as the amount of legal reserves does not exceed 50% of paid-in/issued capital. Any other use is not legally permitted.

Movements of legal reserves within the period are shown below:

	2019	2018
Period Beginning - January 1	51,203,816	51,203,816
Period End - December 31	51,203,816	51,203,816

Valuation of Financial Assets:

unrealized profit and loss amounts arising from the changes in fair values of Available for Sale Investments are recognized under "Valuation of Financial Assets" in Shareholders' Equity.

Movements of valuation of financial assets within the period are shown below:

	2019	2018
Period Beginning - January 1 (net of tax effects)	(326,010,922)	(23,690,382)
Increase/decrease in fair value (Note 11)		
- Available for Sale Investments	519,201,867	(377,147,454)
- Investment Securities	(26,338,413)	(8,619,603)
Tax effect of increase/decrease in fair value (Note 21).	(112,775,798)	83,446,517
Net change within period	380,087,656	(302,320,540)
Period End - December 31	54,076,734	(326,010,922)

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16. Other Reserves and Capital Component of Discretionary Participation

Movements of other profit and capital reserves within the period are shown below:

	2019	2018
Period Beginning - January 1	3,792,417	(904,563)
Actuarial (loss)/gain, provision for employment termination benefits (Note 22)	(2,711,396)	3,468,819
Exchange rate and price differences in provision for share based performance amount (Note 23).	(2,267,637)	2,343,036
Effect of deferred taxes recognized in Shareholders' Equity (Note 21).	1,095,387	(1,278,607)
Gain from sales of property subject to tax exemption	-	163,732
Period End - December 31	(91,229)	3,792,417

17. Insurance Liabilities and Reinsurance Assets

17.1 Guarantee amounts required for Life and Non-Life segments and Guarantee amounts established for assets per Life and Non-Life segments:

	December 31, 2019	December 31, 2018
Guarantee amount required for Non-Life segments (*)	404,190,339	362,730,070
Guarantee amount required for Non-Life segments (Note 43) (**)	404,512,281	366,276,787

(*) Guarantee amount required as of December 31, 2019 is calculated, in accordance with the capital adequacy calculation for the same period, as 404,190,339 TRY (December 31, 2018: 362,730,070 TRY) .

(**) Guarantee amount provided as of December 31, 2019 is calculated as 404,512,281 TRY (December 31, 2018: 366,276,787 TRY) through revaluation of financial assets regarding the required guarantee amount in accordance with the capital adequacy calculation by using Turkish Central Bank prices applicable on December 31, 2019. (*) In accordance with Article 4 of Regulation on Financial Structure of Insurance, Reinsurance and Private Pension Companies”, published in Turkish Official Journal No.26606 on August 7, 2007 pursuant to the Insurance Law, the insurance companies and private pension companies operating in personal accident and life insurance branches should provide guarantee amounts equal to one third of the required capital amount in each capital adequacy calculation period.

17.2 Current number of life policies, number of life policies entering and exiting within the period and current number and mathematical reserve amount for life policyholders: None (January 1 - December 31, 2018: None).

17.3 Guarantee amount provided for Non-Life segment: Disclosed in Note 4.

17.4 Unit prices of pension investment funds founded by the Company: None (January 1 - December 31, 2018: None).

17.5 Number and amount of participation certificates within the portfolio and in circulation: None (January 1 - December 31, 2018: None).

17.6 Portfolio amounts per number of private pension and group pension participants entered, exited, canceled and existing during the period: None (January 1 - December 31, 2018: None).

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.7 Valuation methods used for calculation of profit share in profit share life insurances: None (January 1 - December 31, 2018: None).

17.8 Number and individual/group allocation of gross/net contribution amounts of private pension participants newly joined the portfolio within the period: None (January 1 - December 31, 2018: None).

17.9 Number and individual/group allocation of gross/net contribution amounts of the private pension participants transferred from another insurer: None (January 1 - December 31, 2018: None) None).

17.10 Number and individual/group allocation of gross/net contribution amounts of private pension participants transferred from the Company's life portfolio to private pension portfolio within the period: None (January 1 - December 31, 2018: None).

17.11 Number and individual/group allocation of gross/net contribution amounts of private pension participants exited Company's portfolio and transferred and/or not transferred to another insurer within the period: None (January 1 - December 31, 2018: None).

17.12 Number and individual/group allocation of gross/net premiums of life policyholders who joined the portfolio during the period: None (January 1 - December 31, 2018: None).

17.13 Number and individual/group allocation of gross/net premiums and mathematical reserve amounts of life policyholders who left the portfolio during the period: None (January 1 - December 31, 2018: None).

17.14 Profit distribution percentage to life policyholders within the period: None (January 1 - December 31, 2018: None).

17.15 17.19 Other required explanations regarding liabilities arising from insurance contracts:

Outstanding Claims Reserve:

December 31, 2019

	Gross	Reinsurer's Share	Net
Claims Made - Period			
Beginning January 1	2,819,333,805	(515,780,418)	2,303,553,387
Claims Paid (*)	(849,384,209)	189,496,072	(659,888,137)
Change	1,002,598,999	(117,870,184)	884,728,815
- Current Period Outstanding Claims	876,797,513	(126,810,004)	749,987,509
- Previous Periods' Outstanding Claims	125,801,486	8,939,820	134,741,306
Claims Made - Period End December 31	2,972,548,595	(444,154,530)	2,528,394,065
Incurred But Not Reported Claims			
Reserve	1,761,446,417	(71,644,538)	1,689,801,879
Discount on Net Cash Flows from Outstanding Claims Reserve	(673,394,292)	55,276,028	(618,118,264)
Total	4,060,600,720	(460,523,040)	3,600,077,680

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.15 - 17.19 Other required explanations regarding liabilities arising from insurance contracts
(Continued):

	December 31, 2018		
	Gross	Reinsurer's Share	Net
Claims Made - Period			
Beginning January 1	2,327,190,424	(299,253,833)	2,027,936,591
Claims Paid (*)	(671,110,740)	56,828,210	(614,282,530)
Change	1,163,254,121	(273,354,795)	889,899,326
- Current Period Outstanding Claims	1,025,274,408	(287,640,087)	737,634,321
- Previous Periods' Outstanding Claims	137,979,713	14,285,292	152,265,005
Claims Made - Period End December 31	2,819,333,805	(515,780,418)	2,303,553,387
Incurred But Not Reported Claims Reserve	1,546,913,466	162,537,204	1,709,450,670
Discount on Net Cash Flows from Outstanding Claims Reserve	(585,426,003)	28,455,347	(556,970,656)
Total	3,780,821,268	(324,787,867)	3,456,033,401

Unearned Premiums Reserve:

	2019		
	Gross	Reinsurer's Share (*)	Net
Period Beginning - January 1	1,772,534,519	(295,217,499)	1,477,317,020
Change in Unearned Premiums Reserve	369,033,877	(80,164,337)	288,869,540
Other		24,795	24,795
Period End - December 31	2,141,568,396	(375,357,041)	1,766,211,355

Unearned Premiums Reserve:

	2018		
	Gross	Reinsurer's Share (*)	Net
Period Beginning - January 1	1,487,045,187	(197,720,741)	1,289,324,446
Change in Unearned Premiums Reserve	285,489,332	(97,496,758)	187,992,574
Period End - December 31	1,772,534,519	(295,217,499)	1,477,317,020

(*) As already explained in Note 2.14, the amount of Reinsurer's Share in Unearned Premiums Reserve include 58,265,797 TRY Reinsurer's Share in Unearned Premiums Reserve calculated over Premiums Ceded to SSI as of December 31, 2019 (December 31, 2018: 43,044,264 TRY) (Note 2.14).

Deferred Commission Expenses and Income amounts as of December 31, 2019 are 315,606,518 TRY (December 31, 2018: 245,343,363 TRY) and 73,382,124 TRY (December 31, 2018: 60,094,632 TRY) respectively and these are included under Deferred Acquisition Expenses and Commission account items within the Balance Sheet.

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.15 - 17.19 Other required explanations regarding liabilities arising from insurance contracts (Continued):

Unexpired Risks Reserve:

	2019		
	Gross	Reinsurer's Share	Net
Period Beginning - January 1	15,924,260	(4,246,500)	11,677,760
Net Change	14,717,737	(2,781,534)	11,936,203
Period End - December 31	30,641,997	(7,028,034)	23,613,963

	2018		
	Gross	Reinsurer's Share	Net
Period Beginning - January 1	24,989,032	(4,481,204)	20,507,828
Net Change	(9,064,772)	234,704	(8,830,068)
Period End - December 31	15,924,260	(4,246,500)	11,677,760

	December 31, 2019			December 31, 2018		
	Gross Loss Ratio	Gross Reserve	Net Reserve	Gross Loss Ratio	Gross Reserve	Net Reserve
Land Vehicles Liability						
- High Risk Policies Pool	120%	22,395,638	17,020,685	-	-	-
General Liability	92%	5,354,630	4,011,838	-	-	-
Financial Losses (*)	-	-	-	217%	13,306,136	9,314,095
Watercraft (*)	153%	2,891,729	2,581,440	147%	2,569,866	2,315,407
Aircraft Liability (*)	-	-	-	632%	48,258	48,258
Total		30,641,997	23,613,963		15,924,260	11,677,760

(*) These reserve amounts are calculated according to the fiscal year principle, as explained in Note 2.24 above.

*Equalization Reserve (**):*

	2019		
	Gross	Reinsurer's Share	Net
Period Beginning - January 1	176,988,825	-	176,988,825
Increase within Period (***)	40,103,063	-	40,103,063
Period End - December 31	217,091,888	-	217,091,888

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.15 - 17.19 Other required explanations regarding liabilities arising from insurance contracts (Continued):

	2018		
	Gross	Reinsurer's Share	Net
Period Beginning - January 1	141,883,912	-	141,883,912
Increase within Period (*)	35,104,913	-	35,104,913
Period End - December 31	176,988,825	-	176,988,825

(*) 39,138 TRY out of 35,144,051 TRY under Change in Other Technical Reserves item in the Income Statement consists of the change in the provision amount for medical treatment expenses assumed by SSI but notified to the Company.

Net Outstanding Claims Reserve amounts for reported claims denominated in foreign currencies are provided below:

Currency	December 31, 2019		
	Foreign Currency Amount	FX Rate Amount in TRY	
USD	34,868,170	5.9402	207,123,904
EUR	12,692,527	6.6506	84,412,918
GBP	8,138	7.7765	63,288
Total			291,600,110

Currency	December 31, 2018		
	Foreign Currency Amount	FX Rate Amount in TRY	
USD	37,009,738	5.2609	194,704,531
EUR	11,744,402	6.0280	70,795,255
GBP	34,396	6.6528	228,830
Total			265,728,616

Recovery and Salvage Income:

Net Recovery and Salvage Income amounts collected within the periods ending on December 31, 2019 and 2018 regarding the compensation amounts paid by the Company are provided below per segment:

	January 1 - December 31, 2019			January 1 - December 31, 2018		
	Gross	Reinsurer's Share	Net	Gross	Reinsurer's Share	Net
Land Vehicles	344,563,498	(3,892)	344,559,606	367,359,243	(1,715)	367,357,528
Land Vehicles Liability	13,038,541	(399,451)	12,639,090	12,144,357	(38,067)	12,106,290
Fire and Natural Disasters	7,095,166	(162,693)	6,932,473	8,351,327	(45,343)	8,305,984
Freight/Transportation	3,671,836	(783,206)	2,888,630	4,421,543	(312,577)	4,108,966
General Damage	589,258	(19,822)	569,436	660,373	30,911	691,284
General Liability	355,789	(71,429)	284,360	96,926	336	97,262
Watercraft Accident	(2,175)	-	(2,175)	490,892	-	490,892
	(30)	27	(3)	(100)	90	(10)
Financial Losses	(11,918)	-	(11,918)	(285)	27	(258)
Legal Protection	-	-	-	450	-	450
Health	(9)	-	(9)	123,928	-	123,928
Total	369,299,956	(1,440,466)	367,859,490	393,648,654	(366,338)	393,282,316

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.15 - 17.19 Other required explanations regarding liabilities arising from insurance contracts
(Continued):

Recovery and Salvage Income (continued):

Net Recovery and Salvage Receivable amounts (free of provisions) accrued as of December 31, 2019 and 2018 regarding the compensation amounts paid by the Company are provided below per segment:

	December 31, 2019			December 31, 2018		
	Gross	Reinsurer's Share	Net	Gross	Reinsurer's Share	Net
Land Vehicles	33,361,488	(632)	33,360,856	35,952,817	(1,232)	35,951,585
Land Vehicles Liability	14,401,480	(761,450)	13,640,030	21,516,611	(408,217)	21,108,394
Fire and Natural Disasters	10,172,335	(7,916)	10,164,419	4,425,245	(8,591)	4,416,654
Freight/Transportation	3,291,075	(1,136,611)	2,154,464	4,852,217	(1,324,360)	3,527,857
General Damage	1,280,238	(96,871)	1,183,367	1,687,740	(709,842)	977,898
General Liability	325,165	(32,774)	292,391	350,031	-	350,031
Watercraft	56,471	-	56,471	41,585	-	41,585
Total						
(Note 12.1).	62,888,252	(2,036,254)	60,851,998	68,826,246	(2,452,242)	66,374,004

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.15 - 17.19 Other required explanations regarding liabilities arising from insurance contracts (Continued):

Claim development tables used in calculations made in accordance with Technical Provisions Regulation are explained below.

Gross Claim Development Table prepared according to incurred losses as of December 31, 2019:

Accident Year	January 01, 2013 -	January 01, 2014 -	January 01, 2015 -	January 01, 2016 -	January 01, 2017 -	January 01, 2018 -	January 01, 2019 -
Loss Incurred within Accident Period	1,349,987,619	1,480,465,461	1,809,779,012	1,652,751,048	1,402,836,321	1,715,148,327	1,626,574,392
1 Year Later	524,164,452	589,620,570	662,640,594	608,706,255	397,031,990	693,931,307	-
2 Years Later	373,683,726	438,178,774	498,846,752	396,669,117	272,841,734	-	-
3 Years Later	351,282,576	404,054,856	477,885,931	399,555,353	-	-	-
4 Years Later	336,027,954	386,611,668	471,902,085	-	-	-	-
5 Years Later	333,261,806	386,961,787	-	-	-	-	-
6 Years Later	340,240,015	-	-	-	-	-	-

Gross Claim Development Table prepared according to incurred losses as of December 31, 2018:

Accident Year	January 01, 2012 - December 31, 2012	January 01, 2013 - December 31, 2013	January 01, 2014 - December 31, 2014	January 01, 2015 - December 31, 2015	January 1, 2016 - December 31, 2016	January 01, 2017 - December 31, 2017	January 01, 2018 - December 31, 2018
Loss Incurred within Accident Period	1,475,548,121	1,349,987,619	1,480,465,461	1,809,779,012	1,652,749,128	1,365,072,368	1,715,135,940
1 Year Later	507,538,704	524,164,452	589,620,570	662,642,517	608,704,399	396,892,794	-
2 Years Later	352,529,260	373,683,726	438,178,774	498,846,752	396,669,117	-	-
3 Years Later	340,728,210	351,282,576	404,054,856	477,885,931	-	-	-
4 Years Later	321,409,828	336,027,954	386,611,668	-	-	-	-
5 Years Later	319,418,039	333,261,806	-	-	-	-	-
6 Years Later	293,714,766	-	-	-	-	-	-

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.15 - 17.19 Other required explanations regarding liabilities arising from insurance contracts (Continued):

The Company determined the IBNR method to be used for each segment, as set forth in the mentioned Regulation, in light of Company actuary's opinion and according to the characteristics of the respective segment and the structure of Company portfolio structure. IBNR calculation method used per segment and gross and net additional provision amounts to be additionally allocated or to be deducted from relevant provisions (in case calculation results in negative numbers) as of December 31, 2019 and 2018 are provided below:

December 31, 2019			
Segment	Method Used	Gross Additional	Net Addition
Motor Third Party Liability (*)	Other	1,636,494,099	1,517,034,439
Facultative Financial Liability (**)	Other	124,304,532	124,252,163
General Liability (**)	Other	35,221,658	82,985,270
Health (**)	Other	4,511,062	4,511,062
Accident (**)	Other	3,090,913	3,036,265
Watercraft (**)	Other	444,740	429,866
General Damage (**)	Other	(169,436)	462,762
Legal Protection (**)	Other	139,757	139,757
Fire and Natural Disasters (**)	Other	(332,775)	(1,072,821)
Freight/Transportation (**)	Other	(7,409,625)	(7,172,177)
Land Vehicles (**)	Other	(34,848,508)	(34,804,707)
Total		1,761,446,417	1,689,801,879

December 31, 2018			
Segment	Method Used	Gross Additional Provision	Net Additional Provision
Motor Third Party Liability (*)	Other	1,712,432,575	1,656,108,195
Facultative Financial Liability (**)	Other	138,568,794	138,565,891
General Liability (**)	Other	(50,769,098)	11,599,936
Health (**)	Other	5,213,755	5,213,755
Accident (**)	Other	697,161	580,950
Legal Protection (**)	Other	170,458	170,458
Watercraft (**)	Other	(4,690,530)	(1,759,022)
Freight/Transportation (**)	Other	(10,035,993)	(6,009,357)
General Damage (**)	Other	(36,825,180)	(7,581,690)
Land Vehicles (**)	Other	(12,989,798)	(12,956,596)
Fire and Natural Disasters (**)	Other	(194,858,678)	(74,481,850)
Total		1,546,913,466	1,709,450,670

(*) The Company made IBNR calculations by using methods other than the Actuarial Chain Ladder Methods (Standard Chain, Loss Ratio, Cape Cod, Frequency/Severance, Munich Chain Method and Bornhuetter-Ferguson) in Motor Third Party Liability segment in accordance with Article 4 of "Circular No.2014/16 on Outstanding Claims Reserve" issued by the Treasury on December 05, 2014. This method covers MTPL segment on the basis of loss reason (material damages, death, disability, impairment, driver faults, caretaker expenses) in addition to coverage based distinction (material/bodily-physical) and of legal status of relevant files. Both average cost and loss frequency developments of loss triangles are evaluated during such distinctions. As of December 31, 2019, the Company calculated an additional net IBNR amount of 9,248,808 TRY for indirect losses arising from Green Card segment, by considering the realization of such losses within the last 8 years and reflected this amount to Company financial statements. Business acceptance year is taken as basis to create data for calculation of this provision amount. Development of incurred losses against the allocated Outstanding Claims Reserve amounts is analyzed for each business acceptance year. Development factor obtained by weighing the ratios of Incurred Losses / Outstanding Claims per business acceptance year is multiplied with the Outstanding Claims Reserve amount for the current period to calculate the IBNR amount. Additionally, an IBNR amount of 284,431,888 TRY calculated for High Risk Policies Pool with Final Loss Ratio method in line with the Company Actuary's opinions is also presented in the financial statements.

(**) IBNR is calculated in connection with the average cost and loss frequency developments of loss triangles for the relevant segment per loss reason and also by taking the legal status thereof into account.

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.15 - 17.19 Other required explanations regarding liabilities arising from insurance contracts (Continued):

Pursuant to "Circular No.2017/7 on Amendment of Circular No.2016/22 on Discounting of Cash Flows from Outstanding Claims Reserves" issued by the Ministry on September 15, 2017, the Company calculated a discount amount of 618,118,264 TRY Net Outstanding Claims Reserve as of December 31, 2019 (December 31, 2018: 556,970,656 TRY).

The Company's Net Outstanding Claims Reserve amounts per segment before and after the discount on December 31, 2019 are provided below.

Segment	Net Outstanding Claims Reserve - before discount	Discount Amount	Net Outstanding Claims Reserve - after discount
Land Vehicles Liability General	3,205,776,744	506,254,039	2,699,522,705
Liability	592,545,880	111,864,225	480,681,655
Total	3,798,322,624	618,118,264	3,180,204,360

The Company's Net Cash Flows estimated for each main segment on December 31, 2019 are as follows.

Method Used	2020	2021	2022	2023	2024	2025	2026	Total
Land Vehicles Liability Industry								
Average	1,062,738,769	672,101,806	535,106,138	411,369,461	298,732,188	176,452,243	49,276,139	3,205,776,744
Land Vehicles Industry								
Average	136,551,479	116,781,702	109,213,510	97,670,154	75,523,434	45,291,932	11,513,669	592,545,880

Segment	Net Outstanding Claims Reserve - before discount	Discount Amount	Net Outstanding Claims Reserve - after discount
Land Vehicles Liability General	3,017,057,714	477,277,836	2,539,779,878
Liability	422,133,635	79,692,820	342,440,815
Total	3,439,191,349	556,970,656	2,882,220,693

The Company's Net Cash Flows estimated for each main segment on December 31, 2019 are as follows.

Method Used	2020	2021	2022	2023	2024	2025	2026	Total
Land Vehicles Liability Industry								
Average	999,821,247	632,764,484	503,851,473	281,091,721	165,952,132	46,299,518	49,276,139	3,017,057,714
Land Vehicles Industry								
Average	97,280,184	83,196,063	77,804,432	53,803,398	32,266,274	8,202,415	11,513,669	422,133,635

IBNR compensation amount calculations by the Company are performed in gross amounts and net figures are determined depending on the applicable or relevant reinsurance treaties of the Company. The Company considered the ratio of net realized losses to gross realized losses as of December 31, 2019, separately for both current period and previous periods, as the offsetting method.

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18. Investment Agreement Liabilities

None (December 31, 2018: None).

19. Trade and Other Payables, Deferred Income

	December 31, 2019	December 31, 2018
Due to Insurers and Reinsurers (Note 10)	242,287,886	152,265,489
Other Payables from Operations (Note 47.1)	14,463,442	12,354,125
Payables from Operations	256,751,328	164,619,614
Due to Contractual Facilities	58,219,470	51,764,896
Due to Suppliers	25,234,685	17,784,012
Other	244,984	109,505
Other Payables (Note 47.1)	83,699,139	69,658,413
Deferred Commissions Income (Notes 10 & 17)	73,382,124	60,094,632
Payables to SSI for Medical Expenses	36,103,858	23,272,555
Other Current Liabilities (Note 47.1)	3,338,352	953,497
Total Trade and Other Payables, Deferred Income	453,274,801	318,598,711
Payables to SSI for Medical Expenses:	2019	2018
SSI Premium Transfers from Previous Period, Net, January 1	23,272,555	17,166,017
Premium Amount Ceded to SSI within the Period	101,578,427	80,834,235
Premium Payments to SSI within the Period (-)	(88,747,124)	(74,727,697)
Total Current Liabilities, December 31	36,103,858	23,272,555

Liabilities denominated in foreign currencies are provided below:

Due to Reinsurance Firms:

Currency	December 31, 2019		
	Foreign Currency Amount	FX Rate	Amount in TRY
EUR	17,873,193	6.6506	118,867,459
USD	1,678,538	5.9402	9,970,853
GBP	15,457	7.7765	120,199
JPY	590,094	0.0543	32,037
NOK	1,346	0.6725	905
SEK	4	0.6343	3
DKK	1	0.8890	1
Total			128,991,457

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19. Trade and Other Payables, Deferred Income (continued)

Other Payables

Currency	December 31, 2019		
	Foreign Currency Amount	FX Rate	Amount in TRY
USD	831,418	5.9402	4,938,789
EUR	233,156	6.6506	1,550,628
Total			6,489,417

Currency	December 31, 2018		
	Foreign Currency Amount	FX Rate	Amount in TRY
USD	548,266	5.2609	2,884,373
EUR	194,047	6.0280	1,169,715
Total			4,054,088

20. Financial Liabilities

Total lease liability of the Company recognized with the transition to TFRS 16 Leases standard and the movements table thereof is provided below.

	December 31, 2019	January 01, 2019
Short term lease liabilities	3,166,309	2,090,594
Long term lease liabilities	6,140,852	9,297,687
Total lease liabilities	9,307,161	11,388,281
		2019
Total lease liability transition to TFRS 16 effect as of January 1		-
Lease payments		11,388,281
Interest expense		(4,222,726)
Total Lease Liability on December 31, 2019		2,141,606
		9,307,161

21. Deferred Income Tax

The Company calculates deferred income tax for the temporary differences in the balance sheet items arising from measurements in financial statements and measurements in accordance with Tax Procedural Law ("TPL").

Applicable corporate tax in Turkey as at December 31, 2019 is 22% (2018: 20%). Pursuant to Article 91 of "Act No.7061 on Amendment of Certain Tax Laws and Other Laws" promulgated in Turkish Official Journal No.30261 on December 5, 2017 and to Provisional Article 10 of Corporate Tax Law No.5520, corporate tax payable on entity income generated in 2018, 2019 and 2020 taxation periods shall be calculated over 22% and afterwards corporate tax calculation shall continue to be calculated over 20% for subsequent periods. Council of Ministers is authorized to decrease 22% tax rate down to 20%. In this regard, the tax rate to be used for calculation of deferred tax assets and liabilities is 22% as of December 31, 2019.

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21. Deferred Income Tax (continued)

Breakdown lists of accumulated temporary differences and deferred tax assets and liabilities prepared by using applicable tax rates as of December 31, 2019 and December 31, 2018 are provided below:

	Accumulated Temporary Differences	Deferred Tax Assets / (Liabilities)		
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Deferred Tax Assets				
Equalization Reserve	176,988,825	141,883,912	38,937,542	31,214,461
Provision for Agency Incentives and Sliding Scale Commissions	46,881,523	30,902,556	10,313,935	6,798,562
Provision for Employee Bonuses	25,698,061	20,807,398	5,653,574	4,577,628
Eurobond Valuation Difference	24,638,402	50,705,542	5,420,448	11,155,219
Unexpired Risks Reserve	23,613,963	11,677,760	5,195,072	2,569,107
Provision for Employment Termination Benefits	20,651,501	15,249,864	4,543,330	3,354,970
Provision for Performance Wages	15,582,269	10,277,390	3,428,099	2,261,026
Provision for Unused Leaves	9,007,311	7,456,171	1,981,608	1,640,358
Provision for Legal Cases	8,091,009	8,983,147	1,780,022	1,976,292
Provision for Employee Seniority Incentives and Loyalty	8,016,011	5,674,131	1,763,522	1,248,309
Provision for Due from Insurance Operations	2,487,978	2,487,978	547,355	547,355
Provision for Employment Termination Notice Pay	848,325	730,021	186,632	160,605
Financial Losses (*)	-	21,496,823	-	4,729,301
Total Deferred Tax Assets			79,751,139	72,233,193
Deferred Tax Liabilities				
Gain from Property Value Increases	(35,858,839)	(33,211,263)	(3,944,472)	(3,653,239)
Other	(45,104,531)	(46,678,253)	(9,922,997)	(10,269,216)
Total Deferred Tax Liabilities			(13,867,469)	(13,922,455)
Net Deferred Tax Assets (Note 35)			65,883,670	58,310,738

(*) Deferred Tax Assets are recorded in the financial statements drawn up as of December 31, 2018 over financial losses carried in accordance with the assumptions for availability of taxable profit for future periods made in line with the business plans and projections prepared by Company management.

Movements of Deferred Tax Assets within the year are as follows:

	2019	2018
Period Beginning - January 1	58,310,738	84,236,155
Deferred Tax Income/(Expense)	119,253,343	(108,093,327)
Other Deferred Tax Income/(Expense) Recognized in Shareholders' Equity (Note 16)	1,095,387	(1,278,607)
Deferred Tax Expense Recognized in Shareholders' Equity Due to Value Differences in Investment Securities (Note 15)	1,448,613	474,078
Deferred Tax (Expense) / Income Recognized in Shareholders' Equity Due to Value Increases/(Decreases) in Available for Sale Investments (Note 15)	(114,224,411)	82,972,439
Period End - December 31	65,883,670	58,310,738

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22. Pension Social Aid Liabilities

	December 31, 2019	December 31, 2018
Provision for Employment Termination Benefits	20,651,501	15,249,864
Total	20,651,501	15,249,864

Pursuant to Turkish Labor Law, The Company is liable to pay severance pay for employees who has completed at least one year of employment at the Company and whose employment is terminated or who is retired or who completes required service period (25 years for men and 20 for women) and become entitled for retirement (at the age of 60 for men and 58 for women), who are summoned for military service or who is deceased. Certain provisions are introduced for the transition period regarding the employment service time after the amendment of relevant legislation on May 23, 2002.

Severance pay equals to one month's salary per each employment year and this amount is limited to 6,379.86 TRY, effective as of December 31, 2019. (December 31, 2018: 5,434.42 TRY).

Severance pay ceiling is revised semi-annually and the ceiling amount applicable on January 1, 2020 is taken into account for calculation of the Company's Provision for Employment Termination Benefits amount as of December 31, 2019 (December 31, 2018: 6,017.60 TRY effective as of January 1, 2019).

Severance pay liability is not legally subject to any kind of funding and there are no funding requirements.

Provision for Employment Termination Benefits (i.e. severance pay) is calculated through estimating the present value of the potential liability amount which has to be paid in case of retirement of employees.

TAS 19 stipulates development of actuary valuation methods to estimate the provision amount to be allocated for employment termination. According to this, following actuarial predictions are used to calculate the total liability amount:

	December 31, 2019	December 31, 2018
Discount Rate (%)	2.90	4.30
Turnover Rate for Estimation of Retirement Possibility (%)	92	92

Fundamental assumption is that the ceiling provision amount determined for each year of employment shall be increased in proportion with the inflation rate. Thus, the discount rate applied shows the real rate free of expected inflation effects.

Movements of Provision for Employment Termination Benefits account within the period are shown below:

	2019	2018
Period Beginning - January 1	15,249,864	8,271,716
Service and Interest Cost	5,462,096	12,670,036
Paid within Period (-) (Note 33)	(2,771,855)	(2,223,069)
Actuarial Gain/(Loss)	2,711,396	(3,468,819)
Period End - December 31	20,651,501	15,249,864

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23. Provision for Other Liabilities and Expenses

Commitments not included in Liabilities are explained in Note 43 and Deposits and Guarantees Received is explained in Note 12.3.

Details of provisions classified under Provision for Expense Accruals account in Balance Sheet are provided below:

	December 31, 2019	December 31, 2018
Provision for Employee Bonuses	25,698,061	20,807,398
Provision for Performance Wages	15,582,269	10,277,390
Provision for Unused Leaves	9,007,311	7,456,171
Provision for Legal Cases	8,091,009	8,983,147
Provision for Employee Seniority Incentive	8,016,011	5,674,131
Provision for Consultancy	6,031,389	6,732,898
Provision for BITT (Banking and Insurance)	1,059,084	2,448,413
Provision for Employment Termination Notice Pay	848,325	730,021
Other	3,591,743	-
Total	77,925,202	63,109,569

Provision for Performance Wages
(Share Based Payments)

As explained in Note 2.25, the Company grants certain financial rights to employees, with the condition to be used at the end of a certain period, through delivery of parent company Axa SA's shares on employee performance basis in accordance with predetermined Company criteria. Movements of shares and cash amounts subject to the calculation of Provision for Performance Wages included in Company financial statements regarding the costs charged by AxaSA to Company in this regard are provided in the table below.

	Average Price per Share (TRY)	Number of Shares	Total
Period Beginning - January 1	113.02	90,938	10,277,390
Entrance	167.50	44,651	7,479,132
Paid (*)	152.51	(42,562)	(6,491,086)
Exchange Differences from Paid Shares	-	-	2,049,196
Exchange/Price Difference within Period	-	-	2,267,637
Period End - December 31	167.50	93,027	15,582,269

(*) The Company recognized the vested rights paid as AxaSA shares to employees within the period under Operational Expenses account.

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23. Provision for Other Liabilities and Expenses (continued)

December 31, 2018

	Average Price per Share (TRY)	Number of Shares	Total
Period Beginning - January 1	113.68	83,956	9,544,334
Entrance	113.02	37,747	4,265,991
Paid (*)	103.23	(30,765)	(3,175,844)
Exchange Differences from Paid Shares	-	-	1,985,945
Exchange/Price Difference within Period	-	-	(2,343,036)
Period End - December 31	113.02	90,938	10,277,390

(*) The Company recognized the vested rights paid as AxaSA shares to employees within the period under Operational Expenses account.

24. Net Insurance Premium Income

Distribution or written premiums is provided below:

	January 1 - December 31, 2019			
	Gross	Reinsurer's Share	Ceded to SSI	Net
Land Vehicles Liability	1,337,603,011	(254,239,132)	(101,574,317)	981,789,562
Land Vehicles	964,078,789	(8,811,588)	-	955,267,201
Fire and Natural Disasters	825,459,903	(316,092,885)	-	509,367,018
Health	386,168,238	(4,115,859)	-	382,052,379
General Damage	238,861,669	(100,377,986)	-	138,483,683
General Liability	155,687,332	(52,234,484)	-	103,452,848
Freight/Transportation	63,505,048	(12,645,900)	-	50,859,148
Accident	78,858,637	(46,369,930)	(4,110)	32,484,597
Financial Losses	30,061,021	(15,427,154)	-	14,633,867
Legal Protection	12,364,924	-	-	12,364,924
Watercraft	10,775,897	(1,886,680)	-	8,889,217
Aircraft Liability	19,116	-	-	19,116
Aircraft	614,102	(614,102)	-	-
Total Premium Income	4,104,057,687	(812,815,700)	(101,578,427)	3,189,663,560

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24. Net Insurance Premium Income (continued)

	January 1 - December 31, 2018			
	Gross	Reinsurer's Share	Ceded to SSI	Net
Land Vehicles Liability	1,122,018,112	(187,114,897)	(80,834,235)	854,068,980
Land Vehicles	829,291,213	(6,685,015)	-	822,606,198
Fire and Natural Disasters	685,948,589	(271,000,531)	-	414,948,058
Health	254,935,946	(6,234,040)	-	248,701,906
General Damage	201,500,160	(79,259,138)	-	122,241,022
General Liability	103,123,745	(26,421,771)	-	76,701,974
Freight/Transportation	66,535,143	(21,053,018)	-	45,482,125
Accident	65,443,035	(35,039,033)	-	30,404,002
Financial Losses	23,021,412	(11,482,875)	-	11,538,537
Legal Protection	12,295,295	200	-	12,295,495
Watercraft	9,857,745	(1,737,049)	-	8,120,696
Aircraft Liability	24,108	-	-	24,108
Aircraft	675,327	(675,327)	-	-
Total Premium Income	3,374,669,830	(646,702,494)	(80,834,235)	2,647,133,101

25. Subscription (Fee) Income

None (January 1 - December 31, 2018: None).

26. Investment Income

	January 1 - December 31, 2019	January 1 - December 31, 2018
Cash and Cash Equivalents		
Interest and Exchange Rate Difference Income		
Available for Sale Investments	52,999,356	90,408,788
Interest, Exchange Rate Difference and Sales		
Income	865,246,667	1,187,830,365
Share Dividend Income	1,503,617	2,337,203
Income from Other Investments	5,426,890	2,723,394
Investment Income	925,176,530	1,283,299,750
Available for Sale Investments		
Exchange Rate Difference and Sales Expenses	(204,001,990)	(337,922,224)
Investment Expenses	(204,001,990)	(337,922,224)
Total	721,174,540	945,377,526

27. Net Realized Gains on Financial Assets

Information about realized gain/loss on Available for Sale Investments is disclosed in Notes 11 and 15.

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28. Assets with Fair Value Differences Reflected to Income Statement

The Company values investment properties at fair value and recognizes fair value differences in Income Statement. Fair value difference included in the Income Statement in current period is 2,647,576 TRY (January 1 - December 31, 2018: 67,850 TRY).

29. Insurance Rights and Claims

Disclosed in Note 17.

30. Investment Agreement Rights

None (December 31, 2018: None).

31. Other Necessary Expenses

	January 1 - December 31, 2019	January 1 - December 31, 2018
Operational Expenses Classified in Technical Section	795,023,765	653,200,358
(Note 32)	795,023,765	653,200,358

32. Expense Types

	January 1 - December 31, 2019	January 1 - December 31, 2018
Production Commission Expenses	665,224,403	540,752,298
Employee Expenses (Note 33)	141,984,547	120,801,270
Litigation, Consultancy and Audit Expenses	29,767,932	15,763,323
Information Technologies Expenses	26,958,213	18,530,659
Advertising and Marketing Expenses	26,402,308	21,811,363
Taxes, Duties and Fees	7,997,985	7,236,209
Electricity and Cleaning Expenses	3,715,438	2,829,111
Contribution Fees	1,797,355	1,465,601
Rent Expenses	1,427,619	3,471,819
Communication Expenses	925,473	953,706
Earned Reinsurance Commissions Income (Note 10)	(124,229,832)	(92,492,232)
Other	13,052,324	12,077,231
Total (Note 31)	795,023,765	653,200,358

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33. Employee Benefit Expenses

	January 1 - December 31, 2019	January 1 - December 31, 2018
Salary Payments (*)	93,915,382	77,605,125
Insurance Premium Payments	21,663,151	19,142,602
Meal and Transportation Expenses	8,682,022	7,206,352
Premium Payments	8,351,348	5,352,770
Severance Pay (Note 22)	2,771,855	2,223,069
Rent and Child Allowances	728,393	954,288
Leave Compensation	656,701	753,271
Employment Termination Notice Pay	133,674	331,107
Other	5,082,021	7,232,686
Total (Note 32)	141,984,547	120,801,270

(*) Vested rights paid to employees within the period in the form of shares are also included in Salary Payments item.

Total amount of remunerations and other benefits provided to senior management such as chairman, members of BoD, general manager, general coordinator, assistant general managers etc. is disclosed in Note 1.6.

Details regarding share based payments are provided in Note 23.

34. Financial Costs

34.1 Total Financial Expenses for Current Period: 2,531,646 TRY (January 1 - December 31, 2018: 314,807 TRY).

34.1.1 Charged to Production Costs: None (January 1 - December 31, 2018: None).

34.1.2 Charged to Fixed Asset Costs: None (January 1 - December 31, 2018: None).

34.1.3 Charged Directly to Period Expenses: 2,531,646 TRY (January 1 - December 31, 2018: 314,807 TRY).

34.2 Portion related with shareholders, affiliates and subsidiaries in total financial expenses (expenses with shares in total amount exceeding 20% shall be disclosed separately): None (January 1 - December 31, 2018: None).

34.3 Sales to and purchases from shareholders, affiliates and subsidiaries (those with shares in total amount exceeding 20% shall be disclosed separately): Balances and transactions with the related parties are disclosed in Note 45.

34.4 Interest amounts, rent amounts etc. received from or paid to shareholders, affiliates and subsidiaries (those with shares in total amount exceeding 20% shall be disclosed separately): Balances and transactions with the related parties are disclosed in Note 45.

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34. Income Taxes

Tax assets and liabilities and tax income and expenses included in financial statements drawn up as of December 31, 2019 and 2018 are summarized below:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Current Period Corporate Tax Expense (-)	(209,842,169)	-
Deferred Tax Income/(Expense) (Note 21)	119,253,343	(108,093,327)
Total Tax Expense (-)	(90,588,826)	(108,093,327)
	December 31, 2019	December 31, 2018
Provision for Corporate Tax (-)	(209,842,169)	-
Provisional Taxes Paid	127,991,277	-
Prepaid Taxes and Funds	2,565,185	14,307,537
(Provision for Corporate Tax)/Prepaid Taxes, Net	(79,285,707)	14,307,537
	79,751,139	72,233,193
Deferred Tax Assets / (Liabilities) (-)	(13,867,469)	(13,922,455)
Deferred Tax Assets, Net (Note 21)	65,883,670	58,310,738

Realized Tax Income / Expense reconciliation is as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Profit Before Tax	406,966,316	479,373,773
Tax Rate	22%	22%
Calculated Tax Expense	(89,532,590)	(105,462,230)
Effect of Non-Deductible and Tax Free Expenses (-)	(1,056,236)	(7,360,398)
Current Period Loss	-	4,729,301
Corporate Tax and Deferred Tax Income (Expense)(-) for the Period	(90,588,826)	(108,093,327)

36. Net Income from Exchange Rate Changes

	January 1 - December 31, 2019	January 1 - December 31, 2018
Foreign Exchange Gains	291,999,524	460,331,135
Foreign Exchange Losses	(147,315,494)	(284,922,404)
Total	144,684,030	175,408,731

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37. Earnings per Share

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

	January 1 - December 31, 2019	January 1 - December 31, 2018
Net Profit for the Period	316,377,490	371,280,446
Weighted Average Number of Shares with 0.01 TL Nominal Value per Share	122,573,918,691	122,573,918,691
Profit/(Loss) per 100 Shares	0.258	0.303

38. Profit per Share

Profit distribution is not realized within the current period (January 1 - December 31, 2018: None).

39. Cash Generated from Operations

Disclosed in Statement of Cash Flows.

40. Convertible Bonds

None (December 31, 2018: None).

41. Redeemable Preference Shares

None (December 31, 2018: None).

42. Risks

	December 31, 2019	December 31, 2018
Outstanding Claims Litigations against the Company - Gross (*)	2,229,232,047	1,966,164,233
Other Litigations against the Company	6,255,964	7,339,024
Other Business Cases Filed against the Company	1,835,045	1,644,123

(*) This amount is classified in Outstanding Claims, movement table of which is disclosed in Note 17. Net amount of these provisions is 1,941,771,748 TRY (December 31 2018: 1,730,491,448 TRY).

43. Commitments

	December 31, 2019			Total
	USD (TRY Equivalent)	EUR (TRY Equivalent)	TRY	
Domestic Bank Letters of Guarantee Given	2,123,622		449,851,926	451,975,548
Total	2,123,622	-	449,851,926	451,975,548

	December 31, 2018			Total
	USD (TRY Equivalent)	EUR (TRY Equivalent)	TRY	
Domestic Bank Letters of Guarantee Given	1,880,772	211,776	432,773,855	434,866,403
Total	1,880,772	211,776	432,773,855	434,866,403

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43. Commitments (continued)

Total Amount of Mortgages or Restrictions on Assets:

	December 31, 2019	December 31, 2018
Financial Assets (*)	404,512,281	366,276,787
Total (Note 17.1)	404,512,281	366,276,787
Time-Deposit Accounts (**)	4,530,387	3,743,329
Demand Deposit Accounts	8,050,886	4,697,088
Total	417,093,554	374,717,204

(*) These assets are earmarked over principal amounts valued at Central Bank prices applicable on December 31, 2019 and their exchange market value including coupon is 415,992,763 TRY (December 31, 2018: 358,346,575 TRY) (Note 11.1).

(**) Time deposit accounts has interest accruals of 1,387 TRY on December 31, 2019.

44. Business Combinations

None (December 31, 2018: None).

45. Related Party Transactions

Axa Group companies and shareholders, affiliates and senior management of the Company are considered as related parties in Company financial statements.

a) Due from Insurance Operations:

	December 31, 2019	December 31, 2018
Axa Pool	39,202,084	21,170,863
Milli Reasürans T.A.Ş.	7,607,361	13,281,849
Groupama Sigorta A.Ş.	2,398,877	3,334,776
Other Axa Group Companies	423,744	2,140,954
Total	49,632,066	39,928,442

b) Due to Insurers and Reinsurers

	December 31, 2019	December 31, 2018
AXA Global P&C	75,801,651	43,536,539
AXA France Corporate Solutions	36,727,485	34,356,262
Axa Germany Corporate Solutions	12,965,730	3,078,708
Axa Partners Turkey	391,145	304,710
Groupama Sigorta A.Ş.	6,412	5,679
Milli Reasürans T.A.Ş.	536	480
Other Axa Group Companies	33,550,419	4,167,893
Total	159,443,378	85,450,271

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION for the DETAILED INCOME
STATEMENTS for JANUARY 1 - DECEMBER 31, 2019 and 2018
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(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

45. Related Party Transactions (continued)

c)Other Liabilities:

	December 31, 2019	December 31, 2018
Due to Shareholders	2,568	2,568
Total	2,568	2,568

d)Cash Deposited with Insurance and Reinsurance Companies:

Axa Pool	78,077,009	72,243,056
Total	78,077,009	72,243,056

e)Other Receivables from related Parties

Axa Hayat ve Emeklilik A.Ş.	257,238	238,478
Total	257,238	238,478

f) Ceded Premiums

	January 1 - December 31, 2019	January 1 - December 31, 2018
AXA Global P&C	176,414,609	160,208,984
Axa France Corporate Solutions	29,311,874	25,723,390
Axa Germany Corporate Solutions	15,308,178	11,166,724
Axa Partners Turkey	4,312,793	4,214,505
Groupama Sigorta A.Ş.	2,388,114	1,214,692
Other Axa Group Companies	33,283,717	16,149,284
Total	261,019,285	218,677,579

g) Commissions Received

AXA Global P&C	6,788,313	9,032,814
Axa France Corporate Solutions	3,369,071	4,123,125
Axa Germany Corporate Solutions	2,759,609	1,949,809
Groupama Sigorta A.Ş.	465,028	315,890
Axa Partners Turkey	48,699	34,063
Other Axa Group Companies	7,242,992	1,974,542
Total	20,673,712	17,430,243

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION for the DETAILED INCOME
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45. Related Party Transactions (continued)

g) Reinsurer's Share in Paid Claims

	January 1 - December 31, 2019	January 1 - December 31, 2018
Axa France Corporate Solutions	47,295,932	11,480,760
AXA Global P&C	9,201,372	29,272,645
Milli Reasürans T.A.Ş.	4,826,126	22,270,313
Axa Germany Corporate Solutions	2,131,419	2,776,715
Groupama Sigorta A.Ş.	371,540	2,616,732
Other Axa Group Companies	2,164,937	5,028,861
Total	65,991,326	73,446,026

i) Rent Income

Axa Hayat ve Emeklilik A.Ş.	953,245	1,118,929
Axa Holding A.Ş.	12,000	12,000
Total	965,245	1,130,929

i) Dividends Paid

No dividend amount is paid within January 1 - December 31, 2019 and 2018 periods.

j) IT and Consultancy Expenses

	January 1 - December 31, 2019	January 1 - December 31, 2018
Axa Regional Services S.A.U	14,510,889	7,596,586
Axa GIE	4,393,408	2,591,139
Axa Group Solutions SAS	2,432,152	-
Axa Services SAS	1,662,704	1,971,519
Axa Business Services Pvt. Ltd.	486,969	1,122,997
Axa Shared Services Spain S.A.	-	207,683
Axa Group Solutions SAS	1,110	53,133
Axa SA	351,094	51,474
Other	338,579	78,240
Total	24,176,905	13,672,771

45.1 Receivables from Shareholders, Affiliates and Subsidiaries and Provisions for Doubtful Receivables Allocated for Such Receivables: None (December 31, 2018: None).

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION for the DETAILED INCOME
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(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

45. Related Party Transactions (continued)

45.2 Breakdown of affiliates and subsidiaries having an indirect shareholding and management relationship with the Company, names, shares and share amounts of shareholders/partnerships included in affiliates and subsidiaries, period profit/loss of such shareholders/partnerships in latest financial statements and the periods of such financial statements, whether such financial standards are prepared in compliance with the Board's standards and whether audited by an independent auditor and type of independent audit report prepared (positive opinion, negative opinion or contingent):

Investment Securities

December 31, 2019								
Investment Securities	Participation Share (%)	Book Value	Independ ent Audit Opinion	Financial Statement Period	Total Assets	Total Liabilities	Gross Sales	Net Profit/(Loss)
Milli Reasürans T.A.Ş. (**)	0.09	574,279	-	30.09.2019	12,071,373,945	9,405,475,389	5,245,325,639	242,452,436
Tarsim (**)	4.17	569,340	-	31.12.2019	28,243,974	12,431,336	39,470,846	1,406,873
		1,143,619						

December 31, 2018								
Investment Securities	Participation Share (%)	Book Value	Independ ent Audit Opinion	Financial Statement Period	Total Assets	Total Liabilities	Gross Sales	Net Profit/(Loss)
Aselsan A.Ş. (*)	0.12	27,787,432	-	30.09.2018	17,811,022,000	8,428,861,000	1,273,221,000	1,735,503,000
Milli Reasürans T.A.Ş. (**)	0.09	574,279	-	30.09.2018	10,577,387,633	8,454,557,839	4,616,628,600	182,156,617
Tarsim (**)	4.17	430,032	-	31.12.2018	24,933,182	10,591,774	34,758,653	3,485,207
		28,791,743						

(*) The Company's shares in Aselsan A.Ş. are recorded in market values as at Balance Sheet date.

(**) These financial assets are recorded in indexed cost values since they are not traded in structured markets and their fair values cannot be reliably measured.

45.3 Amount of bonus shares received from affiliates and subsidiaries due to capital increases generated from internal resources: None (December 31, 2018: None).

45.4 Real Rights on Immovables and Their Values: None (December 31, 2018: None).

45.5 Amount of obligations such as guarantees, commitments, advances, endorsements etc. granted in favor of shareholders, affiliates and subsidiaries: None (December 31, 2018: None).

46. Events after Balance Sheet Date

Severance pay upper limit is increased to 6,730.15 TRY after January 01, 2020.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION for the DETAILED INCOME
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47. Other

47.1 Details of “Other” items in Balance Sheet which exceed 20 % of its respective account group or 5% of total assets:

a) Other Receivables:

	December 31, 2019	December 31, 2018
Receivables from High Risk Policyholders Pool	17,010,259	9,033,562
Agency Receivables due to Special Insurances (compulsory Earthquake Insurance)	2,941,056	2,251,054
Other	4,313,064	3,465,227
Total	24,264,379	14,749,843

b) Other Deferred Expenses:

Deferred Assistance Expenses	36,160,452	28,754,872
Repair and Maintenance Expenses	5,984,064	2,230,178
Rent Expenses	683,102	713,565
Life Insurance Expenses	232,797	368,688
Subscription (Fee) Expenses	126,956	5,220
Other	380,291	609,485
Total	43,567,662	32,682,008

c) Other Current Liabilities:

Agencies Suspense Account	1,495,859	730,430
Misc. Provisional Accounts	1,842,493	223,067
Total	3,338,352	953,497

d) Other Payables

Due to Contractual Facilities	58,219,470	51,764,896
Due to Suppliers	25,234,685	17,784,012
Other	244,984	109,505
Total	83,699,139	69,658,413

e) Taxes Payable and Other Fiscal Liabilities

Company's Share in Guarantee Account	10,276,057	8,461,620
Total	10,276,057	8,461,620

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION for the DETAILED INCOME
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(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

47. Other (continued)

47.1 Details of “Other” items in Balance Sheet which exceed 20 % of its respective account group or 5 % of total assets:

f) Other Technical Reserves (Short Term):

	December 31, 2019	December 31, 2018
Provision for Agency Incentives and Sliding Scale		
Commissions	46,881,522	30,902,556
Renewal Premium Reserve	3,931,121	12,032,088
Provision for Treatment Expenses	-	200,131
Total	50,812,643	43,134,775

g) Payables from Other Operations

Payables to DASK	14,463,442	12,354,125
Total	14,463,442	12,354,125

h) Other Technical Reserves (Long Term):

Equalization Reserve - Net	217,091,888	176,988,825
Total	217,091,888	176,988,825

i) Other Technical Expenses:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Assistance Expenses	63,025,389	51,957,381
Guarantee Fund Expense	10,276,057	8,461,620
Other	15,023,329	9,947,533
Total	88,324,775	70,366,534

j) Other Income:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Promotion Income	797,143	797,143
Proxy Fee Income	406,252	863,723
Income from Doubtful Receivables	140,000	87,186
Agency Income	125,571	277,708
Other	1,162,905	260,204
Total	2,631,871	2,285,964

k) Other Expenses and Losses:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Non-Deductible Expenses	305,633	162,352
Other	-	393,936
Total	305,633	556,288

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION for the DETAILED INCOME
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47. Other (continued)

47.2 Total amounts (separately) of Due from Personnel and Due to Personnel items included in "Other Current or Non-Current Liabilities" and "Other Receivables accounts exceeding 1% of total assets amount in Balance Sheet: None (December 31, 2018: None).

47.3 Amounts related to recovery receivables followed up in off-balance sheet items: 26,576,202 TRY (December 31, 2018: 34,458,497 TRY).

47.4 Explanatory note related to amounts and sources of income & expenses and expenses & losses for previous period: None (January 1 - December 31, 2018: None).

47.5 Information classified as "required to be presented" by Treasury

Provision Income / (Expenses) for the Period:

	January 1 - December 31,	January 1 - December 31, 2018
Provision for Doubtful Receivables		
from Main Operations	(80,272,801)	(73,251,919)
Provision for Employee bonuses, Performance Wages, Seniority Incentives and Loyalty	(27,074,498)	(13,305,106)
Other	(5,206,954)	(13,401,273)
Total	(112,554,253)	(99,958,298)

AXA SİGORTA A.Ş.
APPENDIX 1 - STATEMENT of PROFIT DISTRIBUTION

	Audited Current Period January 1 - December 31, 2019 (*)	Audited Previous Period January 1 - December 31, 2018
I. DISTRIBUTION OF PROFIT FOR THE PERIOD		
1.1. NET PROFIT/(LOSS) FOR THE PERIOD	316,377,490	371,280,446
1.2. TAXES AND FISCAL LIABILITIES	-	-
1.2.1. Corporate Tax (Income Tax)	-	-
1.2.2. Income Tax Deduction	-	-
1.2.3. Other Taxes and Fiscal Liabilities	-	-
A NET PROFIT FOR THE PERIOD (1.1 - 1.2)	316,377,490	371,280,446
1.3. PREVIOUS YEARS' LOSSES (-)	-	-
1.4. PRIMARY LEGAL RESERVES	-	-
1.5. LEGAL RESERVES RETAINED BY COMPANY (-)	-	-
B		
PROFIT FOR THE PERIOD [(A - (1.3 + 1.4 + 1.5)]		
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1. To Common Shareholders	-	-
1.6.2. To Preferred Shareholders	-	-
1.6.3 To Owners of Participating Redeemed Shares	-	-
1.6.4 To Owners of Profit-Sharing Securities	-	-
1.6.5 To Owners of Profit and Loss Sharing Securities	-	-
1.7. DIVIDENDS TO PERSONNEL (-)	-	-
1.8. DIVIDENDS TO FOUNDERS (-)	-	-
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.10. SECOND DIVIDENDS TO SHAREHOLDERS (-)	-	-
1.10.1. To Common Shareholders	-	-
1.10.2. To Preferred Shareholders	-	-
1.10.3. To Owners of Participating Redeemed Shares	-	-
1.10.4. To Owners of Profit-Sharing Securities	-	-
1.10.5. To Owners of Profit and Loss Sharing Securities	-	-
1.11. SECONDARY LEGAL RESERVES (-)	-	-
1.12. STATUTORY RESERVES (-)	-	-
1.13. EXTRAORDINARY RESERVES	-	-
1.14. OTHER RESERVES	-	-
1.15. SPECIAL FUNDS	-	-
II. DISTRIBUTION FROM RESERVES	-	-
2.1. DISTRIBUTED RESERVES	-	-
2.2. SECONDARY LEGAL RESERVES (-)	-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1. To Common Shareholders	-	-
2.3.2. To Preferred Shareholders	-	-
2.3.3 To Owners of Participating Redeemed Shares	-	-
2.3.4 To Owners of Profit-Sharing Securities	-	-
2.3.5 To Owners of Profit and Loss Sharing Securities	-	-
2.4. DIVIDENDS TO PERSONNEL (-)	-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III PROFIT PER SHARE	-	-
3.1. TO COMMON SHAREHOLDERS	-	-
3.2. TO COMMON SHAREHOLDERS (%)	-	-
3.3. TO PREFERRED SHAREHOLDERS (%)	-	-
3.4. TO PREFERRED SHAREHOLDERS (%)	-	-
IV. DIVIDENDS PER SHARE	-	-
4.1. TO COMMON SHAREHOLDERS	-	-
4.2. TO COMMON SHAREHOLDERS (%)	-	-
4.3. TO PREFERRED SHAREHOLDERS (%)	-	-
4.4. TO PREFERRED SHAREHOLDERS (%)	-	-

(*) Shareholders' Assembly is the authorized body of the Company regarding distribution of current period profit. The Company has not yet held the Ordinary Shareholders' Assembly meeting as of the financial statement dates.

AXA HAYAT VE EMEKLİLİK A.Ş.

**FINANCIAL STATEMENTS AND INDEPENDENT AUDIT
REPORT for JANUARY 1 - DECEMBER 31, 2019 PERIOD**



CONVENIENCE TRANSLATION of INDEPENDENT AUDITOR'S REPORT

Axa Hayat ve Emeklilik A.Ş. General Board

A. Independent Audit of Financial Statements

1. Opinion

We have completed the audit on Axa Hayat ve Emeklilik A.Ş.'s ("Company") financial statements drawn up as of December 31, 2019, comprising of detailed Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity, Statement of Cash Flows and Notes to these financial statements, including summary of significant accounting policies.

In our opinion, enclosed Financial Statements present fairly, in all material respects, the Company's financial position as at and the financial performance and cash flows for the period ended on December 31, 2019 in accordance with the regulations regarding accounting and financial reporting under the currently applicable insurance legislation and in accordance with the "Regulation on Accounting and Financial Reporting for Insurance Companies" on issues not covered by the aforementioned legislation.

2. Basis of Opinion

The independent audit has been conducted in accordance with the regulations regarding independent audit principles in effect pursuant to the insurance legislation and with the Independent Audit Standards ("IAS") as part of Turkish Audit Standards issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under these Standards are explained in detail under "Independent Auditor's Responsibility for Independent Audit of Financial Statements" section provided below. We hereby represent that we are independent of the Company in accordance with the Code of Conduct for Independent Auditors ("Code of Conduct") issued by POA and with the ethical rules and requirements set forth in the legislation regarding independent audit of financial statements. We have also fulfilled other ethical responsibilities assigned to independent auditors in Code of Conduct and the relevant legislation. We believe the independent audit evidences obtained during the independent audit activity constitute adequate and appropriate grounds in forming our opinion.



3. Key Audit Issues

Key audit issues are the most critical issues according to our professional judgment for independent audit of financial statements belonging to the current period. Key audit issues are already considered as a whole during the independent audit of and in forming our professional opinion about Company financial tables, therefore a separate opinion in this regard shall not be provided additionally.

<i>Key Audit Issue</i>	<i>Audit Approach to the Issue</i>
<p><i>Estimates and Assumptions Used in Calculation of "mathematical Reserves" Arising from Insurance Contracts</i></p> <p>As explained in Notes 2 & 17, The Company's total Net Mathematical Reserves amount is 59,431,467 TRY as of December 31, 2019, which constitutes a significant portion of the Company's total liabilities excluding Long Term Payables from Private Pension Operations. Measurement of Mathematical Reserves contains significant estimates and assumptions on the consequences of potential uncertain events in the future, including benefits guaranteed to policyholders.</p> <p>Mathematical Reserves are considered as a key audit issue due to their significance for financial statements and estimation uncertainties contained.</p>	<p>Key controls on methods for calculation of the Company's Mathematical Reserves amount as of December 31, 2019 are reviewed and assessed. Mathematical Reserves are recalculated by specialist actuaries in our team by using sampling method on specifications and other relevant calculation data.</p> <p>Also the accuracy and compliance with the Insurance Accounting and Financial Reporting Legislation of the disclosures for these provision amounts presented in financial statement notes are also checked.</p>

4. Other Issue

Company's financial statements prepared for the previous financial year ended on December 31, 2018 were audited by another independent auditor, which declared positive opinion for the audit process and results in the report prepared on March 01, 2019.



5. Responsibilities of Management and Those in Charge of Governance for Company Financial Statements

Company Management is responsible for ensuring preparation and fair presentation of financial statements in accordance with the applicable Insurance Accounting and Financial Reporting Legislation and for the internal control required to prepare true and fair financial statements free of material mistakes arising from errors or fraud

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to the 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 in charge of governance are responsible for overseeing the Company's financial reporting process.

6. Auditor's Responsibilities for Independent Audit of Financial Statements

As independent auditors, our responsibilities for an independent audit are as follows:

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 does not guarantee that an audit conducted in accordance with the regulations regarding independent audit principles in effect under insurance legislation and with IASs shall always detect a material misstatement whenever it exists.

Misstatements can arise from fraud or error and these 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 financial statements.

As part of an audit conducted in accordance with the regulations regarding independent audit principles in effect under insurance legislation and with IASs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of "material misstatement" in financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence 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 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 financial statements, including disclosures, and whether financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those in charge of Company 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.

From the matters communicated with officers in charge of Company governance, we determine those matters that were of most significance in the audit of financial statements for the current period, which therefore constitute the key audit issues. We describe these matters in our auditor's report unless existing laws or regulations preclude public disclosure about the issue or when, in extremely rare circumstances, we determine that an issue 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. Other Liabilities Arising from the Legislation

1. Pursuant to Article 402.4 of Turkish Commercial Code no.6102 ("TCC"), no significant item was found in the Company's bookkeeping pattern during and financial statements belonging to the accounting period between January 1 - December 31, 2019 showing non-compliance with the provisions of TCC and Company Articles of Establishment regarding financial reporting.
2. Pursuant to Article 402.4 of TCC, Company Board of Directors made the necessary disclosures and provided the documents requested during the audit activity.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik AŞ.

Talar Gül, SMMM
Chief Auditor in Charge

İstanbul, March 13, 2020

**OUR STATEMENT regarding COMPANY FINANCIAL
STATEMENTS DRAWN UP as of DECEMBER 31, 2019**

We hereby declare that the attached financial statements drawn up as of December 31, 2019 and related notes have been prepared in accordance with the accounting principles and standards in effect as per the insurance regulations and are consistent with the relevant regulations and the records of the Company.

AXA SİGORTA A.Ş. General Management

İstanbul, 13 / 03 / 2020

Yavuz ÖLKEN

BoD Deputy Chairman
& CEO

**Tuba
KARATAŞ
ARICAN**

CFO

**Gamze
KAYĞISIZ**

Accounting
& Collection
Manager

Ertan TAN

Actuary

AXA HAYAT VE EMEKLİLİK A.Ş.

FINANCIAL STATEMENTS for JANUARY 1 - DECEMBER 31, 2019 PERIOD

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AXA HAYAT VE EMEKLİLİK A.Ş.**CONVENIENCE TRANSLATION of the DETAILED
BALANCE SHEETS as at DECEMBER 31, 2019 and 2018**

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

		Audited December 31, 2019	Audited December 31, 2018
I- Current Assets	Note		
A- Cash and Cash Equivalents	14	30,636,728	24,506,788
1- Cash		-	-
2- Checks Received		-	-
3- Banks	2.12 and 14	24,179,366	17,236,267
4- Checks and Payment Orders Issued (-)		-	-
5- Bank Guarantees and Three Months Short Term Credit Cart Receivables	2.12 and 14	6,457,362	7,270,521
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments at Policyholders' Risk			
.	11	99,221,132	170,261,727
1- Available for Sale Investments	11.1	38,626,058	99,822,441
2- Held to Maturity Investments		-	-
3- Trading Investments		-	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Financial Assets at Policyholder's Risk	11.1	60,595,074	70,439,286
7- Company Shares		-	-
8- Provision for Impairment of Financial Assets (-)		-	-
C- Receivables from Operations	11 and 12	2,321,358	2,232,329
1- Due from Insurance Operations	12	504,374	372,730
2- Provision for Due from Insurance Operations (-)	12	(3,592)	(3,592)
3- Due from Reinsurance Operations		-	-
4- Provision for Due from Reinsurance Operations (-)		-	-
5- Cash Deposited with Insurance and Reinsurance Companies	12 and 45	510,526	588,772
6- Loans to Policyholders	12	181,445	332,397
7- Provision for Loans to Policyholders (-)		-	-
8- Due from Private Pension Operations	12	1,128,605	942,022
9- Doubtful Receivables from Main Operations	12	156,543	156,543
10- Provision for Doubtful Receivables from Main Operations (-)	12	(156,543)	(156,543)
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 Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
E- Other Receivables		190,450	16,458
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		4,365	4,365
4- Other Receivables		186,085	12,093
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
F- Deferred Expenses and Income Accruals		145,551	123,465
1- Deferred Production Expenses	17	127,361	100,652
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Deferred Expenses	47	18,190	22,813
G- Other Current Assets		347,366	316,337
1- Prepaid Office Supplies		-	-
2- Prepaid Taxes and Funds	35	347,366	313,837
3- Deferred Tax Assets		-	-
4- Cash Advances		-	-
5- Advances to Personnel		-	2,500
6- Count Shortages		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		132,862,585	197,457,104

Enclosed Notes are complementary to these Financial Statements.

AXA HAYAT VE EMEKLİLİK A.Ş.

CONVENIENCE TRANSLATION of the DETAILED BALANCE SHEETS as at DECEMBER 31, 2019 and 2018

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

		Audited December 31, 2019	Audited December 31, 2018
II - Non-Current Assets	Note		
A- Receivables from Operations	2.14 and 17	674,750,457	474,234,675
1- Due from Insurance Operations		-	-
2- Provision for Due from Insurance Operations (-) 3- Due from Reinsurance Operations		-	-
4- Provision for Due from Reinsurance Operations (-)		-	-
5- Cash Deposited with Insurance and Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Due from Private Pension Operations	2.14 and 17	674,750,457	474,234,675
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations (-)		-	-
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- Rediscount on Due from Related Parties (-) 8- Provision for Doubtful Receivables from Related		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
C- Other Receivables			
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given 4- Other Receivables		-	-
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
D- Financial Assets		427,810	427,810
1- Investment Securities 2- Affiliates	45.2	427,810	427,810
3- Affiliates Capital Commitments (-)		-	-
4- Subsidiaries		-	-
5- Subsidiaries Capital Commitments (-)		-	-
6- Joint-Ventures		-	-
7- Joint-Ventures Capital Commitments (-)		-	-
8- Financial Assets and Financial Investments at Policyholders' Risk		-	-
9- Other Financial Assets		-	-
10- Provision for Impairment of Financial Assets (-)		-	-
E- Tangible Assets	6	1,591,221	8,518
1- Investment Properties		-	-
2- Provision for Diminution in Value of Investment Property (-)		-	-
3- Property for Operational Usage		-	-
4- Machinery and Equipment		-	-
5- Furniture and Fixtures	6	580,179	578,254
6- Motor Vehicles		-	-
7- Other Tangible Assets (including leasehold improvements)		-	-
8- Leased Assets	6	2,116,445	-
9- Accumulated Depreciation (-)	6	(1,105,403)	(569,736)
10- Advances Given for Tangible Assets (including construction in progress)		-	-
F- Intangible Assets	8	42,230	45,534
1- Rights	8	3,203,113	3,203,113
2- Goodwill		-	-
3- Start-up Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortization (-)	8	(3,160,883)	(3,157,579)
7- Advances Given for Intangible Assets		-	-
G- Deferred Expenses and Income Accruals			
1- Deferred Production Expenses 2- Income Accruals		-	-
3- Other Deferred Expenses		-	-
H- Other Non-Current Assets	21 and 35	2,841,653	1,760,844
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Prepaid Office Supplies		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21 and 35	2,841,653	1,760,844
6- Other Non-Current Assets		-	-
7- Other Non-Current Assets Depreciation (-)		-	-
8- Provision for Other Non-Current Assets (-)		-	-
II- Total Non-Current Assets		679,653,371	476,477,381
TOTAL ASSETS (I+II)		812,515,956	673,934,485

Enclosed Notes are complementary to these Financial Statements.

AXA HAYAT VE EMEKLİLİK A.Ş.
CONVENIENCE TRANSLATION of the DETAILED
BALANCE SHEETS as at DECEMBER 31, 2019 and 2018
(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

		Audited December 31, 2019	Audited December 31, 2018
III- Current Liabilities	Note		
A- Financial Liabilities	20	586,243	-
1- Due to Credit Institutions		-	-
2- Leasing Payables	20	586,243	-
3- Deferred Leasing Costs (-)		-	-
4- Short Term Installments of Long Term Borrowings		-	-
5- Issued Debt Securities		-	-
6- Other Issued Debt Securities		-	-
7- Value Differences of Other Issued Debt Securities (-)		-	-
8- Other Financial Payables		-	-
B- Payables from Operations	4 and 19	8,433,328	10,155,612
1- Payables from Insurance Operations	4, 10 and 19	1,151,692	1,485,286
2- Payables from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables from Private Pension Operations	4 and 19	7,281,636	8,670,326
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties		256,837	238,296
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	45 and 47.1	256,837	238,296
D- Other Payables		2,237,064	1,731,791
1- Deposits and Guarantees Received	12.3	1,520,050	1,346,211
2- Payables to SSI for Medical Expenses		-	-
3- Other Payables	19 and 47.1	717,014	385,580
4- Rediscount on Other Payables (-)		-	-
E- Insurance Technical Provisions		12,107,131	12,127,558
1- Unearned Premium Reserve - Net	2.24, 4 and 17	868,841	882,245
2- Unexpired Risks Reserve-Net		-	-
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net	2.24, 4 and 17	8,403,586	8,679,737
5- Bonus Provision-Net		-	-
6- Other Technical Reserves - Net	2.24, 4 and 17	2,834,704	2,565,576
F- Taxes and Other Fiscal Liabilities		1,306,523	673,848
1- Taxes and Funds Payable		501,101	531,406
2- Social Security Withholdings Payable		147,372	142,442
3- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
4- Other Taxes and Fiscal Liabilities		-	-
5- Corporate Tax Provision and Other Fiscal Liabilities	35	4,897,160	-
6- Prepaid Taxes and Other Similar Liabilities for Profit (-)	35	(4,239,110)	-
7- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks	23	5,140,956	4,742,382
1- Provision for Employment Termination Benefits		-	-
2- Provision for Social Aid Fund Asset Shortage		-	-
3- Provision for Expense Accruals	23	5,140,956	4,742,382
H- Deferred Income and Expense Accruals	19	958,571	885,887
1- Deferred Commissions Income	17	595,150	512,681
2- Expense Accruals		-	-
3- Other Deferred Income	19 and 47.1	363,421	373,206
I- Other Current Liabilities		320,391	307,382
1- Deferred Tax Liabilities		-	-
2- Count Overages		-	-
3- Other Current Liabilities	19 and 47.1	320,391	307,382
III - Total Current Liabilities		31,347,044	30,862,756

Enclosed Notes are complementary to these Financial Statements.

AXA HAYAT VE EMEKLİLİK A.Ş.

CONVENIENCE TRANSLATION of the DETAILED BALANCE SHEETS as at DECEMBER 31, 2019 and 2018

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

		Audited December 31, 2019	Audited December 31, 2018
IV – Non-Current Liabilities	Note		
A- Financial Liabilities	20	1,172,487	-
1- Due to Credit Institutions		-	-
2- Leasing Payables	20	1,172,487	-
3- Deferred Leasing Costs (-)		-	-
4- Issued Debt Securities		-	-
5- Other Issued Debt Securities		-	-
6- Value Differences of Other Issued Debt Securities (-)		-	-
7- Other Financial Payables		-	-
B- Payables from Operations	2.14, 4, 17 and 19	674,750,457	474,234,675
1- Payables from Insurance Operations		-	-
2- Payables from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables from Private Pension Operations	2.14, 4, 17 and 19	674,750,457	474,234,675
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other 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- Payables to SSI for Medical Expenses		-	-
3- Other Payables		-	-
4- Rediscount on Other Payables		-	-
E- Insurance Technical Provisions		65,488,507	74,607,541
1- Unearned Premium Reserve - Net		-	-
2- Unexpired Risks Reserve - Net		-	-
3- Mathematical Reserves - Net	2.24, 4 and 17	59,431,467	70,462,380
4- Outstanding Claims Reserve - Net		-	-
5- Bonus Provision-Net		-	-
6- Other Technical Reserves - Net	17	6,057,040	4,145,161
F- Other Liabilities and Related Provisions		-	-
1- Other Payables		-	-
2- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
3- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks		1,287,200	1,268,654
1- Provision for Employment Termination Benefits	22	1,287,200	1,268,654
2- Provision for Social Aid Fund Asset Shortage		-	-
H- Deferred Income and Expense Accruals		-	-
1- Deferred Commissions Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
I- Other Current Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Other Non-Current Liabilities		-	-
IV- Total Non-Current Liabilities		742,698,651	550,110,870

Enclosed Notes are complementary to these Financial Statements.

AXA HAYAT VE EMEKLİLİK A.Ş.
CONVENIENCE TRANSLATION of the DETAILED
BALANCE SHEETS as at DECEMBER 31, 2019 and 2018
(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

		Audited December 31, 2019	Audited December 31, 2018
V- Shareholders' Equity	Note		
A- Share Capital	2.13 and 15	20,000,000	62,975,000
1- (Nominal) Capital	2.13 and 15	20,000,000	62,975,000
2- Unpaid Capital (-)		-	-
3- Adjustments to Share Capital		-	-
4- Adjustments to Share Capital (-) 5- Capital of Expected Registration		-	-
B- Capital Reserves		-	-
1- Share Premium 2- Share Premiums of Canceled Shares		-	-
3- Sales Profit Addition to the Capital		-	-
4- Foreign Currency Translation Differences		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		11,423,716	16,496,540
1- Legal Reserves	15	10,000,000	17,216,193
2- Statutory Reserves		-	-
3- Extraordinary Reserves	15	-	1,989,527
4- Special Reserves		-	-
5- Valuation of Financial Assets	2.8 and 15	1,528,336	(2,809,865)
6- Other Profit Reserves	15	(104,620)	100,685
D- Retained Earnings		-	-
1- Retained Earnings		-	-
E- Accumulated Loss (-)		-	-
1- Previous Years' Losses (-)		-	-
F- Net Profit for the Period	37	7,046,545	13,489,319
1- Net Profit for the Period	37	7,046,545	13,489,319
2- Net Loss for the Period (-)		-	-
3- Profit Not Subject to Distribution		-	-
Total Shareholders' Equity		38,470,261	92,960,859
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (III+IV+V)		812,515,956	673,934,485

Enclosed Notes are complementary to these Financial Statements.

AXA HAYAT VE EMEKLİLİK A.Ş.

CONVENIENCE TRANSLATION of STATEMENT of CASH FLOWS for JANUARY 1 - DECEMBER 31, 2019 and 2018 PERIODS

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

		Audited January 1 - December 31, 2019	Audited January 1 December 31,
I- TECHNICAL SECTION	Note		
A- Non-Life Technical Revenues		71,113	63,790
1- Earned Premiums (Net of Reinsurer's Share)		69,527	62,757
1.1- Written Premiums (Net of Reinsurer's Share) (+)	24	82,553	62,327
1.1.1- Gross Written Premiums (+)	24	105,249	83,038
1.1.2- Ceded Premiums (-)	10 and 24	(22,696)	(20,711)
1.1.3- Premiums Ceded to SSI (-)		-	-
1.2 Change in Unearned Premiums Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17	(13,026)	430
1.2.1- Unearned Premium Reserve (-)	17	(17,292)	7,901
1.2.2- Reinsurer's Share in Unearned Premium Reserve (-) 1.2.3-	10 and 17	4,266	(7,471)
SSI Share in Unearned Premium Reserve (+)		-	-
1.3- Change in Unexpired Risks Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		-	-
1.3.1- Unexpired Risks Reserve (-)		-	-
1.3.2- Reinsurer's Share in Unexpired Risks Reserve (+/-) 2-		-	-
Investment Income Transferred from Non-Technical Section		-	-
3- Other Technical Income (Net of Reinsurer's Share)		1,586	1,033
3.1- Gross Other Technical Income (+/-)		1,586	1,033
3.2- Reinsurer's Share in Gross Other Technical Income (-)		-	-
4- Recovery and Salvage Income Accruals		-	-
B- Non-Life Technical Expenses (-)		(4,588)	(14,925)
1- Incurred Losses (Net of Reinsurer's Share)		1,602	(17,371)
1.1- Paid Claims (Net of Reinsurer's Share) (-)		(28,295)	(16,841)
1.1.1- Gross Paid Claims (-)		(30,815)	(16,841)
1.1.2- Reinsurer's Share in Paid Claims (+)	10	2,520	-
1.2- Change in Outstanding Claims Reserve (Net of Reinsurer's share and Reserves Carried Forward) (+/-)		29,897	(530)
1.2.1- Outstanding Claims Reserve (+/-)		26,522	(9,795)
1.2.2- Reinsurer's Share in Outstanding Claims Reserve (-)	10	3,375	9,265
2- Change in Bonus and Rebate Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		-	-
2.1- Bonus and Rebate Reserve		-	-
2.2- Reinsurer's Share in Bonus and Rebate Reserve		-	-
3- Change in Other Technical Reserves (Net of Reinsurer's Share and Reserves Carried Forward)		785	1,656
4- Operating Expenses	31 and 32	(17,797)	(11,647)
5- Change in Mathematical Reserves (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		10,822	12,437
5.1- Mathematical Reserves (-)		10,822	12,437
5.2- Reinsurer's Share in Mathematical Reserves (+)		-	-
6- Other Technical Expenses		-	-
6.1- Gross Other Technical Expenses (-)		-	-
6.2- Reinsurer's Share in Gross Other Technical Expenses (+)		-	-
C- Net Technical Income - Non-Life		66,525	48,865
D- Life Technical Revenues		29,587,718	50,285,623
1- Earned Premiums (Net of Reinsurer's Share)		9,409,474	9,710,679
1.1- Written Premiums (Net of Reinsurer's Share)	24	9,383,044	9,458,395
1.1.1- Gross Written Premiums	24	11,294,716	11,364,913
1.1.2- Ceded Premiums	10 and 24	(1,911,672)	(1,906,518)
1.2 Change in Unearned Premiums Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+)	17	26,430	252,284
1.2.1- Unearned Premiums Reserve (+)	17	(167,914)	37,053
1.2.2- Reinsurer's Share in Unearned Premium Reserve (-)	10 and 17	194,344	215,231
1.3- Change in Unexpired Risks Reserve (Net of Reinsurer's Share and Reserves Carried Forward)		-	-
1.3.1- Unexpired Risks Reserve		-	-
1.3.2- Reinsurer's Share in Unexpired Risks Reserve		-	-
2- Life Segment Investment Income	26	20,133,919	40,498,598
3- Unrealized Investment Profits		-	-
4- Other Technical Income (Net of Reinsurer's Share)		44,325	76,346
4.1- Gross Other Technical Income (+/-)		44,325	76,346
4.2- Reinsurer Share in Gross Other Technical Revenues (+/-)		-	-
5- Recovery Income Accruals (+)		-	-
E- Life Technical Expenses		(26,597,689)	(51,075,482)
1- Incurred Losses (Net of Reinsurer's Share)		(25,787,454)	(36,642,774)
1.1- Paid Claims (Net of Reinsurer's Share) (-)		(26,033,708)	(38,410,202)
1.1.1- Gross Paid Claims (-)		(26,574,689)	(38,470,845)
1.1.2- Reinsurer's Share in Paid Claims	10	540,981	60,643
1.2- Change in Outstanding Claims Reserve (Net of Reinsurer's share and Reserves Carried Forward)		246,254	1,767,428
1.2.1- Outstanding Claims Reserve (-)		606,884	1,435,564
1.2.2- Reinsurer's Share in Outstanding Claims Reserve (+)	10	(360,630)	331,864
2- Change in Bonus and Rebate Reserve (Net of Reinsurers' Share and Reserves Carried Forward)		-	-
2.1- Bonus and Rebate Reserve		-	-
2.2- Reinsurer's Share in Bonus and Rebate Reserve		-	-
3- Change in Mathematical Reserves (Net of Reinsurer's share and Reserves Carried Forward)		11,020,091	8,513,492
3.1- Mathematical Reserves (-)		11,020,091	8,513,492
3.1.1- Actuarial Mathematical Reserves (-)		7,039,475	6,125,586
3.1.2- Profit Share Reserve (Reserves for Policies with Investment Risk Borne by Policyholders)		3,980,616	2,387,906
3.2- Reinsurer's Share in Mathematical Reserves		-	-
3.2.1- Reinsurer's Share in Actuarial Mathematical Reserves		-	-
3.2.2- Reinsurer's Share in Profit Share Reserve (Reserves for Policies with Investment Risk Borne by Policyholders) 4-		-	-
Change in Other Technical Reserves (Net of Reinsurer's Share and Reserves Carried Forward)		(93,355)	(242,625)
5- Operating Expenses	31 and 32	(3,108,976)	(4,753,926)
6- Operating Expenses	26	(8,627,995)	(17,949,649)
7- Unrealized Investment Losses (-)		-	-
8- Investment Income Transferred to Non-Technical Section (-)		-	-
F- Net Technical Income - Life		2,990,029	(789,859)
G- Private Pension Technical Income		11,650,842	9,671,361
1- Fund Management Income		7,568,189	5,964,909
2- Management Cost Charge		1,668,503	1,244,873
3- Entrance Fee Income	2.14 and 25	1,930,243	2,059,353
4- Management Cost Charge in case of Suspension 5- -		483,866	402,205
Special Service Expense Charge		-	-
6- Capital Allowance Value Increase Income		-	-
7- Other Technical Income		41	21
H- Private Pension Technical Expense		(16,033,424)	(13,622,099)
1- Fund Management Expenses		(572,847)	(444,224)
2- Capital Allowance Value Decrease Expenses 3-		-	-
Operating Expenses	31 and 32	(13,406,740)	(11,304,652)
4- Other Technical Expenses		(2,053,837)	(1,872,821)
5- Penal Payments (-)		-	(402)
I- Net Technical Income - Pension		(4,382,582)	(3,950,738)

Enclosed Notes are complementary to these Financial Statements.

AXA HAYAT VE EMEKLİLİK A.Ş.**CONVENIENCE TRANSLATION of STATEMENT of CASH FLOWS
for JANUARY 1 - DECEMBER 31, 2019 and 2018 PERIODS**

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

II- NON-TECHNICAL SECTION	Note	Audited January 1 - December 31,	Audited January 1 - December 31,
C- Net Technical Income - Non-Life		66,525	48,865
F- Net Technical Income - Life		2,990,029	(789,859)
I- Net Technical Income - Pension		(4,382,582)	(3,950,738)
J- Overall Technical Income (C+F+I)		(1,326,028)	(4,691,732)
K- Investment Income		34,105,573	33,910,847
1- Income from Financial Investments	26	16,646,976	11,554,482
2- Income from Liquidation of Financial Investments	26	10,784,125	117,898
3- Valuation of Financial Investments	26	417,053	6,748,713
4- Foreign Exchange Gains	26 and	6,257,419	15,489,686
5- Income from Affiliates		-	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment		-	-
8- Income from Derivatives		-	-
9- Other Investments	26	-	68
10- Investment Income Transferred from Life Technical Section		-	-
L- Investment Expenses (-)		(21,368,829)	(10,893,764)
1- Investment Management Expenses - Interest Included (-)	26	(301,316)	(49,994)
2- Diminution in Value of Investments (-)	26	(11,864,193)	(1,858,910)
3- Loss from Realization of Financial Investments (-)	26	(4,845,588)	(830,678)
4- Investment Income Transferred to Non-Life Technical Section (-)		-	-
5- Loss from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	26 and	(3,348,476)	(8,139,725)
7- Operating Expenses (-)	6	(538,971)	(14,457)
8- Other Investment Expenses (-)		(470,285)	-
M- Income and Expenses from Other Operations and Extraordinary Operations (+/-)		532,989	(4,836,032)
1- Provisions (+/-)	47.5	(1,410,510)	(2,128,696)
2- Rediscounts (+/-)		-	-
3- Special Insurances (+/-)		-	-
4- Inflation Adjustments (+/-)		-	-
5- Deferred Tax Assets (+/-)	21 and	2,246,497	-
6- Deferred Tax Liabilities Expenses (-)	21 and	-	(2,461,578)
7- Other Income		42,016	75,063
8- Other Expenses and Losses (-)	47	(345,014)	(320,821)
9- Revenues and Profits from Previous Years		-	-
10- Expenses and Losses from Previous Years (-)		-	-
N- Net Profit (or Loss) for the Period		7,046,545	13,489,319
1- Profit/Loss(-) for the Period		11,943,705	13,489,319
2- Provision for Corporate Tax and Other Fiscal Liabilities (-)	35	(4,897,160)	-
3- Net Profit/Loss(-) for the Period		7,046,545	13,489,319
4- Inflation Adjustment		-	-

Enclosed Notes are complementary to these Financial Statements.

AXA HAYAT VE EMEKLİLİK A.Ş.**CONVENIENCE TRANSLATION of STATEMENT of CASH FLOWS
for JANUARY 1 - DECEMBER 31, 2019 and 2018 PERIODS**

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

	Note	Audited January 1 - December 31, 2019	Audited January 1 - December 31, 2018
A. CASH FLOW FROM OPERATING ACTIVITIES			
1. Cash Inflow from Insurance Operations		12,228,128	25,554,566
2. Cash Inflow from Reinsurance Operations		-	-
3. Cash Inflow from Private Pension Operations		212,166,624	100,470,528
4. Cash Outflow from Insurance Operations (-)		(32,198,682)	(50,711,255)
5. Cash Outflow from Reinsurance Operations (-)		-	-
6. Cash Outflow from Private Pension Operations (-)		(218,124,479)	(104,478,056)
7. Net Cash from Operating Activities (A1+A2+A3-A4-A5-A6)		(25,928,409)	(29,164,217)
8. Interest Payment (-)		-	-
9. 9- Income Tax Payment (-)		(4,620,005)	(313,837)
10. Other Cash Inflows		3,240,262	1,855,658
11. Other Cash Outflows (-)		(4,643,057)	(3,076,539)
12. Net Cash Inflow from Operating Activities		(31,951,209)	(30,698,935)
B. CASH FLOW FROM INVESTMENT OPERATIONS			
1. Sale of Tangible Assets		-	93
2. Tangible Asset Acquisitions (-)	6	(1,925)	-
3. Financial Asset Acquisitions (-)		(16,200,000)	(5,225,935)
4. Sale of Financial Assets		68,526,592	10,485,054
5. Interest Received		46,620,013	11,672,380
6. Dividends Received		-	-
7. Other Cash Inflows		21,377,072	22,548,926
8. Other Cash Outflows (-)		(20,108,466)	(2,739,581)
9. Net Cash Inflow from Investment Activities		100,213,286	36,740,937
C. CASH FLOW FROM FINANCING OPERATIONS			
1. Issue of Shares		-	-
2. Cash Inflows from Borrowings		-	-
3. Leasing Payments (-)	20	(828,000)	-
4. Dividends Paid (-)	38	(13,638,817)	-
5. Other Cash Inflows		-	-
6. Other Cash Outflows (-)	15	(52,031,222)	-
7. Net Cash Inflow from Financing Operations		(66,498,039)	-
D. EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS			
		910,167	455,437
E. Net Increase/(Decrease) in Cash and Cash Equivalents (A12+B9+C7+D)		2,674,205	6,497,439
F. Cash and Cash Equivalents at the Beginning of the Period		24,375,948	17,878,509
G. Cash and Cash Equivalents at the End of the Period (E+F)	2.12	27,050,153	24,375,948

Enclosed Notes are complementary to these Financial Statements.

AXA HAYAT VE EMEKLİLİK A.Ş.
CONVENIENCE TRANSLATION of STATEMENT of CASH FLOWS
for JANUARY 1 - DECEMBER 31, 2019 and 2018 PERIODS

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

	Shareholders' Equity	Own Shares (-)	Increase/(Decrease) in Asset Values	Inflation Adjustme nt on Share	Foreign Curren cy Transla	Legal Reserves	Statu tory	Othe r Reserves and Retained Profit	Net Profit for the	Retained Earnings /	Total
Previous Period											
I - Balance at the End of Previous Period (31/12/2017)	62,975,000	-	5,303,260	-	-	17,024,974	-	(192,311)	3,824,381	(1,643,635)	87,291,669
II - Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
III - New Balance (I + II) (01/01/2017)	62,975,000	-	5,303,260	-	-	17,024,974	-	(192,311)	3,824,381	(1,643,635)	87,291,669
A- Capital Increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From Internal Sources	-	-	-	-	-	-	-	-	-	-	-
B- Own Shares	-	-	-	-	-	-	-	-	-	-	-
C- Gains and Losses Not Included in Income Statement (Note 15)	-	-	-	-	-	-	-	292,996	-	-	292,996
D- Increase/(Decrease) in Asset Values	-	-	(8,113,125)	-	-	-	-	-	-	-	(8,113,125)
E- Foreign Currency Translation Differences	-	-	-	-	-	-	-	-	-	-	-
F- Other Income and Losses	-	-	-	-	-	-	-	-	-	-	-
G- Inflation Adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net Profit / (Loss) for the Period	-	-	-	-	-	-	-	-	13,489,319	-	13,489,319
I- Dividends Paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfer (Note 15)	-	-	-	-	-	191,219	-	1,989,527	(3,824,381)	1,643,635	-
IV - Balance at Period End (31/12/2018) (III+ A+B+C+D+E+F+G+H+I+J)	62,975,000	-	(2,809,865)	-	-	17,216,193	-	2,090,212	13,489,319	-	92,960,859
Current Period											
I - Balance at the End of Previous Period (31/12/2018)	62,975,000	-	(2,809,865)	-	-	-	-	2,090,212	13,489,319	-	92,960,859
II - Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
III - New Balance (I + II) (01/01/2018)	62,975,000	-	(2,809,865)	-	-	17,21	-	2,090,212	13,489,319	-	92,960,859
A- Capital Increase (A1 + A2) (Note 15)	9,056,222	-	-	-	-	(9,05	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From Internal Sources	9,056,222	-	-	-	-	(9,05	-	-	-	-	-
B- Own Shares	-	-	-	-	-	-	-	-	-	-	-
C- Gains and Losses Not Included in Income Statement (Note 15)	-	-	-	-	-	-	-	(205,305)	-	-	(205,305)
D- Increase/(Decrease) in Asset Values	-	-	4,338,2	-	-	-	-	-	-	-	4,338,201
E- Foreign Currency Translation Differences	-	-	-	-	-	-	-	-	-	-	-
F- Other Income and Losses (Note 15)	(52,031,222)	-	-	-	-	-	-	-	-	-	(52,031,222)
G- Inflation Adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net Profit / (Loss) for the Period	-	-	-	-	-	-	-	-	7,046,545	-	7,046,545
I- Dividends Paid (Note 38)	-	-	-	-	-	-	-	(1,989,527)	(11,649,290)	-	(13,638,817)
J- Transfer (Note 15)	-	-	-	-	-	1,84	-	-	(1,840,029)	-	-
IV- Balances at Period End (31/12/2019) (III+ A+B+C+D+E+F+G+H+I+J)	20,000,000	-	1,528.336	-	-	10,000,000	-	(104,620)	7,046,545	-	38,470,261

Detailed information about Equity items is provided in Note 15.

Enclosed Notes are complementary to these Financial Statements.

AXA HAYAT VE EMEKLİLİK A.Ş.
CONVENIENCE TRANSLATION of NOTES to FINANCIAL
STATEMENTS for JANUARY 1 - DECEMBER 31, 2019 PERIOD
(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

1. General Information

1.1 Name of Parent Company: Axa Holding A.Ş. is the direct main partner and Axa SA is the ultimate main partner of Axa Hayat ve Emeklilik A.Ş. ("Company") as of December 31, 2019 and December 31, 2018.

Pursuant to the Share Purchasing Agreement executed on February 5, 2008 between Axa SA, a partner of Axa Hayat Sigorta A.Ş.'s main partner Axa Holding A.Ş. and OYAK, all shares of OYAK in Axa Oyak Holding A.Ş. is transferred to Axa Mediterranean Holding SA. Following the official approvals given by the Undersecretariat of Treasury affiliated to the Turkish Ministry of Treasury and Finance ("the Ministry") and Turkish Competition Authority validating the said share transfer, Company's former name Axa Oyak Hayat Sigorta A.Ş. is changed as Axa Hayat Sigorta A.Ş. with the resolution made in Company Shareholders' Assembly held on August 12, 2008 and the title change is officially registered on the same date. Business title of the Company's main partner Axa Oyak Holding A.Ş. is also changed and registered on the same date as Axa Holding A.Ş.

Company Board of Directors ("BoD") decided to change the Company's status from life insurance to life insurance and pension company and initiate the required proceedings in this regard in accordance with Resolution No.28 made on October 16, 2008, and to initiate the activities required for transfer of the Company's health portfolio to Axa Sigorta A.Ş. in accordance with Resolution No.5 made on February 16, 2009. The Company subsequently presented the required documents regarding transfer of the health portfolio on June 15, 2009 to the Ministry. The Ministry approved this transfer with the official letter dated August 25, 2009 and the transfer is realized through recognition in Company financial statements drawn up on October 31, 2009 in accordance with the portfolio transfer agreement signed on September 10, 2009. Company's business title Axa Hayat Sigorta A.Ş. is changed as Axa Hayat ve Emeklilik A.Ş. pursuant to permission no.23749 of the Ministry dated May 12, 2010 and permission no.2709 of General Directorate of Domestic Trade affiliated to the Ministry of Industry and Trade dated May 14, 2010 and the title change is officially registered on June 29, 2010.

The Company filed an application to the Ministry on August 18, 2010 to operate in private pension segment and was subject to a license audit on February 1, 2011. The company obtained the license for private pension operations on May 5, 2011 which was officially registered on May 24, 2011. The Company has 19 Pension Investment Funds with the capacity of fund founder as of December 31, 2019 (December 31, 2018: 19 funds).

1.2 Company's Legal Residence Address, Legal Structure, Country of Incorporation and Address of Officially Registered Office: The Company is established in May 1995 in Istanbul and started operations in July 1995. The Company is registered in Istanbul, Turkey and registered address is "Meclis-i Mebusan Cad. No: 15, 34433 Salıpazarı/Istanbul".

1.3 Nature of Operations: The company operates in line with Insurance Law No.5684 and also with Private Pension Saving and Investment System Act No. 4632. and the official circulars issued regarding these two acts. As disclosed in Note 1.1, the Company operates as an insurer in life and personal accident segments in insurance industry and started operating in private pension segment in 2011.

1.4 Explanation of Company Activities and Characteristics of Main Operations: Disclosed in Notes 1.2 and 1.3.

AXA HAYAT VE EMEKLİLİK A.Ş.
CONVENIENCE TRANSLATION of NOTES to FINANCIAL
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1. General Information (continued)

1.5 Average Number of Employees During the Period by Category:

	January 1 - December 31, 2018	January 1 - December
Senior and middle level managers	3	4
Other employees	39	47
Total	42	51

1.6 Total salaries and benefits paid to the members of the Board of Directors, General Manager, General Coordinator, Assistant General Managers and other executive management during the current period: 1,544,095 TRY (January 1 - December 31, 2018: 1,269,661 TRY)

1.7 Criteria set for the allocation of investment income and operating expenses (personnel, management, research and development, marketing and sales, outsourcing services and other operating expenses) in financial statements: All investment income generated by investments backing life and non-life technical provisions is transferred from non-technical to technical section of the income statement. Other investment income is classified under non-technical section. The Company considered the weighted average of the number of policies produced within the current period, amount of gross written premiums and number of loss claim reports realized within last three years for distribution of operating income transferred to the technical section.

1.8 Information on financial statements as to whether financial statements include only one firm or a group of firms: Financial Statements are drawn up for only one company Axa Hayat ve Emeklilik A.Ş.).

1.9 Name and other identification information of the reporting firm and changes in this information from the previous balance sheet date: Company's name and other identification details and changes in the foregoing information from the previous balance sheet date are disclosed in Notes 1.1, 1.2, & 1.3.

1.10 Events after Balance Sheet date: The Company's financial statements are approved by Company Senior Management on March 13, 2020. Events after Balance Sheet date are disclosed in Note 46.

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

The Company prepares its financial statements in accordance with the Insurance Act No.5684 and the regulations issued for insurance and reinsurance companies by the Ministry.

The financial statements are prepared in accordance with the Insurance Chart of Accounts included in the Communiqué issued by the Ministry regarding the Insurance Chart of Accounts and Prospects, published in Turkish Official journal (No:25686) dated December 30, 2004 (Insurance Accounting System Communiqué No.1) and also with the Industry Announcement No.2011/14 dated December 27, 2011 regarding Opening New Account Codes in the Insurance Chart of Accounts. Content and format of the financial statements and explanations and notes thereof are determined in accordance with the Communiqué on Presentation of Financial Statements published in the Official Journal No.26851 dated April 18, 2008 and with the Industry Announcement No.2012/7 dated May 31, 2012 regarding Presentation of Financial Statements with New Account Codes.

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2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

Since January 1, 2008, the Company has been booking its activities and operations in line with the "Regulation on Financial Reporting of Insurance and Reinsurance Companies and Pension Companies", issued on July 14, 2007 and effective as of January 1, 2008, in addition to other regulations, announcements and communiqués issued by the Ministry regarding the principles of accounting and financial reporting; and for issues not covered by the foregoing, in accordance with the "Insurance Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards ("TFRS") as issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). "TAS 1- Financial Statements and Presentation", "TAS 27- Consolidated and Non-consolidated Financial Statements", "TFRS 1 - Transition to TFRS" and "TFRS 4- Insurance Contracts" have been scoped out of this application pursuant to the notice No. 9 issued by the Ministry on February 18, 2008. In addition, the companies are obliged to comply with the "Communiqué on Preparation of Consolidated Financial Statements of Insurance and Reinsurance Companies and Pension Companies" ("Consolidation Communiqué") dated December 31, 2008 which was published in the Official Journal No. 27097 and effective as of March 31, 2009. The Company does not have any subsidiaries required to be consolidated in the aforementioned scope.

Financial statements were prepared in TRY and on historical cost basis, being adjusted for inflation until December 31, 2004, excluding financial assets measured at fair value.

The Company calculated the insurance technical reserves amounts as of December 31, 2019 in accordance with the Regulation on Technical Reserves of Insurance, Reinsurance And Pension Companies, and Assets in which such Provisions are to be Invested ("Technical Provisions Regulation") issued under Insurance Law No.5684 as amended through the amendments promulgated in Turkish Official Journal No.27655 on July 28, 2010 and No.28356 on July 17, 2012, as well as with other relevant regulations and then reflected these figures to its financial statements (see Note 2.24).

Accounting policies and measurement and assessment principles used in preparation of financial statements are explained in the notes from 2.4 to 2.24 below.

Comparative data is reclassified where required to ensure compliance with the presentation of current period's financial statements.

Changes in Turkish Financial Reporting Standards:

a) New standards effective as of December 31, 2019 and modifications to and interpretations of previously existing standards:

- Modifications in "**TFRS 9 - Financial Instruments**" shall be applicable for the reporting periods starting with January 1, 2019 and afterwards. This modification has clarified two issues: In consideration of whether a financial asset represents only the principal amount and the interest for this principal amount, the earlier paid amount can have both positive and also negative cash flows; and when a financial liability measured at amortized cost is changed without a consequence of de-recognition, the resulting gain or loss should be directly recognized in profit or loss account. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.

The Company will use temporary exemption provisions of TFRS 9 included in TFRS 4 until IFRS 17 becomes effective.

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

- Modifications in "**TAS 28 - Investments in Affiliates and Joint Ventures**" shall be applicable for the reporting periods starting with January 1, 2019 and afterwards. It is clarified that the companies shall book their investments in affiliates or joint ventures by using TFRS 9 standard for long term investments in affiliates and joint ventures which are not subject to equity method.
- Modifications in "**TFRS 16 - Leases**" shall be applicable for the reporting periods starting with January 1, 2019 and afterwards. Earlier implementation shall be permitted if "**TFRS 15 - Revenue from Contracts with Customers**" is also applied. This new standard replaces the current guidance in TAS 17 and introduces far-reaching change in accounting by lessees in particular. Under current TAS 17 standard, lessees were required to make a distinction between a financial lease (on balance sheet) and an operating lease (off balance sheet). However, TFRS 16 now requires lessees to recognize in their balance sheets any lease liability reflecting future lease payments and a 'right of use asset', for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied for lessors. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors shall also be affected by the new standard. At the very least, the new accounting model is expected to impact the negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if such contract conveys the right to control the use of an identified asset for a period of time in exchange for a certain consideration.

The company has applied first adoption of "IFRS 16 - Leases" among the new standards, modifications and interpretations effective as of January 1, 2019, in accordance with the transition provision of the relevant standard.

The effects of the changes in accounting policies arising from standards and the application of the related standards for the first time shall be as follows:

Company - as Lessee

The Company shall assess whether a contract has a lease nature or includes a lease transaction at initial contract stage. In case a contract assigns for a certain period the right to control the use of a defined asset in return for a payment amount, such contract has a lease nature or includes a lease transaction. The Company shall also consider the following conditions when assessing whether the contract assigns for a certain period the right to control the use of a defined asset:

- a) The contract shall include a defined asset; an asset is usually defined either explicitly or implicitly in a contract.
- b) A functional part of such asset shall be physically separate or shall represent a portion close to the entire capacity of such asset. The asset is not defined in case the supplier has a principal right for and derives an economic benefit from replacement of the asset.
- c) Right to obtain almost the entire economic benefit to be derived from use of such defined asset should exist.

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2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

- d) Right to manage the defined asset should exist. The Company considers that the right to use of such defined asset exists in case the decisions regarding how and for which purpose(s) such asset shall be used have previously been made. The Company shall have the right to manage the use of such asset in following conditions:
 - i. The Company has the right to operate the asset (or guide third parties to have the asset operated in line with the means and ways as determined by the Company) during the period of use, or
 - ii. The Company has designed the asset (or certain features of the asset) such that how and for which purpose(s) such asset shall be used during its usage period is determined beforehand.

The Company shall reflect the existence of right to use and a lease liability to its financial statements on the date when the lease is actually started.

Right of Use Asset

The right of use asset shall initially be recognized as measured at cost and shall include the following:

- a) The amount of the initial measurement of lease liability
- b) Amount found by deducting all lease incentives received from all lease payments made on or before the actual lease start date,
- c) All initial direct costs borne by the Company.

The Company shall measure the right of use asset:

- a) Free of accumulated depreciation and accumulated impairment loss amounts, and
- b) Adjusted according to the re-measurement of the lease liability.

The Company shall apply the depreciation provisions set forth in TAS 16 - Tangible Assets standard to depreciate the right of use assets. TAS 36 - Impairment of Assets standard shall be applicable to determine whether the right of use asset is impaired and to recognize any assessed impairment loss amount.

Lease Liability

The Company shall measure its lease liability over the present value of the lease amounts not yet paid on the actual start date of such lease. The lease payments shall be discounted by using the borrowing cost implicit in the lease transaction in case such rate can be readily determined, or otherwise, by using the alternative borrowing interest rate available to the lessee.

Lease payments included in the measurement of Company's lease liability and not yet realized at the actual start date of the lease comprise of the following:

- a) Amount found through deduction of all leasing incentive receivables from fixed payments,
- b) Payments of penalties regarding termination of the lease in cases where the lease period indicates that the Company shall use an option to terminate the leasing.

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2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

The Company shall measure the lease liability as follows after the actual start date of the lease:

- Increase the book value to reflect the borrowing cost for the lease liability,
- Decrease the book value to reflect the lease payments realized, and
- Re-measure the book value to reflect the revaluations or restructuring made or to reflect the lease payments which are fixed in nature after revision. The Company shall reflect the re-measured amount of the lease liability to its financial statements as an adjustment to the right of use asset.

Short term lease contracts with a period of maximum 12 months and lease contracts regarding leasing of information technology equipment assessed to have a low value by the Company (printers, laptops, mobile phones etc.) are considered within the exception permitted by the relevant standard and payments made for such contracts are continued to be booked as expense within the period in which they are realized.

Initial Application of TFRS 16 Leases

The Company started applying the "TFRS 16 Leases" standard replacing "TAS 17 Leases" standard as of the effective date which is January 1, 2019. The Company rearranged the comparable figures for the previous period by using the simplified transition method. In this method, all right of use assets are measured with the leasing payable amounts (adjusted according to the prepaid or accrued leasing costs) as at initial application date.

At initial application stage, the Company recorded a leasing liability amount for leases which previously used to be classified as "operational lease" in accordance with TAS 17. Such liabilities are measured over the present values of outstanding lease payment discounted by using the alternative borrowing interest rates applicable as of January 1, 2019. Right of use assets, on the other hand, are recognized with an amount equal to the leasing payable amounts (adjusted according to the prepaid or accrued leasing costs), again in accordance with the simplified transition method prescribed in the relevant standard. Weighted average of alternative borrowing cost rates used by the Company as of January 1, 2019 for leases in TRY is 24% on annual basis.

	January 1, 2019
Total lease liability under TFRS 16 (not discounted)	3,312,000
Total lease liability under TFRS 16 (discounted with alternative borrowing rate)	2,116,445
Short term lease liabilities	529,111
Long term lease liabilities	1,587,334

Details per asset regarding recognized right of use assets are as follows:

	December 31, 2019	January 01, 2019
Properties, Net Book Value	1,587,334	2,116,445
Total right of use assets	1,587,334	2,116,445

As of January 1, 2019, the Company has 529,111 depreciation expense with regards to booked right of use assets belonging to the period between January 1- December 31, 2019.

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

- Modifications in "**TFRIC 23 - Leases**" shall be applicable for the reporting periods starting with January 1, 2019 and afterwards. This interpretation clarifies how the recognition and measurement requirements of "TAS 12 Income taxes" are applied where there is uncertainty over income tax treatments. IFRS IC had clarified previously that IAS 12, and not IAS 37 "Provisions, contingent liabilities and contingent assets" shall apply to recognition of uncertain income tax treatments. TFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. TFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

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

- **Annual improvements 2015 - 2017**; effective from annual periods beginning on or after January 1, 2019. These improvements include minor changes to:
 - TFRS 3 "Business Combinations"; a company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - TFRS 11 "Joint Arrangements"; a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - TAS 12 "Income Taxes"; a company accounts for all income tax consequences of dividend payments in the same way.
 - TAS 23 "Borrowing costs"; a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The Company is in the process of assessing the impact of the aforementioned standards on financial position or performance of the Company.

- **Improvements to TAS 19 "Employee Benefits" regarding plan amendment, curtailment or settlement**; effective from annual periods beginning on or after January 1, 2019. These amendments require an entity to:
 - Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
 - Recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

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

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

b) Standards and amendments issued but not put into effect as of December 31, 2019:

- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after January 1, 2020. These amendments to TAS 1 "Presentation of Financial Statements", and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and consequential amendments to other TFRSs are as follows:
 - Use a consistent definition of materiality throughout TFRS and the Conceptual Framework for Financial Reporting;
 - Clarify the explanation of the definition of material; and
 - Incorporate some of the guidance in TAS 1 about immaterial information.

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

- **Amendments to TFRS 3 - Definition of Business;** effective from Annual periods beginning on or after January 1, 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to TFRS 9, TAS 39 and TFRS 7 – Interest rate Benchmark Reform;** effective from Annual periods beginning on or after January 1, 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.
- Modifications in "**TFRS 17 - Insurance Contracts**" shall be applicable for the reporting periods starting with January 01, 2023 and afterwards. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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

2.2 Consolidation

The Company does not have any affiliates or subsidiaries required to be consolidated.

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2. Summary of Significant Accounting Policies (continued)

2.3 Segment Reporting

The Company conducted activities in only three reportable segments in Turkey (underwriting in life and personal accident segments and private pension segment) during January 1 - December 31, 2019 and 2018 periods and does not make segment reporting since it is not a listed company.

2.4 Foreign Currency Translation

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

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

Foreign exchange translation differences from non-monetary financial assets and liabilities are considered as part of fair value changes and these differences are classified under the accounts where fair values changes are booked.

2.5 Tangible Assets

All property and equipment are carried at cost less accumulated depreciation. Depreciation on property and equipment is calculated using the straight-line depreciation methods. Residual values of property and equipment estimated over their expected useful lives are as follows:

Leasehold improvements	3-5 years
Furniture and fixtures	3-10 years

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

Depreciation periods of tangible assets are within 4-7 year range.

2.6 Investment Property

None (December 31, 2018: None).

2.7 Intangible Assets

Intangible assets consist of the acquired information systems, royalty rights and computer software. Intangible assets are carried at acquisition cost and amortized by the straight-line and accelerated methods over their estimated useful lives after their acquisition date.

If impairment exists, carrying amount of intangible assets is written down immediately to its recoverable amount (Note 8).

The amortization periods of intangible assets are within 3-15 year range.

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2. Summary of Significant Accounting Policies (continued)

2.8 Financial Assets

The Company classifies and books financial assets as "Available for Sale Investments" and "Loans and Receivables (Receivables from Operations)". Receivables from Operations are those arising from insurance agreements and these are classified as financial assets in financial statements.

The classification of financial assets is determined by the Company management at acquisition date by considering the purpose for which the financial assets are acquired.

Loans and Receivables and Policy Loans (Receivables from Operations):

Loans and Receivables are financial assets created through provision of cash or service to the debtor. These receivables are recognized at acquisition value. Fees paid and other similar expenses incurred for assets received as a guarantee of such receivables are not considered as transaction costs and these are reflected to respective expense accounts.

The Company allocates provisions where Company management deems as required for the receivables based on the assessments and estimations made. Such provision is presented under "Provision for Due from Insurance Operations" item in the Balance Sheet. The Company considers the general structure of existing receivables portfolio, financial structures of policyholders and intermediaries, non-financial data and the economic conjuncture in line with the risk policies and precautionary principle while making its forecasts.

In addition to "Provision for Due from Insurance Operations", the Company also allocates a provision amount for receivables under administrative and legal proceedings for doubtful receivables not included in Provision for Due from Insurance Operations in accordance with Article 323 of Tax Procedural Law. This provision is classified under "Provision for Doubtful Receivables from Main Operations" item in the Balance Sheet.

Provisions for doubtful receivables are deducted from the income of the current year. In case a doubtful receivable for which a provision has been allocated previously is collected, the collected amount is deducted from the relevant provision account and reflected in "Provision Expenses" account. Bad receivables are removed from respective accounts after all legal transactions are completed.

Policy loans are the loan amounts provided to policyholders who have paid premiums during the period specified in the technical principles of the Company regarding the approved life insurance price list (time interval for policy loan is minimum three years in accordance with Life Insurance General Conditions unless another agreements exists otherwise) at a certain percentage of the amounts included in the surrender table in return for policyholders' surrender of the respective life insurance policies. Policy loans are initially recognized at fair value in the Balance Sheet accounted and followed over their values determined by applying effective interest method, by considering impairment provision, if any. Interest income from policy loans and the foreign currency gains and losses are also taken into account under Investment Income/Expenses items within Life Segment Technical Income and Expenses main account group in Income Statement (Note 12).

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2. Summary of Significant Accounting Policies (continued)

2.8 Financial Assets (continued)

Available for Sale Investments

Various debt securities held by the Company are classified as Available for Sale Investments (financial assets) and these are valued at fair value within the periods after initial recognition. It is considered that the fair value cannot be reliably measured if the price that provides a basis for fair value is not set in active market conditions and discounted value calculated with the effective interest method is used as fair value.

Interest income and expenses of Available for Sale financial assets included in Financial Investments at Policyholders' Risk portfolio calculated with effective interest method are recorded in "Life Segment Investment Income" account.

"Unrealized profits and losses" arising from changes in fair values of Available for Sale financial assets are not reflected in the Income Statement for the relevant period until either collection of the amount corresponding to or sale/disposal of or impairment of such asset is realized and followed under "Valuation of Financial Assets" account in Shareholders' Equity. 2,596,613 TRY (December 31, 2018: 761,355 TRY) out of the unrealized gains and losses arising from the changes in fair values of these assets corresponding to the valuation differences regarding Financial Assets at Policyholder's Risk not belonging to the Company is recognized in "Other Technical Provisions" account item under long term insurance technical provisions (Note 17). Accumulated fair value differences booked under Shareholders' Equity are reflected to the Income Statement upon disposal of such assets.

The Company evaluates on each Balance Sheet date whether objective evidence exists regarding impairment in financial assets. The Company does not allocate any impairment provisions for short-term market fluctuations, provided that a collection risk has not been born for financial assets classified under available for sale financial assets and representing borrowings (Note 11).

2.9 Impairment of Assets

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

Mortgages or guarantees on assets are explained in Note 43, provisions for overdue receivables and provisions for receivables which are not overdue are explained in Note 12.1, and provision and rediscount expenses for the period are explained in Note 47.5.

2.10 Derivative Financial Instruments

None (December 31, 2018: None).

2.11 Offsetting of Financial Instruments

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

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2. Summary of Significant Accounting Policies (continued)

2.12 Cash and Cash Equivalents

Cash and cash equivalents include demand deposits held at banks and bank guaranteed short term credit card receivables with a term less than three months.

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

	December 31, 2019	December 31, 2018
Banks (Note 14)	24,179,366	17,236,267
Credit Card Receivables (Note 14)	6,457,362	7,270,521
Minus – Accrued Interest	(583,623)	(130,840)
Minus – Earmarked Bank Accounts (-) (Note 14)	(3,002,952)	
Total	27,050,153	24,375,948

The Company has 3,000,000 TRY in time deposit account earmarked in favor of public institutions and net of interest accruals as of December 31, 2019 (December 31, 2018: None).

2.13 Shareholders' Equity

The composition of the Company's share capital at December 31, 2019 and December 31, 2018 is as follows:

Name of Shareholder	December 31, 2019		December 31, 2018	
	Share (%)	Share Amount	Share (%)	Share Amount
Axa Holding A.Ş.	99.99	19,999,283	99.99	62,972,743
Other	0.01	717	0.01	2,257
Total	100.00	20,000,000	100.00	62,975,000

The Company held a Shareholders' Assembly Meeting on March 29, 2019 and according to the resulting Assembly Resolutions, following decisions are made: Decrease Company capital by 52,031,222 TRY from 62,975,000 TRY paid-in capital down to 10,943,778 TRY; subsequently increase capital by 9,056,222 TRY to reach a total paid-in capital amount of 20,000,000 TRY to be withdrawn from Secondary Legal Reserves; pay the amount obtained from capital decrease at the end of aforementioned transactions to shareholders in proportion with their share percentages, in accordance with the provisions of Turkish Commercial Code No.6102, Trade Registry Regulation and other relevant regulations.

As of December 31, 2019 and December 31, 2018, no privileges are granted to the preference shares representing the share capital.

The Company is not subject to the registered share capital system as of December 31, 2019 and December 31, 2018.

Other information about the Company's share capital is explained in Note 15.

2.14 Insurance and Investment Contracts – Classification

Insurance contracts are those contracts that transfer insurance risk. Insurance contracts provide protection to policyholders against adverse economic consequences of an event of loss as covered under the terms and conditions stipulated in the insurance policy. Main contracts issued by the Company are insurance contracts prepared in personal accident and life segments, as also explained below.

Non-Life Insurance Contracts (Personal Accident)

Personal accident insurance contracts provide guarantee against risks which may arise due to an accident. Riders such as disability due to accident, unemployment or temporary disability and accident medical treatment expenses are also provided in addition to accidental death coverage.

2. Summary of Significant Accounting Policies (continued)

2.14 Insurance and Investment Contracts – Classification (continued)

Life Insurance Contracts

Life insurance contracts are divided into two groups: cumulative and risk (non-cumulative). With this insurance, the Company may insure the probability of death of a person within a certain period or in accordance with the conditions and situations specified in the insurance contract or the probability of that person to live longer than a specified period of time, or both. Information regarding the cumulative and risk insurances written under Life segment is provided below:

i) Insurance for Savings:

Cumulative Life Insurance

Cumulative life insurance products are products with investment purposes with a major portion for ensuring savings and with a minimum period of 10 years. Savings accumulating at the end of minimum 10 years are paid to policyholders. In case of an unexpected death, death coverage provides security. Paid cumulative policies provide surrender and loan rights unless the policy period is not shortened with a counter agreement. Furthermore, accidental death and permanent disability riders can also be included in insurance scope with the deductions to be made from the premiums paid. Policyholders can receive profit shares in case the income generated exceeds the technical interest guaranteed in cumulative policies. The Company classifies and recognizes all cumulative life insurance contracts and insurance contracts in accordance with the applicable insurance regulations.

ii) Insurance for Protection:

Annual Life

Annual life insurance provides security for a period of 1 year against the risks the policyholder can face. This insurance provides accidental death, permanent and temporary disability and dread disease riders in addition to death main coverage and covers the risks to which the policyholder may be exposed during policy period. Annual life insurance policies are risk weighted, do not include savings and do not provide surrender and loan rights. Policies can be issued for individuals or groups.

Long Term Life

Long term life insurance, provides accidental death and permanent disability riders in addition to death main coverage and ensures long term material security against the risks to which the policyholder may be exposed during policy period. Insurance period can be between 1 - 30 years. Long term life insurance policies are protective and risk weighted and do not include savings. These policies are issued for individuals only. Age limit is 18-65 and premium amounts vary according to age, gender and coverage amount (monthly diminishing, yearly diminishing, fixed throughout the period).

Credit Life

Credit life insurance provides coverage for potential risks indicated on the policy such as death or disability etc. which the policyholder may encounter with during reimbursement period. In case of risk realization within insurance period, loan debt is covered by the credit life insurance. Policies usually provide only death coverage. These are risk products not including savings. Premium amounts vary according to age, gender and coverage amount (monthly diminishing, yearly diminishing, fixed throughout the period).

Calculation principles for income and liabilities arising from insurance contracts are provided in Notes 2.21 and 2.24.

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2. Summary of Significant Accounting Policies (continued)

2.14 Insurance and Investment Contracts – Classification (continued)

Private Pension Contracts

The Company has 19 Pension Investment Funds with the capacity of fund founder as of December 31, 2019 (December 31, 2018: 19 funds).

Private pension system receivables consist of capital advances in pension investment funds, fund management amounts deducted from funds, receivables from participants and receivables from the custodian. The Company follows the receivable amounts from fund management charges arising from management of funds and not collected within the same day under receivables from fund management charge account. Advances allocated to pension investment funds founded by the Company are followed under capital advances in pension investment funds account.

Receivables from custodian on fund basis on behalf of participants are classified under due from custodian account. This amount is at the same time shown as due to participants for funds sold under private pension system payables account. These amounts at December 31, 2019 and December 31, 2018 are as follows:

	December 31, 2019
Due from Custodian	674,750,457
Due to Participants	674,750,457
	December 31, 2018
Due from Custodian	474,234,675
Due to Participants	474,234,675

Private pension system payables consist of accruals calculated for pension investment fund management expenses, participant suspense account and payables to private pension intermediaries in addition to due to participants account explained in the previous paragraph. Accruals calculated for pension investment fund management expenses include the accrual entries for the amount to be paid by the Company to the portfolio management firm for pension investment funds the Company has founded. Participants suspense account is the account item where amounts not yet invested in the name of participants and amounts to be paid to participants in case they leave the system or the amounts to be transferred in case participants want to transfer their savings to another company, after the sales of fund shares belonging to participants and deduction of similar items.

Fund management expense charge for fund management and representation services and equipment, labor and accounting services allocated to funds is recognized as income in Company accounts and shared by the Company and portfolio management firm in line with mutually agreed rates and fixed expense shares. All such expenses are included in fund management expense charge account in Company technical income and the portion belonging to the fund manager is reflected to Company technical expenses as the amount paid for fund management.

2. Summary of Significant Accounting Policies (continued)

2.14 Insurance and Investment Contracts – Classification (continued)

Reinsurance Treaties

Reinsurance treaties are agreements executed by and between ceding company and reinsurer(s) which may include one or more segments and coverages and prescribes the technical and financial conditions to be complied with by contractual parties.

Reinsurance policy and treaties of the Company applicable within 2019 and 2018 are summarized below:

The Company ensured protection during 2019 and 2018 periods with surplus reinsurance treaties in life and personal accident segments and with excess of loss reinsurance treaties protecting the retention in these segments.

In surplus reinsurance treaties, premium amounts are ceded to reinsurer(s) on premium basis specified in the treaty for rates found by application of the retention and treaty limits to the relevant risk and the loss amount is collected over the same rates. In excess of loss treaties, excess of loss premiums predetermined and mutually agreed at year beginning are paid to the reinsurer(s) within the year in two equal installments.

2.15 Insurance Contracts and Investment Contracts with Discretionary Participation Feature

None (December 31, 2018: None).

2.16 Investment Contracts without Discretionary Participation Feature

None (December 31, 2018: None).

2.17 Loans

None (December 31, 2018: None).

2.18 Taxes

Corporate Tax

Applicable corporate tax for 2019 is 22% in 2018 (2018: 22%). According to the Provisional Article 10 added to the Corporate Tax Law, corporate tax shall be applied at 22% for corporate earnings realized within the taxation periods of 2019 and 2020 (earnings for the fiscal periods starting in the related year for the institutions assigned with special accounting periods).

Withholding tax is not applied to dividends paid to limited taxpayer entities earning income within Turkey through an office or a permanent representative and to entities residing in Turkey. Dividend payments made to other persons and entities except the foregoing shall be subject to 15% withholding tax. Appropriation of retained earnings to capital is not considered as profit distribution; therefore no withholding tax is applied.

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2. Summary of Significant Accounting Policies (continued)

2.18 Taxes (continued)

Entities calculate the provisional tax amount equal to 22% of their quarterly financial profits, submit their provisional tax return statements until the 14th day and pay the tax amount until the end of 17th day of the second month following the quarterly period subject to provisional tax. Provisional tax amounts paid within the year belong to that specific year and these amounts are rebated against the corporate tax amount to be calculated over the corporate tax return statement to be submitted within the subsequent year. In case a surplus paid amount provisional tax exists even after such rebate, such surplus amount can be recollected or set off against other fiscal payables due to the government.

75% of the profit obtained from sales of affiliate shares held for minimum 2 years and 50% of the profit obtained from sale of physical properties are considered as tax exemptions, provided that such amounts are added onto capital as pre-stated in Corporate Tax Law or kept in equity for 5 years.

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

There is no practice of reconciliation of payable taxes with the tax authority within Turkey. Corporate tax returns are submitted to the relevant tax office by the 25th day of the 4th month following the month when the accounting period ends.

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

Income or corporate taxpayers calculating their revenues on Balance Sheet basis are required to apply inflation adjustment to their financial statements starting as of January 1, 2004 in accordance with the "Law on Amendment of Tax Procedural No.5024, Income Tax Law and Corporate Tax Law" ("Law No.5024") promulgated in Turkish Official Journal on December 30, 2003. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (TÜİK TÜFE (Consumer Price Index) increase rate). Since the conditions in question were not fulfilled in 2018 and 2019, no inflation adjustments were performed (Note 35).

Deferred Taxes

Deferred taxes are calculated over temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements by using liability method. Deferred tax assets and liabilities are calculated according to the tax rates expected to be applicable within the period where the tax asset shall be realized or the liability shall be fulfilled and in consideration of the tax rates and tax laws already in effect or which shall go in effect as of the Balance Sheet Date.

Deferred tax assets are calculated with the constraint that use of provisional differences through gaining profits subject to tax is highly probable in the future (Note 21).

2.19 Employee Benefits

The Company accounts for its liability related to employment termination, vacation benefits and other benefits provided to employees according to "Turkish Accounting Standards Regarding Employee Benefits" ("TAS 19") and classifies these in the Balance Sheet under "Provision for Employment Termination Benefits" and "Provision for Expense Accruals" accounts.

2. Summary of Significant Accounting Policies (continued)

2.19 Employee Benefits (continued)

According to the Turkish Labor Law, the Company is required to pay termination benefits to each employee whose job is terminated except for the reasons such as resignation, retirement and attitudes determined in Labor Law. The provision for employment termination benefits is calculated over present value of the possible liability in scope with the Labor Law by considering certain actuarial estimates (Note 22).

2.20 Provisions

In case a liability arising from past events exists and fulfillment of such liability is likely and the amount of such liability is reliably predictable, provisions are allocated in financial statements. Provision amount is calculated in consideration of the risks and uncertainties regarding such liability, through estimating the expense expected to be incurred in the most reliable way on the Balance Sheet date. In case the provision is measured by using the expected cash flows required to fulfill such liability, the book value of such provision equals to the present value of the relevant cash flows.

In cases where the economic benefit required for payment of such liability is expected to be totally or partially borne by third parties, the amount to be collected is recognized as an asset if the collection of such amount is almost certain and can reliably be measured.

Liabilities arising from past events and whose existence would be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are classified as contingent liabilities and not included in the financial statements (Note 23).

2.21 Recognition of Revenues

Written Premiums

Written premiums represent premiums on policies written during the year, net of cancellations and taxes. As disclosed in Note 2.24, premium income is recognized in the financial statements on accrual basis by allocating the unearned premium reserve over written risk premiums. Amount of written premiums for life insurance policies longer than 1 year consists of income with payment due dates accrued within that year. Amount of written premiums for life insurance policies shorter than 1 year covers all the premium amount for the relevant period.

Reinsurance Commissions

Commission income for premiums ceded to reinsurance companies are recorded on an accrual basis over the period, and classified in the technical section of the Income Statement under operating expenses. As disclosed in Note 2.24, reinsurance commission income is recognized in the financial statements on accrual basis by allocating unearned commissions reserve over charged commissions.

2. Summary of Significant Accounting Policies (continued)

2.21 Recognition of Revenues (continued)

Life Segment Investment Income

Fund income in life segment is calculated in line with the efficiency rate of the income obtained from the investments made within the period and reflected in life segment investment income account.

Interest Income

Interest income is recorded periodically by applying effective interest rate method.

Dividend Income

Dividend income is recorded in financial statements when deserved.

2.22 Leasing Transactions

None (December 31, 2018: None).

2.23 Dividend Distribution

Dividend payables are reflected to financial statements as a profit distribution item among the liabilities of the declaration period.

2.24 Technical Reserves

Life Mathematical Reserves

Life segment's mathematical reserve include actuarial mathematical reserves (with minimum income guarantee equal to the technical interest rate determined with approved lists by the Ministry and including risk coverage for longer than one year) and profit share reserves and show the Company's liabilities towards policyholders in life insurance segment.

Mathematical reserves represent the total of actuarial mathematical reserves, calculated separately for each contract in effect according to the technical principles in the specifications, and profit share reserves. The Company's Life Mathematical Reserves consist of actuarial mathematical reserves calculated for cumulative and risk (non-cumulative) life insurances longer than ... years. Actuarial mathematical reserves is the difference between the risk premium amount the Company collects for the risks assumed and the advance values of liabilities to policy owners and beneficiaries. Profit share reserve is allocated for income amounts obtained from investment of these reserve amounts (Note 17).

Unearned Premiums Reserve

Unearned premiums reserve is calculated as the portion of premium amounts accrued for all policies in effect as of Balance Sheet date corresponding to the subsequent year found with the calculation made on days basis. Policies are assumed to begin at 12:00 and expire at 12:00 in general for calculation of the portion carried to the subsequent period on daily basis. In accordance with the Technical Provisions Regulation, unearned premium reserves allocated for policies issued and the reinsurer's share of these reserves are calculated and reflected to the respective accounts as the portion exceeding to the subsequent period(s) on daily basis of the premium amounts accrued for the valid insurance contracts and premiums ceded to reinsurers net of commissions and other similar deductions (Note 17).

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2. Summary of Significant Accounting Policies (continued)

2.24 Technical Reserves (continued)

Deferred Production Expense and Commission Income

Pursuant to Circular No.2007/25 issued by the Ministry on December 28, 2007, the portion of the commissions paid to intermediaries and commission amounts received from reinsurers for ceded premiums corresponding to subsequent period(s) are recognized under "Deferred Acquisition Expenses" and "Deferred Commissions Income", respectively in Balance Sheet and under "Operational Expenses" account in Income Statement (Note 17).

Unexpired Risks Reserve

Pursuant to Technical Provisions Regulation, insurance companies are required to allocate provision amounts for ongoing risks by considering the expected loss ratio for the possibility of potential compensation payments which may be incurred due to valid insurance contracts to exceed the unearned premiums reserve amount allocated for the mentioned contracts. The expected loss ratio is calculated through dividing the realized loss amount by earned premium amount. In case the expected loss ratio calculated on segment basis exceeds 95%, the amount found by multiplying the percentage in excess of 95% with net unearned premiums reserve is calculated as the net unexpired risks reserve and the amount found by multiplying the percentage in excess of 95% with gross unearned premiums reserve is calculated as the gross unexpired risks reserve. The difference between gross and net amounts is considered as the Reinsurer's share.

The Company has no unexpired risk reserve amount based on the calculation made as of December 31, 2019 (December 31, 2018: None) (Notes 4 & 17).

Outstanding Claims Reserve

The Company allocates provisions for loss claim and compensation amounts accrued and assessed through calculations but not actually paid in previous periods or in the current period or for estimated amounts if such calculation has not been made and for loss claim and compensation amounts which are realized but not reported. Outstanding claims reserve amount is determined according to actuary reports or to actuary and policyholder assessments from which no recovery, salvage or similar income items are deducted.

The difference between the accrued and calculated Outstanding Claims Reserve amount and the amount found by using Actuarial Chain Ladder Methods, content and implementation principles of which are prescribed in Technical Reserves Regulation and "Circular No.2014/16 on Outstanding Claims Reserve" dated December 5, 2014 and effective as of January 1, 2015 and also with other relevant regulations, are recognized as Incurred but Not Reported (IBNR) Compensation Amount as of December 31, 2019. "Circular No.2016/22 on Discounting of Cash Flows from Outstanding Claims Reserves" issued by the Ministry on June 10, 2016 allows insurers to discount the net cash flows to be generated by the Outstanding Claims Reserves amount, calculated and allocated in accordance with the applicable insurance legislation. The Company did not preferred to make any changes in its accounting policy and reflected the Outstanding Claims Reserves amount calculated for all segments as of December 31, 2019 and 2018 free of any discounts.

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2. Summary of Significant Accounting Policies (continued)

2.24 Technical Reserves (continued)

"Circular No.2014/16 on Outstanding Claims Reserve" issued by the Ministry on December 5, 2014 and effective as of January 1, 2015 annuls the "Circular No.2010/12 on Actuarial Chain Ladder Method" effective until December 31, 2014 (excluding Articles 9 & 10) and stipulates that the IBNR Reserves amount shall be calculated with the best forecast methods determined in line with the Company Actuary's opinions. According to the aforementioned Circular, selection of the data to be used in calculation of IBNR compensation amounts, adjustments, selection of most suitable method and development factors and interventions thereto shall be performed by the Company actuary. The relevant Circular indicates that the Standard Chain, Loss Ratio, Cape Cod, Frequency/Severance, Munich Chain Method and Bornhuetter-Ferguson Actuarial Chain Ladder Methods ("ACLM") shall be used for calculation of IBNR Reserves amount and the insurers are free to prefer any one of the foregoing methods.

IBNR Reserves amount calculations by the Company are performed in gross amounts and net figures are determined depending on the applicable or relevant reinsurance treaties of the Company.

The Company took the last five years' reported loss and realized loss data into account for calculation of IBNR Reserves amount and calculated 1,380,886 TRY gross, 1,318,567 TRY net IBNR Reserves amount as of December 31, 2019 (December 31, 2018: 1,714,430 TRY gross, 1,642,730 TRY net) (Note 17).

The Company has considered the most suitable method regarding its portfolio structure among available ACLM methods for Personal Accident segment and selected "Standard Chain" method and calculated 528 TRY gross, 186 TRY net IBNR Reserves amount as of December 31, 2019 (December 31, 2018: minus 4,324 TRY gross, minus 1,690 TRY net) (Note 17).

Pursuant to "Circular No.2011/23 on Explanations regarding Calculation of Incurred but Not Reported (IBNR) Claims Reserve" dated December 26, 2011 ("Circular No.2011/23"), insurance companies can calculate a win rate per sub-segments over the amounts of the legal cases filed against the company based on the realizations within last five years (starting as of December 31, 2011 and by considering the finalization dates of such legal cases) and perform deductions from the outstanding claims reserve amount accrued for legal cases still in litigation process according to this win rate. The Company did not calculate a win rate over the amounts of the legal cases filed against the company, nor performed any deductions from the Outstanding Claims Reserve amount accrued for legal cases still in litigation process according to this win rate as of December 31, 2019 and 2018 (Note 17).

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2. Summary of Significant Accounting Policies (continued)

2.24 Technical Reserves (continued)

Renewal Premium Reserve

The Company recognized 2,459,913 TRY in total as renewal premium reserve in its financial statements prepared as of December 31, 2019, comprising of 2,456,837 TRY for life segment and 3,076 TR for personal accident segment, calculated in line with profit share technical principles (December 31, 2018: 2,443,964 TRY in total, with 2,440,081 TRY for life and 3,883 TRY for personal accident segments) (Note 17).

Equalization Reserve

According to the Technical Provisions Regulation, insurance companies are required to provide equalization reserve in their financial statements for earthquake and credit coverage in order to balance the fluctuations in the claim ratios and to meet the catastrophic risks in the subsequent periods. Pursuant to the Industry Announcement No.2009/9 on "Implementation Technical Reserves Regulation", starting from January 1, 2009, the life and pension companies are required to allocate an equalization reserve amount for insurance contracts arranged in life and accident segments including an earthquake rider for death and disability incidents which may occur due to an earthquake. Equalization provision is calculated as 12% of net premiums written in credit insurance and earthquake segments. In accordance with Technical Reserves Regulation, insurance companies are allowed to use their own statistical data for calculation of equalization reserve amount for life policies providing death coverage, and the companies which do not possess such statistical data are allowed to consider 11% of death premium amounts as earthquake premiums and allocate a reserve amount equal to 12% of these amounts.

In calculation of net premiums, fees paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. .

The Company allocated an equalization reserve amount of 3,460,427 TRY in total, comprising of 3,460,313 TRY for Life and 114 TRY for Personal Accident segments as of December 31, 2018 (December 31, 2018: 3,383,806 TRY in total, comprising of 3,383,713 TRY for Life and 93 TRY for Personal Accident segments) (Note 17).

2.25 Share Based Payments

Share certificates are generally provided to employees as part of their salary packages in addition to the salary and other employee benefit amounts. An entity providing shares and share options to its employees is considered to pay an additional amount to gain additional benefits. Such company would measure the fair value of such working service received by taking the fair value of equity based financial instruments as reference, due to the difficulty in measurement of fair values of services received.

Regarding transaction measured with reference to the fair values of equity based financial instruments, fair values of equity based financial instruments are measured over their market values (if available) as of the measurement date, also by taking the terms, conditions and principles of such financial instruments into account.

The Company provides own shares to its employees, provided that the recipient employees' performance levels meet the performance criteria and conditions specified by the Company's ultimate main partner Axa SA. The Company allocates a provision amount in its Balance Sheet in return for these shares for cost reflections made by Axa SA under TFRS 2 "Share Based Payments", while Axa SA recognizes the changes in share prices in Shareholders' Equity account and the costs incurred for provision of shares to qualified employees in Income Statement (Note 23).

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3. Critical Accounting Estimates and Judgments in Applying Accounting Policies

Preparation of financial statements requires calculation of asset and liability amounts reported on Balance Sheet date, disclosure of contingent assets and liabilities and making judgments and using estimates and assumptions which might affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Accounting assessments, estimates and underlying assumptions are reviewed on an ongoing basis, considering past experiences and other relevant factors in addition to current condition and reasonable expectations for future events. Actual results may differ from these estimates although the estimates rely on the best knowledge of management regarding existing events and transactions.

One of the most important accounting estimates for the entity is the forecast of final net liabilities related with the expenses arising from effective insurance policies. Forecast of insurance liabilities include assessment of many contingencies by nature.

In particular, information regarding uncertainties in significant estimates having the highest impact on the amounts presented in the financial statements and the interpretations thereof are provided in the Notes listed below.

Note 4 - Insurance and Financial Risk Management

Note 11- Financial Assets

Note 21- Deferred Taxes

Note 22 - Employee Benefits

Note 23- Provisions

4. Insurance and Financial Risk Management

Insurance Risk

Risk regarding insurance contracts is related with the possibility of realization for the insured event and uncertainty of the potential loss and damage amounts resulting from such realization. By nature of insurance contracts, such risk is random and therefore it is not possible to make a precise estimate.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. The Company determines its strategy when issuing policies according to the type of insurance risks taken and the claims occurred.

Company pricing is made according to statistical analysis, historical data and mortality tables appropriate for the relevant product.

The Company manages the risks mentioned above by its strategy formed for policy issuance and the reinsurance agreements to which the Company is a party in all branches.

Following items are considered in Life and Personal Accident segments in line with the Company's risk acceptance policy:

- For personal policies; medical reports and policyholder's statement regarding their health condition, in consideration of policyholder's age and the insurance amount;
- For group policies; medical reports and individual statements regarding policyholders' health conditions, depending on the number of people included in the group and whether the insurance is compulsory or facultative;
- For pricing; information about application of extra premium amounts, introduction of additional conditions or reduction in coverage amount or rejection, depending on the policyholder's health condition;
- For high coverage amounts; documents containing information about policyholder's financial situation in addition to medical documents.

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

	December 31, 2019	December 31, 2018
Life	3,037,604,448	2,652,394,797
Personal Accident	212,762,599	201,273,875
Total	3,250,367,047	2,853,668,672

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4. Insurance and Financial Risk Management (continued)

Risk exposure of the Company depending on pricing policies is indicated below:

Mortality Risk

It is the risk of incurred death claims exceeding the mortality probabilities listed in mortality tables used in pricing of mortality risk. The Company uses mortality tables appropriate for the respective product. Additionally, required changes are made on price lists according to the loss ratios per product. The Company uses CSO 53-58, CSO 80, TRSH or CSO 2001 mortality tables for pricing of life insurance contracts.

Technical Interest Risk:

Interest equal to "technical interest rate" at minimum is guaranteed to policyholders of cumulative life insurance products. The Company would be exposed to technical interest risk in case market interest rates are lower than this guaranteed risk rate. However, in consideration of the entire life insurance portfolio, the Company predicts that the potential future profit amounts to be obtained from this portfolio shall be higher than the potential loss amount which may be incurred as a result of a decrease in market interest rates.

Interest rates guaranteed by the Company for cumulative products and relevant mathematical reserve amounts allocated are provided below:

Product Currency	December 31, 2019		December 31, 2018	
	Guaranteed Interest Rate (%)	Mathematical Reserves (TRY)	Guaranteed Interest Rate (%)	Mathematical Reserves (TRY)
USD (**)	2.5	33,682,513	2.5	38,883,328
TRY (*)	9.0	12,249,323	9.0	15,491,993
EUR (**)	2.5	4,114,667	2.5	4,680,106
TRY (*)	6.0	3,201,176	6.0	5,176,734
TRY (*)	3.0	2,562,447	3.0	2,408,235
USD (**)	1.0	367,413	1.0	284,347
EUR (**)	1.0	41,487	1.0	32,779
Total Mathematical Reserves Allocated for Cumulative Life Insurance Policies		56,219,026		66,957,522
Total Mathematical Reserves Allocated for Non-Cumulative Life and Non-Life Insurance Policies		3,212,441		3,504,858
Total (Notes 17.15-17.19)		59,431,467		70,462,380

(*) The Company ceased the production of policies offering 9% technical interest guarantee since the end of 2003 and those with 6% technical interest guarantee since the end of 2009. Policies produced since the beginning of 2010 offer only 3% technical interest guarantee.

(**) The Company ceased the production of policies offering 2.5% technical interest guarantee since the end of 2009. Policies produced since the beginning of 2010 offer only 1% technical interest guarantee.

The Company's current financial asset income (including time deposit accounts) is provided below:

Product Currency	December 31, 2019		December 31, 2018	
	Weighted Average Annual Interest Rate (%)	Balance Sheet Value	Weighted Average Annual Interest Rate (%)	Balance Sheet Value
Eurobonds - USD	6.48	54,815,930	7.94	73,442,359
Government Bonds - TRY	14.31	36,215,704	10.86	88,696,040
Time Deposit Accounts - TRY	13.26	22,361,261	23.13	12,054,290
Eurobonds -EUR	3.98	7,678,859	4.07	8,123,328
USD	-	-	3.40	4,003,834
Total		121,071,754		186,319,851

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4. Insurance and Financial Risk Management (continued)

Financial Risks

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

(a) Credit Risk

Credit risk is most simply defined as the potential that a bank borrower or counter party will partially or totally fail to meet its obligations on time and in accordance with agreed terms and the resulting situations the Company shall have to face with.

The Company limits the credit risk of its financial assets classified as credit and receivables and the receivable amounts from insurance operations (including receivables from reinsurers) with the guarantees received and the procedures applied for selection of counter parties. Other information about these receivables is explained in Note 12.

The Company's financial assets, except for Loans and Receivables, which are subject to credit risk generally consist of domestic government bonds and time and demand deposits kept in banks and other financial institutions established in Turkey, which are not deemed to have high credit risk.

Credit risk exposures per type of financial instruments as of December 31, 2019 and December 31, 2018 are provided below. Banks and bank guaranteed short term (<3 months) credit card receivables are also included in credit risk.

December 31, 2019	Loans and Receivables				Available for Sale Investments (*)	Cash and Cash Equivalents
	Due from Insurance and Private Pension Operations		Other Receivables			
	Relevant	Other	Relevant	Other		
Maximum Credit Risk Exposure as at Reporting Date (A+B+C)	510,526	1,810,832		190,450	99,648,942	30,636,728
- Portion of Maximum Risk Secured with Guarantees, Provisions, etc.		63,741				
A. Net Book Value of Financial Assets Undue or Not Impaired	510,526	1,743,891		190,450	99,648,942	30,636,728
B. Net Book Value of Financial Assets Overdue but Not Impaired		66,941				
C. Net Book Value of Impaired Assets	-	-	-	-	-	-
Gross Book Value	-	160,135	-	-	-	-
Impairment	-	(160,135)	-	-	-	-

(*) Including financial investments at policyholders' risk and investment securities.

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4. Insurance and Financial Risk Management (continued)

(a) Credit Risk (continued)

December 31, 2019

December 31, 2019

	Loans and Receivables					
	Due from Insurance and Private Pension Operations		Other Receivables		Available for Sale Investments (*)	Cash and Cash Equivalents
	Relevant	Other	Relevant	Other		
Maximum Credit Risk Exposure as at Reporting Date (A+B+C)	588,772	1,643,557		16,458	170,689,537	24,506,788
- Portion of Maximum Risk Secured with Guarantees, Provisions, etc.		78,108				
A. Net Book Value of Financial Assets Undue or Not Impaired	588,772	1,602,906		16,458	170,689,537	24,506,788
B. Net Book Value of Financial Assets Overdue but Not Impaired		40,651				
C. Net Book Value of Impaired Assets	-	-	-	-	-	-
Gross Book Value	-	160,135	-	-	-	-
Impairment	-	(160,135)	-	-	-	-

(*) Including financial investments at policyholders' risk and investment securities.

(b) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and credit spreads will affect the Company's income or the value of its holdings of financial instruments.

Interest Rate Risk

Changes in interest rates resulting in fluctuations in financial instrument prices require the Company to deal with the emerging interest rate risk. The Company's sensitivity to interest rate risk is related with the inconsistencies between the due dates of asset and liability accounts. This risk is managed by matching the assets affected by interest rate changes with the same type of liabilities.

The Company's interest bearing assets include financial instruments with both fixed and variable interest rates.

	December 31, 2019	December 31, 2018
Financial Instruments w/ Fixed Interest Rate		
Financial Assets (Available for Sale) Financial Assets (Time Deposit Accounts)	98,710,493 22,361,261	138,012,786 16,058,124
Financial Instruments w/ Variable Interest Rate		
Financial Assets (Available for Sale)		32,248,941

Sensitivity to Interest Rate

The Company's sensitivity to interest rates arise from domestic government bonds classified under available for sales assets and valued at fair value. The increase and decrease effect in fair values of government bonds classified as available for sale assets and therefore in valuation of financial assets account kept among the Company's equity items as a result of the changes in interest rates is explained below. Other variables, particularly the foreign exchange rates are assumed to be constant during this analysis.

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4. Insurance and Financial Risk Management (continued)

Interest Rate Risk (continued)

	December 31, 2019 Impact on Equity	December 31, 2018 Impact on Equity
1% Increase in Interest Rates	(999,947)	(4,920,734)
1% Decrease in Interest Rates	1,138,005	5,355,662

Exchange Rate Risk

The Company is exposed to foreign exchange rate risk due to transactions, payables and receivables in foreign currencies. These risks are monitored and limited through analysis of foreign exchange rates. Foreign exchange position of the Company as at Balance Sheet date is provided below.

Foreign Exchange Position Table

December 31, 2019

	Total TRY Equivalent (Functional US Dollar (TRY Currency) Equivalent)	EUR (TRY Equivalent)	GBP (TRY Equivalent)	CHF (TRY Equivalent)
Cash and Cash Equivalents Due from Insurance Operations	1,558,599	1,381,471	141,245	5,057
Financial Assets and Financial Investments at Life Policyholder's Risk	279,803	29,755	242,035	8,013
	62,494,789	54,815,930	7,678,859	
Total Assets	64,333,191	56,227,156	8,062,139	38,839
Mathematical Reserves	(40,300,753)	(35,942,336)	(4,330,505)	(27,912)
Outstanding Claims Reserve	(2,167,066)	(2,086,115)	(80,951)	-
Total Liabilities	(42,467,819)	(38,028,451)	(4,411,456)	(27,912)
Net Foreign Currency Asset/(Liability) Position	21,865,372	18,198,705	3,650,683	10,927

Foreign Exchange Position Table December 31, 2018

	Total TRY Equivalent (Functional US Dollar (TRY Currency) Equivalent)	EUR (TRY Equivalent)	GBP (TRY Equivalent)	CHF (TRY Equivalent)
Cash and Cash Equivalents	4,751,999	4,398,501	339,135	3,153
Due from Insurance Operations	946,001	72,122	873,879	-
Financial Assets and Financial Investments at Life Policyholder's Risk	81,565,687	73,442,359	8,123,328	-
Total Assets	87,263,687	77,912,982	9,336,342	11,210
Mathematical Reserves	(45,562,014)	(40,668,863)	(4,869,944)	(23,207)
Outstanding Claims Reserve	(1,732,221)	(1,516,202)	(216,019)	-
Total Liabilities	(47,294,235)	(42,185,065)	(5,085,963)	(23,207)
Net Foreign Currency Asset/(Liability) Position	39,969,452	35,727,917	4,250,379	3,153

Foreign Exchange Rate Sensitivity

The table below shows the increases and decreases in equity and income statement items (excluding tax effect) within periods ended on December 31, 2019 and 2018 due to valuation or devaluation of TRY by 20 percent against following foreign currencies. This analysis is prepared with assumption that all other variables, particularly foreign exchange rates, stay constant.

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4. Insurance and Financial Risk Management (continued)

Exchange Rate Risk (continued)

FX Rate Sensitivity Analysis Table - December 31, 2019

	Profit/Loss		Shareholders' Equity (*)	
	Increase in Foreign Currency Value	Decrease in Foreign Currency Value	Increase in Foreign Currency Value	Decrease in Foreign Currency Value
In case of 20% change in USD against TRY:				
1- Net Asset / Liabilities in USD	3,639,741	(3,639,741)	3,639,741	(3,639,741)
2- Portion Protected from USD Risk	-	-	-	-
3- USD Net Effect	3,639,741	(3,639,741)	3,639,741	(3,639,741)
In case of 20% change in EUR against TRY:				
1- Net Asset / Liabilities in EUR	730,137	(730,137)	730,137	(730,137)
2- Portion Protected from EUR Risk	-	-	-	-
3- EUR Net Effect	730,137	(730,137)	730,137	(730,137)
In case of 20% change in GBP against TRY:				
1- Net Asset / Liabilities in GBP	2,185	(2,185)	2,185	(2,185)
2- Portion Protected from GBP Risk	-	-	-	-
3- GBP Net Effect	2,185	(2,185)	2,185	(2,185)
In case of 20% change in CHF against TRY:				
1- Net Asset / Liabilities in CHF	1,011	(1,011)	1,011	(1,011)
2- Portion Protected from CHF Risk	-	-	-	-
3- CHF Net Effect	1,011	(1,011)	1,011	(1,011)
Total Foreign Currency Net Effect	4,373,074	(4,373,074)	4,373,074	(4,373,074)

(*) Equity effect includes P/L effect.

FX Rate Sensitivity Analysis Table - December 31, 2018

	Profit/Loss		Shareholders' Equity (*)	
	Increase in Foreign Currency Value	Decrease in Foreign Currency Value	Increase in Foreign Currency Value	Decrease in Foreign Currency Value
In case of 20% change in USD against TRY:				
1- Net Asset / Liabilities in USD	7,145,583	(7,145,583)	7,145,583	(7,145,583)
2- Portion Protected from USD Risk	-	-	-	-
3- USD Net Effect	7,145,583	(7,145,583)	7,145,583	(7,145,583)
In case of 20% change in EUR against TRY:				
1- Net Asset / Liabilities in EUR	850,076	(850,076)	850,076	(850,076)
2- Portion Protected from EUR Risk	-	-	-	-
3- EUR Net Effect	850,076	(850,076)	850,076	(850,076)
In case of 20% change in GBP against TRY:				
1- Net Asset / Liabilities in GBP	(2,399)	2,399	(2,399)	2,399
2- Portion Protected from GBP Risk	-	-	-	-
3- GBP Net Effect	(2,399)	2,399	(2,399)	2,399
In case of 20% change in CHF against TRY:				
1- Net Asset / Liabilities in CHF	631	(631)	631	(631)
2- Portion Protected from CHF Risk	-	-	-	-
3- CHF Net Effect	631	(631)	631	(631)
Total Foreign Currency Net Effect	7,993,891	(7,993,891)	7,993,891	(7,993,891)

(*) Equity effect includes P/L effect.

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4. Insurance and Financial Risk Management (continued)

Price Risk

Share Price Risk

Stock share price risk means the risk of decrease in market prices of shares due to a change in share index levels and in relevant share's value. The Company is not exposed to share price risk as of December 31, 2019 and December 31, 2018, since there are no investments in listed shares traded in stock market.

(c) Liquidity Risk

The Company uses its available cash resources to pay claims arising from insurance contracts. Liquidity risk is the risk of cash unavailability to pay obligations on due dates at a reasonable cost. Management sets limits on the minimum portion of funds available to meet such claims.

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

Cash Flow from Insurance Contracts					
December 31, 2019	< 3 Months	3 Months - 1 Year	1 - 5 Years	> 5 Years	Total
Due to Insurers and Reinsurers	-	1,151,692	-	-	1,151,692
Payables from Private Pension Operations	-	7,281,636	-	674,750,457	682,032,093
Other Payables	717,014	-	-	-	717,014
Other Current Liabilities	320,391	-	-	-	320,391
Total	1,037,405	8,433,328	-	674,750,457	684,221,190

Expected Cash Flows

December 31, 2019	< 3 Months	3 Months - 1 Year	1 - 5 Years	> 5 Years	Total
Mathematical Reserves	8,137,341	14,940,575	24,328,969	12,024,582	59,431,467
Outstanding Claims Reserve - Net	7,649,986	185,069	454,270	114,261	8,403,586
Renewal Premiums Reserve - Net	1,299,032	1,160,881	-	-	2,459,913
Unearned Premiums Reserve - Net	46,095	822,746	-	-	868,841
Equalization Reserve - Net	-	-	-	3,460,427	3,460,427
Other Technical Reserves - Net	374,791	-	-	-	374,791
Total	17,507,245	17,109,271	24,783,239	15,599,270	74,999,025

Cash Flow from Insurance Contracts					
December 31, 2018	< 3 Months	3 Months - 1 Year	1 - 5 Years	> 5 Years	Total
Due to Insurers and Reinsurers	-	1,485,286	-	-	1,485,286
Payables from Private Pension Operations	-	8,670,326	-	474,234,675	482,905,001
Other Payables	385,580	-	-	-	385,580
Other Current Liabilities	307,382	-	-	-	307,382
Total	692,962	10,155,612	-	474,234,675	485,083,249

Expected Cash Flows

December 31, 2018	< 3 Months	3 Months - 1 Year	1 - 5 Years	> 5 Years	Total
Mathematical Reserves	5,526,754	12,067,416	39,550,142	13,318,068	70,462,380
Outstanding Claims Reserve - Net	7,489,681	283,291	884,992	21,773	8,679,737
Renewal Premiums Reserve - Net	1,131,387	1,312,577	-	-	2,443,964
Unearned Premiums Reserve - Net	39,889	842,356	-	-	882,245
Equalization Reserve - Net	-	-	-	3,383,806	3,383,806
Other Technical Reserves - Net	121,612	-	-	-	121,612
Total	14,309,323	14,505,640	40,435,134	16,723,647	85,973,744

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4. Insurance and Financial Risk Management (continued)

(c) Liquidity Risk (continued)

The Company estimates that the payment of outstanding claims subject to litigation would take place in more than one year. Furthermore, the Company estimated the payment periods of other claims by considering the payment periods realized in previous years. Entire amounts of Outstanding Claims Reserve and Unearned Premiums Reserve are classified as short term items in Balance Sheet. Total mathematical Reserves amount is classified as a long term item in Balance Sheet. Equalization Reserve is classified as a long term item in Balance Sheet.

The Company foresees to fulfill the liabilities explained above by its financial assets and cash or cash equivalents included in the assets.

Fair Value of Financial Instruments

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

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

The following methods and assumptions were used to estimate the fair value of the financial instruments if such value can be determined.

- 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.

In this regard, fair value classification of financial assets and liabilities measured at fair value is as follows:

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
	38,626,058	-	-	38,626,058
-Available for Sale Investments				
-Financial Investments at Life Policyholder's Risk				
Classified as Available for Sale Investments	60,595,074	-	-	60,595,074
Total Financial Assets	99,221,132	-	-	99,221,132

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4. Insurance and Financial Risk Management (continued)

Fair Value of Financial Instruments (continued)

	December 31, 2018			Total
	Level 1	Level 2	Level 3	
Financial Assets:				
-Available for Sale Investments	99,822,441	-	-	99,822,441
-Financial Investments at Life Policyholder's Risk				
Classified as Available for Sale Investments	70,439,286	-	-	70,439,286
Total Financial Assets	170,261,727	-	-	170,261,727

Cash and cash equivalents are considered to approximate their carrying values since their fair values are short term. Carrying value of Receivables from Operations is estimated to reflect fair values after deduction of relevant doubtful receivable provision amount. Carrying values of Payables from Operations and Other Financial Payables are considered to approximate their fair values.

Capital Management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements determined by the Turkish Ministry of Treasury and Finance;
- To ensure the continuity of the Company's activities within the framework of the Company's continuity principle.

Total Required Shareholders' Equity

	December 31, 2019	December 31, 2018
Required Shareholders' Equity	7,547,138	7,160,736
Existing Shareholders' Equity	41,930,689	96,344,665
Excess of Limit	34,383,551	89,183,929

Based on the regulation on evaluation and assessment of capital adequacy, the minimum required shareholders' equity amount is calculated as 7,547,138 TRY as of December 31, 2019 (December 31, 2018: 7,160,736 TRY). Company capital calculated on December 31, 2019 in accordance with the Regulation on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Private Pension Companies is 34,383,551 TRY in excess of the minimum required Shareholders' Equity amount (December 31, 2018: 89,183,929 TRY in excess).

5. Segment Information

Disclosed in Note 2.3.

6. Tangible Assets

6.1 Total depreciation and depletion expenses for the period: 538,971 TRY
(January 1 - December 31, 2018: 14,457 TRY)

6.1.1 Depreciation expenses: 535,667 TRY (January 1 - December 31, 2018: 11,153 TRY)

6.1.2 Depletion expenses: 3,304 TRY (January 1 - December 31, 2018: 3,304 TRY)

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6. Tangible Assets (continued)

6.2 Calculation Methods for Depreciation and Increases (+) or Decreases (-) in Depreciation Expenses through Changes in These Methods: None (January 1 - December 31, 2018: None).

6.3 Tangible Asset Movements in Current Period:

6.3.1 Cost of purchased, produced or constructed tangible assets: 1,925 TRY (January 1 - December 31, 2018: None).

6.3.2 Cost of sold or scrapped tangible assets : None (January 1 - December 31, 2018: 5,984 TRY).

6.3.3 Revaluation increases in current period:

6.3.3.1 In asset costs (+): None (January 1 - December 31, 2018: None).

6.3.3.2 In Accumulated Depreciation (-): None (January 1 - December 31, 2018: None).

6.3.4 Nature, amount, beginning and ending dates of construction-in-progress: None (January 1 - December 31, 2018: None).

Tangible Asset Movements Table:

	January 01, 2019	Additions	Disposals	December 31, 2019
Cost:	578,254	1,925	-	580,179
Furniture and Fixtures				
Leased Assets (*)	-	2,116,445	-	2,116,445
Total Cost	578,254	2,118,370	-	2,696,624
Accumulated Depreciation:				
Furniture and Fixtures	(569,736)	(6,556)	-	(576,292)
Leased Assets	-	(529,111)	-	(529,111)
Total Accumulated Amortization	(569,736)	(535,667)	-	(1,105,403)
Net Book Value	8,518			1,591,221
	January 01, 2018	Additions	Disposals	December 31, 2018
Cost:				
Furniture and Fixtures	584,238		(5,984)	578,254
Total Cost	584,238	-	(5,984)	578,254
Accumulated Depreciation:				
Furniture and Fixtures	(564,567)	(11,153)	5,984	(569,736)
Total Accumulated Amortization	(564,567)	(11,153)	5,984	(569,736)
Net Book Value	19,671			8,518

7. Investment Properties

None (December 31, 2018: None).

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8. Intangible Assets

	January 01, 2019	Additions	Disposals	December 31, 2019
Cost:				
Rights	3,203,113			3,203,113
Total Cost	3,203,113	-	-	3,203,113
Accumulated Amortization:				
Rights	(3,157,579)	(3,304)		(3,160,883)
Total Accumulated Amortization	(3,157,579)	(3,304)	-	(3,160,883)
Net Book Value	45,534			42,230
	January 01, 2018	Additions	Disposals	December 31, 2018
Cost:				
Rights	3,203,113			3,203,113
Total Cost	3,203,113	-	-	3,203,113
Accumulated Amortization:				
Rights	(3,154,275)	(3,304)		(3,157,579)
Total Accumulated Amortization	(3,154,275)	(3,304)	-	(3,157,579)
Net Book Value	48,838			45,534

9. Investments in Affiliates

None (December 31, 2018: None).

10. Reinsurance Assets

Reinsurance Assets / (Liabilities)	December 31, 2019	December 31, 2018
Reinsurer's Share in Unearned Premiums Reserve (Note 17)	1,279,729	1,081,119
Reinsurer's Share in Outstanding Claims Reserve (Note 17)	524,997	882,252
Due from Reinsurers (Note 12)	351,060	220,359
Due to Reinsurers (Note 19)	(1,151,692)	(1,485,286)
Reinsurance Income / (Expenses)	December 31, 2019	December 31, 2018
Commission Received from Reinsurers (Net) (Note 32).	960,949	845,215
Reinsurer's Share in Paid Claims Reinsurer's Share in Change in Unearned Premiums Reserve (Note 17)	543,501	60,643
Reinsurer's Share in Change in Outstanding Claims Reserve	198,610	207,760
Ceded Premiums (Note 24)	(357,255)	341,129
	(1,934,368)	(1,927,229)

11. Financial Assets

11.1 Sub-classification of Presented Items According to Company Operations

	December 31, 2019						
	Portfolio at Policyholder's Risk			Company Portfolio			
Available for Sale Investments	Earmarked	Free	Total	Earmarked	Free	Total	Grand Total
Government Bonds (Note 4) Eurobonds	15,333,770	2,447,924	17,781,694	17,528,759	905,251	18,434,010	36,215,704
(Note 4) Time Deposits	41,023,961	1,278,780	42,302,741	17,424,879	2,767,169	20,192,048	62,494,789
		510,639	510,639				510,639
Total (Note 11.4)	56,357,731	4,237,343	60,595,074	34,953,638	3,672,420	38,626,058	99,221,132

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11. Financial Assets (continued)

11.1 Sub-classification of Presented Items According to Company Operations: (continued)

	December 31, 2018						
	Portfolio at Policyholder's Risk			Company Portfolio			Grand Total
Available for Sale Investments	Earmarked	Free	Total	Earmarked	Free	Total	
Government Bonds							
(Note 4) Eurobonds	11,912,515	8,198,298	20,110,813	32,574,409	36,010,818	68,585,227	88,696,040
(Note 4)	27,743,704	22,584,769	50,328,473	27,790,849	3,446,365	31,237,214	81,565,687
Total (Note 11.4).	39,656,219	30,783,067	70,439,286	60,365,258	39,457,183	99,822,441	170,261,727

Rates of return for government bonds in TRY included in Available for Sale Financial Assets portfolio vary between 8.84% and 21.06% (December 31, 2018: 8.57% - 11.06%). Rates of return for Eurobonds in USD vary between 3.67% and 11.88% (December 31, 2018: 3.67% and 11.88%); rates of return for Eurobonds in EUR vary between 2.77% and 4.89% (December 31, 2018: 2.77% and 4.67%).

Loans and Receivables	December 31, 2019	December 31, 2018
Loans and Receivables (Note 12)	2,321,358	2,232,329
Total	2,321,358	2,232,329

11.1 Securities Issued within the Year except Shares: None (January 1 - December 31, 2018: None).

11.2 Debt Securities Settled during the Year: None (January 1 - December 31, 2018: None).

11.3 Market value of marketable securities and financial assets carried at cost and carrying values and cost and carrying values of marketable securities and financial assets shown at market value in the Balance Sheet:

	December 31, 2019		December 31, 2018	
	Cost Value	Book Value (Fair Value)	Cost Value	Book Value (Fair Value)
Government Bonds Eurobonds	32,648,913	36,215,704	80,761,856	88,696,040
Time Deposits	59,434,392	62,494,789	73,398,569	81,565,687
Total (Note 11.1)	92,083,305	99,221,132	154,160,425	170,261,727

11.5 Amounts of marketable securities included in Marketable Securities and Investment Securities and issued by the Company's shareholders, affiliates and subsidiaries and entities issuing the foregoing: None (December 31, 2018: None).

11.6 Revaluation of financial assets in the last three years: Disclosed in Note 15.

11.7 - 11.9 Other information regarding Financial Assets:

Interest and sales revenues from Available for Sale Investments within the current year is 49,234,292 TRY (January 1 - December 31, 2018: 72,556,257 TRY) and FX rate difference and sales expenses is 28,987,568 TRY (January 1 - December 31, 2018: 28,828,956 TR) and net revenue amount is 20,246,724 TRY (January 1 - December 31, 2018: 43,727,301 TRY). The relevant amounts are recognized under Investment Income and Investment Expense items in Income Statement (Note 26). Unrealized fair value increase is 5,561,796 TRY (January 1- December 31, 2018: 10,401,442 TRY decrease) before deferred tax and this amount is included in the respective item under Shareholders' Equity (Note 15).

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11. Financial Assets (continued)

11.7 -11.9 Other information regarding Financial Assets (continued):

Maturity analysis of Financial Assets is as follows:

December 31, 2019							
	Demand Deposit	0-3 Months	3-6 Months	6 Months - 1 Year	1 - 3 Years	> 3 Years	Total
Government Bonds	-	6,917,876		2,321,659	12,622,032	14,354,137	36,215,704
Eurobonds	-	-	23,612,438	-	21,693,630	17,188,721	62,494,789
Time-Deposit	-	510,639		-	-	-	510,639
Accounts	-		-	-	-	-	
Total (Note 11.1).		7,428,515	23,612,438	2,321,659	34,315,662	31,542,858	99,221,132

December 31, 2018							
	Demand Deposit	0-3 Months	3-6 Months	6 Months - 1 Year	1 - 3 Years	> 3 Years	Total
Government Bonds	-	21,626,795		4,914,492	33,424,852	28,729,901	88,696,040
Eurobonds	-	-	-	-	44,661,461	36,904,226	81,565,687
Total (Note 11.1).		21,626,795		4,914,492	78,086,313	65,634,127	170,261,727

Financial Assets (excluding Loans and Receivables):

December 31, 2019			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	9,227,960	5.9402	54,815,930
EUR	1,154,611	6.6506	7,678,859
Total			62,494,789

December 31, 2018			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	13,960,037	5.2609	73,442,359
EUR	1,347,599	6.0280	8,123,328
Total			81,565,687

12. Loans and Receivables

12.1 Classification receivables as "receivables from main customers", "receivables from related parties", "receivables for advance payments" (short-term and long-term prepayments) and "other receivables":

	December 31, 2019	December 31, 2018
Receivables from Intermediaries	121,559	131,142
Due from Reinsurers	351,060	220,359
Due from Policyholders	28,163	17,637
Other Receivables	3,592	3,592
Due from Insurance Operations	504,374	372,730
Cash Deposited with Insurance and Reinsurance Companies	510,526	588,772
Due from Private Pension Operations	1,128,605	942,022
Loans to Policyholders	181,445	332,397
Doubtful Receivables from Operations	156,543	156,543
Receivables from Operations - Gross	2,481,493	2,392,464
Provision for Doubtful Receivables from Policyholders and Intermediaries (*)	(156,543)	(156,543)
Provision for Due from Insurance Operations	(3,592)	(3,592)
Provision for Doubtful Receivables	(160,135)	(160,135)
Receivables from Operations - Net	2,321,358	2,232,329

(*) Shown under Provision for Doubtful Receivables from Main Operations in Balance Sheet.

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12. Loans and Receivables

12.2 Debit-Credit Relation of the Company with Shareholders, Affiliates and Subsidiaries:

Balances and transactions with the related parties are disclosed in Note 45.

12.3 Total amount of mortgages and other guarantees obtained for receivables:

Details of deposits, guarantees and collaterals received in foreign currencies are provided below:

December 31, 2019

	USD (TRY Equivalent)	EUR (TRY Equivalent)	TRY	Total
Mortgages	-	-	4,032,700	4,032,700
Cash (*)	736,417	160,755	622,878	1,520,050
Guarantee Letters	-	-	1,507,550	1,507,550
Other Guarantees and Sureties	163,959	6,804	105,276	276,039
Total	900,376	167,559	6,268,404	7,336,339

December 31, 2018

	USD (TRY Equivalent)	EUR (TRY Equivalent)	TRY	Total
Mortgages	-	-	4,143,200	4,143,200
Guarantee Letters	-	-	1,565,300	1,565,300
Cash (*)	594,092	135,514	616,605	1,346,211
Other Guarantees and Sureties	146,261	6,167	105,276	257,704
Total	740,353	141,681	6,430,381	7,312,415

(*)Shown in "Deposits and Guarantees Received" item under Other Payables account in Current Liabilities in Balance Sheet.

12.4 Receivables and payables denominated in foreign currencies without foreign exchange rate guarantees and assets in foreign currencies and conversion rates:

Loans and Receivables:

December 31, 2019			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	5,009	5.9402	29,755
EUR	36,393	6.6506	242,035
GBP	1,030	7.7765	8,013
Total			279,803

December 31, 2018			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	13,709	5.2609	72,122
EUR	144,970	6.0280	873,879
Total			946,001

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12. Loans and Receivables

12.5 - 12.7 Other Information regarding Loans and Receivables:

Aging of receivables from insurance operations is provided below:

	December 31, 2019	December 31, 2018
Overdue	66,941	40,651
< 3 Months	52,240	71,484
3-6 Months	22,386	32,465
6 Months-1 Year	8,155	4,179
Doubtful Receivables	3,592	3,592
Total	153,314	152,371
Due from Reinsurers	351,060	220,359
Total	504,374	372,730

Aging of overdue but not impaired receivables from policyholders and agencies is as follows:

	December 31, 2019	December 31, 2018
< 3 Months	66,941	40,651
Total	66,941	40,651

Total amount of Guarantees received for the above mentioned receivables is as follows:

	December 31, 2019	December 31, 2018
Mortgage Bonds	4,032,700	4,143,200
Cash	1,520,050	1,346,211
Guarantee Letters	1,507,550	1,565,300
Other Guarantees and Sureties	276,039	257,704
Total	7,336,339	7,312,415

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13. Derivative Financial Instruments

None (December 31, 2018: None).

14. Cash and Cash Equivalents

Cash and cash equivalents that are included the Statements of Cash Flows for the periods ended on December 31, 2019 and December 31, 2018 are explained in Note 2.12 and the details of cash and cash equivalents in Company Balance Sheet are as follows:

	December 31, 2019	December 31, 2018
Banks	24,179,366	17,236,267
Bank Guarantees and Three Months Short Term Credit Card	6,457,362	7,270,521
Total	30,636,728	24,506,788
Bank Deposits in Foreign Currencies	1,558,599	748,165
- Time Deposits	-	4,003,834
Total	1,558,599	4,751,999
Deposits in TRY		
- Demand Deposits	770,145	429,978
- Time Deposits	21,850,622	12,054,290
Total	22,620,767	12,484,268
Total Banks	24,179,366	17,236,267

The Company has 3,000,000 TRY in time deposit account earmarked in favor of public institutions and net of interest accruals as of December 31, 2019 (December 31, 2018: None).

Maturity dates of time deposit accounts are less than 3 months and weighted average annual interest rates are provided below:

	December 31, 2019	December 31, 2018
TRY	13.23%	23.13%
USD		3.40%

Demand and Time Deposit Accounts in Foreign Currencies:

December 31, 2019					
Foreign Currency			TRY		
Time Deposit	Demand Deposit	FX Rate	Time Deposit	Demand Deposit	
USD	- 232,563	5.9402	-	1,381,471	
EUR	- 21,238	6.6506	-	141,245	
GBP	- 3,964	7.7765	-	30,826	
CHF	- 830	6.0932	-	5,057	
Total			-	1,558,599	
December 31, 2018					
Foreign Currency			TRY		
Time Deposit	Demand Deposit	FX Rate	Time Deposit	Demand Deposit	
USD	761,055 75,019	5.2609	4,003,834	394,667	
EUR	- 56,260	6.0280	-	339,135	
CHF	- 591	5.3352	-	3,153	
GBP	- 1,685	6.6528	-	11,210	
Total			4,003,834	748,165	

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11. Shareholders' Equity

The Company has 2,000,000,000 shares fully paid-in (December 31, 2018:6,297,500,000). Each Company share has a nominal value of 1 Kr (Kuruş), total nominal value of Company shares is 20,000,000 TRY (December 31, 2018: 62,975,000 TRY).

Movements in shares between period beginning and period end are as follows:

	January 01, 2019		New Issue		Redemption		December 31, 2019	
	Units	Nominal TRY	Units	Nominal TRY	Units	Nominal TRY	Units	Nominal TRY
Paid (*)	6,297,500,000	62,975,000	905,622,200	9,056,222 (5,203,122,200)	(52,031,222)		2,000,000,000	20,000,000
Total	6,297,500,000	62,975,000	905,622,200	9,056,222 (5,203,122,200)	(52,031,222)		2,000,000,000	20,000,000
	January 01, 2018		New Issue		Redemption		December 31, 2018	
	Units	Nominal TRY	Units	Nominal TRY	Units	Nominal TRY	Units	Nominal TRY
Paid	6,297,500,000	62,975,000					6,297,500,000	62,975,000
Total	6,297,500,000	62,975,000					6,297,500,000	62,975,000

(*) The Company held a Shareholders' Assembly Meeting on March 29, 2019 and according to the resulting Assembly Resolutions, following decisions are made: Decrease Company capital by 52,031,222 TRY from 62,975,000 TRY paid-in capital down to 10,943,778 TRY; subsequently increase capital by 9,056,222 TRY to reach a total paid-in capital amount of 20,000,000 TRY to be withdrawn from Secondary Legal Reserves; pay the amount obtained from capital decrease at the end of aforementioned transactions to shareholders in proportion with their share percentages, in accordance with the provisions of Turkish Commercial Code No.6102, Trade Registry Regulation and other relevant regulations.

Legal Reserves:

Accumulated profit amounts in legal books can be distributed, excluding the provision regarding legal reserves stated below. According to Turkish Commercial Code ("TCC"), legal reserves are divided into Primary and Secondary Legal Reserves. Pursuant to TCC, primary reserves are allocated as 5% of legal net profit until the amount reaches up to 20% of the Company's paid-in/issued capital. Secondary reserves constitute 10% of distributed profit exceeding 5% of the Company's paid-in/issued capital. In accordance with TCC, legal reserves can be used only for offsetting the loss as long as the amount of legal reserves does not exceed 50% of paid-in/issued capital. Any other use is not legally permitted.

Movements of legal reserves within the period are shown below:

	2019	2018
Period Beginning - January 1	17,216,193	17,024,974
Amount Used for Capital Increase (-)	(9,056,222)	-
Transfer from Retained Earnings	1,840,029	191,219
Period End - December 31	10,000,000	17,216,193

Extraordinary Reserves:

Movements of extraordinary reserves within the period are shown below:

	2019	2018
Period Beginning - January 1	1,989,527	-
Amount Used for Dividend Payments (*)	(1,989,527)	-
Transfer from Retained Earnings	-	1,989,527
Period End - December 31	-	1,989,527

(*) 13,638,817 TRY, which is the amount remaining after allocation of 674,466 TRY Primary Legal Reserves amount and 1,165,563 TRY Secondary Reserves amount from the amount found by adding 1,989,527 TRY Extraordinary Reserves amount allocated from 2017 Profit to 13,489,319 TRY Net Profit for 2018, is used for dividend payments in 2019.

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15. Shareholders' Equity (continued)

Movements of actuarial gains/losses within Other Profit Reserves during the period are provided below:

	2019	2018
Period Beginning - January 1	100,685	(192,311)
Change within Period - Net	(205,305)	292,996
Period End - December 31	(104,620)	100,685

Valuation of Financial Assets:

Portion belonging to the Company out of the unrealized profit and loss amounts arising from the changes in fair values of Available for Sale Investments is recognized under "Valuation of Financial Assets" in Shareholders' Equity.

Movements of valuation of financial assets within the period are shown below:

	2019	2018
Period Beginning - January 1		
(Net of Tax Effects)	(2,809,865)	5,303,260
Increase/(Decrease) in Fair Value	5,561,796	(10,401,442)
Tax Arising from Fair Value Increases	(1,223,595)	2,288,317
Period End - December 31		
(Net of Tax Effects)	1,528,336	(2,809,865)

16. Other Reserves and Capital Component of Discretionary Participation

Information regarding Other Reserves within Shareholders' Equity is provided in Note 15.

17. Insurance Liabilities and Reinsurance Assets

17.1 Guarantee amounts required for Life and Non-Life segments and Guarantee amounts established for assets per Life and Non-Life segments:

December 31, 2019

	Life	Non-Life	Total
Guarantee Amount Required (*)	70,009,692	642,309	70,652,001
Guarantee Amount Provided (Note 43) (**)	87,199,031	665,060	87,864,091

December 31, 2018

	Life	Non-Life	Total
Guarantee Amount Required (*)	77,652,140	274,733	77,926,873
Guarantee Amount Provided (Note 43) (**)	90,553,339	1,205,600	91,758,939

(*) Guarantee amount required as of December 31, 2019 is calculated, in accordance with the capital adequacy calculation for the same period, as 70,652,001 TRY (December 31, 2018: 77,926,873 TRY) .

(**) Guarantee amount provided as of December 31, 2019 is calculated as 87,864,091 TRY (December 31, 2018: 91,758,939 TRY) through revaluation with Turkish Central Bank prices applicable on December 31, 2019 of the financial assets regarding the required guarantee amount in accordance with the capital adequacy calculation as of December 31, 2019. (*) In accordance with Article 4 of Regulation on Financial Structure of Insurance, Reinsurance and Private Pension Companies", published in Turkish Official Journal No.26606 on August 7, 2007 pursuant to the Insurance Law, the insurance companies and private pension companies operating in personal accident and life insurance branches should provide guarantee amounts equal to one third of the required capital amount in each capital adequacy calculation period.

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.2 Current number of life policies, number of life policies entering and exiting within the period and current number and mathematical reserve amount for life policyholders:

	December 31, 2019		December 31, 2018	
	Number of Policyholders	Mathematical Reserves	Number of	Mathematical Reserves
Increase within Period (*)	26,007	10,230,884	55,547	17,970,243
Exits during Period (**)	(34,914)	(21,261,797)	(48,798)	(26,414,966)
Life Mathematical Reserves	25,659	59,411,579	55,170	70,431,671
Personal Accident Mathematical Reserves	348	19,888	377	30,709
Total	26,007	59,431,467	55,547	70,462,380

(*) The relevant amount exists at period beginning and includes the increases in mathematical reserves for policies still valid at period end and the increases in mathematical reserves for policies added during the period. Number of policyholders belongs to the products for which a mathematical reserve amount is allocated.

(**) The relevant amount includes the increases in mathematical reserves for policies exited during the period. Number of policyholders belongs to the products for which a mathematical reserve amount is allocated.

17.3 Guarantee amount provided for Non-Life segment:

Disclosed in Note 4.

17.4 Unit prices of pension investment funds founded by the Company:

Pension investment funds in circulation and founded by the Company and unit prices thereof are provided below:

Pension Investment Funds	December 31, 2019 Unit Price in TRY	December 31, Unit Price in TRY
Non-Governmental Debt Instruments Pension Investment Fund	0.03005	0.02409
Gold Pension Investment Fund	0.02843	0.02137
Stock Pension Investment Fund	0.02664	0.01954
Variable Pension Investment Fund	0.02400	0.01792
Money Market Pension Investment Fund	0.02321	0.01910
Participation Pension Investment Fund	0.02227	0.01571
Participation Contribution Pension Investment Fund	0.02176	0.01701
Government Debt Instruments Standard Pension Investment Fund	0.01939	0.01518
Contribution Pension Investment Fund	0.01825	0.01345
Initial Pension Investment Fund	0.01550	0.01293
APS Enthusiastic Participation Variable Pension Investment Fund	0.01518	0.01058
Initial Participation Pension Investment Fund	0.01471	0.01239
APS Participation Standard Pension Investment Fund	0.01392	0.01120
APS Aggressive Participation Variable Pension Investment Fund	0.01332	0.00908
APS Standard Pension Investment Fund	0.01294	0.01067
APS Aggressive Variable Pension Investment Fund	0.01264	0.00940
APS Enthusiastic Variable Pension Investment Fund	0.01228	0.01012
APS Cautious Variable Pension Investment Fund	0.01158	0.01000
APS Balanced Variable Pension Investment Fund	0.01140	0.01001

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.5 Number and amount of participation certificates within the portfolio and in circulation:

Private Pension Funds in Circulation:

	December 31, 2019		December 31, 2018	
	Number of Shares in Circulation	Amount (TRY)	Number of Shares in Circulation	Amount (TRY)
Variable Pension Investment Fund	4,514,933,130	108,353,880	4,703,981,312	84,314,161
Government Debt Instruments Standard Pension Investment Fund	5,298,197,495	102,737,348	5,080,728,735	77,105,139
Contribution Pension Investment Fund	5,416,540,905	98,846,451	4,946,375,970	66,533,699
Gold Pension Investment Fund	3,138,647,360	89,238,022	2,533,700,856	54,145,187
Non-Governmental Debt Instruments Pension Investment Fund	2,344,939,770	70,460,750	1,997,119,767	48,102,627
Money Market Pension Investment Fund	2,690,948,683	62,456,919	2,684,018,125	51,254,009
Stock Pension Investment Fund	1,811,173,433	48,242,416	1,858,309,015	36,305,783
APS Participation Standard Pension Investment Fund	1,782,682,876	24,814,946	1,551,922,709	17,381,534
APS Standard Pension Investment Fund	1,409,528,071	18,243,522	1,268,323,934	13,533,017
Initial Participation Pension Investment Fund	1,059,731,134	15,587,586	447,743,968	5,545,309
Initial Pension Investment Fund	900,645,479	13,958,204	382,421,115	4,943,557
Participation Pension Investment Fund	573,177,004	12,763,505	568,250,223	8,924,370
Participation Contribution Pension Investment Fund	372,752,020	8,109,591	339,831,965	5,781,561
APS Aggressive Variable Pension Investment Fund	22,055,700	278,806	14,449,626	135,812
APS Enthusiastic Participation Variable Pension Investment Fund	12,620,155	191,587	4,894,060	51,794
APS Aggressive Participation Variable Pension Investment Fund	13,718,283	182,659	6,346,094	57,648
APS Enthusiastic Variable Pension Investment Fund	13,967,860	171,469	7,192,366	72,808
APS Balanced Variable Pension Investment Fund	5,348,262	60,970	2,085,468	20,882
APS Cautious Variable Pension Investment Fund	4,476,984	51,826	2,576,807	25,778
Total	31,386,084,604	674,750,457	28,400,272,115	474,234,675

17.6 Portfolio amounts per number of private pension and group pension participants entered, exited, canceled and existing during the period: Number of contracts entering within the period is 125,977 in addition to 99,199 contracts existing at period beginning. Number of contracts at withdrawal stage is 64,466, number of contracts exiting the system is 26,863, transferred to another insurer is 4,493, terminated due to death/disability is 54 and terminated due to retirement is 125. Portfolio amount of 129,175 contracts active at period end is 567,794,409 TRY, State contribution fund amount is 106,956,048 TRY (January 1 - December 31, 2018: Number of contracts entering within the period is 139,256 in addition to 84,891 contracts existing at period beginning. Number of contracts at withdrawal stage is 81,196, number of contracts exiting the system is 26,294, transferred to another insurer is 17,393, terminated due to death/disability is 47 and terminated due to retirement is 18. Portfolio amount of 99,199 contracts active at period end is 401,919,415 TRY, State contribution fund amount is 72,315,260 TRY) (Note 17.5).

17.7 Valuation methods used for calculation of profit share in profit share life insurances:The Company classifies financial assets at policyholders' risk as "Available for Sale Investments (financial assets)". These assets are subject to valuation in line with the principles disclosed in Note 2.8.

17.8 Number and individual/group allocation of gross/net contribution amounts of private pension participants newly entered in the portfolio: Number of newly entered participants within the period is 104,462, 101,440 of which are corporate customers. Participation share amounts total of newly entered private (individual) contracts is 10,221,139 TRY net and 10,237,671 TRY gross; total amount of participation shares belonging to corporate contracts is 17,700,439 TRY net and 17,700,439 TRY gross. (January 1 - December 31, 2018: Number of newly entered participants within the period is 149,963, 141,704 of which are corporate customers. Participation share amounts total of newly entered private (individual) contracts is 12,991,309 TRY net and 13,160,967 TRY gross; total amount of participation shares belonging to corporate contracts is 23,143,521 TRY net and 23,143,521 TRY gross.

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.9 Number and individual/group allocation of gross/net contribution amounts of private pension participants transferred from another insurer: Number of participants transferred from another insurer within this period is 401, and their contribution share amounts total is 5,045,283 TRY net and 5,045,779 TRY gross. (January 1 - December 31, 2018: Number of participants transferred from another insurer within this period is 140, and their contribution share amounts total is 3,848,352 TRY net and 3,849,045 TRY gross.)

17.10 Number and individual/group allocation of gross/net contribution amounts of private pension participants transferred from the Company's life portfolio to private pension portfolio within the period: None (January 1 - December 31, 2018: None).

17.11 Number and individual/group allocation of gross/net contribution amounts of private pension participants exited Company's portfolio and transferred and/or not transferred to another insurer within the period: Number of participants exiting the portfolio within this period is 89,066 (6% private and 94% corporate), and their contribution share amounts total is 79,174,355 TRY net and 79,244,724 TRY gross (January 1 - December 31, 2018: number of participants 119,330, 78,401,750 TRY net, 78,498,498 TRY gross).

17.12 Number and individual/group allocation of gross/net premiums of life policyholders who joined the portfolio during the period:

January 1 - December 31, 2019			
	Number of Contracts	Gross Premium	Net Premium
Individual	7,182	1,343,001	1,343,001
Group	6,444	491,845	491,845
Total	13,626	1,834,846	1,834,846

January 1 - December 31, 2018			
	Number of Contracts	Gross Premium	Net Premium
Individual	4,510	726,077	726,077
Group	9,425	728,182	728,182
Total	13,935	1,454,259	1,454,259

17.13 Number and individual/group allocation of gross/net premiums and mathematical reserve amounts of life policyholders who left the portfolio during the period:

January 1 - December 31, 2019				
	Number of Contracts	Gross Premium	Net Premium	Mathematical Reserves
Individual	41,152	205,258	205,258	15,923,200
Group	10,420	229,559	229,559	5,338,597
Total	51,572	434,817	434,817	21,261,797

January 1 - December 31, 2018				
	Number of Contracts	Gross Premium	Net Premium	Mathematical Reserves
Individual	57,421	352,483	352,483	16,231,974
Group	17,289	382,002	382,002	10,182,992
Total	74,710	734,485	734,485	26,414,966

Amounts of premiums written within the period for policies canceled within the same period are taken as basis for gross premium amounts in the above table.

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.14 Profit distribution percentage to life policyholders within the period:

January 1 - December 31, 2019			
Currency (Guaranteed Interest Rate)	95% Profit Share	90% Profit Share	85% Profit Share
TRY (3%)	-	-	8.67%
TRY (6%)	-	10.54%	9.96%
TRY (9%)	10.54%	9.99%	-
USD	5.29%	5.01%	4.73%
EUR	3.46%	3.28%	3.10%

January 1 - December 31, 2018			
(Guaranteed Interest Rate)	95% Profit Share	90% Profit Share	85% Profit Share
TRY (3%)	-	-	8.60%
TRY (6%)	-	8.43%	7.96%
TRY (9%)	9.53%	9.03%	-
USD	5.48%	5.19%	4.90%
EUR	3.54%	3.36%	3.17%

17.15 - 17.19 Other required explanations regarding liabilities arising from insurance contracts:

Mathematical Reserves:	December 31, 2019	December 31, 2018
Actuarial Mathematical Reserves - Cumulative Policies	33,397,536	40,155,413
Profit Share Reserve - Cumulative Policies	22,821,490	26,802,109
Mathematical Reserves - Cumulative Policies	56,219,026	66,957,522
Mathematical Reserves - Non-Cumulative Policies	3,212,441	3,504,858
Total Mathematical Reserves	59,431,467	70,462,380

	2019	2018
Period Beginning - January 1	70,462,380	78,988,310
Premium Amounts from Cumulative Life Policies	3,667,838	4,742,614
Investment Income	8,815,535	19,621,990
Surrender and Maturity Payments	(22,367,827)	(30,593,731)
Portion Transferred to outstanding Claims Reserve due to Surrender and/or Maturity	(387,860)	(79,867)
Charges	(168,341)	(364,838)
Risk Premiums	(191,822)	(227,224)
Change in Mathematical Reserves of Non-Cumulative Life and Personal Accident Policies	(292,419)	(1,481,856)
Other (*)	(106,017)	(143,018)
Period End - December 31	59,431,467	70,462,380

(*) Includes income payments and policies not in effect at period beginning but in effect at period end.

Life Mathematical Reserves denominated in foreign currencies are provided below:

December 31, 2019			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	6,030,796	5.9598	35,942,336
EUR	649,008	6.6725	4,330,505
GBP	3,565	7.8288	27,912
Total			40,300,753

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.15 - 17.19 Other required explanations regarding liabilities arising from insurance contracts: (continued)

December 31, 2018

Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	7,704,917	5.2783	40,668,863
EUR	805,229	6.0479	4,869,944
GBP	3,465	6.6975	23,207
Total			45,562,014

Unearned Premiums Reserve:

	2019		
	Gross	Reinsurer's Share	Net
Period Beginning - January 1 Net Change	1,963,364	(1,081,119)	882,245
	185,206	(198,610)	(13,404)
Period End - December 31	2,148,570	(1,279,729)	868,841

	2018		
	Gross	Reinsurer's Share	Net
Period Beginning - January 1 Net Change	2,008,318	(873,359)	1,134,959
	(44,954)	(207,760)	(252,714)
Period End - December 31	1,963,364	(1,081,119)	882,245

Deferred Commission Expenses and Income amounts as of December 31, 2019 are 127,361 TRY (December 31, 2018: 100,652 TRY) and 595,150 TRY (December 31, 2018: 512,681 TRY) respectively and these are included under Deferred Acquisition Expenses and Commission account items within the Balance Sheet.

Other Long Term Technical Reserves

a) Renewal Premium Reserve:

Movements of Renewal Premium Reserve within the period are shown below:

	2019	2018
Period Beginning - January 1	2,443,964	2,267,322
Changes within Period	15,949	176,642
Period End - December 31	2,459,913	2,443,964

b) Pension Commission Reserve:

Movements of Pension Commission Reserve within the period are shown below:

	2019	2018
Period Beginning - January 1	121,612	170,000
Changes within Period (*)	253,179	(48,388)
Period End - December 31	374,791	121,612

(*) Changes within the period are shown under Operating Expenses in Income Statement.

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17. Insurance Liabilities and Reinsurance Assets (continued)

Other Short Term Technical Reserves (continued)

Outstanding Claims Reserve:

	2019		
	Gross	Reinsurer's Share	Net
Claims Made - Period Beginning January 1	7,851,883	(813,186)	7,038,697
Claims Paid (*)	(3,225,330)	349,000	(2,876,330)
Increase			
- Current Period Outstanding Claims	2,680,505	-	2,680,505
- Previous Periods Outstanding Claims	240,111	1,850	241,961
Claims Made - Period End December 31	7,547,169	(462,336)	7,084,833
Incurred But Not Reported Claims	1,381,414	(62,661)	1,318,753
Total	8,928,583	(524,997)	8,403,586

(*) Paid claim amounts included in Outstanding Claims Reserve tables consist of claim payments made for files included in Outstanding Claims Reserve at previous period end.

2018

	Gross	Reinsurer's Share	Net
Claims Made - Period Beginning January 1	8,906,761	(448,837)	8,457,924
Claims Paid (*)	(5,461,794)	-	(5,461,794)
Increase			
- Current Period Outstanding Claims	2,782,742	(351,250)	2,431,492
- Previous Periods Outstanding Claims	1,624,174	(13,099)	1,611,075
Claims Made - Period End December 31	7,851,883	(813,186)	7,038,697
Incurred But Not Reported Claims	1,710,106	(69,066)	1,641,040
Total	9,561,989	(882,252)	8,679,737

(*) Paid claim amounts included in Outstanding Claims Reserve tables consist of claim payments made for files included in Outstanding Claims Reserve at previous period end.

Net Outstanding Claims Reserve amounts for reported claims denominated in foreign currencies are provided below:

December 31, 2019			
Currency	Foreign Currency Amount	FX Rate (**)	Amount in TRY
USD	350,031	5.9598	2,086,115
EUR	12,132	6.6725	80,951
Total			2,167,066
December 31, 2018			
Currency	Foreign Currency Amount	FX Rate (**)	Amount in TRY
USD	287,252	5.2783	1,516,202
EUR	35,718	6.0479	216,019
Total			1,732,221

(**) Effective FX Selling Rates as announced by CBT on December 31, 2019 and 2018 are used.

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17. Insurance Liabilities and Reinsurance Assets (continued)

Other Long Term Technical Reserves:

Portion not belonging to the Company out of the unrealized profit and loss amounts arising from the changes in fair values of Available for Sale Investments and Equalization Reserve are recognized under "Other Long Term Technical Reserves".

	December 31, 2019	December 31, 2018
Other Technical Reserves (*)	2,596,613	761,355
Equalization Reserve	3,460,427	3,383,806
Total	6,057,040	4,145,161

(*) Valuation differences in fair values of Financial Investments at Life Policyholder's Risk are recognized in Other Technical Reserves account.

Other Technical Reserves:	2019	2018
Period Beginning - January 1	761,355	(467,051)
Increase/(Decrease) in Fair Value	1,933,030	1,320,130
Outflows from Sold or Amortized Financial Assets	(97,772)	(91,724)
Period End - December 31	2,596,613	761,355
Equalization Reserve:	2019	
	Gross	Reinsurer's Share
Period Beginning - January 1	3,383,806	-
Net Change	76,621	-
Period End - December 31	3,460,427	-
		2018
	Gross	Reinsurer's Share
Period Beginning - January 1	3,319,479	-
Net Change	64,327	-
Period End - December 31	3,383,806	-

Unexpired Risks Reserve

The Company has no Unexpired Risks Reserve as of December 31, 2019 and December 31, 2018.

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17. Insurance Liabilities and Reinsurance Assets (continued)**17.15 - 17.19 Other required explanations regarding liabilities arising from insurance contracts (Continued):**

Claim development tables used in ACLM calculations made in accordance with Technical Provisions Regulation are explained below.

Gross Claim Development Table prepared according to incurred losses as of December 31, 2019:

Accident Year	January 01, December 31,	January 01, December 31,	January 01, December 31,	January 01, December 31,	January 01, December 31,	January 01, December 31,	January 01, December 31,	Total Gross Incurred Loss
Loss Incurred within Accident	106,059	3,270	4,219	21,542	13,769	6,063	12,936	167,858
1 Year Later	(100,000)	-	43,800	-	(5,700)	-	-	(61,900)
2 Years Later	-	-	-	-	-	-	-	-
3 Years Later	-	-	-	-	-	-	-	-
4 Years Later	-	-	-	-	-	-	-	-
5 Years Later	-	-	-	-	-	-	-	-
6 Years Later	-	-	-	-	-	-	-	-
	6,059	3,270	48,019	21,542	8,069	6,063	12,936	105,958

Gross Claim Development Table prepared according to incurred losses as of December 31, 2018:

Accident Year	January 01, December 31,	January 01, December 31,	January 01, December 31,	January 01, December 31,	January 01, December 31,	January 01, December 31,	January 01, December 31,	Total Gross Incurred
Loss Incurred within Accident	93,058	106,059	3,270	4,219	21,542	13,769	6,063	247,980
1 Year Later	25,613	(100,000)	-	43,800	-	(5,700)	-	(36,287)
2 Years Later	(9,061)	-	-	-	-	-	-	(9,061)
3 Years Later	-	-	-	-	-	-	-	-
4 Years Later	-	-	-	-	-	-	-	-
5 Years Later	-	-	-	-	-	-	-	-
6 Years Later	(4,308)	-	-	-	-	-	-	(4,308)
Total Gross Incurred Loss	105,302	6,059	3,270	48,019	21,542	8,069	6,063	198,324

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18. Investment Agreement Liabilities

None (December 31, 2018: None).

19. Trade and Other Payables, Deferred Income

	December 31, 2019	December 31, 2018
Payables from Private Pension Operations	7,281,636	8,670,326
Due to Reinsurers (Note 10)	1,151,692	1,485,286
Payables from Operations - Short Term	8,433,328	10,155,612
Payables from Private Pension Operations - Long Term (Note 17.5)	674,750,457	474,234,675
Payables from Main Operations - Long Term	674,750,457	474,234,675
Intermediary Commission Accruals and Deferred Income (Note 47.1)	349,817	357,958
Deferred Commissions Income (Note 17)	595,150	512,681
Deferred Loan Income (Note 47.1)	13,604	15,248
Deferred Income and Expense Accruals	958,571	885,887
Other Payables (Note 47.1)	717,014	385,580
Other Current Liabilities (Note 47.1)	320,391	307,382
Total	685,179,761	485,969,136

Related Party balances are disclosed in Note 45.

20. Loans

Total lease liability of the Company as of December 31, 2019 and 2018 recognized with the transition to TFRS 16 Leases standard and the movements table thereof are provided below.

	December 31, 2019	January 01,
Current Liabilities	828,000	828,000
Non-Current Liabilities	1,656,000	2,484,000
Discount with Alternative Borrowing Rate	(725,270)	(1,195,555)
	1,758,730	2,116,445
Total lease liability transition to TFRS 16 effect as of January 1		-
Lease Payment (-)		(828,000)
Interest Cost		470,285
Total Lease Liability on December 31, 2019		1,758,730

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21. Deferred Income Tax

The Company calculates deferred income tax for the temporary differences in the balance sheet items arising from measurements in financial statements and measurements in accordance with Tax Procedural Law ("TPL").

Applicable corporate tax in Turkey as at December 31, 2019 is 22% (2018: 20%). Pursuant to Article 91 of "Act No.7061 on Amendment of Certain Tax Laws and Other Laws" promulgated in Turkish Official Journal No.30261 on December 5, 2017 and to Provisional Article 10 of Corporate Tax Law No.5520, corporate tax payable on entity income generated in 2018, 2019 and 2020 taxation periods shall be calculated over 22% and afterwards corporate tax calculation shall continue to be calculated over 20% for subsequent periods. Council of Ministers is authorized to decrease 22% tax rate down to 20%. Therefore, as of December 31, 2019 the tax rate to be used for calculation of deferred tax assets and liabilities is 22% for deferred tax bases to be realized in 2020 and 20% for subsequent periods (December 31, 2018: 22% for deferred tax bases to be realized in 2019-2020 and 20% for subsequent periods).

Breakdown lists of accumulated temporary differences and deferred tax assets and liabilities prepared by using applicable tax rates as of December 31, 2019 and December 31, 2018 are provided below:

	Temporary Timing Differences		Deferred Tax Assets / (Liabilities)	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Deferred Tax Assets				
Equalization Reserve	3,460,427	3,383,806	761,294	744,437
Provision for Bonus and Discounts	2,459,913	2,443,964	541,181	537,672
Provision for Employee Bonuses	1,974,017	1,933,076	434,284	425,277
Provision for Employment Termination	1,287,200	1,268,654	283,184	279,104
Provision for Unused Leaves	1,129,929	986,467	248,584	217,023
Provision for Performance Wages	952,074	627,947	209,456	138,148
Provision for Employee Seniority Incentives	501,310	695,229	110,288	152,950
Provision for Legal Cases	495,914	447,620	109,101	98,476
Incentive Commission	374,791	-	82,454	-
Provision for Intermediary Commission	299,818	247,958	65,960	54,550
Government Bonds Valuation Difference	123,059	-	27,073	-
Usable Financial Loss	-	3,492,030	-	464,406
Other	652,289	338,093	143,504	74,380
			3,016,363	3,186,423
Deferred Tax Liabilities				
Eurobond Valuation Difference	(794,138)	(2,548,297)	(174,710)	(560,625)
Government Bonds Valuation Difference	-	(3,931,607)	-	(864,954)
			(174,710)	(1,425,579)
Deferred Tax Assets - Net (Note 35).			2,841,653	1,760,844
Movements of Deferred Tax Assets within the year are as follows:				
			2019	2018
Period Beginning - January 1			1,760,844	2,016,745
Deferred Tax Income/(Expense) (Note 35)			2,246,497	(2,461,578)
Tax Income / (Expense) Arising from				
Increase in Fair Value (Note 15)			(1,223,595)	2,288,317
Other Deferred Tax Income/(Expense) Recognized in Shareholders' Equity			57,907	(82,640)
Period End - December 31			2,841,653	1,760,844

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22. Pension Social Aid Liabilities

	December 31, 2019	December 31,
Provision for Employment Termination Benefits	1,287,200	1,268,654
Total	1,287,200	1,268,654

Pursuant to Turkish Labor Law, The Company is liable to pay severance pay for employees who has completed at least one year of employment at the Company and whose employment is terminated or who is retired or who completes required service period (25 years for men and 20 for women) and become entitled for retirement (at the age of 60 for men and 58 for women), who are summoned for military service or who is deceased. Certain provisions are introduced for the transition period regarding the employment service time after the amendment of relevant legislation on May 23, 2002.

Severance pay equals to one month's salary per each employment year and this amount is limited to 6,730.15 TRY, effective as of January 01, 2020.

Severance pay liability is not legally subject to any kind of funding and there are no funding requirements.

Provision for Employment Termination Benefits (i.e. severance pay) is calculated through estimating the present value of the potential liability amount which has to be paid in case of retirement of employees.

TAS 19 stipulates development of actuary valuation methods to estimate the provision amount to be allocated for employment termination. According to this, following actuarial predictions are used to calculate the total liability amount:

	December 31, 2019	December 31, 2018
Annual Discount Rate (%)	2.90	4.30
Turnover Rate for Estimation of Retirement Possibility (%)	91	91

Fundamental assumption is that the ceiling provision amount determined for each year of employment shall be increased in proportion with the inflation rate. Thus, the discount rate applied shows the real rate free of expected inflation effects.

Movements of Provision for Employment Termination Benefits account within the period are shown below:

	2019	2018
Period Beginning - January 1	1,268,654	629,813
Paid within Period (Note 33)	(474,146)	(313,441)
Provision Amount Allocated/(Released) in Current Period (including actuarial losses/gains)	492,692	952,282
Period End - December 31	1,287,200	1,268,654

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23. Provision for Other Liabilities and Expenses

Commitments not included in Liabilities are disclosed in Note 43.

Deposits and Guarantees Received are disclosed in Note 12.3.

Details of provisions classified under Provision for Expense Accruals account in Balance Sheet are provided below:

	December 31, 2019	December 31, 2018
Provision for Employee Bonuses (*)	1,974,017	1,933,076
Provision for Unused Leaves	1,129,929	986,467
Provision for Performance Wages	952,074	627,947
Provision for Employee Seniority Incentives and Loyalty	501,310	695,229
Provision for Legal Cases	495,914	447,620
Provision for Employment Termination Notice Pay	54,397	51,705
Other	33,315	338
Total	5,140,956	4,742,382

(*) The Company made a bonus payment of 1,256,709 TRY in 2019 by carrying this amount from Provision for Employee Bonuses account to Due to Personnel account and allocated an additional provision amount of 1,297,544 TRY in total within the period (Note 47.5).

Provision for Performance Wages (Share Based Payments)

As explained in Note 2.25, the Company grants certain financial rights to employees, with the condition to be used at the end of a certain period, through delivery of parent company Axa SA's shares on employee performance basis in accordance with predetermined Company criteria. Movements of shares and cash amounts subject to the calculation of Provision for Performance Wages included in Company financial statements regarding the costs charged by AxaSA to Company in this regard are provided in the table below.

December 31, 2019

	Average Price per Share (TRY)	Number of Shares	Total
Period Beginning	113.02	5,556	627,947
Entrance	167.50	3,672	615,067
Paid (**)	152.51	(3,544)	(540,492)
Exchange Differences from Paid Shares	-	-	111,360
Exchange/Price Difference within Period	-	-	138,192
Period End	167.50	5,684	952,074

(*) The Company recognized the vested rights paid as AxaSA shares to employees within the period under Operational Expenses account.

December 31, 2018

	Average Price per Share (TRY)	Number of Shares	Total
Period Beginning	113.68	12,192	1,386,030
Entrance	103.00	(1,884)	(194,044)
Paid (**)	113.02	(4,752)	(537,049)
Exchange Differences from Paid Shares	-	-	116,169
Exchange/Price Difference within Period	-	-	(143,159)
Period End	113.02	5,556	627,947

(*) The Company recognized the vested rights paid as AxaSA shares to employees within the period under Operational Expenses account.

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24. Net Insurance Premium Income

Distribution or written premiums is provided below:

January 1 - December 31, 2019			
	Gross	Reinsurer's	Net
		Share	
Life	11,294,716	(1,911,672)	9,383,044
Personal Accident	105,249	(22,696)	82,553
Total Premium Income	11,399,965	(1,934,368)	9,465,597
January 1 - December 31, 2018			
	Gross	Reinsurer's	Net
		Share	
Life	11,364,913	(1,906,518)	9,458,395
Personal Accident	83,038	(20,711)	62,327
Total Premium Income	11,447,951	(1,927,229)	9,520,722

25. Subscription (Fee) Income

The Company has an entrance fee amount of 1,930,243 TRY for the fiscal period ended on December 31, 2019 (January 1 - December 31 2018: 2,059,353 TRY).

26. Investment Income

	January 1 - December 31, 2019	January 1 - December 31, 2018
Available for Sale Investments		
Interest, Exchange Rate Difference and Sales	49,234,292	72,556,257
Income		
Cash and Cash Equivalents		
Interest and Exchange Rate Difference Income	5,005,200	1,853,188
Investment Income	54,239,492	74,409,445
Available for Sale Investments		
Exchange Rate Difference and Sales Expenses	(28,987,568)	(28,828,956)
Investment Expenses	(28,987,568)	(28,828,956)
Total	25,251,924	45,580,489

20,133,919 TRY Investment Income recognized under Technical Section is included in Total Investment Income amount for January 1 - December 31, 2019 period (January 1 - December 31, 2018: 40,498,598 TRY). 8,627,995 TRY Investment Expenses recognized under Technical Section is included in Total Investment Expenses amount for January 1 - December 31, 2019 period (January 1 - December 31, 2018: 17,949,649 TRY).

27. Net Realized Gains on Financial Assets

Information about unrealized gain/loss on Available for Sale Investments is disclosed in Notes 11 and 15.

28. Assets with Fair Value Differences Reflected to Income Statement

The Company has no assets with fair value differences reflected to Income Statement.

29. Insurance Rights and Claims

Disclosed in Note 17.

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30. Investment Agreement Rights

None (December 31, 2018: None).

31. Other Necessary Expenses

	January 1 - December 31, 2019	January 1 - December 31, 2018
Operational Expenses Classified in Technical Section		
- Non-Life	3,108,976	4,753,926
- Pension	13,406,740	11,304,652
- Non-Life	17,797	11,647
Total (Note 32)	16,533,513	16,070,225

32. Expense Types

	January 1 - December 31,	January 1 - December 31, 2018
Employee Expenses (Note 33)	10,803,118	9,905,271
Production Commission Expenses	2,401,114	1,975,821
Dividend Payments	1,337,089	1,218,915
Consultancy and Audit Expenses	540,041	759,803
Information Technologies Expenses	452,370	156,942
Contribution Fee Expenses	237,947	142,964
Electricity and Cleaning Expenses	224,054	168,500
Rent Expenses	221,021	1,213,182
Taxes, Duties and Fees	208,387	175,175
Communication Expenses	158,288	197,531
Advertising and Marketing Expenses	153,945	84,759
Other Technical Expenses	23,920	169,270
Reinsurance Commissions Income	(960,949)	(845,215)
Other	733,168	747,307
Total (Note 31)	16,533,513	16,070,225

33. Employee Benefit Expenses

	January 1 - December 31, 2019	January 1 - December 31, 2018
Salary Payments (*)	7,083,274	6,722,770
Insurance Premium Payments	1,749,016	1,635,826
Premium Payments	751,610	327,382
Meal and Transportation Expenses	560,590	465,005
Severance Pay Payments	474,146	313,441
Leave Compensation	78,194	98,072
Employment Termination Notice Pay Expenses	47,050	45,158
Rent and Child Allowances	14,439	11,238
Other	44,799	286,379
Total (Note 32)	10,803,118	9,905,271

(*) Vested rights paid to employees within the period in the form of Axa SA shares is also included in Salary Payments item.

Total amount of remunerations and other benefits provided to senior management such as chairman, members of BoD, general manager, general coordinator, assistant general managers etc. is disclosed in Note 1.6.

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34. Financial Costs

34.1 Total Financial Expenses for Current Period: 483,368 TRY (January 1 - December 31, 2018: 14,159 TRY).

- 34.1.1 Charged to Production Costs: None (January 1 - December 31, 2018: None).
34.1.2 Charged to Fixed Asset Costs: None (January 1 - December 31, 2018: None).
34.1.3 Charged Directly to Period Expenses: : 483,368 TRY (January 1 - December 31, 2018: 14,159 TRY).

34.2 Portion related with shareholders, affiliates and subsidiaries in total financial expenses (expenses with shares in total amount exceeding 20% shall be disclosed separately): None (January 1 - December 31, 2018: None).

34.3 Sales to and purchases from shareholders, affiliates and subsidiaries (those with shares in total amount exceeding 20% shall be disclosed separately): Balances and transactions with the related parties are disclosed in Note 45 in detail.

34.4 Interest amounts, rent amounts etc. received from or paid to shareholders, affiliates and subsidiaries (those with shares in total amount exceeding 20% shall be disclosed separately): Balances and transactions with the related parties are disclosed in Note 45 in detail.

35. Income Taxes

Tax assets and liabilities and tax income and expenses included in financial statements drawn up as of December 31, 2019 and 2018 are summarized below:

	January 1 - December 31,	January 1 - December 31, 2018
Deferred Tax Income/(Expense) (Note 21)	2,246,497	(2,461,578)
Current Period Corporate Tax	(4,897,160)	-
Total Tax Income / (Expense)	(2,650,663)	(2,461,578)
	December 31, 2019	December 31,
Provision for Current Period Corporate Tax (-)	(4,897,160)	-
Prepaid Taxes and Funds	4,586,476	313,837
(Provision for Corporate Tax)/Prepaid Taxes, Net	(310,684)	313,837
Deferred Tax Assets	3,016,363	3,186,423
Deferred Tax Liabilities	(174,710)	(1,425,579)
Deferred Tax Assets, Net (Note 21)	2,841,653	1,760,844

Realized Tax Income / Expense reconciliation is as follows:

	December 31, 2019	December 31, 2018
Profit before Deferred Taxes and Corporate Tax	9,697,208	15,950,897
Tax Rate	22%	22%
Provision for Corporate Tax	(2,133,386)	(3,509,197)
Effect of Non-Deductible and Tax Free (Expenses)/Income	(517,277)	583,213
Period Loss (Note 21)	-	464,406
Tax Expense for the Period	(2,650,663)	(2,461,578)

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36. Net Income / (Expense) from Exchange Rate Changes

	January 1 - December 31, 2019	January 1 - December 31, 2018
Foreign Exchange Gains	6,257,419	15,489,686
Foreign Exchange Losses	(3,348,476)	(8,139,725)
Total	2,908,943	7,349,961

37. Earnings per Share

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

	January 1 - December 31, 2019	January 1 - December 31, 2018
Net Profit/(Loss) for the Period	7,046,545	13,489,319
Weighted Average Number of Shares with 0.01 TL	2,000,000,000	6,297,500,000
Nominal Value per Share		
Profit/(Loss) per 100 Shares	0.35	0.21

38. Profit per Share

13,638,817 TRY is paid as dividend to Shareholders pursuant to Shareholders' Assembly Resolution made on March 29, 2019 (2018: No profit distribution took place).

39. Cash Generated from Operations

Disclosed in Statement of Cash Flows.

40. Convertible Bonds

None (December 31, 2018: None).

41. Redeemable Preference Shares

None (December 31, 2018: None).

42. Risks

	December 31, 2019	December 31, 2018
Outstanding Claims Litigations against the Company - Gross (*)	1,376,663	1,557,904
Other Business Cases Filed against the Company	340,630	193,838
Other Litigations against the Company	155,284	253,782

(*) This amount is classified in Outstanding Claims, movement table of which is disclosed in Note 17. Net amount of these provisions is 1,047,427 TRY (December 31 2018: 1,229,068 TRY).

43. Commitments

December 31, 2019			
	EUR (TRY Equivalent)	TRY	Total
Domestic Bank Letters of Guarantee Given	65,824	71,900	137,724
Total			137,724
December 31, 2018			
	EUR (TRY Equivalent)	TRY	Total
Domestic Bank Letters of Guarantee Given	59,662	79,610	139,272
Total			139,272

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43. Commitments (continued)

Total Amount of Mortgages or Restrictions on Assets:

	December 31, 2019	December 31, 2018
Government Bonds (*)	32,851,197	44,783,509
Eurobonds (**)	55,012,894	46,975,430
Total (Note 17.1)	87,864,091	91,758,939
Bank Deposits (Disclosed in Notes 2.12 and 14)	3,002,952	-

(*) Government bonds are earmarked over principal amounts valued at Central Bank prices applicable on December 31, 2019 and their exchange market value is 32,862,529 TRY (December 31, 2018: 44,486,924 TRY).

(**) Eurobonds are earmarked over nominal value as of December 31, 2019 and their exchange market value is 58,448,840 TRY (December 31, 2018: 55,534,553 TRY).

44. Business Combinations

None (December 31, 2018: None).

45. Related Party Transactions

Axa Group companies and shareholders, affiliates and senior management of the Company are considered as related parties in Company financial statements.

a) Due to Insurers and Reinsurers

	December 31, 2019	December 31, 2018
Axa Courtage	415,958	415,958
Axa Global	236,733	682,164
Total	652,691	1,098,122

b) Due to Shareholders and Related Parties:

	December 31, 2019	December 31, 2018
Axa Sigorta A.Ş. (common expense share)	256,837	238,296
Total	256,837	238,296

c) Cash Deposited with Insurance and Reinsurance Companies:

	December 31, 2019	December 31, 2018
Axa Pool	510,526	588,772
Total	510,526	588,772

d) Ceded Premiums:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Axa Global	1,338,179	1,438,879
Axa Partners Turkey	3,467	3,305
Total	1,341,646	1,442,184

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45. Related Party Transactions (continued)

e) Commissions Received:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Axa Global	803,561	735,189
Total	803,561	735,189

f) Rent Expense:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Axa Sigorta	953,245	1,118,929
Total	953,245	1,118,929

g) Reinsurer's Share in Paid Claims

	January 1 - December 31, 2019	January 1 - December 31, 2018
Axa Global	540,981	60,643
Total	540,981	60,643

h) Dividends Paid: 13,638,817 TRY (January 1 - December 31, 2018: None).

i) Capital Return: Disclosed in Note 15.

45.1 Receivables from Shareholders, Affiliates and Subsidiaries and Provisions for Doubtful Receivables Allocated for Such Receivables: None (December 31, 2018: None).

45.2 Breakdown of affiliates and subsidiaries having an indirect shareholding and management relationship with the Company, names, shares and share amounts of shareholders/partnerships included in affiliates and subsidiaries, period profit/loss of such shareholders/partnerships in latest financial statements and the periods of such financial statements, whether such financial standards are prepared in compliance with the Board's standards and whether audited by an independent auditor and type of independent audit report prepared (positive opinion, negative opinion or contingent):

Investment Securities:

December 31, 2019	Participati on Share (%)	Book Value	Independent Audit Question Statement	Financial Period December 31, 2019	Total Assets	Total Liabilities	Net Sales	Net Profit
Emeklilik Gözetim Merkezi A.Ş. (*)	5.56	427,810			16,338,477	6,509,942	24,560,133	1,271,117
Total		427,810			16,338,477	6,509,942	24,560,133	1,271,117
December 31, 2019	Participati on Share (%)	Book Value	Independent Audit Opinion Statement	Financial Period December 31, 2018	Total Assets	Total Liabilities	Net Sales	Net Profit
Emeklilik Gözetim Merkezi A.Ş. (*)	5.56	427,810			14,952,987	6,408,517	17,491,831	662,222
Total		427,810			14,952,987	6,408,517	17,491,831	662,222

(**) Fair value assessment of Emeklilik Gözetim Merkezi A.Ş. shares included in Investment Securities cannot reliably be made; therefore these shares are shown at cost value.

AXA HAYAT VE EMEKLİLİK A.Ş.**CONVENIENCE TRANSLATION of NOTES to FINANCIAL
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45. Related Party Transactions (continued)**45.3 Amount of bonus shares received from affiliates and subsidiaries due to capital increases generated from internal resources:** None (December 31, 2018: None).**45.4 Real Rights on Immovables and Their Values:** None (December 31, 2018: None).**45.5 Amount of obligations such as guarantees, commitments, advances, endorsements etc. granted in favor of shareholders, affiliates and subsidiaries:** None (December 31, 2018: None).**46. Events after Balance Sheet Date**

None.

47. Other**47.1 Details of "Other" items in Balance Sheet which exceed 20% of its respective account group or 5% of total assets:**

	December 31, 2019	December 31, 2018
a) Other Deferred Expenses:		
Prepaid Excess of Loss Premiums	6,917	6,270
Rent Expenses	7,158	3,471
Insurance Expenses	2,661	11,611
Subscription (Fee) Expenses	1,454	1,461
Total	18,190	22,813
	December 31, 2019	December 31, 2018
b) Due to Other Related Parties		
Axa Sigorta A.Ş. (common expense share)	256,837	238,296
Total	256,837	238,296
	December 31, 2019	December 31, 2018
c) Other Deferred Income and Expense Accruals:		
Intermediary Commission Accruals	299,817	247,958
Deferred Income	50,000	110,000
Deferred Loan Income	13,604	15,248
Total	363,421	373,206
	December 31, 2019	December 31, 2018
d) Other Current Liabilities:		
Agencies Suspense Account	320,391	307,382
Total	320,391	307,382
	December 31, 2019	December 31, 2018
e) Other Payables:		
Due to Suppliers	717,014	385,580
Total	717,014	385,580
	January 1 - December 31, 2019	January 1 - December 31, 2018
f) Other Expenses and Losses:		
TRNC Branch Tax Expenses	(344,809)	(313,398)
Other	(205)	(7,423)
Total	(345,014)	(320,821)

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47. Other (continued)

47.2 Total amounts (separately) of Due from Personnel and Due to Personnel items included in "Other Current or Non-Current Liabilities" and "Other Receivables accounts exceeding 1% of total assets amount in Balance Sheet:None (December 31, 2018: None).

47.3 Amounts related to recovery receivables followed up in off-balance sheet items:None (December 31, 2018: None).

47.4 Explanatory note related to amounts and sources of income & expenses and expenses & losses for previous period:None (January 1 - December 31, 2018: None).

47.5 Information classified as "required to be presented" by Turkish Ministry of Treasury and Finance

Provision Income / (Expenses) for the Period:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Provision for Employee Bonuses	1,297,544	1,880,464
Provision for Performance Wages	185,935	(614,924)
Provision for Leave and Notice Pay	146,155	84,019
Provision for Legal Cases	48,294	91,295
Provision for Employment Termination Benefits	(106,473)	871,317
Provision for Employee Seniority Incentives and Loyalty	(193,919)	(183,356)
Other	32,974	(119)
Total	1,410,510	2,128,696

	Audited January 1 - December 31, 2019	Audited January 1 - December 31, 2018
I. DISTRIBUTION OF PROFIT FOR THE PERIOD		
1.1. NET PROFIT/(LOSS) FOR THE PERIOD	-	13,489,319
1.2. TAXES AND FISCAL LIABILITIES	-	-
1.2.1. Corporate Tax (Income Tax)	-	-
1.2.2. Income Tax Deduction	-	-
1.2.3. Other Taxes and Fiscal Liabilities	-	-
A NET PROFIT FOR THE PERIOD (1.1 - 1.2)	-	13,489,319
1.3. PREVIOUS YEARS' LOSSES (-)	-	-
1.4. PRIMARY LEGAL RESERVES	-	-
1.5. LEGAL RESERVES RETAINED BY COMPANY (-)	-	-
B NET DISTRIBUTABLE PROFIT FOR THE PERIOD [(A - (1.3 + 1.4 + 1.5)]	-	-
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1. To Common Shareholders	-	-
1.6.2. To Preferred Shareholders	-	-
1.6.3 To Owners of Participating Redeemed Shares	-	-
1.6.4 To Owners of Profit-Sharing Securities	-	-
1.6.5 To Owners of Profit and Loss Sharing Securities	-	-
1.7. DIVIDENDS TO PERSONNEL (-)	-	-
1.8. DIVIDENDS TO FOUNDERS (-)	-	-
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.10.1. To Common Shareholders	-	-
1.10.2. To Preferred Shareholders	-	-
1.10.3. To Owners of Participating Redeemed Shares	-	-
1.10.4. To Owners of Profit-Sharing Securities	-	-
1.10.5. To Owners of Profit and Loss Sharing Securities	-	-
1.11. SECONDARY LEGAL RESERVES (-)	-	-
1.12. STATUTORY RESERVES (-)	-	-
1.13. EXTRAORDINARY RESERVES	-	-
1.14. OTHER RESERVES	-	-
1.15. SPECIAL FUNDS	-	-
II. DISTRIBUTION FROM RESERVES	-	-
2.1. DISTRIBUTED RESERVES	-	-
2.2. SECONDARY LEGAL RESERVES (-)	-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1. To Common Shareholders	-	-
2.3.2. To Preferred Shareholders	-	-
2.3.3 To Owners of Participating Redeemed Shares	-	-
2.3.4 To Owners of Profit-Sharing Securities	-	-
2.3.5 To Owners of Profit and Loss Sharing Securities	-	-
2.4. DIVIDENDS TO PERSONNEL (-)	-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III PROFIT PER SHARE	-	-
3.1. TO COMMON SHAREHOLDERS	-	-
3.2. TO COMMON SHAREHOLDERS (%)	-	-
3.3. TO PREFERRED SHAREHOLDERS (%)	-	-
3.4. TO PREFERRED SHAREHOLDERS (%)	-	-
IV. DIVIDENDS PER SHARE	-	-
4.1. TO COMMON SHAREHOLDERS	-	-
4.2. TO COMMON SHAREHOLDERS (%)	-	-
4.3. TO PREFERRED SHAREHOLDERS (%)	-	-
4.4. TO PREFERRED SHAREHOLDERS (%)	-	-

Shareholders' Assembly is the authorized body of the Company regarding distribution of current period profit. The Company has not yet held the Ordinary Shareholders' Assembly meeting as of the financial statement dates.

AXA SİGORTA A.Ş.

**FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORT for JANUARY
1 - DECEMBER 31, 2019 PERIOD**



CONVENIENCE TRANSLATION of INDEPENDENT AUDITOR'S REPORT

To Axa Sigorta A.Ş. General Board

C. Independent Audit of Financial Statements

1. Opinion

We have completed the audit on Axa Sigorta A.Ş.'s ("Company") financial statements drawn up as of December 31, 2019, comprising of detailed Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity, Statement of Cash Flows documents and also the Notes to these financial statements, including summary of significant accounting policies.

In our opinion, enclosed Financial Statements present fairly, in all material respects, the Company's financial position as at and the financial performance and cash flows for the period ended on December 31, 2019 in accordance with the regulations regarding accounting and financial reporting under the currently applicable insurance legislation and in accordance with the "Regulation on Accounting and Financial Reporting for Insurance Companies" on issues not covered by the aforementioned legislation.

2. Basis of Opinion

The independent audit has been conducted in accordance with the regulations regarding independent audit principles in effect pursuant to the insurance legislation and with the Independent Audit Standards ("IAS") as part of Turkish Audit Standards issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under these Standards are explained in detail under "Independent Auditor's Responsibility for Independent Audit of Financial Statements" section provided below. We hereby represent that we are independent of the Company in accordance with the Code of Conduct for Independent Auditors ("Code of Conduct") issued by POA and with the ethical rules and requirements set forth in the legislation regarding independent audit of financial statements. We have also fulfilled other ethical responsibilities assigned to independent auditors in Code of Conduct and the relevant legislation. We believe the independent audit evidences obtained during the independent audit activity constitute adequate and appropriate grounds in forming our opinion.

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5. Key Audit Issues

Key audit issues are the most critical issues according to our professional judgment for independent audit of financial statements belonging to the current period. Key audit issues are already considered as a whole during the independent audit of and in forming our professional opinion about Company financial tables, therefore a separate opinion in this regard shall not be provided additionally.

<i>Key Audit Issue</i>	<i>Audit Approach to the Issue</i>
<p><i>Incurred But Not Reported Outstanding Claims Reserve</i></p> <p>As explained in Notes 2 and 17, the Company allocated an provision amount of 1,689,801,879 TRY for IBNR (incurred but not reported) compensations.</p> <p>Pursuant to Circular No.2014/16 on Outstanding Claims Reserves, issued by Turkish Ministry of Treasury and Finance on December 05, 2015, this provision amount is calculated with the best forecast methods determined in line with the Company Actuary's opinions.</p> <p>The reason why we have focused in this area during the audit is the significance of the provision amount allocated for compensations for incurred but not reported losses within Company's financial tables and also the calculations of such provisions include significant actuarial judgments and forecast.</p>	<p>We checked the mathematical accuracy of the calculation of IBNR provision amount in branches selected with sampling method and then compared these amounts with the data contained in the financial tables for reconciliation purposes. Appropriateness of the methods and assumptions used in this calculation is discussed on the basis of the selected branches by our actuary specialists with the Company's actuary and Company senior management team. Additionally, reasonable interval forecasts are made for the provision for IBNR compensations for the selected branches through an independent assessment, which are afterwards compared with the relevant figures contained in the Company's records.</p> <p>Also the accuracy and compliance with the Insurance Accounting and Financial Reporting Legislation of the disclosures for these provision amounts presented in financial statement notes are also checked.</p>

6. Other Issue

Company's financial statements prepared for the previous financial year ended on December 31, 2018 were audited by another independent auditor, which declared positive opinion for the audit process and results in the report prepared on March 8, 2019.



7. Responsibilities of Management and Those in Charge of Governance for Company Financial Statements

Company Management is responsible for ensuring preparation and fair presentation of financial statements in accordance with the applicable Insurance Accounting and Financial Reporting Legislation and for the internal control required to prepare true and fair financial statements free of material mistakes arising from errors or fraud

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to the 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 in charge of governance are responsible for overseeing the Company's financial reporting process.

8. Auditor's Responsibilities for Independent Audit of Financial Statements

As independent auditors, our responsibilities for an independent audit are as follows:

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 does not guarantee that an audit conducted in accordance with the regulations regarding independent audit principles in effect under insurance legislation and with IASs shall always detect a material misstatement whenever it exists. Misstatements can arise from fraud or error and these 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 financial statements.

As part of an audit conducted in accordance with the regulations regarding independent audit principles in effect under insurance legislation and with IASs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of "material misstatement" in financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence 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 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 financial statements, including disclosures, and whether financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those in charge of Company 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.

From the matters communicated with officers in charge of Company governance, we determine those matters that were of most significance in the audit of financial statements for the current period, which therefore constitute the key audit issues. We describe these matters in our auditor's report unless existing laws or regulations preclude public disclosure about the issue or when, in extremely rare circumstances, we determine that an issue 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.

D. Other Liabilities Arising from the Legislation

1. Pursuant to Article 402.4 of Turkish Commercial Code no.6102 ("TCC"), no significant item was found in the Company's bookkeeping pattern during and financial statements belonging to the accounting period between January 1 - December 31, 2019 showing non-compliance with the provisions of TCC and Company Articles of Establishment regarding financial reporting.
2. Pursuant to Article 402.4 of TCC, Company Board of Directors made the necessary disclosures and provided the documents requested during the audit activity.

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

Talar Gül, SMMM
Chief Auditor in Charge

İstanbul, March 13, 2020

**OUR STATEMENT regarding COMPANY FINANCIAL
STATEMENTS DRAWN UP as of DECEMBER 31, 2019**

We hereby declare that the attached financial statements drawn up as of December 31, 2019 and related notes have been prepared in accordance with the accounting principles and standards in effect as per the insurance regulations and are consistent with the relevant regulations and the records of the Company.

AXA SİGORTA A.Ş. General Management

İstanbul, 13 / 03 / 2020

Yavuz ÖLKEN	Tuba KARATAŞ ARICAN	Gamze KAYĞISIZ	Özgün Güvener
BoD Deputy Chairman & General Manager	CFO	Accounting & Collection Manager	Actuary

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Mersis No: 7185-2672-2776-9762

AXA SİGORTA A.Ş.

FINANCIAL STATEMENTS for JANUARY 1 - DECEMBER 31, 2019 PERIOD

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AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION of the DETAILED
BALANCE SHEETS as at DECEMBER 31, 2019 and 2018
(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

I- Current Assets		Current Period Audited December 31, 2019	Previous Period Audited December 31, 2018
	Note		
A- Cash and Cash Equivalents	2.12 and 14	1,253,920,451	1,165,030,458
1- Cash		-	-
2- Checks Received		-	-
3- Banks	2.12 and 14	685,574,031	738,201,075
4- Checks and Payment Orders Issued (-)		-	-
5- Bank Guarantees and Three Months Short Term Credit Card	2.12 and 14	562,751,420	426,829,383
6- Other Cash and Cash Equivalents	2.12 and 14	5,595,000	-
B- Financial Assets and Financial Investments at Policyholders' Risk	11	5,350,616,703	4,185,927,261
1- Available for Sale Investments	11	5,352,616,703	4,188,020,228
2- Held to Maturity Investments		-	-
3- Trading Investments		-	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Financial Assets at Policyholder's Risk		-	-
7- Company Shares		-	-
8- Provision for Impairment of Financial Assets (-)	11	(2,000,000)	(2,092,967)
C- Receivables from Operations	2.8, 11 and 12	945,335,418	818,755,198
1- Due from Insurance Operations	12	1,036,649,249	894,687,857
2- Provision for Due from Insurance Operations (-)	12	(169,390,840)	(148,175,715)
3- Due from Reinsurance Operations		-	-
4- Provision for Due from Reinsurance Operations (-)		-	-
5- Cash Deposited with Insurance and Reinsurance Companies	12 and 45	78,077,009	72,243,056
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Due from Private Pension Operations		-	-
9- Doubtful Receivables from Main Operations	12	613,698,469	534,122,841
10- Provision for Doubtful Receivables from Main Operations (-)	12	(613,698,469)	(534,122,841)
D- Due from Related Parties		257,238	238,478
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	45	257,238	238,478
7- Rediscount on Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
E- Other Receivables		24,416,690	14,942,490
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		152,311	192,647
4- Other Receivables	47	24,264,379	14,749,843
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
F- Deferred Expenses and Income Accruals		359,174,180	278,025,371
1- Deferred Production Expenses	17.15-17.19	315,606,518	245,343,363
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Deferred Expenses	47.1	43,567,662	32,682,008
G- Other Current Assets		2,572,601	14,359,510
1- Prepaid Office Supplies		3,924	2,825
2- Prepaid Taxes and Funds	35	2,565,185	14,307,537
3- Deferred Tax Assets		-	-
4- Cash Advances		3,492	9,803
5- Advances to Personnel		-	39,345
6- Count Shortages		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		7,936,293,281	6,477,278,766

Enclosed Notes are complementary to these Financial Statements.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION of the DETAILED
BALANCE SHEETS as at DECEMBER 31, 2019 and 2018
(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

II - Non-Current Assets		Current Period Audited December 31, 2019	Previous Period Audited December 31, 2018
	Note		
A- Receivables from Operations		-	-
1- Due from Insurance Operations		-	-
2- Provision for Due from Insurance Operations (-)		-	-
3- Due from Reinsurance Operations		-	-
4- Provision for Due from Reinsurance Operations (-)		-	-
5- Cash Deposited with Insurance and Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Due from Private Pension Operations		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations (-)		-	-
B- Due from Related Parties		-	-
1- Due from 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 Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
C- Other Receivables		-	-
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
D- Financial Assets	45.2	1,143,619	28,791,743
1- Investment Securities	45.2	1,143,619	28,791,743
2- Affiliates		-	-
3- Affiliates Capital Commitments (-)		-	-
4- Subsidiaries		-	-
5- Subsidiaries Capital Commitments (-)		-	-
6- Joint Ventures		-	-
7- Joint Ventures Capital Commitments (-)		-	-
8- Financial Assets and Financial Investments at Policyholders' Risk		-	-
9- Other Financial Assets		-	-
10- Provision for Impairment of Financial Assets (-)		-	-
E- Tangible Assets		94,910,689	82,353,916
1- Investment Property	7	41,542,440	38,592,440
2- Provision for Diminution in Value of Investment Property (-)		-	-
3- Property for Operational Usage	6	44,571,034	45,426,799
4- Machinery and Equipment		-	-
5- Furniture and Fixtures	6	55,369,953	49,191,857
6- Motor Vehicles		-	-
7- Other Tangible Assets (including leasehold improvements)	6	1,392,536	1,164,442
8- Leased Assets	2.1 and 6	12,196,468	-
9- Accumulated Depreciation (-)	6 and 7	(60,205,802)	(52,065,682)
10- Advances Given for Tangible Assets (including construction in progress)	6	44,060	44,060
F- Intangible Assets	8	44,849,970	46,106,912
1- Rights	8	112,721,542	105,648,669
2- Goodwill		-	-
3- Start-up Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets	8	2,801,468	2,801,468
6- Accumulated Amortization (-)	8	(70,673,040)	(62,343,225)
7- Advances Given for Intangible Assets		-	-
G- Deferred Expenses and Income Accruals		-	-
1- Deferred Acquisition Expenses		-	-
2- Income Accruals		-	-
3- Other Deferred Expenses		-	-
H- Other Non-Current Assets	21 and 35	65,883,670	58,310,738
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Prepaid Office Supplies		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21 and 35	65,883,670	58,310,738
6- Other Non-Current Assets		-	-
7- Other Non-Current Assets Depreciation (-)		-	-
8- Provision for Other Non-Current Assets (-)		-	-
II- Total Non-Current Assets		206,787,948	215,563,309
TOTAL ASSETS (I + II)		8,143,081,229	6,692,842,075

Enclosed Notes are complementary to these Financial Statements.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION of the DETAILED
BALANCE SHEETS as at DECEMBER 31, 2019 and 2018
(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

III- Current Liabilities		Current Period Audited December 31, 2019	Previous Period Audited December 31, 2018
	Note		
A- Financial Liabilities		3,166,309	-
1- Due to Credit Institutions		-	-
2- Leasing Payables	20	3,166,309	-
3- Deferred Leasing Costs (-)		-	-
4- Short Term Installments of Long Term Borrowings		-	-
5- Issued Debt Securities		-	-
6- Other Issued Debt Securities		-	-
7- Value Differences of Other Issued Debt Securities (-)		-	-
8- Other Financial Payables		-	-
B- Payables from Operations	19	256,751,328	164,619,614
1- Payables from Insurance Operations	4, 10 and 19	242,287,886	152,265,489
2- Payables from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables from Private Pension Operations		-	-
5- Payables from Other Operations	4, 19 and 47.1	14,463,442	12,354,125
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties		4,442	4,633
1- Due to Shareholders	4 and 45	2,568	2,568
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel		1,874	2,065
6- Due to Other Related Parties		-	-
D- Other Payables		129,592,950	99,969,484
1- Deposits and Guarantees Received		9,789,953	7,038,516
2- Payables to SSI regarding Medical Expenses	4 and 19	36,103,858	23,272,555
3- Other Payables	19 and 47.1	83,699,139	69,658,413
4- Rediscount on Other Payables (-)		-	-
E- Insurance Technical Provisions		5,440,715,641	4,988,162,956
1- Unearned Premium Reserve - Net	2.24, 4 and 17	1,766,211,355	1,477,317,020
2- Unexpired Risks Reserve-Net	2.24, 4 and 17	23,613,963	11,677,760
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net	2.24, 4 and 17	3,600,077,680	3,456,033,401
5- Bonus Provision-Net		-	-
6- Other Technical Reserves - Net	4 and 47.1	50,812,643	43,134,775
F- Taxes and Other Fiscal Liabilities		137,508,781	39,220,787
1- Taxes and Funds Payable		43,023,792	28,845,008
4- Social Security Premiums Payable		2,358,040	1,914,159
5- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
4- Other Taxes and Fiscal Liabilities	47.1	10,276,057	8,461,620
5- Corporate Tax Provision and Other Fiscal Liabilities	35	209,842,169	-
6- Prepaid Taxes and Other Similar Liabilities for Profit	35	(127,991,277)	-
7- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks	23	77,925,202	63,109,569
1- Provision for Employment Termination Benefits		-	-
2- Provision for Social Aid Fund Asset Shortage		-	-
3- Provision for Expense Accruals	23	77,925,202	63,109,569
H- Deferred Income and Expense Accruals		75,327,576	62,276,682
1- Deferred Commissions Income	10, 17 and 19	73,382,124	60,094,632
2- Expense Accruals		-	-
3- Other Deferred Income		1,945,452	2,182,050
I- Other Current Liabilities	47.1	3,338,352	953,497
1- Deferred Tax Liabilities		-	-
2- Count Overages		-	-
3- Other Current Liabilities	47.1	3,338,352	953,497
III - Total Current Liabilities		6,124,330,581	5,418,317,222

Enclosed Notes are complementary to these Financial Statements.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION of the DETAILED
BALANCE SHEETS as at DECEMBER 31, 2019 and 2018
(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

IV – Non-Current Liabilities		Current Period Audited December 31, 2019	Previous Period Audited December 31, 2018
	Note		
A- Financial Liabilities	20	6,140,852	-
1- Due to Credit Institutions		-	-
2- Leasing Payables	20	6,140,852	-
3- Deferred Leasing Costs (-)		-	-
4- Issued Debt Securities		-	-
5- Other Issued Debt Securities		-	-
6- Value Differences of Other Issued Debt Securities (-)		-	-
7- Other Financial Payables		-	-
B- Payables from Operations		-	-
1- Payables from Insurance Operations		-	-
2- Payables from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables from Private Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to 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- Payables to SSI regarding Medical Expenses		-	-
3- Other Payables		-	-
4- Rediscount on Other Payables		-	-
E- Insurance Technical Provisions		217,093,059	176,991,253
1- Unearned Premium Reserve - Net		-	-
2- Unexpired Risks Reserve - Net		-	-
3- Mathematical Reserves - Net		1,171	2,428
4- Outstanding Claims Reserve - Net		-	-
5- Bonus Provision-Net		-	-
6- Other Technical Reserves - Net	2.24, 4, 17 and 47.1	217,091,888	176,988,825
F- Other Liabilities and Related Provisions		-	-
3- Other Payables		-	-
4- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
3- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks	22	20,651,501	15,249,864
1- Provision for Employment Termination Benefits	22	20,651,501	15,249,864
2- Provision for Social Aid Fund Asset Shortage		-	-
H- Deferred Income and Expense Accruals		-	-
1- Deferred Commissions Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
1- Other Current Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Other Non-Current Liabilities		-	-
IV- Total Non-Current Liabilities		243,885,412	192,241,117

Enclosed Notes are complementary to these Financial Statements.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION of the DETAILED
BALANCE SHEETS as at DECEMBER 31, 2019 and 2018
(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

V- Shareholders' Equity		Current Period Audited December 31, 2019	Previous Period Audited December 31, 2018
	Note		
A- Share Capital	2.13 and 15	1,225,739,187	1,225,739,187
1- (Nominal) Capital	2.13 and 15	1,225,739,187	1,225,739,187
4- Unpaid Capital (-)		-	-
5- Adjustments to Share Capital		-	-
4- Adjustments to Share Capital (-) 5- Capital of Expected Registration		-	-
B- Capital Reserves		163,732	163,732
1- Share Premium		-	-
2- Share Premiums of Canceled Shares		-	-
3- Sales Profit Addition to the Capital		-	-
4- Foreign Currency Translation Differences	16	163,732	163,732
C- Profit Reserves		105,025,589	(271,178,421)
1- Legal Reserves	15	51,203,816	51,203,816
2- Statutory Reserves		-	-
3- Extraordinary Reserves		-	-
6- Special Reserves		-	-
7- Valuation of Financial Assets:	15	54,076,734	(326,010,922)
6- Other Profit Reserves	16	(254,961)	3,628,685
D- Retained Earnings		127,559,238	-
1- Retained Earnings		127,559,238	-
E- Accumulated Loss (-)		-	(243,721,208)
1- Previous Years' Losses		-	(243,721,208)
F- Net Profit / Loss(-) for the Period	37	316,377,490	371,280,446
1- Net Profit for the Period		316,377,490	371,280,446
4- Net Loss for the Period (-)		-	-
5- Profit Not Subject to Distribution		-	-
Total Shareholders' Equity		1,774,865,236	1,082,283,736
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (III+IV+V)		8,143,081,229	6,692,842,075

Enclosed Notes are complementary to these Financial Statements.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION for the DETAILED INCOME
STATEMENTS for JANUARY 1 - DECEMBER 31, 2019 and 2018
PERIODS

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

I- TECHNICAL SECTION	Note	Current Period	Previous Period
		Audited January 1 - December 31, 2019	Audited January 1 - December 31, 2018
A- Non-Life Technical Revenues		3,586,903,466	3,442,679,277
1- Earned Premiums (Net of Reinsurer's Share)		2,888,857,817	2,467,970,595
1.1- Written Premiums (Net of Reinsurer's Share)	2.21 and 24	3,189,663,560	2,647,133,101
1.1.1- Gross Written Premiums (+)	24	4,104,057,687	3,374,669,830
1.1.2- Ceded Premiums (-)	10 and	(812,815,700)	(646,702,494)
1.1.3- Premiums Ceded to SSI (-)	10 and	(101,578,427)	(80,834,235)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17	(288,869,540)	(187,992,574)
1.2.1- Unearned Premium Reserve (-)	17	(369,033,877)	(285,489,332)
1.2.2- Reinsurer's Share in Unearned Premium Reserve (+)	10 and	64,942,804	87,916,100
1.2.3- SSI Share of Unearned Premiums Reserve	10 and	15,221,533	9,580,658
1.3- Change in Unexpired Risks Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17	(11,936,203)	8,830,068
1.3.1- Unexpired Risks Reserve (+/-)	17	(14,717,737)	9,064,772
1.3.2- Reinsurer's Share in Unexpired Risks Reserve (+/-)	10 and	2,781,534	(234,704)
2- Investment Income Transferred from Non-Technical Section		617,093,968	886,292,465
3- Other Technical Income (Net of Reinsurer's Share)		6,200,886	6,760,348
3.1- Gross Other Technical Income (+/-)		6,200,886	6,760,348
3.2- Reinsurer Share in Gross Other Technical Revenues (-)		-	-
4- Recovery and Salvage Income Accruals		74,750,795	81,655,869
B- Non-Life Technical Expenses (-)		(3,153,656,046)	(2,910,440,899)
1.1- Incurred Losses (Net of Reinsurer's Share)		(2,230,405,832)	(2,151,731,740)
1.1.1- Paid Claims (Net of Reinsurer's Share) (-)		(2,086,361,553)	(1,878,799,467)
1.1.1.1- Gross Paid Claims (-)		(2,346,344,335)	(2,014,216,394)
1.1.1.2- Reinsurers Share in Paid Claims (+)	10	259,982,782	135,416,927
1.2- Change in Outstanding Claims Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		(144,044,279)	(272,932,273)
1.2.1- Outstanding Claims Reserve (+/-)		(279,779,452)	(407,325,535)
1.2.2- Reinsurer's Share in Outstanding Claims Reserve (-)	10	135,735,173	134,393,262
2- Change in Bonus and Rebate Reserve (Net of Reinsurers' Share and Reserves Carried Forward)		-	-
2.1- Bonus and Rebate Reserve		-	-
2.2- Reinsurer's Share in Bonus and Rebate Reserve		-	-
3- Change in Other Technical Reserves (Net of Reinsurer's Share and Reserves Carried Forward)	17	(39,902,931)	(35,144,051)
4- Operating Expenses	31 and	(795,023,765)	(653,200,358)
5- Change in Mathematical Reserves (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		1,257	1,784
5.1- Mathematical Reserves (-)		1,257	1,784
5.2- Reinsurer's Share in Mathematical Reserves (+)		-	-
6- Other Technical Expenses (-)	47.1	(88,324,775)	(70,366,534)
6.1- Gross Technical Expenses (-)		(88,324,775)	(70,366,534)
6.2- Reinsurer's Share in Gross Technical Expenses (+)		-	-
C- Net Technical Income - Non-Life (A - B)		433,247,420	532,238,378
D- Life Technical Revenues		-	-
1- Earned Premiums (Net of Reinsurer's Share)		-	-
1.1- Written Premiums (Net of Reinsurer's Share)		-	-
1.1.1- Gross Written Premiums (+)		-	-
1.1.2- Ceded Premiums (-)		-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		-	-
1.2.1- Unearned Premium Reserve (-)		-	-
1.2.2- Reinsurer's Share in Unearned Premium Reserve (+)		-	-
1.3- Change in Unexpired Risks Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		-	-
1.3.1- Unexpired Risks Reserve (-)		-	-
1.3.2- Reinsurer's Share in Unexpired Risks Reserve (+)		-	-
2- Life Segment Investment Revenues		-	-
3- Unrealized Profits in Investments		-	-
4- Other Technical Income (Net of Reinsurer's Share)		-	-
4.1- Gross Other Technical Income (+)		-	-
4.2- Reinsurer's Share in Gross Other Technical Income (+/-)		-	-
5- Recovery Income Accruals (+)		-	-
E- Life Technical Expenses		-	-
1.1- Incurred Losses (Net of Reinsurer's Share)		-	-
1.1.1- Paid Claims (Net of Reinsurer's Share) (+/-)		-	-
1.1.1.1- Gross Paid Claims (-)		-	-
1.1.1.2- Reinsurer's Share in Paid Claims (+)		-	-
1.2- Change in Outstanding Claims Reserve (Net of Reinsurer's share and Reserves Carried Forward) (+/-)		-	-
1.2.1- Outstanding Claims Reserve (-)		-	-
1.2.2- Reinsurer's Share in Outstanding Claims Reserve (+)		-	-
2- Change in Bonus and Rebate Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		-	-
2.1- Bonus and Rebate Reserve (-)		-	-
2.2- Reinsurer's Share in Bonus and Rebate Reserve (+)		-	-
3- Change in Mathematical Reserves (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		-	-
3.1- Mathematical Reserves (-)		-	-
3.1.1- Actuarial Mathematical Reserves (+/-)		-	-
3.1.2- Profit Share Reserve (Reserves for Policies with Investment Risk Borne by Policyholders)		-	-
3.2- Reinsurer's Share in Mathematical Reserves (+)		-	-
3.2.1- Reinsurer's Share in Actuarial Mathematical Reserves (+)		-	-
3.2.2- Reinsurer's Share in Profit Share Reserve (Reserves for Policies with Investment Risk Borne by Policyholders) (+)		-	-
4- Change in Other Technical Reserves (Net of Reinsurer's Share and Reserves Carried Forward)		-	-
5- Operating Expenses (-)		-	-
6- Operating Expenses (-)		-	-
7- Unrealized Losses in Investments (-)		-	-
8- Investment Income Transferred to Non-Life Technical Section (-)		-	-
F- Net Technical Income - Life (D - E)		-	-
G- Private Pension Technical Income		-	-
1- Fund Management Income		-	-
2- Management Cost Charge		-	-
3- Entrance Fee Income		-	-
4- Management Cost Charge in case of Suspension		-	-
5- Special Service Expense Charge		-	-
6- Capital Allowance Value Increase Income		-	-
7- Other Technical Income		-	-
H- Private Pension Technical Expense		-	-
1- Fund Management Expenses (-)		-	-
2- Capital Allowance Value Decrease Expenses (-)		-	-
3- Operating Expenses (-)		-	-
4- Other Technical Expenses (-)		-	-
I- Net Technical Income - Private Pension (G - H)		-	-

Enclosed Notes are complementary to these Financial Statements.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION for the DETAILED INCOME
STATEMENTS for JANUARY 1 - DECEMBER 31, 2019 and 2018
PERIODS

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

II- NON-TECHNICAL SECTION	Note	Current Period Audited January 1 - December 31, 2019	Previous Period Audited January 1 - December 31, 2018
C- Net Technical Income - Non-Life (A - B)		433,247,420	532,238,378
F- Net Technical Income - Life (D - E)		-	-
I - Net Technical Income-Private Pension(G-H)		-	-
J- Total Net Technical Income (C+F+I)		433,247,420	532,238,378
K- Investment Income		925,176,530	1,283,299,750
1- Income from Financial Investments	26	449,775,940	388,094,627
2- Income from Liquidation of Financial Investments	26	155,218,316	21,019,411
3- Valuation of Financial Investments	26	22,895,169	411,131,182
4- Foreign Exchange Gains	26 and 36	291,999,524	460,331,135
5- Income from Affiliates		-	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment	7 and 26	5,280,606	2,517,680
8- Income from Derivatives		-	-
9- Other Investments	26	6,975	205,715
10- Investment Income Transferred from Life Technical Section		-	-
L- Investment Expenses (-)		(841,229,619)	(1,237,935,733)
1- Investment Management Expenses - Interest Included (-)	26	(15,987,117)	(15,573,081)
2- Diminution in Value of Investments (-)	26	(6,234,319)	(3,372,427)
3- Loss from Realization of Financial Investments (-)	26	(34,465,060)	(34,054,310)
4- Investment Income Transferred to Non-Life Technical Section (-)		(617,093,968)	(886,292,465)
5- Loss from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	26 and 36	(147,315,494)	(284,922,404)
7- Operating Expenses (-)	6	(17,992,055)	(13,721,042)
8- Other Investment Expenses (-)	20	(2,141,606)	-
M- Income and Expenses from Other Operations and Extraordinary Operations (+/-)		9,025,328	(206,321,949)
1- Provisions (+/-)	47.5	(112,554,253)	(99,958,298)
2- Rediscounts (+/-)		-	-
3- Special Insurances (+/-)		-	-
4- Inflation Adjustments (+/-)		-	-
5- Deferred Tax Assets (+/-)	21 and 35	119,253,343	-
6- Deferred Tax Liabilities Expenses (-)	21 and 35	-	(108,093,327)
7- Other Income	47.1	2,631,871	2,285,964
8- Other Expenses and Losses (-)	47.1	(305,633)	(556,288)
9- Revenues and Profits from Previous Year		-	-
10- Expenses and Losses from Previous Year (-)		-	-
N- Net Profit or Loss(-) for the Period	37	316,377,490	371,280,446
1- Profit/Loss(-) for the Period		526,219,659	371,280,446
2- Provision for Corporate Tax and Other Fiscal Liabilities (-)	35	(209,842,169)	-
3- Net Profit/Loss(-) for the Period		316,377,490	371,280,446
4- Inflation Adjustment		-	-

Enclosed Notes are complementary to these Financial Statements.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION of STATEMENT of CASH
FLows for JANUARY 1 - DECEMBER 31, 2019 and 2018
PERIODS

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

		Current Period Audited January 1 - December 31, 2019	Previous Period Audited January 1 - December 31, 2018
	Note		
A. CASH FLOW FROM OPERATING ACTIVITIES			
1. Cash Inflow from Insurance Operations		4,980,019,145	3,367,468,782
2. Cash Inflow from Reinsurance Operations		-	-
3. Cash Inflow from Private Pension Operations		-	-
4. Cash Outflow from Insurance Operations (-)		(4,532,377,291)	(3,152,805,135)
5. Cash Outflow from Reinsurance Operations (-)		-	-
6. Cash Outflow from Private Pension Operations (-)		-	-
7. Net Cash from Operating Activities (A1+A2+A3-A4-A5-A6)		447,641,854	214,663,647
8. Interest Payment (-)		-	-
9. 9- Income Tax Payment (-)		(116,248,925)	(14,307,537)
10. Other Cash Inflows		45,940,811	86,215,236
11. Other Cash Outflows (-)		(349,950,674)	(261,982,798)
12. Net Cash Inflow from Operating Activities		27,383,066	24,588,548
B. CASH FLOW FROM INVESTMENT OPERATIONS			
1. Sale of Tangible Assets	6 and 8	2,425,357	273,793
2. Tangible Asset Acquisitions (-)	6, 7 and 8	(15,351,079)	(4,423,170)
3. Financial Asset Acquisitions (-)		(1,440,764,465)	(670,192,010)
4. Sale of Financial Assets		835,141,401	313,569,238
5. Interest Received		627,407,150	385,751,197
6. Dividends Received	26	1,503,617	2,337,203
7. Other Cash Inflows		27,287,829	2,723,395
8. Other Cash Outflows (-)		(1,522,120)	(32,437,148)
9. Net Cash Inflow from Investment Activities		36,127,690	(2,397,502)
D. CASH FLOW FROM FINANCING OPERATIONS			
1. Issue of Shares		-	-
2. Cash Inflows from Borrowings		-	-
3. Leasing Payments (-)		(5,030,913)	-
4. Dividends Paid (-)		-	-
5. Other Cash Inflows		-	-
6. Other Cash Outflows (-)		-	-
7. Net Cash Inflow from Financing Operations		(5,030,913)	-
D. EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH		46,977,230	67,529,298
E. Net Increase in Cash and Cash Equivalents		105,457,073	89,720,344
F. Cash and Cash Equivalents at the Beginning of the Period		1,132,647,524	1,042,927,180
G. Cash and Cash Equivalents at the End of the Period (E+F)	2.12	1,238,104,597	1,132,647,524

Enclosed Notes are complementary to these Financial Statements.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION of STATEMENT of CASH FLOWS for JANUARY 1 - DECEMBER 31, 2019
and 2018 PERIODS

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

	Shareholders' Equity	Own Shares (-)	Increase in Asset Values	Inflation Adjustment on Share Capital	Foreign Currency Translation Differences	Legal Reserves	Statutory Reserves	Other Reserves and Retained Profit	Profit (or Loss) for the Period	Retained Earnings / (Accumulated Loss)	Total
I- Balance at the End of Previous Period (31/12/2017)	1,225,739,187	-	(23,690,382)	-	-	51,203,816	-	(904,563)	(335,119,792)	91,562,316	1,008,790,582
II- Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
III- New Balance (01/01/2018) (I+II)	1,225,739,187	-	(23,690,382)	-	-	51,203,816	-	(904,563)	(335,119,792)	91,562,316	1,008,790,582
A- Capital Increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From Internal Resources	-	-	-	-	-	-	-	-	-	-	-
B- Company's Own Shares	-	-	-	-	-	-	-	-	-	-	-
C- Gains and Losses Not Included in Income Statement	-	-	(302,320,540)	-	-	-	-	4,533,248	-	-	(297,787,292)
D- Increase/(Decrease) in Asset Values	-	-	-	-	-	-	-	-	-	-	-
E- Foreign Currency Translation Differences	-	-	-	-	-	-	-	-	-	-	-
F- Other Income and Losses	-	-	-	-	-	-	-	-	-	-	-
G- Inflation Adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net Profit / (Loss) for the Period	-	-	-	-	-	-	-	-	371,280,446	-	371,280,446
I- Dividends Paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	-	-	-	-	-	163,732	335,119,792	(335,283,524)	-
IV- Balances at Period End (31/12/2018) (III+ A+B+C+D+E+F+G+H+I+J)	1,225,739,187	-	(326,010,922)	-	-	51,203,816	-	3,792,417	371,280,446	(243,721,208)	1,082,283,736
I- Balance at the End of Previous Period (31/12/2018)	1,225,739,187	-	(326,010,922)	-	-	51,203,816	-	3,792,417	371,280,446	(243,721,208)	1,082,283,736
II- Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
III- New Balance (01/01/2019) (I+II)	1,225,739,187	-	(326,010,922)	-	-	51,203,816	-	3,792,417	371,280,446	(243,721,208)	1,082,283,736
A- Capital Increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From Internal Resources	-	-	-	-	-	-	-	-	-	-	-
B- Company's Own Shares	-	-	-	-	-	-	-	-	-	-	-
C- Gains and Losses Not Included in Income Statement	-	-	380,087,656	-	-	-	-	(3,883,646)	-	-	376,204,010
D- Increase/(Decrease) in Asset Values	-	-	-	-	-	-	-	-	-	-	-
E- Foreign Currency Translation Differences	-	-	-	-	-	-	-	-	-	-	-
F- Other Income and Losses	-	-	-	-	-	-	-	-	-	-	-
G- Inflation Adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net Profit / (Loss) for the Period	-	-	-	-	-	-	-	-	316,377,490	-	316,377,490
I- Dividends Paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	-	-	-	-	-	-	(371,280,446)	371,280,446	-
IV- Balances at Period End (31/12/2019) (III+ A+B+C+D+E+F+G+H+I+J)	1,225,739,187	-	54,076,734	-	-	51,203,816	-	(91,229)	316,377,490	127,559,238	1,774,865,236

Enclosed Notes are complementary to these Financial Statements.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION of NOTES to FINANCIAL
STATEMENTS for JANUARY 1 - DECEMBER 31, 2019 PERIOD
(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

3. General Information

3.1 Name of Parent Company: Axa Holding A.Ş. is the direct partner and Axa SA is the ultimate main partner of Axa Sigorta A.Ş. ("Company") as of December 31, 2019.

Pursuant to the Share Purchasing Agreement executed on February 5, 2008 between Axa SA, a partner of Axa Sigorta A.Ş.'s main partner Axa Holding A.Ş. and OYAK, all shares of OYAK in Axa Oyak Holding A.Ş. is transferred to Axa Mediterranean Holding SA. Following the official approvals given by the Undersecretariat of Treasury affiliated to the Turkish Ministry of Treasury and Finance ("the Ministry") and Turkish Competition Authority validating the said share transfer, Company's former name Axa Oyak Sigorta A.Ş. is changed as Axa Sigorta A.Ş. with the resolution made in Company Shareholders' Assembly held on August 12, 2008 and the title change is officially registered on the same date. Business title of the Company's main partner Axa Oyak Holding A.Ş. is also changed and registered on the same date as Axa Holding A.Ş.

Regarding completion of the transfer of Axa Hayat Sigorta A.Ş.'s health portfolio and execution of the transfer agreement, Company management decided (with Resolution No.25 made during Company Board of Directors ("BoD") meeting held on October 15, 2009) to execute the transfer over financial statements drawn up as of October 31, 2009, pursuant to the authorization given to BoD during the Extraordinary Shareholders' Assembly meeting held on September 10, 2009. The Ministry approved this transfer with the official letter dated August 25, 2009 and the transfer is realized through recognition in Company financial statements drawn up on October 31, 2009 in accordance with the portfolio transfer agreement signed on September 10, 2009.

3.2 Company's Legal Residence Address, Legal Structure, Country of Incorporation and Address of Officially Registered Office: The Company is registered in Istanbul, Turkey and registered address is "Meclis-i Mebusan Cad. No: 15, 34443 Salıpazarı/İstanbul".

3.3 Nature of Operations: The Company operates in fire, accident, motor vehicles, motor vehicles liability, freight, engineering, legal protection, agriculture and health insurance business areas.

3.4 Explanation of Company Activities and Characteristics of Main Operations: Disclosed in Notes 1.2 and 1.3.

3.5 Average Number of Employees During the Period by Category:

	January 1 - December	January 1 - December 31,
Senior and middle level managers	76	67
Other employees	618	594
Total	694	661

3.6 Total amount of remunerations and other benefits provided to senior management such as chairman, members of BoD, general manager, general coordinator, assistant general managers etc. (TRY): January 1 - December 31, 2019 18,597,567 TRY (January 1 - December 31, 2018: 18,808,392 TRY)

3.7 Criteria set for the allocation of investment income and operating expenses (personnel, management, research and development, marketing and sales, outsourcing services and other operating expenses) in financial statements: "Communiqué No.2008/1 regarding the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan" dated January 4, 2008, issued regarding the procedures and principles related to keys used in company financial statements was amended with "Communiqué No.2010/9 regarding the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan" dated August 9, 2010, issued by the Ministry of Treasury and Finance. According to the latter, all investment income generated by investments backing non-life technical provisions is transferred from non-technical to technical section of the income statement. Other investment income is classified under non-technical section. The Company distributed the operational expenses transferred to technical section to the sub segments by considering the weighted average of the number of policies produced within the last three years.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION of NOTES to FINANCIAL
STATEMENTS for JANUARY 1 - DECEMBER 31, 2019 PERIOD
(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

1. General Information (continued)

3.8 Information on financial statements as to whether financial statements include only one firm or a group of firms: Financial Statements are drawn up for only one company (Axa Sigorta A.Ş.).

3.9 Name and other identification information of the reporting firm and changes in this information from the previous balance sheet date: Company's name and other identification details and changes in the foregoing information from the previous balance sheet date are disclosed in Notes 1.1, 1.2, & 1.3.

3.10 Events after Balance Sheet date: Financial statements for the period ended on December 31, 2019 are authorized by Board of Directors on March 13, 2020. Events after Balance Sheet date are disclosed in Note 46.

4. Summary of Significant Accounting Policies

2.1. Basis of Preparation

The Company prepares its financial statements in accordance with the Insurance Act No.5684 and the regulations issued for insurance and reinsurance companies by the Ministry.

The financial statements are prepared in accordance with the Insurance Chart of Accounts included in the Communiqué issued by the Ministry regarding the Insurance Chart of Accounts and Prospects, published in Turkish Official journal (No:25686) dated December 30, 2004 (Insurance Accounting System Communiqué No.1) and also with the Industry Announcement No.2011/14 dated December 27, 2011 regarding Opening New Account Codes in the Insurance Chart of Accounts. Content and format of the financial statements and explanations and notes thereof are determined in accordance with the Communiqué on Presentation of Financial Statements published in the Official journal No.26851 dated April 18, 2008 and with the Industry Announcement No.2012/7 dated May 31, 2012 regarding Presentation of Financial Statements with New Account Codes.

Since January 1, 2008, the Company has been booking its activities and operations in line with the "Regulation on Financial Reporting of Insurance and Reinsurance Companies and Pension Companies", issued on July 14, 2007 and effective as of January 1, 2008, in addition to other regulations, announcements and communiques issued by the Ministry regarding the principles of accounting and financial reporting; and for issues not covered by the foregoing, in accordance with the "Insurance Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards ("TFRS") as issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). "TAS 1- Financial Statements and Presentation", "TAS 27- Consolidated and Non-consolidated Financial Statements", "TFRS 1 - Transition to TFRS" and "TFRS 4- Insurance Contracts" have been scoped out of this application pursuant to the notice No. 9 issued by the Ministry on February 18, 2008. In addition, the companies are obliged to comply with the "Communiqué on Preparation of Consolidated Financial Statements of Insurance and Reinsurance Companies and Pension Companies" ("Consolidation Communiqué") dated December 31, 2008 which was published in the Official Journal No. 27097 and effective as of March 31, 2009. The Company does not have any subsidiaries required to be consolidated in the aforementioned scope.

Financial statements were prepared in TRY and on historical cost basis, being adjusted for inflation until December 31, 2004, excluding financial assets and various properties measured at fair value.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION of NOTES to FINANCIAL
STATEMENTS for JANUARY 1 - DECEMBER 31, 2019 PERIOD
(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

3. Summary of Significant Accounting Policies (continued)

3.1. Basis of Preparation (continued)

The Company calculated the insurance technical reserves amounts as of December 31, 2019 in accordance with the Regulation on Technical Reserves of Insurance, Reinsurance And Pension Companies, and Assets in which such Provisions are to be Invested" ("Technical Provisions Regulation") issued under Insurance Law No.5684 as amended through the amendments promulgated in Turkish Official Journal No.27655 on July 28, 2010 and No.28356 on July 17, 2012, as well as with other relevant regulations and then reflected these figures to its financial statements (see Note 2.24).

Comparative data is reclassified where required to ensure compliance with the presentation of current period's financial statements.

Accounting policies and measurement and assessment principles used in preparation of financial statements are explained in the notes from 2.4 to 2.24 below.

a) Adjustment of Financial Statements During Hyperinflationary Periods

Pursuant to the Official Letter No.19387 of the Ministry dated April 4, 2005, Company financial statements as at December 31, 2004 were restated and 2005 opening balances were determined accordingly in accordance with "Financial Reporting in Hyperinflationary Economies" section included in the regulations of Capital Markets Board's ("CMB") Communiqué XI No.25, which came into force as published in the Official Journal No: 25290 on November 15, 2003. Restatement of financial statements according to the inflation rate is ceased within 2005, again in accordance with the aforementioned Official Letter of the Ministry. Therefore, non-monetary assets and liabilities including shareholders' equity items included in the Balance Sheet are calculated through indexing of entries until December 31, 2004 and carrying of entries made after this date with respective nominal values.

b) Comparative Data and Correction of Financial Statements of Previous Periods

Company Balance Sheet as at December 31, 2019, Income Statement, Statement of Changes in Shareholders' Equity and Cash Flow Statement for the period January 1 - December 31, 2019 are presented together and in comparison with the Balance Sheet as at December 31, 2018 and Income Statement, Statement of Changes in Shareholders' Equity and Cash Flow Statement for the period January 1 - December 31, 2018, respectively.

c) Other Accounting Policies

Information regarding other accounting policies is disclosed individually under dedicated titles in following sections of this report.

2.1.5 Currency Used

The functional and reporting currency of the Company is Turkish Lira (TRY).

2.1.6 Rounding scale of the amounts presented in the financial statements

All figures presented in TRY in financial statements have been rounded to the nearest integer.

3. Summary of Significant Accounting Policies (continued)

3.1. Basis of Preparation (continued)

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

Financial statements are prepared on the historical cost basis, except for valuation of financial assets.

2.1.8 New and Revised Financial Reporting Standards

New and Modified Standards and Interpretations

Modifications made in relevant standards and respective interpretations should be presented in the financial statement notes as explained below during preparation of financial statements compliant with Turkish Financial Reporting Standards (TFRS).

b. New standards effective as of December 31, 2019 and modifications to and interpretations of previously existing standards:

Explanations regarding the effect of the new TFRS on financial statements:

- a) Title of TAS/TFRS
- b) The accounting policy change being made in accordance with the relevant transition provisions, if any,
- c) Explanation of the changes in the accounting policy,
- d) Description of the transitional provisions, if any,
- e) Effect of the transition provisions, if any, to the future periods,
- f) Adjustment amounts for the current period and for each previous period presented, to the extent possible,
 - i. Should be presented for each effected financial statement item, and
 - ii. The amount of ordinary shares and diluted earnings per share should be recalculated in case "TAS 33 - Earnings per Share" standard is applicable.
- g) Correction amounts, if possible, of the periods before the periods which are not presented, and
- h) In case retrospective approach is not possible for any period, events preventing such approach should be disclosed and explanations should also be provided as to the effective date and the means of implementation of the respective accounting policy change.

Modifications in "**TFRS 9 - Financial Instruments**" shall be applicable for the reporting periods starting with January 1, 2019 and afterwards. This modification has clarified two issues: In consideration of whether a financial asset represents only the principal amount and the interest for this principal amount, the earlier paid amount can have both positive and also negative cash flows; and when a financial liability measured at amortized cost is changed without a consequence of de-recognition, the resulting gain or loss should be directly recognized in profit or loss account. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.

The Company will use temporary exemption provisions of TFRS 9 included in TFRS 4 until IFRS 17 becomes effective.

Modifications in "**TAS 28 - Investments in Affiliates and Joint Ventures**" shall be applicable for the reporting periods starting with January 1, 2019 and afterwards. It is clarified that the companies shall book their investments in affiliates or joint ventures by using TFRS 9 standard for long term investments in affiliates and joint ventures which are not subject to equity method.

3. Summary of Significant Accounting Policies (continued)

3.1. Basis of Preparation (continued)

2.1.4. New and Revised Financial Reporting Standards (continued)

b. New standards effective as of December 31, 2019 and modifications to and interpretations of previously existing standards (continued):

Modifications in "**TFRS 16 - Leases**" shall be applicable for the reporting periods starting with January 1, 2019 and afterwards. Earlier implementation shall be permitted if "**TFRS 15 - Revenue from Contracts with Customers**" is also applied. This new standard replaces the current guidance in TAS 17 and introduces far-reaching change in accounting by lessees in particular. Under current TAS 17 standard, lessees were required to make a distinction between a financial lease (on balance sheet) and an operating lease (off balance sheet). However, TFRS 16 now requires lessees to recognize in their balance sheets any lease liability reflecting future lease payments and a 'right of use asset', for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied for lessors. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors shall also be affected by the new standard. At the very least, the new accounting model is expected to impact the negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if such contract conveys the right to control the use of an identified asset for a period of time in exchange for a certain consideration.

The company has applied first adoption of "IFRS 16 - Leases" among the new standards, modifications and interpretations effective as of January 1, 2019, in accordance with the transition provision of the relevant standard.

The effects of the changes in accounting policies arising from standards and the application of the related standards for the first time shall be as follows:

Company - as Lessee

The Company shall assess whether a contract has a lease nature or includes a lease transaction at initial contract stage. In case a contract assigns for a certain period the right to control the use of a defined asset in return for a payment amount, such contract has a lease nature or includes a lease transaction. The Company shall also consider the following conditions when assessing whether the contract assigns for a certain period the right to control the use of a defined asset:

- a) The contract shall include a defined asset; an asset is usually defined either explicitly or implicitly in a contract.
- b) A functional part of such asset shall be physically separate or shall represent a portion close to the entire capacity of such asset. The asset is not defined in case the supplier has a principal right for and derives an economic benefit from replacement of the asset.
- c) Right to obtain almost the entire economic benefit to be derived from use of such defined asset should exist.
- d) Right to manage the defined asset should exist. The Company considers that the right to use of such defined asset exists in case the decisions regarding how and for which purpose(s) such asset shall be used have previously been made. The Company shall have the right to manage the use of such asset in following conditions:
 - i. The Company has the right to operate the asset (or guide third parties to have the asset operated in line with the means and ways as determined by the Company) during the period of use, or
 - ii. The Company has designed the asset (or certain features of the asset) such that how and for which purpose(s) such asset shall be used during its usage period is determined beforehand.

3. Summary of Significant Accounting Policies (continued)

3.1. Basis of Preparation (continued)

2.1.4 New and Revised Financial Reporting Standards (continued)

- b. New standards effective as of December 31, 2019 and modifications to and interpretations of previously existing standards (continued):

The Company shall reflect the existence of right to use and a lease liability to its financial statements on the date when the lease is actually started.

Right of Use Asset

The right of use asset shall initially be recognized as measured at cost and shall include the following:

- a) The amount of the initial measurement of lease liability
- b) Amount found by deducting all lease incentives received from all lease payments made on or before the actual lease start date,
- c) All initial direct costs borne by the Company, and

The Company shall measure the right of use asset:

- c) free of accumulated depreciation and accumulated impairment loss amounts, and
- d) adjusted according to the re-measurement of the lease liability.

The Company shall apply the depreciation provisions set forth in TAS 16 - Tangible Assets standard to depreciate the right of use assets. TAS 36 - Impairment of Assets standard shall be applicable to determine whether the right of use asset is impaired and to recognize any assessed impairment loss amount.

Lease Liability

The Company shall measure its lease liability over the present value of the lease amounts not yet paid on the actual start date of such lease. The lease payments shall be discounted by using the interest rate implicit in the lease transaction in case such rate can be readily determined, or otherwise, by using the alternative borrowing interest rate available to the lessee.

Lease payments included in the measurement of Company's lease liability and not yet realized at the actual start date of the lease comprise of the following:

- c) Amount found through deduction of all leasing incentive receivables from fixed payments,
- d) Payments of penalties regarding termination of the lease in cases where the lease period indicates that the Company shall use an option to terminate the leasing.

The Company shall measure the lease liability as follows after the actual start date of the lease:

- d) Increase the book value to reflect the interest amount for the lease liability,
- e) Decrease the book value to reflect the lease payments realized, and
- f) Re-measure the book value to reflect the revaluations or restructuring made or to reflect the lease payments which are fixed in nature after revision. The Company shall reflect the re-measured amount of the lease liability to its financial statements as an adjustment to the right of use asset.

Short term lease contracts with a period of maximum 12 months and lease contracts regarding leasing of information technology equipment assessed to have a low value by the Company (printers, laptops, mobile phones etc.) are considered within the exception permitted by the relevant standard and payments made for such contracts are continued to be booked as expense within the period in which they are realized.

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3. Summary of Significant Accounting Policies (continued)

3.1. Basis of Preparation (continued)

2.1.4 New and Revised Financial Reporting Standards (continued)

- a. New standards effective as of December 31, 2019 and modifications to and interpretations of previously existing standards (continued):

Initial Application of TFRS 16 Leases

The Company started applying the "TFRS 16 Leases" standard replacing "TAS 17 Leases" standard as of the effective date which is January 1, 2019. The Company rearranged the comparable figures for the previous period by using the simplified transition method. In this method, all right of use assets are measured with the leasing payable amounts (adjusted according to the prepaid or accrued leasing costs) as at initial application date.

At initial application stage, the Company recorded a leasing liability amount for leases which previously used to be classified as "operational lease" in accordance with TAS 17. Such liabilities are measured over the present values of outstanding lease payment discounted by using the alternative borrowing interest rates applicable as of January 1, 2019. Right of use assets, on the other hand, are recognized with an amount equal to the leasing payable amounts (adjusted according to the prepaid or accrued leasing costs), again in accordance with the simplified transition method prescribed in the relevant standard. Weighted average of alternative borrowing rates used by the Company as of January 1, 2019 for leases in TRY is 24% on annual basis.

January 01, 2019

Operational lease commitments under TAS 17

Total lease liability under TFRS 16 (not discounted)	17,671,063
Total lease liability under TFRS 16 (discounted with alternative borrowing rate)	11,388,281
Short term lease liabilities	2,090,594
Long term lease liabilities	9,297,687

Details per asset regarding capitalized right of use assets are as follows:

	December 31, 2019	January 01, 2019
Property, net	4,562,177	5,909,842
Vehicles, net	4,209,807	6,286,626
Total right of use assets	8,771,984	12,196,468

As of January 1, 2019, the Company has 808,187 TRY prepaid lease expense and 3,424,484 depreciation expense with regards to booked right of use assets belonging to the period between January 1 - December 31, 2019.

3. Summary of Significant Accounting Policies (continued)

3.1. Basis of Preparation (continued)

2.1.4 New and Revised Financial Reporting Standards (continued)

a. New standards effective as of December 31, 2019 and modifications to and interpretations of previously existing standards (continued):

Modifications in "TFRIC 23 - Leases" shall be applicable for the reporting periods starting with January 1, 2019 and afterwards. This interpretation clarifies how the recognition and measurement requirements of "TAS 12 Income taxes" are applied where there is uncertainty over income tax treatments. IFRS IC had clarified previously that IAS 12, and not IAS 37 "Provisions, contingent liabilities and contingent assets" shall apply to recognition of uncertain income tax treatments. TFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. TFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

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

Annual improvements 2015 - 2017; effective from annual periods beginning on or after January 1, 2019. These improvements include minor changes to:

- TFRS 3 "Business Combinations"; a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- TFRS 11 "Joint Arrangements; a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- TAS 12 "Income Taxes"; a company accounts for all income tax consequences of dividend payments in the same way.
- TAS 23 "Borrowing costs"; a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The Company is in the process of assessing the impact of the aforementioned standards on financial position or performance of the Company.

Improvements to TAS 19 "Employee Benefits" regarding plan amendment, curtailment or settlement; effective from annual periods beginning on or after January 1, 2019. These amendments require an entity to:

- Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- Recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

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

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3. Summary of Significant Accounting Policies (continued)

3.1. Basis of Preparation (continued)

2.1.4 New and Revised Financial Reporting Standards (continued)

c. Standards and amendments issued but not put into effect as of December 31, 2019:

Amendments to TAS 1 and TAS 8 on the definition of material; effective from Annual periods beginning on or after January 1, 2020. These amendments to TAS 1 "Presentation of Financial Statements", and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and consequential amendments to other TFRSs are as follows:

- i) Use a consistent definition of materiality throughout TFRS and the Conceptual Framework for Financial Reporting;
- ii) Clarify the explanation of the definition of material; and
- iii) Incorporate some of the guidance in TAS 1 about immaterial information.

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

Amendments to TFRS 3 - Definition of Business; effective from Annual periods beginning on or after January 1, 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

Amendments to TFRS 9, TAS 39 and TFRS 7 – Interest rate Benchmark Reform; effective from Annual periods beginning on or after January 1, 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

Modifications in "**TFRS 17 - Insurance Contracts**" shall be applicable for the reporting periods starting with January 01, 2023 and afterwards. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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

2.9 Consolidation

The Company does not have any subsidiaries required to be consolidated under the "Communiqué on Preparation of Consolidated Financial Statements of Insurance and Reinsurance Companies and Pension Companies" ("Consolidation Communiqué") dated December 31, 2008, which was published in the Official Journal No. 27097 and effective as of March 31, 2009. (December 31, 2018: None).

2.10 Segment Reporting

As of December 31, 2019, the Company operates within Turkey and only in non-life insurance business segment, which is followed as a single reportable unit. The Company is not listed in stock market and does not make any segment reporting as defined in "TFRS 8- Segment Reporting".

2. Summary of Significant Accounting Policies (continued)

2.11 Foreign Currency Translation

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

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

Foreign exchange translation differences from non-monetary financial assets and liabilities are considered as part of fair value changes and these differences are classified under the accounts where fair values changes are booked.

2.12 Tangible Assets

Tangible assets are carried at cost less accumulated depreciation and accumulated impairment amounts.

Assets held for use in the construction, or for leasing, administrative or any other purposes are carried at cost, less any impairment. Legal charges are also added to costs. For assets that need substantial time to be ready for use or sale, borrowing costs are capitalized based on the Company's accounting policy.

Such assets are depreciated, on the same basis used for other fixed assets, when they are ready to use.

Assets, other than land and ongoing constructions, are depreciated over their expected useful lives by using the straight line method. Estimated useful life, residual value, and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gain or loss arising on the disposal or retirement of an item of tangible assets are determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized to profit or loss. These assets are included in "Other Income" and "Other Expense" accounts in the Income Statement.

Depreciation periods for tangible assets are presented in the table below:

Property for operational usage (Buildings)	50 years
Furniture and fixtures	3-10 years
Leasehold improvements	5 years

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

2. Summary of Significant Accounting Policies (continued)

2.13 Investment Properties

Investment properties are held either to earn rentals and/or for capital appreciation or for both and first registration is measured on fair value including transaction costs after measured at cost. After initial booking, investment properties are measured over fair value reflecting real market conditions at the Balance Sheet date. In cases where fair value assessments cannot be reliably made, properties under construction are measured with historical cost value until such assessment can be made reliably or until the date before the completion date of such investment. Any gains or losses from the changes in the fair values of investment properties are recognized in the Income Statement within the period of such change.

The Company has started to present investment properties over fair values as of December 31, 2014 for this purpose. Fair value difference as of December 31, 2019 is 35,296,656 TRY in total (December 31, 2018: 32,649,080 TRY) (Note 7).

2.14 Intangible Assets

Intangible assets consist of the acquired information systems, royalty rights and computer software. Intangible assets are carried at acquisition cost and amortized by the straight-line and accelerated methods over their estimated useful lives after their acquisition date. If impairment exists, carrying amount of intangible assets is written down immediately to its recoverable amount (Note 8).

The amortization periods of intangible assets are within 3-5 year range.

2.15 Financial Assets

Financial investments, other than those that are classified as financial assets at fair value through profit and loss, are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Investments are recognized and derecognized on trade date, where the purchase or sale of an investment under a contract, whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: financial assets as "available-for-sale" (AFS) financial assets, "financial assets at fair value through profit and loss" and "loans and receivables".

Effective interest method

Effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and Receivables (Receivables from Operations)

Loans and Receivables are financial assets created through provision of cash or service to the debtor. These receivables are recognized at acquisition value. Fees paid and other similar expenses incurred for assets received as a guarantee of such receivables are not considered as transaction costs and these are reflected to respective expense accounts.

The Company allocates provisions where Company management deems as required for the receivables based on the assessments and estimations made. Such provision is presented under "Provision for Due from Insurance Operations" item in the Balance Sheet. The Company considers the general structure of existing receivables portfolio, financial structures of policyholders and intermediaries, non-financial data and the economic conjuncture in line with the risk policies and precautionary principle while making its forecasts.

2. Summary of Significant Accounting Policies (continued)

2.15 Financial Assets (continued)

In addition to "Provision for Due from Insurance Operations", the Company also allocates a provision amount for receivables under administrative and legal proceedings for doubtful receivables not included in Provision for Due from Insurance Operations in accordance with Article 323 of Tax Procedural Law. This provision is classified under "Provision for Doubtful Receivables from Main Operations" item in the Balance Sheet.

Provisions for doubtful receivables are deducted from the income of the current year. In case a doubtful receivable for which a provision has been allocated previously is collected, the collected amount is deducted from the relevant provision account and reflected in "Provision Expenses" account. Bad receivables are removed from respective accounts after all legal transactions are completed (Note 12).

Available for Sale Investments

Listed equity instruments and various debt securities held by the Company and traded in an active market are classified as available for sale financial assets and are valued at fair value within the periods after initial recognition. It is considered that the fair value cannot be reliably measured if the price that provides a basis for fair value is not set in active market conditions and discounted value calculated with the effective interest method is used as fair value. Securities representing share of capital classified as available for sale financial assets are recorded at fair value if they are traded within structured markets and/or the fair value can be reliably determined. In case these assets are not traded within structured markets and/or the fair value cannot be reliably determined, they are reflected in financial statements over cost value, after deduction of the provision for impairment amount.

"Unrealized profits and losses" arising from changes in fair values of available for sale securities are not reflected in the Income Statement for the relevant period until either collection of the amount corresponding to or sale/disposal of or impairment of such asset is realized and followed under "Valuation of Financial Assets" account in Shareholders' Equity. Accumulated fair value differences booked under Shareholders' Equity are reflected to the Income Statement on maturity dates or upon disposal of such assets.

The Company evaluates on each Balance Sheet date whether objective evidence exists regarding impairment in financial assets. Decrease of fair values of securities classified as available for sale down to levels significantly lower than their respective costs and for prolonged periods is considered as an indicator of impairment.

In case objective evidence exists for impairment of available for sale financial assets, differences between acquisition cost and fair value of the relevant financial asset are deducted from Shareholders' Equity and reflected to Income Statement within subsequent periods. Impairment expenses recorded in the Income Statement regarding capital instruments cannot be reversed.

The Company does not allocate any impairment provisions for short-term market fluctuations, provided that a collection risk has not been born for securities classified under available for sale financial assets and representing borrowings (Note 11).

Affiliates and Investment Securities

These are stock certificates or shares acquired by the Company for investment purposes belonging to entities where the Company does not take part in management of other entities or determination of partnership policies even if the Company holds above 10% of the shares. The difference between carrying value and fair value (to the extent that it is measured reliably) of such assets are recognized in shareholders' equity and assets that have fair value are carried at fair value while the other assets are carried at book value net of impairments, if any.

2. Summary of Significant Accounting Policies (continued)

2.16 Impairment of Assets

Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate, that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that are impaired are reviewed for possible reversal of the impairment at each reporting date.

Impairment of financial assets

The Company assesses its financial assets, other than those at FVTPL, at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as held-to-maturity, available-for-sale or loans and receivables is impaired.

A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

For loans and receivables, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets except for trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Except for AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. For AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Mortgages or guarantees on assets are explained in Note 43, provisions for overdue receivables and provisions for receivables which are not overdue are explained in Note 12, and provision and rediscount expenses for the period are explained in Note 47.5.

2.17 Derivative Financial Instruments

None (December 31, 2018: None).

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2. Summary of Significant Accounting Policies (continued)

2.18 Offsetting of Financial Instruments

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

2.19 Cash and Cash Equivalents

Cash and cash equivalents include demand deposits held at banks and bank guaranteed short term credit card receivables with a term less than three months.

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

	December 31, 2019	December 31, 2018
Banks (Note 14)	685,574,031	738,201,075
Bank Guaranteed Credit Card Receivables (Note14)	562,751,420	426,829,383
Other Cash and Cash Equivalents	5,595,000	-
Minus – Accrued Interest (*)	(3,235,968)	(23,942,517)
Minus - Earmarked Accounts (Disclosed in Notes 14 and 43) (*)	(12,579,886)	(8,440,417)
Total Cash and Cash Equivalents	1,238,104,597	1,132,647,524

(*) The mentioned interest accruals and changes in the earmarked deposit accounts are included in "Net Cash Inflow from Operating Activities" section in the Cash Flow Statement.

The Company has 4,529,000 TRY in time deposit accounts, excluding interest accruals earmarked in favor of public institutions, and 8,050,886 TRY in demand deposit accounts as of December 31, 2019 (December 31, 2018: 3,743,329 TRY in time deposit and 4,697,088 TRY in demand deposit accounts).

2.20 Shareholders' Equity

The composition of the Company's share capital at December 31, 2019 and December 31, 2018 is as follows:

	December 31, 2019		December 31, 2018	
Name of Shareholder	Share	Share Amount	Share	Share Amount
Axa Holding A.Ş.	92.61%	1,135,204,390	92.61%	1,135,204,390
T.C. Ziraat Bankası A.Ş.	7.31%	89,547,369	7.31%	89,547,369
Other	0.08%	987,428	0.08%	987,428
Total	100%	1,225,739,187	100%	1,225,739,187

As of December 31, 2019 no privileges are granted to the preference shares representing the share capital (December 31, 2018: None).

The Company is not subject to the registered share capital system as of December 31, 2019 and December 31, 2018. Other information about the Company's share capital is explained in Note 15.

2. Summary of Significant Accounting Policies (continued)

2.21 Insurance and Investment Contracts – Classification

Insurance contracts are those contracts that transfer insurance risk. Insurance contracts provide protection to policyholders against adverse economic consequences of an event of loss as covered under the terms and conditions stipulated in the insurance policy. Main contracts issued by the Company are insurance contracts prepared in non-life segment as also explained below, mainly in fire, freight, accident and engineering.

Accident insurance contracts (liability, personal accident and motor) serve two main objectives: These contracts protect policyholders against the damage risk on the asset and the damage risk to third parties. Fire insurance contracts are divided into three: individual, commercial and industrial. policyholder is insured against physical losses and damages arising from risks like fire, lightning, explosion etc. included in the policy. Profit Loss clause protects policyholders against absolute indirect losses arising from partial or total operational discontinuity as a result of an event covered by the insurance contract. Freight insurance contracts cover transportation insurance (boat, motor vehicles, aircraft) and in-transit property insurance. Engineering insurance contracts are divided into two sub-groups. Contracts covering risks permanently exists and valid for indefinite period of time and contracts covering non-repetitious risks for a limited period of time. First group covers sudden and unpredictable losses and damages to mechanical equipment, facilities and electronic devices. Second group includes assembly and construction-installation insurances naturally limited to the validity period of assembly-construction-installation warranty. Additionally, agriculture insurances issued by Tarım Sigortaları Havuz İşletmesi A.Ş. ("TARSİM") and compulsory earthquake insurance contracts Doğal Afet Sigortaları Kurumu ("DASK") are also available. Calculation principles for income and liabilities arising from insurance contracts are provided in Notes 2.21 and 2.24.

Reinsurance Treaties

Reinsurance contracts are insurance contracts put in effect by the Company and the respective reinsurance firm for potential losses which might occur regarding one or more insurance contracts executed by the Company where contractual parties calculate the premium amounts and loss assessments according to mutually agreed terms and conditions according to the type of treaty. Company's reinsurance policy and treaties are summarized below.

The Company has excess of loss, surplus and proportional quota-share reinsurance treaties in effect, depending on operational segments.

The Company has entered into risk and excess of loss per event treaties in fire, freight, non-motor accident and engineering segments. Such excess of loss treaties function according to the date of loss realization. Surplus reinsurance treaties are used for construction and installation segments. Various sub segments of non-motor accident segment are protected with proportional quota-share reinsurance treaties. These are run-off type treaties since reinsurer's responsibility still continues after contract termination. Company holds proportional treaties in MTPL (Motor Third Party Liability) and MOD (Motor Own Damage) segments. Protection for natural disasters such as flood and earthquake is provided only with catastrophic excess of loss reinsurance treaties.

Additionally, The Company also has facultative reinsurance treaties on insurance contract basis for certain risks.

The Company executes a major portion of its reinsurance treaties through Axa Global RE.

2. Summary of Significant Accounting Policies (continued)

2.14 Insurance and Investment Contracts – Classification (continued)

Premiums Ceded to Social Security Institution

New procedures and principles are introduced for collection and settlement of amounts for health services provided to relevant persons due to traffic accidents with Article 98 of Highway Act No.2918 as amended by Article 59 of "Act No.6111 on Restructuring Settlement of Various Receivables and Modification of Social Insurance and General Health Insurance and Various Acts and Statutory Decrees" ("Act"), promulgated in Turkish Official Journal on February 25, 2011. In this regard, all amounts incurred for health services provided by public and private healthcare institutions to individuals due to traffic accidents shall be covered by SSI (Turkish Social Security Institution) regardless of whether the casualties have a registered social security account or not. Moreover, amounts of health services provided due traffic accidents occurred before enactment of Act No.6111 shall also be paid by SSI according to Provisional Article 1 of this Act.

Liability of insurance companies regarding the amounts to be paid for services to be incurred in accordance with the aforementioned articles of the Act are stipulated according to the "Regulation on Principles and Procedures for Collection of Health Service Prices Provided to Relevant Persons due to Traffic Accidents" issued by the Ministry on August 27, 2011 ("Regulation"); "Circular No.2011/17 on Procedures and Principles regarding Implementation of Regulation on Principles and Procedures for Collection of Health Service Prices Provided to Relevant Persons due to Traffic Accidents" dated September 15, 2011 ("Circular No.2011/17"); "Circular No.2011/18 on Recognition of Payments Made to Social Security Institution (SSI) for Medical Treatment Expenses and Opening New Account in Insurance Chart of Accounts" ("Circular No.2011/18").

On this basis, regarding medical treatment expenses arising from traffic accidents occurring after the enactment date of the Act, the Company should transfer to SSI the premium amounts determined in accordance with the Regulation, Circular No.2011/17, Circular No.2012/3 and "Regulation on Amendment of the Regulation on Principles and Procedures for Collection of Amounts of Health Services Provided to Relevant Persons due to Traffic Accidents" promulgated in Official Journal No.28280 on May 2, 2012 for insurance policies arranged in "Compulsory Freight Insurance", "MTPL", "Compulsory Road Passenger Personal Accident Insurance" segments before February 25, 2011. According to the foregoing, the Company calculated 101,578,427 TL TRY premium amount for January 1 - December 31, 2019 period (January 1 - December 31, 2018: 80,834,235 TRY) (see Notes 10 & 24) and a provision for unearned premiums amount (on days basis) equal to 58,265,797 TRY (December 31, 2018: 43,044,264 TL) as of December 31, 2019 and booked these figures under "Premiums Ceded to SSI" and "SSI Share in Unearned Premium Reserve" accounts, respectively.

Premiums and Losses Ceded to Turkish Motor Insurers' Bureau

A "High Risk Policies Pool" ("Pool" or "RPP") is established, upon enactment of "Regulation for Amendment of Regulation on Tariff Implementation Principles regarding Compulsory Financial Liability Insurance for Land Motor Vehicles" promulgated in Turkish Official Journal No.30121 on July 11, 2017, for compulsory traffic (MTPL) insurance policies written on and after April 12, 2017 only, for high loss frequency stages and/or vehicle groups as defined in the aforementioned Regulation. Premium and loss shares regarding MTPL insurance policies included in this Pool is calculated by Turkish Motor Insurers' Bureau ("TMIB") at two stages in accordance with the Operating Principles of High Risk Policies which began to be implemented after enactment of the aforementioned Regulation. .

According to these Principles, 50% of written premiums and paid loss claims is equally shared among insurers and the remaining 50% is calculated according to the market shares in terms of MTPL premiums held by those insurance companies within the last 3 years.

2. Summary of Significant Accounting Policies (continued)

2.19 Insurance and Investment Contracts – Classification (continued)

According to the Operating Principles of High Risk Policies issued by TMIB on August 15, 2017, 76% of total premiums net of deductions to be received from policyholders for policies issued after July 11, 2017 which are subject to the Pool, will be ceded to the Pool.

The Company has recorded the amounts of premiums, claims and commissions paid to the Pool under the regulation and taken over from the Pool within the scope of the Company's share, taking into account the monthly receipts finalized by the TMIB as of December 31, 2019 and the estimated figures for the months for which no receipt was forwarded by TMIB by the same date. The Company recorded 186,480,584 TRY for premiums, 58,095,363 TRY for compensation payments, 31,654,412 TRY for outstanding claims ceded to the Pool; and 165,994,587 TRY for premiums, 102,604,545 TRY for compensation payments, 968,192 TRY for recovery, 1,192,343 TRY for salvage and 67,438,383 TRY for outstanding claims on December 31, 2019 as reported by the Pool as the Company's share and in accordance with the requirements stipulated in the legal legislation. Additionally, provision amounts for IBNR compensation payments taken over from the Pool are calculated according to the expected loss ratios provided by TMIB and the opinions of Company actuary and recorded accordingly.

2.20 Insurance Contracts and Investment Contracts with Discretionary Participation Feature

None (December 31, 2018: None).

2.21 Investment Contracts without Discretionary Participation Feature

None (December 31, 2018: None).

2.22 Loans

None (December 31, 2018: None).

2.23 Taxes

Corporate Tax

Applicable corporate tax in Turkey for 2019 is 22% (December 31, 2018: 22%). Corporate tax rate is applied to the tax base amount calculated by adding certain disallowable expenses to and deducting exempt income and investments (such as affiliation privileges) from revenues of business entities. No further tax is payable unless the profit is distributed.

Withholding tax is not applied to dividends paid to limited taxpayer entities earning income within Turkey through an office or a permanent representative and to entities residing in Turkey. Dividend payments made to other persons and entities except the foregoing shall be subject to 15% withholding tax. Appropriation of retained earnings to capital is not considered as profit distribution, therefore no withholding tax is applied.

Entities calculate the provisional tax amount equal to 22% of their quarterly financial profits, submit their provisional tax return statements until the 14th day and pay the tax amount until the end of 17th day of the second month following the quarterly period subject to provisional tax. Provisional tax amounts paid within the year belong to that specific year and these amounts are rebated against the corporate tax amount to be calculated over the corporate tax return statement to be submitted within the subsequent year.

In case a surplus paid amount provisional tax exists even after such rebate, such surplus amount can be recollected or set off against other fiscal payables due to the government.

75% of the revenues from sale of affiliate shares stocked for minimum 2 years and founders' shares, participating redeemed shares and stock privilege rights also held for the same time period and 50% of revenues from sale of immovable properties included in Company assets, again held for the same time period, shall be exempt from tax liabilities, provided that the foregoing shall be capitalized as prescribed in Turkish Corporate Tax Law or kept in equity for 5 years.

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2. Summary of Significant Accounting Policies (continued)

2.22 Taxes (continued)

According to Turkish tax legislation, financial losses on tax return statements can be offset against period income for up to 5 years. However, financial losses cannot be offset against previous years' profits. There is no practice of reconciliation of payable taxes with the tax authority within Turkey. Corporate tax returns are submitted to the relevant tax office by the last day of the 4th month following the month when the accounting period ends. For tax reviews, authorized bodies are entitled to review the accounting records for the past five years and if errors are detected, tax amounts may change due to tax assessment.

In addition to the corporate tax, withholding tax should be applied to tax payer entities for profit shares (if distributed) which are included in and disclosed as company revenues in financial statements, excluding dividends distributed to the branches of multinational companies located in Turkey. Withholding tax rate shall be applied as 10% until further notice by the Council of Ministers. Profit amounts not distributed as dividends but included in shareholders' equity shall not be subject to withholding tax.

Income or corporate taxpayers calculating their revenues on Balance Sheet basis are required to apply inflation adjustment to their financial statements starting as of January 1, 2004 in accordance with the "Law on Amendment of Tax Procedural No.5024, Income Tax Law and Corporate Tax Law" ("Law No.5024") promulgated in Turkish Official Journal on December 30, 2003. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (TÜİK TEFE (Wholesale Price Index) increase rate). Since the conditions in question were not fulfilled in 2018 and 2019, no inflation adjustments were performed.

Deferred Taxes

Deferred tax assets and/or liabilities are calculated in consideration of legal tax rates on the tax effects of the provisional differences between the amounts of such assets and liabilities reflected on Company's financial statements and the amounts taken into account for calculation of the legal tax base amount. Deferred tax liabilities are calculated for the entire taxable provisional differences, whereas deferred tax assets comprising of deductible provisional differences are calculated with the condition that a strong possibility exists for the Company to be entitled to use such differences (i.e. tax rebate) by obtaining taxable revenues in near future. Aforementioned assets and liabilities shall not be recognized in Company books if arising from provisional transactional differences with no impact on profit or loss, goodwill or initial inclusion of other assets and/or liabilities in financial statements (excluding mergers).

Deferred tax liabilities are calculated for all taxable provisional differences related with the investments in affiliates and joint ventures and shares in joint ventures, excluding cases where the Company is in control of the removal of such provisional differences and where such removal in near future is not very likely. Deferred tax assets arising from such taxable provisional differences related with such investments and shares are calculated with the constraints that a strong possibility exists for the Company to be entitled to use such differences (i.e. tax rebate) by obtaining taxable revenues and for removal of such differences in near future.

Corporate tax rate is raised from 20% to 22% for 2018, 2019 and 2020 under the "Act No.7061 on Amendment of Certain Tax Laws and Other Laws" promulgated in Turkish Official Journal No.30261 on December 5, 2017. The Company calculated its deferred tax assets and liabilities over 22% tax rate in accordance with the aforementioned law.

The Company has 65,883,670 TRY of deferred tax assets in its financial tables drawn up on December 31, 2019 (December 31, 2018: 58,310,738 TRY). (*) Deferred Tax Assets are recorded in the financial statements drawn up as of December 31, 2019 over financial losses carried in accordance with the assumptions for availability of taxable profit for future periods made in line with the business plans and projections prepared by Company management.

2. Summary of Significant Accounting Policies (continued)

2.23 Employee Benefits

The Company accounts for its liability related to employment termination, vacation benefits and other benefits provided to employees according to “Turkish Accounting Standards Regarding Employee Benefits”(“TAS 19”) and classifies these in the Balance Sheet under “Provision for Employment Termination Benefits” and “Provision for Expense Accruals” accounts.

According to the Turkish Labor Law, the Company is required to pay termination benefits to each employee whose job is terminated except for the reasons such as resignation, retirement and attitudes determined in Labor Law. The provision for employment termination benefits is calculated over present value of the possible liability in scope with the Labor Law by considering certain actuarial estimates (Note 22).

2.24 Provisions

In case a liability arising from past events exists and fulfillment of such liability is likely and the amount of such liability is reliably predictable, provisions are allocated in financial statements. Provision amount is calculated in consideration of the risks and uncertainties regarding such liability, through estimating the expense expected to be incurred in the most reliable way on the Balance Sheet date. In case the provision is measured by using the expected cash flows required to fulfill such liability, the book value of such provision equals to the present value of the relevant cash flows.

In cases where the economic benefit required for payment of such liability is expected to be totally or partially borne by third parties, the amount to be collected is recognized as an asset if the collection of such amount is almost certain and can reliably be measured.

Liabilities arising from past events and whose existence would be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are classified as contingent liabilities and not included in the financial statements (Note 23).

2.25 Recognition of Revenues

Written Premiums

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

Reinsurance Commissions

Commission income for premiums ceded to reinsurance companies are recorded on an accrual basis over the period, and classified in the technical section of the Income Statement under operating expenses. As disclosed in Note 2.24, reinsurance commission income is recognized in the financial statements on accrual basis by allocating unearned commissions reserve over charged commissions.

2. Summary of Significant Accounting Policies (continued)

2.25 Recognition of Revenues (continued)

Recovery and Salvage Income

The Company accrued the recovery receivable amounts up to the coverage limit of the debtor insurer in financial statements drawn up as of December 31, 2019 and December 31, 2018 in accordance with Circular No.2010/13 on Recovery and Salvage Income issued by the Ministry on September 2010, provided that the compensation payment is made and a certificate of release or a confirmation document proving such payment is obtained from relevant beneficiaries and a notification is made to counter party insurer or relevant third parties. A provision amount is allocated for these receivables if no collection is made within the first six months after the payment of such compensation amount from the counter party insurer or within the first four months from relevant third parties. In this regard, the accrued recovery and salvage receivable amount net of reinsurer's share as of December 31, 2019 is 223,249,969 TRY (December 31, 2018: 207,556,850 TRY) and the provision amount for such receivable is 162,397,971 TRY (December 31, 2018: 141,182,846 TRY).

The Company's doubtful recovery and salvage receivables amount from main operations is 610,632,015 TRY on December 31, 2019 (December 31, 2018: 530,359,214 TRY). Provision is allocated for the entire doubtful recovery and salvage receivables (Note 12).

Interest Income

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

Dividend Income

Dividend income from the equity share investments are recognized when the shareholder has the right to receive dividends.

2.26 Leases

Leases are recognized in accordance with TFRS 16 as disclosed in Note 2.1.

2.27 Dividend Distribution

Dividend payables are reflected to financial statements as a profit distribution item among the liabilities of the declaration period.

2.28 Technical Reserves

Unearned Premiums Reserve

Unearned premiums reserve consists of the portion of the accrued premium amounts of effective insurance contracts extending to the subsequent accounting period(s) in gross figures, without any deductions of commissions etc. For freight policies with an uncertain end date, unearned premium reserve is calculated as 50% of the premiums written in the last three months. Policies are assumed to begin at 12:00 and expire at 12:00 in general for calculation of the portion carried to the subsequent period on daily basis during calculation of unearned premiums reserve amount. The portion of the commissions paid to intermediaries and commission amounts received from reinsurers for ceded premiums extending to subsequent period(s) are recognized under "Deferred Expense" and "Deferred Income" accounts in the Balance Sheet, respectively, and under "Operational Expenses" account in Income Statement. According to the Technical Reserves Regulation, foreign exchange selling rates declared by Turkish Central Bank in the Official Journal on the date of accrual of the relevant premium are taken into account for unearned premiums related to the insurance contracts arranged in foreign currencies, if no foreign exchange rate is specified in such insurance contract (Note 17).

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2. Summary of Significant Accounting Policies (continued)

Technical Reserves (continued)

Deferred Production Expenses and Assistance Premiums and Deferred Commissions Income

Pursuant to Circular No.2007/25 issued by the Ministry on December 28, 2007, the portion of the commissions paid to intermediaries and commission amounts received from reinsurers for ceded premiums corresponding to subsequent period(s) are recognized under "Deferred Acquisition Expenses" and "Deferred Commissions Income", respectively in Balance Sheet and under "Operational Expenses" account in Income Statement (Note 17).

The Company deferred the portion related to the future months out of the payments made to the assistance service providers as 36,160,452 TRY in total and recorded this amount under "Other Deferred Expenses" in the Balance Sheet on December 31, 2019 (December 31 2018: 28,754,872 TRY).

Unexpired Risks Reserve

Pursuant to Technical Provisions Regulation, insurance companies are required to allocate provision amounts for ongoing risks by considering the expected loss ratio for the possibility of potential compensation payments which may be incurred due to valid insurance contracts to exceed the unearned premiums reserve amount allocated for the mentioned contracts. The expected loss ratio is calculated through dividing the realized loss amount by earned premium amount. Pursuant to "Circular No.2012/15 on Modifications on Calculation of Unexpired Risk Reserve" ("Circular No.2012/15") issued by the Ministry on December 13, 2012, calculation of the mentioned expected loss ratio are made per main business segments as of December 31, 2019 and 2018. .

In case the expected loss ratio calculated on segment basis exceeds 95%, the amount found by multiplying the percentage in excess of 95% with net unearned premiums reserve is calculated as the net unexpired risks reserve ("URR") and the amount found by multiplying the percentage in excess of 95% with gross unearned premiums reserve is calculated as the gross unexpired risks reserve. The difference between gross and net amounts is considered as the Reinsurer's share.

All amounts regarding premiums and losses to be ceded to SSI are deducted from the numerator and the denominator in calculation of the expected loss ratio to be used for the Unexpired Risks Reserve amount as of December 31, 2019 as stipulated in Circular No.2011/18.

Industrial Announcement No.2016/1 on Unexpired Risks Reserve Account states that "Regarding calculation of Unexpired Risks Reserve calculation, Outstanding Claims Reserve amount for the previous period should also be calculated with the new method to ensure elimination of the misleading effect of the Outstanding Claims Reserve calculation method (within the current assumptions set used by the actuary) and the amount calculated with the new method should be used for Outstanding Claims Reserve amount carried forward".

With the Technical Reserves Regulation and "Circular No. 2019/15 on Unexpired Risk Reserve" issued by the Ministry, insurers are allowed to make the Unexpired Risk Reserve calculation over the gross loss ratio of the last accident quarters in all segments. Gross loss ratio is calculated by dividing the final loss amount, found through the total of the last four quarters including the current period and also indirect businesses, by gross earned premiums amount. The Company takes into account the discounted amounts in segments for which a discount is applied for Outstanding Claims Reserve account during calculation of final loss amount realized in URR account. In case separate calculations are made for businesses where 100% of direct production is ceded to pools established in Turkey in accordance with the Technical Reserves Regulation and "Circular No. 2019/15 on Unexpired Risk Reserve" issued by the Ministry and in case gross loss ratio exceeds 100% for such ceded business and exceeds 85% for other businesses, gross URR amount shall be calculated by multiplying the excess portion by gross unearned premiums reserve and net URR amount shall be calculated by multiplying the excess portion with net unearned premiums reserve. In case no separate calculations are made, then URR calculation shall be made by considering 85% threshold within the segment total.

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2. Summary of Significant Accounting Policies (continued)

2.24 Technical Reserves (continued)

Unexpired Risks Reserve (continued)

Amounts of direct businesses where 100% of direct production is ceded to pools established in Turkey shall not be included in gross loss ratio calculation. The Company's liabilities regarding this production arises only from indirect production, therefore URR is calculated separately from other productions of the relevant segment for such businesses and similar ones.

On the other hand, "Circular No. 2019/15 on Unexpired Risk Reserve" stipulates that the URR amount can be calculated at the beginning of the fiscal year specified in the first paragraph or at the beginning of the accident year. The Company calculates URR at the beginning of the accident year for MTPL (Land Vehicles Compulsory Financial Liability) segment and at the beginning of the fiscal year for all other segments.

The Company calculated a Net Unexpired Risk Reserve of 23,613,963 TRY as of December 31, 2019 (December 31, 2018: 11,677,760 TRY) and reflected this figure in relevant accounts (Notes 4 & 17).

Outstanding Claims Reserve

The Company allocates provisions for loss claim and compensation amounts accrued and assessed through calculations but not actually paid in previous periods or in the current period or for estimated amounts if such calculation has not been made and for loss claim and compensation amounts which are realized but not reported. Outstanding claims reserve amount is determined according to expert reports or to expert and policyholder assessments from which no recovery, salvage or similar income items are deducted.

Compensation amounts for losses realized before but reported after the accounting periods are considered as Incurred But Not Reported ("IBNR") claim compensations.

The Company calculated the provision for compensations of incurred but not reported losses ("IBNR") by using the Actuarial Chain Ladder Method ("ACLM") in accordance with the "Regulation on Amendment of the Regulation on Technical Reserves of Insurance, Reinsurance And Pension Companies, and Assets in which such Provisions are to be Invested" promulgated in Turkish Official Journal No.27655 on July 28, 2010 and "Circular No.2014/16 on Outstanding Claims Reserve" issued by the Ministry on December 5, 2014.

The Regulation on Amendment of the Relevant Regulation issued in Turkish Official Journal No.28356 on July 17, 2012 states that "the compensation amount for incurred but not reported losses shall be calculated according to the Actuarial Chain Ladder Method, content and application principles of which shall be specified by, or to other calculation methods to be determined and announced by the Ministry of Treasury and Finance".

"Circular No.2014/16 on Outstanding Claims Reserve" issued by the Ministry on December 5, 2014 ("Circular") stipulates that ACLM calculations can be made by using the following six methods: "Standard Chain, Loss Ratio, Cape Cod, Frequency/Severance, Munich Chain Method and Bornhuetter-Ferguson". Additionally, this Circular grants the authority to company actuaries for selection of the data to be used, adjustment transactions, selection of the most suitable method and development factors and intervention to development factors by using actuarial methods. Pursuant to this Circular, IBNR calculation can also be made with other methods to be determined by companies, provided that a valid actuarial basis exists and the amount should exceed the calculation result of the actuarial chain ladder method employed by the company.

The Company made IBNR calculation in all segments by considering the characteristics of the respective segment and by using the actuarial method determined in accordance with Article 4 of "Circular No.2014/16 on Outstanding Claims Reserve" issued by the Treasury on December 5, 2014. This method covers MTPL segment on the basis of loss reason (material damages, death, disability, impairment, driver faults, caretaker expenses) in addition to coverage based distinction (material/bodily-physical). Both average cost and loss frequency developments of loss triangles are evaluated for all segments including MTPL. Additionally, the legal status of the files is also assessed. Furthermore, extreme losses (so called "major losses") are eliminated via statistical methods to ensure that calculations can be made with a more homogeneous data set in all segments, excluding MTPL and MOD. Moreover, the mentioned IBNR calculations are performed in gross amounts and net figures are determined depending on the applicable or relevant reinsurance treaties of the Company.

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2. Summary of Significant Accounting Policies (continued)

2.24 Technical Reserves (continued)

Outstanding Claims Reserve (continued)

The difference between the incurred loss amount -consisting of accrued and calculated outstanding claims reserve and the total of payments made until the relevant date (net of recovery and salvage collection amounts)- and the final loss amount calculated by using the actuarial chain ladder method -content and application principles of which is determined in accordance with Technical Provisions Regulation and the Circular put in effect on January 1, 2015- is recorded as incurred but not reported compensation amount. The Company made the actuarial chain ladder method ("ACLM") calculations over incurred losses (total of outstanding and paid claims) for each segment.

The ACLM selected by the Company to use for each segment, results of these calculations as of December 31, 2019 and December 31, 2018, the methods for determination of the net amounts after reinsurance and limits used for major loss screening, interventions to development factors in ACLM calculations and effects of these interventions are explained in Note 17.

As disclosed in Note 2.14, the Company is no longer liable for payment of medical treatment expenses related with the coverages provided for "Compulsory Land Transportation Financial Liability", "MTPL" and "Compulsory Road Passenger Personal Accident" segments in accordance with Circular No.2011/18, therefore compensation payments made for medical treatment expenses, outstanding claims covered by the Law and collected recovery, salvage amounts and other similar income amounts are removed from the ACLM development triangle prepared for determination of IBNR claim amounts as of December 31, 2019.

The Company allocated a total additional outstanding claims reserve amount of 1,689,801,879 TRY on December 31, 2019 December 31, 2018: 1,709,450,670 TRY) for IBNR claims.

Pursuant to "Circular No.2017/7 on Amendment of Circular No.2016/22 on Discounting of Cash Flows from Outstanding Claims Reserves" issued by the Ministry on September 15, 2017, the Company discounted the net cash flows to be generated by outstanding claims reserves calculated and allocated for General Liability and Motor Vehicles Liability segments according to Insurance Law and relevant Legislation, in accordance with the provisions and principles set forth in "Circular No.2016/22 on Discounting of Cash Flows from Outstanding Claims Reserves" issued by the Ministry on June 10, 2016. The Company reflected 618,118,264 TRY of discount to its financial statements drawn up on December 31, 2019 (December 31, 2018: 556,970,656 TRY).

Pursuant to "Circular No.2011/23 on Explanations regarding Calculation of Incurred but Not Reported (IBNR) Claims Reserve" dated December 26, 2011 ("Circular No.2011/23"), insurance companies can calculate a win rate per sub-segments over the amounts of the legal cases filed against the company based on the realizations within last five years (starting as of December 31, 2011 and by considering the finalization dates of such legal cases) and perform deductions from the outstanding claims reserve amount accrued for legal cases still in litigation process according to this win rate. The Company has no win rate calculated per sub-segments and no deduction amounts from the accrued outstanding claims reserve as of December 31, 2019 (December 31, 2018: None). Additionally, all legal case files in litigation process are considered without any deductions in all calculations made for assessment of the IBNR claims amount in accordance with the Circular No.2011/23 dated December 26, 2011 (Note 17).

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4. Summary of Significant Accounting Policies (continued)

2.26 Technical Reserves (continued)

Equalization Reserve

According to the Technical Provisions Regulation, insurance companies are required to provide equalization reserve in their financial statements for earthquake and credit coverage in order to balance the fluctuations in the claim ratios and to meet the catastrophic risks in the subsequent periods. Equalization provision is calculated as 12% of net premiums written in credit insurance and earthquake segments. In calculation of net premiums, fees paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms.

It is possible to deduct the outstanding claims reserve from equalization reserve or update the equalization reserve amount allocated for earthquake compensations based on evidence such as compensation payments made due to realized earthquakes or documents obtained from competent authorities during natural disaster conditions, provided that this deduction shall not be made from the equalization reserve allocated for the current year.

In this regard, the Company deducted 1,173,628 TRY claims amount as of December 31, 2019 from equalization reserve amount for claim files for which a compensation amount has been paid for earthquake losses realized or for which an outstanding claims reserve amount has been allocated previously (December 31, 2018: 214,040 TRY deducted from equalization reserve). The Company allocated 217,091,888 TRY of equalization reserve as of December 31, 2019 (December 31, 2018: 176,988,825 TRY) and recognized this amount in "Other Technical Reserves" account in the attached financial statements (Notes 17 & 47.1).

2.27 Share Based Payments

Share certificates are generally provided to employees as part of their salary packages in addition to the salary and other employee benefit amounts. An entity providing shares and share options to its employees is considered to pay an additional amount to gain additional benefits. Such company would measure the fair value of such working service received by taking the fair value of equity based financial instruments as reference, due to the difficulty in measurement of fair values of services received.

Regarding transaction measured with reference to the fair values of equity based financial instruments, fair values of equity based financial instruments are measured over their market values (if available) as of the measurement date, also by taking the terms, conditions and principles of such financial instruments into account.

The Company provides own shares to its employees, provided that the recipient employees' performance levels meet the performance criteria and conditions specified by the Company's ultimate main partner Axa SA. The Company allocates a provision amount in its Balance Sheet in return for these shares for cost reflections made by Axa SA under TFRS 2 "Share Based Payments", while Axa SA recognizes the changes in share prices in Shareholders' Equity account and the costs incurred for provision of shares to qualified employees in Income Statement (Note 23).

5. Critical Accounting Estimates and Judgments in Applying Accounting Policies

Preparation of financial statements requires calculation of asset and liability amounts reported on Balance Sheet date, disclosure of contingent assets and liabilities and making judgments and using estimates and assumptions which might affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Accounting assessments, estimates and underlying assumptions are reviewed on an ongoing basis, considering past experiences and other relevant factors in addition to current condition and reasonable expectations for future events. Actual results may differ from these estimates although the estimates rely on the best knowledge of management regarding existing events and transactions.

One of the most important accounting estimates for the entity is the forecast of final net liabilities related with the expenses arising from effective insurance policies. Forecast of insurance liabilities include assessment of many contingencies by nature. Estimates and assumption regarding such liabilities are explained in Notes 2.24 and 17.

Estimates and assumptions comprising the basis thereof are continuously reviewed. The updates of accounting estimates are recorded within the period where such updates are made and also in subsequent periods affected by such updates.

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5. Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)

In particular, information regarding uncertainties in significant estimates having the highest impact on the amounts presented in the financial statements and the interpretations thereof are provided in the Notes listed below.

Note 4 - Insurance and Financial Risk Management
Notes 6, 7, 8 - Tangible & Intangible Assets and Investment Property
Note 10 - Reinsurance Assets / (Liabilities)
Note 11- Financial Assets
Note 12 - Loans and Receivables:
Note 21- Deferred Taxes
Note 22 - Employee Benefits
Note 23- Reserves (Provisions)
Note 42- Risks

6. Insurance and Financial Risk Management

Management of Insurance Risk

Risk regarding insurance contracts is related with the possibility of realization for the insured event and uncertainty of the potential loss and damage amounts resulting from such realization. By nature of insurance contracts, such risk is random and therefore it is not possible to make a precise estimate. For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. The Company determines its strategy when issuing policies according to the type of insurance risks taken and the claims occurred. The Company manages the risks mentioned above by its strategy formed for policy issuance and the reinsurance agreements to which the Company is a party in all branches.

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

	December 31, 2019	December 31, 2018
Land Vehicles Liability	2,874,196,086,386	2,929,410,724,371
Fire and Natural Disasters	468,799,759,903	412,299,609,477
General Damage	273,913,774,670	227,344,558,518
Freight/Transportation	176,730,132,451	132,593,513,307
General Liability	39,447,210,563	59,434,851,508
Land Vehicles	63,712,996,839	57,927,473,477
Accident	19,940,122,211	24,034,947,702
Financial Losses	22,336,201,339	13,928,858,323
Legal Protection	5,912,649,611	6,334,214,416
Watercraft	3,559,771,808	3,484,319,043
Aircraft	345,914,100	774,534,600
Travel Health (Personal Accident)	167,696,510	188,803,021
Aircraft Liability	1,975,516	2,248,888
Total (*)	3,949,064,291,907	3,867,758,656,651

(*) The Company bears no coverage risk for DASK, Tarsim and SSI, therefore such coverage amounts are not included in the table.

Management of Financial Risk

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

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5. Insurance and Financial Risk Management (continued)

(a) Credit Risk

Credit risk is most simply defined as the potential that a bank borrower or counter party will partially or totally fail to meet its obligations on time and in accordance with agreed terms and the resulting situations the Company shall have to face with.

The Company limits the credit risk of its financial assets classified as credit and receivables and the receivable amounts from insurance operations (including receivables from reinsurers) with the guarantees received and the procedures applied for selection of counter parties. Other information about these receivables is explained in Note 12.

The Company's financial assets, except for Loans and Receivables, which are subject to credit risk generally consist of domestic government bonds, time and demand deposits kept in banks and other financial institutions established in Turkey, commercial bills and corporate bonds and such receivables are not deemed to have high credit risk.

Credit risk exposures per type of financial instruments as of December 31, 2019 and December 31, 2018 are provided below. Banks and bank guaranteed short term (<3 months) credit card receivables are also included in credit risk.

Credit risk exposures per type of financial instruments as of December 31, 2019 and December 31, 2018 are provided below. Banks and bank guaranteed short term (<3 months) credit card receivables are also included in credit risk.

December 31, 2019	Loans and Receivables				Available for Sale Investments (*)	Cash and Cash Equivalents
	Due from Insurance Operations		Other Receivables			
	Relevant	Other	Relevant			
Maximum Credit Risk Exposure as at Reporting Date (A+B+C)	49,632,066	895,703,352	257,238	24,416,690	5,351,760,322	1,253,920,451
- Portion of Maximum Risk Secured with Guarantees, Provisions, etc.	-	96,234,698	-	-	-	-
A. Net Book Value of Financial Assets Undue or Not Impaired	49,632,066	753,759,288	257,238	24,416,690	5,351,760,322	1,253,920,451
B. Net Book Value of Financial Assets Overdue but Not Impaired		81,092,066				
C. Net Book Value of Impaired Assets		60,851,998				
-Gross Book Value	-	843,941,307	-	-	2,000,000	-
-Impairment	-	(783,089,309)	-	-	(2,000,000)	-
-Portion of Net Value Secured with Guarantees, Provisions, etc.	-	60,851,998	-	-	-	-

(*) Investment Securities included.

December 31, 2019	Loans and Receivables				Available for Sale Investments (*)	Cash and Cash Equivalents
	Due from Insurance Operations		Other Receivables			
	Relevant	Other	Relevant			
Maximum Credit Risk Exposure as at Reporting Date (A+B+C)	39,928,442	778,826,756	238,478	14,942,490	4,214,719,004	1,165,030,458
- Portion of Maximum Risk Secured with Guarantees, Provisions, etc.		86,123,775				
A. Net Book Value of Financial Assets Undue or Not Impaired	39,928,442	654,292,198	238,478	14,942,490	4,214,719,004	1,165,030,458
B. Net Book Value of Financial Assets Overdue but Not Impaired		58,160,554				
C. Net Book Value of Impaired Assets		66,374,004				
-Gross Book Value	-	748,672,560	-	-	2,092,967	-
-Impairment	-	(682,298,556)	-	-	(2,092,967)	-
-Portion of Net Value Secured with Guarantees, Provisions, etc.	-	66,374,004	-	-	-	

(*) Investment Securities included.

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4. Insurance and Financial Risk Management (continued)

(c) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and credit spreads will affect the Company's income or the value of its holdings of financial instruments.

Interest Rate Risk

Changes in interest rates resulting in fluctuations in financial instrument prices require the Company to deal with the emerging interest rate risk. The Company's sensitivity to interest rate risk is related with the inconsistencies between the due dates of asset and liability accounts. This risk is managed by matching the assets affected by interest rate changes with the same type of liabilities.

The Company's interest bearing assets include financial instruments with both fixed and variable interest rates.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial Instruments w/ Fixed Interest Rate		
Financial Assets (Available for Sale)	3,234,948,702	1,935,508,537
Time Deposits	673,396,992	720,839,888
Financial Instruments w/ Variable Interest Rate		
Financial Assets (Available for Sale)	2,090,264,595	2,052,469,773

Sensitivity to Interest Rate

The Company is exposed to interest rate risk arising from the changes in the interest rates applied to the financial assets and liabilities subject to variable interest rates. The increase and decrease effect in fair values of government bonds classified as available for sale assets and therefore in valuation of financial assets account kept among the Company's equity items as a result of the changes in interest rates is explained below. Other variables, particularly the foreign exchange rates are assumed to be constant during this analysis.

	<u>December 31, 2019</u> <u>Impact on Equity</u>	<u>December 31, 2018</u> <u>Impact on Equity</u>
1% Increase in Interest Rates	(60,108,219)	(126,958,370)
1% Decrease in Interest Rates	61,853,283	145,855,348

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4. Insurance and Financial Risk Management (continued)

Exchange Rate Risk

The Company is exposed to foreign exchange rate risk due to transactions, payables and receivables in foreign currencies. These risks are monitored and limited through analysis of foreign exchange rates. Foreign exchange position of the Company as at Balance Sheet date is provided below.

Foreign Exchange Position Table
December 31, 2019

	Total TRY Equivalent	US Dollar (TRY Equivalent)	EUR (TRY Equivalent)	GBP (TRY Equivalent)	Other
Available for Sale Investments	1,145,410,875	944,429,577	200,981,298		
Cash and Cash Equivalents	435,258,052	370,580,168	64,595,364	79,531	2,989
Due from Insurance Operations	159,430,986	19,112,694	10,512,598	122,100,805	7,704,889
Total Assets	1,740,099,913	1,334,122,439	276,089,260	122,180,336	7,707,878
Outstanding Claims Reserve	291,600,110	207,123,904	84,412,918		
Reinsurers Other Payables	128,991,457	9,970,853	118,867,459	63,288	32,946
	6,489,417	4,938,789	1,550,628	120,199	
Total Liabilities	427,080,984	222,033,546	204,831,005	183,487	32,946
Net Foreign Currency Asset Position	1,313,018,929	1,112,088,893	71,258,255	121,996,849	7,674,932

Foreign Exchange Position Table
December 31, 2018

	Total TRY Equivalent	US Dollar (TRY Equivalent)	EUR (TRY Equivalent)	GBP (TRY Equivalent)	Other
Available for Sale Investments	955,291,762	771,174,887	184,116,875		
Cash and Cash Equivalents	367,987,505	290,478,384	77,460,855	46,015	2,251
Due from Insurance Operations	189,348,610	108,035,475	81,306,514		6,621
Total Assets	1,512,627,877	1,169,688,746	342,884,244	46,015	8,872
Outstanding Claims Reserve	265,728,616	194,704,531	70,795,255		
Reinsurers	64,453,423	19,225,054	45,075,142	228,830	34,328
Other Payables	4,054,088	2,884,373	1,169,715	118,899	
Total Liabilities	334,236,127	216,813,958	117,040,112	347,729	34,328
Net Foreign Currency Asset/(Liability) Position	1,178,391,750	952,874,788	225,844,132	(301,714)	(25,456)

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4. Insurance and Financial Risk Management (continued)

Foreign Exchange Rate Sensitivity

The table below shows the increases and decreases in equity and income statement items (excluding tax effect) within periods ended on December 31, 2019 and 2018 due to valuation or devaluation of TRY by 10 percent against following foreign currencies. This analysis is prepared with assumption that all other variables stay constant.

FX Rate Sensitivity Analysis Table - December 31, 2019

	Profit/Loss		Shareholders' Equity (*)	
	Increase in Foreign Currency Value	Decrease in Foreign Currency Value	Increase in Foreign Currency Value	Decrease in Foreign Currency Value
In case of 10% change in USD against TRY:				
3- Net Asset / Liabilities in USD	111,208,889	(111,208,889)	111,208,889	(111,208,889)
4- Portion Protected from USD Risk	-	-	-	-
3- USD Net Effect	111,208,889	(111,208,889)	111,208,889	(111,208,889)
In case of 10% change in EUR against TRY:				
1 - Net Asset / Liabilities in EUR 2- Portion Protected from EUR Risk	7,125,826	(7,125,826)	7,125,826	(7,125,826)
3- EUR Net Effect	7,125,826	(7,125,826)	7,125,826	(7,125,826)
In case of 10% change in GBP against TRY:				
3- Net Asset / Liabilities in GBP	12,199,685	(12,199,685)	12,199,685	(12,199,685)
4- Portion Protected from GBP Risk	-	-	-	-
3- GBP Net Effect	12,199,685	(12,199,685)	12,199,685	(12,199,685)
In case of 10% change in other foreign currencies against TRY:				
5- Net Asset / Liabilities in Other Currencies	767,493	(767,493)	767,493	(767,493)
6- Portion Protected from Other Currency Risk	-	-	-	-
3- Other Currencies Net Effect	767,493	(767,493)	767,493	(767,493)
Total Foreign Currency Net Effect	131,301,893	(131,301,893)	131,301,893	(131,301,893)

(*) Equity effect includes P/L effect.

FX Rate Sensitivity Analysis Table - December 31, 2018

	Profit/Loss		Shareholders' Equity (*)	
	Increase in Foreign Currency Value	Decrease in Foreign Currency Value	Increase in Foreign Currency Value	Decrease in Foreign Currency Value
In case of 10% change in USD against TRY:				
3- Net Asset / Liabilities in USD	95,287,479	(95,287,479)	95,287,479	(95,287,479)
4- Portion Protected from USD Risk	-	-	-	-
3- USD Net Effect	95,287,479	(95,287,479)	95,287,479	(95,287,479)
In case of 10% change in EUR against TRY:				
1 - Net Asset / Liabilities in EUR 2- Portion Protected from EUR Risk	22,584,413	(22,584,413)	22,584,413	(22,584,413)
3- EUR Net Effect	22,584,413	(22,584,413)	22,584,413	(22,584,413)
In case of 10% change in GBP against TRY:				
3- Net Asset / Liabilities in GBP	(30,171)	30,171	(30,171)	30,171
4- Portion Protected from GBP Risk	-	-	-	-
3- GBP Net Effect	(30,171)	30,171	(30,171)	30,171
In case of 10% change in other foreign currencies against TRY:				
7- Net Asset / Liabilities in Other Currencies	(2,546)	2,546	(2,546)	2,546
8- Portion Protected from Other Currency Risk	-	-	-	-
3- Other Currencies Net Effect	(2,546)	2,546	(2,546)	2,546
Total Foreign Currency Net Effect	117,839,175	(117,839,175)	117,839,175	(117,839,175)

(*) Equity effect includes P/L effect.

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4. Insurance and Financial Risk Management (continued)

Price Risk

Share Price Risk

Stock share price risk means the risk of decrease in market prices of shares due to a change in share index levels and in relevant share's value. The Company has no stock investments as of December 31, 2019. The Company is exposed to stock price risk as of December 31, 2018 arising from investments in listed shares traded in stock market.

	December 31, 2019	December 31, 2018
	Impact on Equity	Impact on Equity
1% Increase in Stock Prices		277,299
1% Decrease in Stock Prices		(277,299)

(b) *Liquidity Risk*

The Company uses its available cash resources to pay claims arising from insurance contracts. Liquidity risk is the risk of cash unavailability to pay obligations on due dates at a reasonable cost. Management sets limits on the minimum portion of funds available to meet such claims.

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

Cash Flow from Insurance Contracts					
3 Months - 1					
December 31, 2019	< 3 Months	Year	1 - 5 Years	> 5 Years	Total
Due to Insurers and Reinsurers (Notes 10 & 19)	222,249,390	20,038,496			242,287,886
Due to Related Parties (Note 45)	2,568	-	-	-	2,568
Payables to SSI regarding Medical Expenses	36,103,858	-	-	-	36,103,858
Leasing Liabilities	-	3,166,309	6,140,852	-	9,307,161
Payables to DASK	14,463,442	-	-	-	14,463,442
Other Payables	83,699,139	-	-	-	83,699,139
Other Current Liabilities	3,338,352	-	-	-	3,338,352
Total	359,856,749	23,204,805	6,140,852	-	389,202,406

Expected Cash Flows					
3 Months - 1					
December 31, 2019	< 3 Months	Year	1 - 5 Years	> 5 Years	Total
Unearned Premiums Reserve - Net	1,259,109	1,764,952,246	-	-	1,766,211,355
Outstanding Claims Reserve - Net (*)	110,653,910	1,221,995,755	2,267,428,015		3,600,077,680
Other Technical Reserves (Equalization Reserve) - Net				217,091,888	217,091,888
Unexpired Risks Reserve - Net	16,834	23,597,129	-	-	23,613,963
Mathematical Reserves - Net	-			1,171	1,171
Other Technical Reserves - Net	-	50,812,643	-	-	50,812,643
Total	111,929,853	3,061,357,773	2,267,428,015	217,093,059	5,657,808,700

(*) Outstanding claims reserve is subject to due date distribution in consideration of estimated payment dates. Entire Outstanding claims reserve amounts are shown in current liabilities section of the enclosed financial statements.

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4. Insurance and Financial Risk Management (continued)

Cash Flow from Insurance Contracts

December 31, 2018	< 3 Months	3 Months - 1 Year	1 - 5 Years	> 5 Years	Total
Due to Insurers and Reinsurers (Notes 10 & 19)	116,245,539	36,019,950	-	-	152,265,489
Due to Related Parties (Note 45)	2,568	-	-	-	2,568
Payables to SSI regarding Medical Expenses	23,272,555	-	-	-	23,272,555
Payables to DASK	12,354,125	-	-	-	12,354,125
Other Payables	69,658,413	-	-	-	69,658,413
Other Current Liabilities	953,497	-	-	-	953,497
Total	222,486,697	36,019,950	-	-	258,506,647

Expected Cash Flows

December 31, 2018	< 3 Months	3 Months - 1 Year	1 - 5 Years	> 5 Years	Total
Unearned Premiums Reserve - Net	78,652,662	1,398,664,358	-	-	1,477,317,020
Outstanding Claims Reserve - Net (*)	105,297,071	1,124,254,505	2,226,481,825	-	3,456,033,401
Other Technical Reserves (Equalization Reserve) - Net	-	-	-	176,988,825	176,988,825
Unexpired Risks Reserve - Net	621,726	11,056,034	-	-	11,677,760
Mathematical Reserves - Net	-	-	-	2,428	2,428
Other Technical Reserves - Net	-	43,134,775	-	-	43,134,775
Total	184,571,459	2,577,109,672	2,226,481,825	176,991,253	5,165,154,209

(*) Outstanding claims reserve is subject to due date distribution in consideration of estimated payment dates. Entire Outstanding claims reserve amounts are shown in current liabilities section of the enclosed financial statements.

The Company foresees to fulfill the liabilities explained above by its financial assets and cash or cash equivalents included in the assets.

Fair Value of Financial Instruments

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

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, analysis of market information needs interpretation and judgment.

The following methods and assumptions were used to estimate the fair value of the financial instruments if such value can be determined.

- 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.

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7. Insurance and Financial Risk Management (continued)

In this regard, fair value classification of financial assets and liabilities measured at fair value is as follows:

	December 31, 2019			Total
	Level 1	Level 2	Level 3	
<i>Financial Assets:</i>				
Available for Sale Investments	5,352,616,703	-	-	5,352,616,703
Total Financial Assets	5,352,616,703	-	-	5,352,616,703
	December 31, 2018			Total
	Level 1	Level 2	Level 3	
<i>Financial Assets:</i>				
Available for Sale Investments	4,188,020,228	-	-	4,188,020,228
Investment Securities (*)	27,787,432	-	-	27,787,432
Total Financial Assets	4,215,807,660	-	-	4,215,807,660

(*) Tarsim and Milli Reasürans T.A.Ş. shares in Investment Securities account are recorded with cost values, therefore these shares are not included in the above table (Note 45.2).

Cash and cash equivalents are considered to approximate their carrying values since their fair values are short term. Carrying value of Receivables from Operations is estimated to reflect fair values after deduction of relevant doubtful receivable provision amount.

Costs and values net of impairment (if any) of Unlisted Available for Sale Investments are considered as fair values. Carrying values of Payables from Operations and Other Financial Payables are considered to approximate their fair values.

Capital Management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements determined by the Turkish Ministry of Treasury and Finance;
- To ensure the continuity of the Company's activities within the framework of the Company's continuity principle.

Based on the regulation on evaluation and assessment of capital adequacy, the minimum required shareholders' equity amount is calculated as 1,212,571,018 TRY as of December 31, 2019 (December 31, 2018: 1,088,190,211 TRY). Company capital calculated on December 31, 2019 in accordance with the Regulation on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Private Pension Companies is 778,811,828 TRY in excess of the minimum required Shareholders' Equity amount (December 31, 2018: 170,508,071 TRY in excess).

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8. Segment Information

Disclosed in Note 2.3.

9. Tangible Assets

6.4 Total depreciation and depletion expenses for the period:

17,992,055 TRY (January 1 - December 31, 2018: 13,721,042 TRY)

6.4.1 Depreciation expenses: 9,660,220 TRY (January 1 - December 31, 2018: 6,936,427 TRY)

6.4.2 Depletion expenses: 8,331,835 TRY (January 1 - December 31, 2018: 6,784,617 TRY)

6.5 Calculation Methods for Depreciation and Increases (+) or Decreases (-) in Depreciation Expenses through Changes in These Methods:

None (January 1 - December 31, 2018: None).

6.6 Tangible Asset Movements in Current Period:

6.6.1 Cost of purchased, produced or constructed tangible assets (including Investment Property): 8,075,287 TRY (January 1 - December 31, 2018: 4,423,170 TRY).

6.6.2 Cost of sold or scrapped tangible assets (including Investment Property): 2,222,438 TRY (January 1 - December 31, 2018: 5,120,713 TRY).

6.6.3 Revaluation increases in current period:

6.6.3.1 In asset costs (+): None (January 1 - December 31, 2018: None).

6.6.3.2 In Accumulated Depreciation (-): None (January 1 - December 31, 2018: None).

6.6.4 Nature, amount, beginning and ending dates of construction-in-progress: 44,060 TRY (December 31, 2018: 44,060 TRY).

Tangible Asset Movements Table:

	January 01, 2019	Additions	Disposals	December 31, 2019
<u>Cost:</u>				
Property for Operational Usage	45,426,799	137,578	(993,343)	44,571,034
Furniture and Fixtures	49,191,857	7,407,191	(1,229,095)	55,369,953
Leasehold improvements (*)	1,164,442	228,094	-	1,392,536
Advances Given for Tangible Assets	44,060	-	-	44,060
Total Cost	95,827,158	7,772,863	(2,222,438)	101,377,583
<u>Accumulated Depreciation:</u>				
Property for Operational Usage	(10,306,484)	(1,061,403)	690,919	(10,676,968)
Furniture and Fixtures	(40,677,734)	(5,044,550)	829,181	(44,893,103)
Leasehold improvements (*)	(1,081,464)	(129,783)	-	(1,211,247)
Total Accumulated Depreciation	(52,065,682)	(6,235,736)	1,520,100	(56,781,318)
Net Book Value	43,761,476			44,596,265

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7. Tangible Assets (continued)

6.3 Tangible Asset Movements in Current Period: (continued)

	January 01, 2018	Additions	Disposals	December 31, 2018
<u>Cost:</u>				
	43,965,639	1,461,160	-	45,426,799
Property for Operational Usage	48,686,150	1,791,714	(1,286,007)	49,191,857
Furniture and Fixtures	4,625,651	170,296	(3,631,505)	1,164,442
Leasehold improvements (*)	44,060	-	-	44,060
Advances Given for Tangible Assets				
Total Cost	97,321,500	3,423,170	(4,917,512)	95,827,158
<u>Accumulated Depreciation:</u>				
Property for Operational Usage	(9,228,181)	(1,078,303)	-	(10,306,484)
Furniture and Fixtures	(36,158,747)	(5,752,937)	1,233,950	(40,677,734)
Leasehold improvements (*)	(3,744,595)	(105,187)	2,768,318	(1,081,464)
Total Accumulated Depreciation	(49,131,523)	(6,936,427)	4,002,268	(52,065,682)
Net Book Value	48,189,977			43,761,476

(*) Included in Other Tangible Assets account in Balance Sheet.

The Company has no allocated provisions for impairment of Properties for Operational Usage as of December 31, 2019 (December 31, 2018: None).

There are no mortgages on Properties for Operational Usage (December 31, 2018: None).

Following table presents the movements as of December 31, 2019 of asset usage rights included in Company records for the first time pursuant to TFRS 16.

Right of Use Assets	January 01, 2019	Additions	Disposals	December 31,
Property	5,909,842	-	-	5,909,842
Motor Vehicles	6,286,626	-	-	6,286,626
Total	12,196,468	-	-	12,196,468
Accumulated Depreciation (-)	January 01, 2019	Period Expense	Disposals	December 31,
Property	-	(1,347,665)	-	(1,347,665)
Motor Vehicles	-	(2,076,819)	-	(2,076,819)
Total	-	(3,424,484)	-	(3,424,484)
Net Book Value	12,196,468			8,771,984

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7. Investment Properties

	January 01, 2019	Fair Value Assessment Difference	Additions	Disposals	December 31, 2019
Land and Buildings	38,592,440	2,647,576	302,424	-	41,542,440
Total	38,592,440	2,647,576	302,424	-	41,542,440

	January 01, 2018	Fair Value Assessment	Additions	Disposals	December 31, 2018
Land and Buildings	37,727,791	67,850	1,000,000	(203,201)	38,592,440
Total	37,727,791	67,850	1,000,000	(203,201)	38,592,440

The fair values of the Company's investment properties are determined according to the expertise reports prepared by licensed real estate valuation companies. Increases and decreases in property values arising from assessment of investment properties are recognized in Income Statement. Fair value level of investment properties is Level 3.

Accumulated value increase on Company's Investment Properties as of December 31, 2019 is 35,296,656 TRY (December 31, 2018: 32,649,080 TRY).

Fair values of the Company's land and property are assessed by a real estate assessment company licensed by CMB with an assessment report prepared between November 15 - 19, 2018 and on September 19, 2019; according to this report, the Company obtained 2,633,030 TRY rent income from Investment Properties within the current period (January 1 - December 31, 2018: 2,444,520 TRY).

There is no mortgage or pledge on Investment Properties (December 31, 2018: None).

9. Intangible Assets

	January 01, 2019	Additions	Disposals	December 31, 2019
<u>Cost:</u>				
Exclusive Bankassurance Agreement (*)	56,251,383	-	-	56,251,383
Rights	49,397,286	7,275,792	(202,919)	56,470,159
Value of Received Portfolio (**)	2,801,468	-	-	2,801,468
Total Cost	108,450,137	7,275,792	(202,919)	115,523,010
<u>Accumulated Amortization:</u>				
Exclusive Bankassurance Agreement		(3,750,279)	-	(31,254,393)
Rights	(32,037,643)	(4,581,556)	2,020	(36,617,179)
Value of Received Portfolio (**)	(2,801,468)	-	-	(2,801,468)
Total Accumulated Amortization	(62,343,225)	(8,331,835)	2,020	(70,673,040)
Net Book Value	46,106,912			44,849,970

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12. Intangible Assets (continued)

	January 01, 2018	Additions	Disposals	December 31, 2018
<u>Cost:</u>				
Exclusive Bankassurance Agreement (*)	56,251,383	-	-	56,251,383
Rights	35,754,071	13,868,815	(225,600)	49,397,286
Value of Received Portfolio (**)	2,801,468	-	-	2,801,468
Total Cost	94,806,922	13,868,815	(225,600)	108,450,137
<u>Accumulated Amortization:</u>				
Exclusive Bankassurance Agreement (*)	(23,753,835)	(3,750,279)	-	(27,504,114)
Rights	(29,228,905)	(3,034,338)	225,600	(32,037,643)
Value of Received Portfolio (**)	(2,801,468)	-	-	(2,801,468)
Total Accumulated Amortization	(55,784,208)	(6,784,617)	225,600	(62,343,225)
Net Book Value	39,022,714			46,106,912

(*) The Company appointed Denizbank A.Ş. ("Denizbank") as its exclusive agent in accordance with the "Agency Agreement for Non-Life Insurance Business" executed with Denizbank and its subsidiary Deniz Finansal Kiralama A.Ş. on July 7, 2011. 56,251,383 TRY is paid on September 23, 2011 for this agreement including taxes and this amount is classified in "Rights" account under "Intangible Assets". The Company has amortized the distribution channel rights exclusively purchased through this agreement during the agreement validity period of 15 years starting from September 26, 2011, by using standard amortization method.

(**) Classified under Other Intangible Assets in the Balance Sheet.

13. Investments in Affiliates

The Company has no affiliates as of December 31, 2019 and 2018 reflected to Company accounts according to equity accounting method.

14. Reinsurance Assets / (Liabilities)

	December 31, 2019	December 31, 2018
Reinsurer's Share in Outstanding Claims Reserve (Note 17)	460,523,040	324,787,867
Reinsurer's Share in Unearned Premiums Reserve (Note 17)	375,357,041	295,217,499
Cash Deposited with Insurance and Reinsurance Companies (Note 12.1)	78,077,009	72,243,056
Due from Insurers and Reinsurers (Note 12.1)	79,916,079	66,924,165
Reinsurer's Share in Unexpired Risks Reserve (Note 17)	7,028,034	4,246,500
Deferred Reinsurance Commissions Income (Note 19)	(73,382,124)	(60,094,632)
Due to Insurers and Reinsurers (Note 19)	(242,287,886)	(152,265,489)
	January 1 - December 31, 2019	January 1 - December 31, 2018
Reinsurer's Share in Paid Claims	259,982,782	135,416,927
Earned Reinsurance Commissions Income (Note 32)	124,229,832	92,492,232
Reinsurer's Share in Change in Unearned Premiums Reserve	64,942,804	87,916,100
Reinsurer's Share in Change in Outstanding Claims Reserve	135,735,173	134,393,262
SSI Share in Change in Unearned Premiums Reserve	15,221,533	9,580,658
Reinsurer's Share in Change in Unexpired Risks Reserve (Note 17)	2,781,534	(234,704)
Premiums Ceded to SSI (Notes 2.14 & 24)	(101,578,427)	(80,834,235)
Ceded Premiums (Note 24)	(812,815,700)	(646,702,494)

Detailed information about reinsurance treaties is provided in Note 2.14.

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15. Financial Assets

15.1 Sub-classification of Presented Items According to Company Operations

	December 31, 2019		
	Earmarked	Free	Total
Financial Assets			
Available for Sale Investments (*)			
Government Bonds	287,190,291	4,190,217,399	4,477,407,690
Eurobonds	128,802,472	442,716,851	571,519,323
Private Sector Bonds (***)	-	276,286,284	276,286,284
Investment Fund Participation Certificates	-	27,403,406	27,403,406
Total	415,992,763	4,936,623,940	5,352,616,703
	December 31, 2018		
	Earmarked	Free	Total
Financial Assets			
Available for Sale Investments (*)			
Government Bonds	259,190,695	2,876,414,566	3,135,605,261
Eurobonds	99,155,880	376,203,084	475,358,964
Shares (**)	-	27,729,946	27,729,946
Commercial Bills	-	23,988,000	23,988,000
Private Sector Bonds (***)	-	355,119,052	355,119,052
Investment Fund Participation Certificates	-	170,219,005	170,219,005
Total	358,346,575	3,829,673,653	4,188,020,228

- (*) Average interest rates of following items included in Available for Sale Investments vary between following ranges: Government Bonds 9.41% - 22.05% (December 31, 2018: 9.41% - 22.05%), Eurobonds 3.29% - 6.39% (December 31 2018: 3.29% - 6.39%), Private Sector Bonds in TRY 13.36% - 39.35% (December 31, 2018: 4.75% - 32.17%), Private Sector Bonds in USD 4.64% - 6.40% (December 31, 2018: 4.64% - 6.40%). Interest rate of Private Sector Bonds in EUR is 2.01% (December 31, 2018: 2.01%).
- (**) All shares included in Available for Sale Investments portfolio are traded in Istanbul stock exchange (Borsa İstanbul).
- (***) The Company allocated Provision for Impairment of Financial Assets for all private sector bonds followed up in market value of 2,000,000 TRY under Available for Sale Investments account as of December 31, 2019 (December 31, 2018: 2,092,967 TRY).

	December 31, 2019	December 31, 2018
Loans and Receivables		
Loans and Receivables (Note 12)	945,335,418	818,755,198
Total	945,335,418	818,755,198

11.2 Securities Issued within the Year Except Shares: None (December 31, 2018: None).

11.3 Debt Securities Settled during the Year: None (December 31, 2018: None).

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11. Financial Assets (continued)

11.5 Market value of marketable securities and financial assets carried at cost and carrying values and cost and carrying values of marketable securities and financial assets shown at market value in the Balance Sheet:

<i>Financial Assets</i>	December 31, 2019		December 31, 2018	
	Cost Value	Book Value (Fair Value)	Cost Value	Book Value (Fair Value)
Government Bonds	3,532,530,277	4,477,407,690	2,712,830,858	3,135,605,261
Eurobonds	591,488,757	571,519,323	521,253,510	475,358,964
Shares	-	-	25,846,073	27,729,946
Commercial Bills	-	-	22,394,300	23,988,000
Private Sector Bonds	260,675,351	276,286,284	348,269,818	355,119,052
Investment Fund	19,282,388	27,403,406	167,759,148	170,219,005
Total	4,403,976,773	5,352,616,703	3,798,353,707	4,188,020,228

11.5 Amounts of marketable securities issued by the Company's shareholders, affiliates and subsidiaries and entities issuing the foregoing: None (December 31, 2018: None).

11.6 Revaluation of financial assets in the last three years: Disclosed in Note 15.

11.7 Other information regarding Financial Assets:

Interest, FX rate difference and sales revenues from Available for Sale Investments within the current year is 865,246,667 TRY (January 1 - December 31, 2018: 1,187,830,365 TRY) and FX rate difference and sales expenses is 204,001,990 TRY (January 1 - December 31, 2018: 337,922,224 TR) and net revenue amount is 661,244,677 TRY (January 1 - December 31, 2018: 849,908,141 TRY). The relevant amounts are recognized under Investment Income and Investment Expense items in Income Statement. Unrealized fair value increase is 519,201,867 TRY (January 1- December 31, 2018: 377,147,454 TRY decrease) before deferred tax and this amount is included in the respective item under Shareholders' Equity (Note 15).

Maturity analysis of Financial Assets is as follows:

December 31, 2019							
	Demand Deposit	0 Month - 3 Years	3 Month - 6 Years	1 - 3 Years	1 Month - 3 Years	> 3 Years	Total
Government Bonds		50,688,800	143,985,449	74,357,519	1,080,281,892	3,128,094,030	4,477,407,690
Eurobonds	-	71,661,683			37,254,204	462,603,436	571,519,323
Private Sector Bonds (*)	-	46,935,165	53,330,033	34,713,108	67,574,428	73,733,550	276,286,284
Investment Fund	27,403,406	-	-	-	-	-	27,403,406
Total	27,403,406	169,285,648	197,315,482	109,070,627	1,185,110,524	3,664,431,016	5,352,616,703

(*) The Company allocated Provision for Impairment of Financial Assets for all private sector bonds followed up in market value of 2,000,000 TRY under Available for Sale Investments account as of December 31, 2019 (December 31, 2018: 2,092,967 TRY).

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12. Financial Assets (continued)

11.7 Other information regarding Financial Assets: (continued)

December 31, 2018							
	Demand Deposit	0 - 3 Months - Months	3 Months - 6 Years	1 - 3 Years	1 - 3 Years	> 3 Years	Total
Government Bonds	-	132,087,016	-	-	737,375,845	2,266,142,400	3,135,605,261
Eurobonds	-	-	28,790,094	62,488,192	-	384,080,678	475,358,964
Shares	27,729,946	-	-	-	-	-	27,729,946
Commercial Bills	-	23,988,000	-	-	-	-	23,988,000
Private Sector Bonds (*)	-	49,019,617	22,871,101	32,611,152	180,207,383	70,409,799	355,119,052
Investment Fund	170,219,005	-	-	-	-	-	170,219,005
Total	197,948,951	205,094,633	51,661,195	95,099,344	917,583,228	2,720,632,877	4,188,020,228

(*) The Company allocated Provision for Impairment of Financial Assets for all private sector bonds followed up in market value of 2,000,000 TRY under Available for Sale Investments account as of December 31, 2019 (December 31, 2018: 2,092,967 TRY).

Distribution of Financial Assets denominated in foreign currencies is as follows:

Financial Assets (excluding Loans and Receivables)

December 31, 2019			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	158,989,525	5.9402	944,429,577
EUR	30,220,025	6.6506	200,981,298
Total			1,145,410,875

December 31, 2018			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	146,586,114	5.2609	771,174,887
EUR	30,543,609	6.0280	184,116,875
Total			955,291,762

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12. Loans and Receivables

12.1 Classification receivables as "receivables from main customers", "receivables from related parties", "receivables for advance payments" (short-term and long-term prepayments) and "other receivables":

	December 31, 2019	December 31, 2018
Receivables from Intermediaries	484,674,516	428,860,683
Bank Guaranteed Credit Card Receivables (>3 Months)	215,042,230	176,204,374
Recovery and Salvage Receivables	223,249,969	207,556,850
Due from Policyholders	29,261,564	10,636,894
Due from Insurers and Reinsurers (Note 10)	79,916,079	66,924,165
Other Receivables	4,504,891	4,504,891
Due from Insurance Operations	1,036,649,249	894,687,857
Doubtful Receivables from Main Operations	613,698,469	534,122,841
Cash Deposited with Insurance and Reinsurance Companies	78,077,009	72,243,056
Receivables from Operations	1,728,424,727	1,501,053,754
Provision for Net Recovery Receivables under Administrative and Legal Proceeding (*)	(610,632,015)	(530,359,214)
Provision for Recovery and Salvage Receivables (**)	(162,397,971)	(141,182,846)
Provision for Doubtful Receivables from Policyholders and Intermediaries (*)	(3,066,454)	(3,763,627)
Provision for Due from Insurance Operations (**)	(2,487,978)	(2,487,978)
Provision for Other Receivables (**)	(4,504,891)	(4,504,891)
Doubtful Receivable Amounts for Due and Undue Receivables	(783,089,309)	(682,298,556)
Receivables from Operations - Net	945,335,418	818,755,198

Detail of Recovery and Salvage Receivables is as follows:

	December 31, 2019	December 31, 2018
Recovery Receivables under Administrative and Legal Proceeding - Gross	654,295,479	565,498,148
Recovery and Salvage Receivables - Gross	230,457,488	215,142,628
Total Recovery and Salvage Receivables - Gross	884,752,967	780,640,776
Recovery and Salvage Receivables - Reinsurer's Share	(50,870,983)	(42,724,712)
Recovery and Salvage Receivables - Net	833,881,984	737,916,064
Provision for Net Recovery Receivables under Administrative and Legal Proceeding	(773,029,986)	(671,542,060)
Total	60,851,998	66,374,004

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12. Credit and Receivables (continued)

12.2. Debit-Credit Relation of the Company with Shareholders, Affiliates and Subsidiaries:

Balances and transactions with the related parties are disclosed in Note 45.

12.4 Total amount of mortgages and other guarantees obtained for receivables: Details of deposits, guarantees and collaterals received in foreign currencies are provided below: Deposits and Guarantees Received

December 31, 2019				
	US Dollar (TRY Equivalent)	EUR (TRY Equivalent)	TRY	Total
Mortgage Bonds			103,369,040	103,369,040
Guarantee Letters	89,103	-	68,700,766	68,789,869
Cash	4,938,492	1,550,627	1,180,485	7,669,604
Guarantee Checks	-	-	145,000	145,000
Government Bonds	-	-	55,700	55,700
Surety Bonds	-	-	22,500	22,500
Other Guarantees and Sureties	539,787	62,403	2,676,731	3,278,921
Total	5,567,382	1,613,030	176,150,222	183,330,634

December 31, 2018				
	USD (TRY Equivalent)	EUR (TRY Equivalent)	TRY	Total
Mortgage Bonds			101,460,290	101,460,290
Guarantee Letters	236,741	-	64,390,105	64,626,846
Cash	2,884,110	1,169,715	1,175,266	5,229,091
Government Bonds	-	-	86,145	86,145
Guarantee Checks	-	-	145,000	145,000
Surety Bonds	-	-	52,500	52,500
Other Guarantees and Sureties	464,907	56,561	3,024,578	3,546,046
Total	3,585,758	1,226,276	170,333,884	175,145,918

12.4 Receivables and payables denominated in foreign currencies without foreign exchange rate guarantees and assets in foreign currencies and conversion rates:

Loans and Receivables

December 31, 2019			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
GBP	15,701,254	7.7765	122,100,805
USD	3,217,517	5.9402	19,112,694
EUR	1,580,699	6.6506	10,512,598
SWC	11,470,755	0.64431	7,390,722
CNY	187,393	0.84545	158,431
CHF	25,559	6.0932	155,736
Total			159,430,986

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15. Credit and Receivables (continued)

12.4 Receivables and payables denominated in foreign currencies without foreign exchange rate guarantees and assets in foreign currencies and conversion rates (continued):

Currency	December 31, 2018		Amount in TRY
	Foreign Currency Amount	FX Rate	
USD	20,535,550	5.2609	108,035,475
EUR	13,488,141	6.0280	81,306,514
JPY	95,477	0.0475	4,535
NOK	2,066	0.6000	1,240
SWC	1,249	0.5844	730
DKK	75	0.8060	60
AUD	15	3.7026	56
Total			189,348,610

Aging of receivables from insurance operations is provided below:

	December 31, 2019	December 31, 2018
Overdue	88,084,935	68,095,704
< 3 Months	253,900,863	228,627,724
3-6 Months	310,995,089	260,682,946
6 Months-1 Year	76,585,420	60,998,915
> 1 Year	3,916,894	1,801,553
Total	733,483,201	620,206,842

Recovery and Salvage Receivables	223,249,969	207,556,850
Due from Insurers and Reinsurers	79,916,079	66,924,165

Due from Insurance Operations 1,036,649,249 894,687,857

Aging of overdue but not impaired receivables from policyholders and agencies is as follows:

< 3 Months	67,346,541	60,414,392
3-6 Months	7,313,667	2,927,155
6 Months-1 Year	7,951,960	1,659,480
> 1 Year	5,472,767	3,094,677
Total	88,084,935	68,095,704

Table of movements in Provision for Due from Insurance Operations is as follows:

	2019	2018
Period Beginning - January 1	2,487,978	3,453,978
Change within Period - Net	-	(966,000)
Period End - December 31	2,487,978	2,487,978

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12. Credit and Receivables (continued)

12.5. Other Information regarding Loans and Receivables

Table of movements in Provision for Recovery and Salvage Receivables is as follows:

	2019	2018
Period Beginning - January 1	141,182,846	122,378,294
Change within Period - Net	21,215,125	18,804,552
Period End - December 31	162,397,971	141,182,846

Table of movements in Provision for Doubtful Recovery Receivables under Administrative and Legal Proceeding is as follows:

	2019	2018
Period Beginning - January 1	530,359,214	457,107,295
Change within Period - Net	80,272,801	73,251,919
Period End - December 31	610,632,015	530,359,214

Table of movements in Provision for Doubtful Receivables from Policyholders and Intermediaries is as follows:

	2019	2018
Period Beginning - January 1	3,763,627	3,833,212
Change within Period - Net	(697,173)	(69,585)
Period End - December 31	3,066,454	3,763,627

Total amount of Guarantees received for the above mentioned receivables is as follows:

	December 31, 2019	December 31, 2018
Mortgage Bonds	103,369,040	101,460,290
Guarantee Letters	68,789,869	64,626,846
Cash	7,669,604	5,229,091
Guarantee Checks	145,000	145,000
Government Bonds	55,700	86,145
Surety Bonds	22,500	52,500
Other Guarantees and Sureties	3,278,921	3,546,046
Total	183,330,634	175,145,918

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16. Derivative Financial Instruments

None (December 31, 2018: None).

17. Cash and Cash Equivalents

Cash and cash equivalents that are included the Statements of Cash Flows for the periods ended on December 31, 2019 and December 31, 2018 are explained in Note 2.12 and the details of bank deposits and other cash equivalents of the Company are as follows:

	December 31, 2019	December 31, 2018
Banks		
Bank Guarantees and Three Months Short	685,574,031	
Term Credit Card Receivables	562,751,420	738,201,075
Other Cash and Cash Equivalents	5,595,000	426,829,383
Total	1,253,920,451	1,165,030,458
Bank Deposits in Foreign Currencies		
- Demand Deposits	2,107,994	4,049,975
- Time Deposits	433,150,058	363,937,530
	435,258,052	367,987,505
Deposits in TRY		
- Demand Deposits	10,069,045	13,311,212
- Time Deposits	240,246,934	356,902,358
	250,315,979	370,213,570
Total	685,574,031	738,201,075

The Company has 4,529,000 TRY in time deposit account earmarked in favor of public institutions and net of interest accruals as of December 31, 2019 (December 31, 2018: 3,743,329 TRY). The Company has 8,050,886 TRY in demand deposit account earmarked in favor of public institutions as of December 31, 2019 (December 31, 2018: 4,697,088 TRY).

Weighted average interest rate of time deposit accounts:

	December 31, 2019	December 31,
	(%)	2018
		(%)
TRY	11.65	18.14
USD	1.65	2.29
EUR	0.02	1.36

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16. Cash and Cash Equivalents (continued)

Demand and Time Deposit Accounts in Foreign Currencies:

	December 31, 2019			
	Foreign Currency		TRY Equivalent	
	Time Deposit	Demand Deposit	Time Deposit	Demand Deposit
USD	62,225,171	159,962	369,629,961	950,207
EUR	9,551,033	161,680	63,520,097	1,075,267
GBP	-	10,227	-	79,531
CHF	-	491	-	2,989
Total		433,150,058	2,107,994	

	December 31, 2018			
	Foreign Currency		TRY Equivalent	
	Time Deposit	Demand Deposit	Time Deposit	Demand Deposit
USD	54,790,832	423,748	288,249,088	2,229,296
EUR	12,556,145	294,030	75,688,442	1,772,413
GBP	-	6,917	-	46,015
CHF	-	409	-	2,180
JPY	-	1,493	-	71
Total		363,937,530	4,049,975	

17. Shareholders' Equity

The Company has 122,573,918,691 shares fully paid-in (December 31, 2018:122,573,918,691). Each Company share has a nominal value of 1 Kr (Kuruş), total nominal value of Company shares is 1,225,739,187 TRY (December 31, 2018: 1,225,739,187 TRY).

Movements in shares between period beginning and period end are as follows:

	January 01, 2019		New Issue		Redemption		December 31, 2019	
	Units	Nominal TRY	Units	Nominal TRY	Units	Nominal TRY	Units	Nominal TRY
Paid	122,573,918,691	1,225,739,187	--	-	-	-	122,573,918,691	1,225,739,187
Total	122,573,918,691	1,225,739,187					122,573,918,691	1,225,739,187

	January 01, 2018		New Issue		Redemption		December 31, 2018	
	Units	Nominal TRY	Units	Nominal TRY	Units	Nominal TRY	Units	Nominal TRY
Paid	122,573,918,691	1,225,739,187	-	-	-	-	122,573,918,691	1,225,739,187
Total	122,573,918,691	1,225,739,187					122,573,918,691	1,225,739,187

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18. Shareholders' Equity (continued)

Legal Reserves:

Accumulated profit amounts in legal books can be distributed, excluding the provision regarding legal reserves stated below. According to Turkish Commercial Code ("TCC"), legal reserves are divided into Primary and Secondary Legal Reserves. Pursuant to TCC, primary reserves are allocated as 5% of legal net profit until the amount reaches up to 20% of the Company's paid-in/issued capital. Secondary reserves constitute 10% of distributed profit exceeding 5% of the Company's paid-in/issued capital.

. In accordance with TCC, legal reserves can be used only for offsetting the loss as long as the amount of legal reserves does not exceed 50% of paid-in/issued capital. Any other use is not legally permitted.

Movements of legal reserves within the period are shown below:

	2019	2018
Period Beginning - January 1	51,203,816	51,203,816
Period End - December 31	51,203,816	51,203,816

Valuation of Financial Assets:

unrealized profit and loss amounts arising from the changes in fair values of Available for Sale Investments are recognized under "Valuation of Financial Assets" in Shareholders' Equity.

Movements of valuation of financial assets within the period are shown below:

	2019	2018
Period Beginning - January 1 (net of tax effects)	(326,010,922)	(23,690,382)
Increase/decrease in fair value (Note 11)		
- Available for Sale Investments	519,201,867	(377,147,454)
- Investment Securities	(26,338,413)	(8,619,603)
Tax effect of increase/decrease in fair value (Note 21).	(112,775,798)	83,446,517
Net change within period	380,087,656	(302,320,540)
Period End - December 31	54,076,734	(326,010,922)

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19. Other Reserves and Capital Component of Discretionary Participation

Movements of other profit and capital reserves within the period are shown below:

	2019	2018
Period Beginning - January 1	3,792,417	(904,563)
Actuarial (loss)/gain, provision for employment termination benefits (Note 22)	(2,711,396)	3,468,819
Exchange rate and price differences in provision for share based performance amount (Note 23).	(2,267,637)	2,343,036
Effect of deferred taxes recognized in Shareholders' Equity (Note 21).	1,095,387	(1,278,607)
Gain from sales of property subject to tax exemption	-	163,732
Period End - December 31	(91,229)	3,792,417

18. Insurance Liabilities and Reinsurance Assets

18.1 Guarantee amounts required for Life and Non-Life segments and Guarantee amounts established for assets per Life and Non-Life segments:

	December 31, 2019	December 31, 2018
Guarantee amount required for Non-Life segments (*)	404,190,339	362,730,070
Guarantee amount required for Non-Life segments (Note 43) (**)	404,512,281	366,276,787

(*) Guarantee amount required as of December 31, 2019 is calculated, in accordance with the capital adequacy calculation for the same period, as 404,190,339 TRY (December 31, 2018: 362,730,070 TRY) .

(**) Guarantee amount provided as of December 31, 2019 is calculated as 404,512,281 TRY (December 31, 2018: 366,276,787 TRY) through revaluation of financial assets regarding the required guarantee amount in accordance with the capital adequacy calculation by using Turkish Central Bank prices applicable on December 31, 2019. (*) In accordance with Article 4 of Regulation on Financial Structure of Insurance, Reinsurance and Private Pension Companies”, published in Turkish Official Journal No.26606 on August 7, 2007 pursuant to the Insurance Law, the insurance companies and private pension companies operating in personal accident and life insurance branches should provide guarantee amounts equal to one third of the required capital amount in each capital adequacy calculation period.

17.2 Current number of life policies, number of life policies entering and exiting within the period and current number and mathematical reserve amount for life policyholders: None (January 1 - December 31, 2018: None).

17.3 Guarantee amount provided for Non-Life segment: Disclosed in Note 4.

17.4 Unit prices of pension investment funds founded by the Company: None (January 1 - December 31, 2018: None).

17.5 Number and amount of participation certificates within the portfolio and in circulation: None (January 1 - December 31, 2018: None).

17.6 Portfolio amounts per number of private pension and group pension participants entered, exited, canceled and existing during the period: None (January 1 - December 31, 2018: None).

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20. Insurance Liabilities and Reinsurance Assets (continued)

17.7 Valuation methods used for calculation of profit share in profit share life insurances: None (January 1 - December 31, 2018: None).

17.8 Number and individual/group allocation of gross/net contribution amounts of private pension participants newly joined the portfolio within the period: None (January 1 - December 31, 2018: None).

17.9 Number and individual/group allocation of gross/net contribution amounts of the private pension participants transferred from another insurer: None (January 1 - December 31, 2018: None) None).

17.10 Number and individual/group allocation of gross/net contribution amounts of private pension participants transferred from the Company's life portfolio to private pension portfolio within the period: None (January 1 - December 31, 2018: None).

17.11 Number and individual/group allocation of gross/net contribution amounts of private pension participants exited Company's portfolio and transferred and/or not transferred to another insurer within the period: None (January 1 - December 31, 2018: None).

17.12 Number and individual/group allocation of gross/net premiums of life policyholders who joined the portfolio during the period: None (January 1 - December 31, 2018: None).

17.13 Number and individual/group allocation of gross/net premiums and mathematical reserve amounts of life policyholders who left the portfolio during the period: None (January 1 - December 31, 2018: None).

17.14 Profit distribution percentage to life policyholders within the period: None (January 1 - December 31, 2018: None).

17.15 17.19 Other required explanations regarding liabilities arising from insurance contracts:

Outstanding Claims Reserve:

December 31, 2019

	Gross	Reinsurer's Share	Net
Claims Made - Period			
Beginning January 1	2,819,333,805	(515,780,418)	2,303,553,387
Claims Paid (*)	(849,384,209)	189,496,072	(659,888,137)
Change	1,002,598,999	(117,870,184)	884,728,815
- Current Period Outstanding Claims	876,797,513	(126,810,004)	749,987,509
- Previous Periods' Outstanding Claims	125,801,486	8,939,820	134,741,306
Claims Made - Period End December 31	2,972,548,595	(444,154,530)	2,528,394,065
Incurred But Not Reported Claims			
Reserve	1,761,446,417	(71,644,538)	1,689,801,879
Discount on Net Cash Flows from Outstanding Claims Reserve	(673,394,292)	55,276,028	(618,118,264)
Total	4,060,600,720	(460,523,040)	3,600,077,680

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.15 - 17.19 Other required explanations regarding liabilities arising from insurance contracts
(Continued):

	December 31, 2018		
	Gross	Reinsurer's Share	Net
Claims Made - Period			
Beginning January 1	2,327,190,424	(299,253,833)	2,027,936,591
Claims Paid (*)	(671,110,740)	56,828,210	(614,282,530)
Change	1,163,254,121	(273,354,795)	889,899,326
- Current Period Outstanding Claims	1,025,274,408	(287,640,087)	737,634,321
- Previous Periods' Outstanding Claims	137,979,713	14,285,292	152,265,005
Claims Made - Period End December 31	2,819,333,805	(515,780,418)	2,303,553,387
Incurred But Not Reported Claims Reserve	1,546,913,466	162,537,204	1,709,450,670
Discount on Net Cash Flows from Outstanding Claims Reserve	(585,426,003)	28,455,347	(556,970,656)
Total	3,780,821,268	(324,787,867)	3,456,033,401

Unearned Premiums Reserve:

	2019		
	Gross	Reinsurer's Share (*)	Net
Period Beginning - January 1	1,772,534,519	(295,217,499)	1,477,317,020
Change in Unearned Premiums Reserve	369,033,877	(80,164,337)	288,869,540
Other		24,795	24,795
Period End - December 31	2,141,568,396	(375,357,041)	1,766,211,355

Unearned Premiums Reserve:

	2018		
	Gross	Reinsurer's Share (*)	Net
Period Beginning - January 1	1,487,045,187	(197,720,741)	1,289,324,446
Change in Unearned Premiums Reserve	285,489,332	(97,496,758)	187,992,574
Period End - December 31	1,772,534,519	(295,217,499)	1,477,317,020

(*) As already explained in Note 2.14, the amount of Reinsurer's Share in Unearned Premiums Reserve include 58,265,797 TRY Reinsurer's Share in Unearned Premiums Reserve calculated over Premiums Ceded to SSI as of December 31, 2019 (December 31, 2018: 43,044,264 TRY) (Note 2.14).

Deferred Commission Expenses and Income amounts as of December 31, 2019 are 315,606,518 TRY (December 31, 2018: 245,343,363 TRY) and 73,382,124 TRY (December 31, 2018: 60,094,632 TRY) respectively and these are included under Deferred Acquisition Expenses and Commission account items within the Balance Sheet.

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.15 - 17.19 Other required explanations regarding liabilities arising from insurance contracts (Continued):

Unexpired Risks Reserve:

	2019		
	Gross	Reinsurer's Share	Net
Period Beginning - January 1	15,924,260	(4,246,500)	11,677,760
Net Change	14,717,737	(2,781,534)	11,936,203
Period End - December 31	30,641,997	(7,028,034)	23,613,963

	2018		
	Gross	Reinsurer's Share	Net
Period Beginning - January 1	24,989,032	(4,481,204)	20,507,828
Net Change	(9,064,772)	234,704	(8,830,068)
Period End - December 31	15,924,260	(4,246,500)	11,677,760

	December 31, 2019			December 31, 2018		
	Gross Loss Ratio	Gross Reserve	Net Reserve	Gross Loss Ratio	Gross Reserve	Net Reserve
Land Vehicles Liability						
- High Risk Policies Pool	120%	22,395,638	17,020,685	-	-	-
General Liability	92%	5,354,630	4,011,838	-	-	-
Financial Losses (*)	-	-	-	217%	13,306,136	9,314,095
Watercraft (*)	153%	2,891,729	2,581,440	147%	2,569,866	2,315,407
Aircraft Liability (*)	-	-	-	632%	48,258	48,258
Total		30,641,997	23,613,963		15,924,260	11,677,760

(*) These reserve amounts are calculated according to the fiscal year principle, as explained in Note 2.24 above.

*Equalization Reserve (**):*

	2019		
	Gross	Reinsurer's Share	Net
Period Beginning - January 1	176,988,825	-	176,988,825
Increase within Period (***)	40,103,063	-	40,103,063
Period End - December 31	217,091,888	-	217,091,888

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.15 - 17.19 Other required explanations regarding liabilities arising from insurance contracts (Continued):

	2018		
	Gross	Reinsurer's Share	Net
Period Beginning - January 1	141,883,912	-	141,883,912
Increase within Period (*)	35,104,913	-	35,104,913
Period End - December 31	176,988,825	-	176,988,825

(*) 39,138 TRY out of 35,144,051 TRY under Change in Other Technical Reserves item in the Income Statement consists of the change in the provision amount for medical treatment expenses assumed by SSI but notified to the Company.

Net Outstanding Claims Reserve amounts for reported claims denominated in foreign currencies are provided below:

Currency	December 31, 2019		
	Foreign Currency Amount	FX Rate Amount in TRY	
USD	34,868,170	5.9402	207,123,904
EUR	12,692,527	6.6506	84,412,918
GBP	8,138	7.7765	63,288
Total			291,600,110

Currency	December 31, 2018		
	Foreign Currency Amount	FX Rate Amount in TRY	
USD	37,009,738	5.2609	194,704,531
EUR	11,744,402	6.0280	70,795,255
GBP	34,396	6.6528	228,830
Total			265,728,616

Recovery and Salvage Income:

Net Recovery and Salvage Income amounts collected within the periods ending on December 31, 2019 and 2018 regarding the compensation amounts paid by the Company are provided below per segment:

	January 1 - December 31, 2019			January 1 - December 31, 2018		
	Gross	Reinsurer's Share	Net	Gross	Reinsurer's Share	Net
Land Vehicles	344,563,498	(3,892)	344,559,606	367,359,243	(1,715)	367,357,528
Land Vehicles Liability	13,038,541	(399,451)	12,639,090	12,144,357	(38,067)	12,106,290
Fire and Natural Disasters	7,095,166	(162,693)	6,932,473	8,351,327	(45,343)	8,305,984
Freight/Transportation	3,671,836	(783,206)	2,888,630	4,421,543	(312,577)	4,108,966
General Damage	589,258	(19,822)	569,436	660,373	30,911	691,284
General Liability	355,789	(71,429)	284,360	96,926	336	97,262
Watercraft Accident	(2,175)	-	(2,175)	490,892	-	490,892
	(30)	27	(3)	(100)	90	(10)
Financial Losses	(11,918)	-	(11,918)	(285)	27	(258)
Legal Protection	-	-	-	450	-	450
Health	(9)	-	(9)	123,928	-	123,928
Total	369,299,956	(1,440,466)	367,859,490	393,648,654	(366,338)	393,282,316

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.15 - 17.19 Other required explanations regarding liabilities arising from insurance contracts
(Continued):

Recovery and Salvage Income (continued):

Net Recovery and Salvage Receivable amounts (free of provisions) accrued as of December 31, 2019 and 2018 regarding the compensation amounts paid by the Company are provided below per segment:

	December 31, 2019			December 31, 2018		
	Gross	Reinsurer's Share	Net	Gross	Reinsurer's Share	Net
Land Vehicles	33,361,488	(632)	33,360,856	35,952,817	(1,232)	35,951,585
Land Vehicles Liability	14,401,480	(761,450)	13,640,030	21,516,611	(408,217)	21,108,394
Fire and Natural Disasters	10,172,335	(7,916)	10,164,419	4,425,245	(8,591)	4,416,654
Freight/Transportation	3,291,075	(1,136,611)	2,154,464	4,852,217	(1,324,360)	3,527,857
General Damage	1,280,238	(96,871)	1,183,367	1,687,740	(709,842)	977,898
General Liability	325,165	(32,774)	292,391	350,031	-	350,031
Watercraft	56,471	-	56,471	41,585	-	41,585
Total (Note 12.1).	62,888,252	(2,036,254)	60,851,998	68,826,246	(2,452,242)	66,374,004

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20. Insurance Liabilities and Reinsurance Assets (continued)

17.15 - 17.19 Other required explanations regarding liabilities arising from insurance contracts (Continued):

Claim development tables used in calculations made in accordance with Technical Provisions Regulation are explained below.

Gross Claim Development Table prepared according to incurred losses as of December 31, 2019:

Accident Year	January 01, 2013 -	January 01, 2014 -	January 01, 2015 -	January 01, 2016 -	January 01, 2017 -	January 01, 2018 -	January 01, 2019 -
Loss Incurred within Accident Period	1,349,987,619	1,480,465,461	1,809,779,012	1,652,751,048	1,402,836,321	1,715,148,327	1,626,574,392
1 Year Later	524,164,452	589,620,570	662,640,594	608,706,255	397,031,990	693,931,307	-
2 Years Later	373,683,726	438,178,774	498,846,752	396,669,117	272,841,734	-	-
3 Years Later	351,282,576	404,054,856	477,885,931	399,555,353	-	-	-
4 Years Later	336,027,954	386,611,668	471,902,085	-	-	-	-
5 Years Later	333,261,806	386,961,787	-	-	-	-	-
6 Years Later	340,240,015	-	-	-	-	-	-

Gross Claim Development Table prepared according to incurred losses as of December 31, 2018:

Accident Year	January 01, 2012 - December 31, 2012	January 01, 2013 - December 31, 2013	January 01, 2014 - December 31, 2014	January 01, 2015 - December 31, 2015	January 1, 2016 - December 31, 2016	January 01, 2017 - December 31, 2017	January 01, 2018 - December 31, 2018
Loss Incurred within Accident Period	1,475,548,121	1,349,987,619	1,480,465,461	1,809,779,012	1,652,749,128	1,365,072,368	1,715,135,940
1 Year Later	507,538,704	524,164,452	589,620,570	662,642,517	608,704,399	396,892,794	-
2 Years Later	352,529,260	373,683,726	438,178,774	498,846,752	396,669,117	-	-
3 Years Later	340,728,210	351,282,576	404,054,856	477,885,931	-	-	-
4 Years Later	321,409,828	336,027,954	386,611,668	-	-	-	-
5 Years Later	319,418,039	333,261,806	-	-	-	-	-
6 Years Later	293,714,766	-	-	-	-	-	-

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.15 - 17.19 Other required explanations regarding liabilities arising from insurance contracts (Continued):

The Company determined the IBNR method to be used for each segment, as set forth in the mentioned Regulation, in light of Company actuary's opinion and according to the characteristics of the respective segment and the structure of Company portfolio structure. IBNR calculation method used per segment and gross and net additional provision amounts to be additionally allocated or to be deducted from relevant provisions (in case calculation results in negative numbers) as of December 31, 2019 and 2018 are provided below:

December 31, 2019		Gross	Net
Segment	Method Used	Additional	Addition
Motor Third Party Liability (*)	Other	1,636,494,099	1,517,034,439
Facultative Financial Liability (**)	Other	124,304,532	124,252,163
General Liability (**)	Other	35,221,658	82,985,270
Health (**)	Other	4,511,062	4,511,062
Accident (**)	Other	3,090,913	3,036,265
Watercraft (**)	Other	444,740	429,866
General Damage (**)	Other	(169,436)	462,762
Legal Protection (**)	Other	139,757	139,757
Fire and Natural Disasters (**)	Other	(332,775)	(1,072,821)
Freight/Transportation (**)	Other	(7,409,625)	(7,172,177)
Land Vehicles (**)	Other	(34,848,508)	(34,804,707)
Total		1,761,446,417	1,689,801,879

December 31, 2018		Gross Additional	Net Additional
Segment	Method Used	Provision	Provision
Motor Third Party Liability (*)	Other	1,712,432,575	1,656,108,195
Facultative Financial Liability (**)	Other	138,568,794	138,565,891
General Liability (**)	Other	(50,769,098)	11,599,936
Health (**)	Other	5,213,755	5,213,755
Accident (**)	Other	697,161	580,950
Legal Protection (**)	Other	170,458	170,458
Watercraft (**)	Other	(4,690,530)	(1,759,022)
Freight/Transportation (**)	Other	(10,035,993)	(6,009,357)
General Damage (**)	Other	(36,825,180)	(7,581,690)
Land Vehicles (**)	Other	(12,989,798)	(12,956,596)
Fire and Natural Disasters (**)	Other	(194,858,678)	(74,481,850)
Total		1,546,913,466	1,709,450,670

(*) The Company made IBNR calculations by using methods other than the Actuarial Chain Ladder Methods (Standard Chain, Loss Ratio, Cape Cod, Frequency/Severance, Munich Chain Method and Bornhuetter-Ferguson) in Motor Third Party Liability segment in accordance with Article 4 of "Circular No.2014/16 on Outstanding Claims Reserve" issued by the Treasury on December 05, 2014. This method covers MTPL segment on the basis of loss reason (material damages, death, disability, impairment, driver faults, caretaker expenses) in addition to coverage based distinction (material/bodily-physical) and of legal status of relevant files. Both average cost and loss frequency developments of loss triangles are evaluated during such distinctions. As of December 31, 2019, the Company calculated an additional net IBNR amount of 9,248,808 TRY for indirect losses arising from Green Card segment, by considering the realization of such losses within the last 8 years and reflected this amount to Company financial statements. Business acceptance year is taken as basis to create data for calculation of this provision amount. Development of incurred losses against the allocated Outstanding Claims Reserve amounts is analyzed for each business acceptance year. Development factor obtained by weighing the ratios of Incurred Losses / Outstanding Claims per business acceptance year is multiplied with the Outstanding Claims Reserve amount for the current period to calculate the IBNR amount. Additionally, an IBNR amount of 284,431,888 TRY calculated for High Risk Policies Pool with Final Loss Ratio method in line with the Company Actuary's opinions is also presented in the financial statements.

(**) IBNR is calculated in connection with the average cost and loss frequency developments of loss triangles for the relevant segment per loss reason and also by taking the legal status thereof into account.

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.15 - 17.19 Other required explanations regarding liabilities arising from insurance contracts (Continued):

Pursuant to "Circular No.2017/7 on Amendment of Circular No.2016/22 on Discounting of Cash Flows from Outstanding Claims Reserves" issued by the Ministry on September 15, 2017, the Company calculated a discount amount of 618,118,264 TRY Net Outstanding Claims Reserve as of December 31, 2019 (December 31, 2018: 556,970,656 TRY).

The Company's Net Outstanding Claims Reserve amounts per segment before and after the discount on December 31, 2019 are provided below.

Segment	Net Outstanding Claims Reserve - before discount	Discount Amount	Net Outstanding Claims Reserve - after discount
Land Vehicles Liability General	3,205,776,744	506,254,039	2,699,522,705
Liability	592,545,880	111,864,225	480,681,655
Total	3,798,322,624	618,118,264	3,180,204,360

The Company's Net Cash Flows estimated for each main segment on December 31, 2019 are as follows.

Method Used	2020	2021	2022	2023	2024	2025	2026	Total
Land Vehicles Liability Industry								
Average	1,062,738,769	672,101,806	535,106,138	411,369,461	298,732,188	176,452,243	49,276,139	3,205,776,744
Land Vehicles Industry								
Average	136,551,479	116,781,702	109,213,510	97,670,154	75,523,434	45,291,932	11,513,669	592,545,880

Segment	Net Outstanding Claims Reserve - before discount	Discount Amount	Net Outstanding Claims Reserve - after discount
Land Vehicles Liability General	3,017,057,714	477,277,836	2,539,779,878
Liability	422,133,635	79,692,820	342,440,815
Total	3,439,191,349	556,970,656	2,882,220,693

The Company's Net Cash Flows estimated for each main segment on December 31, 2019 are as follows.

Method Used	2020	2021	2022	2023	2024	2025	2026	Total
Land Vehicles Liability Industry								
Average	999,821,247	632,764,484	503,851,473	281,091,721	165,952,132	46,299,518	49,276,139	3,017,057,714
Land Vehicles Industry								
Average	97,280,184	83,196,063	77,804,432	53,803,398	32,266,274	8,202,415	11,513,669	422,133,635

IBNR compensation amount calculations by the Company are performed in gross amounts and net figures are determined depending on the applicable or relevant reinsurance treaties of the Company. The Company considered the ratio of net realized losses to gross realized losses as of December 31, 2019, separately for both current period and previous periods, as the offsetting method.

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21. Investment Agreement Liabilities

None (December 31, 2018: None).

22. Trade and Other Payables, Deferred Income

	December 31, 2019	December 31, 2018
Due to Insurers and Reinsurers (Note 10)	242,287,886	152,265,489
Other Payables from Operations (Note 47.1)	14,463,442	12,354,125
Payables from Operations	256,751,328	164,619,614
Due to Contractual Facilities	58,219,470	51,764,896
Due to Suppliers	25,234,685	17,784,012
Other	244,984	109,505
Other Payables (Note 47.1)	83,699,139	69,658,413
Deferred Commissions Income (Notes 10 & 17)	73,382,124	60,094,632
Payables to SSI for Medical Expenses	36,103,858	23,272,555
Other Current Liabilities (Note 47.1)	3,338,352	953,497
Total Trade and Other Payables, Deferred Income	453,274,801	318,598,711
Payables to SSI for Medical Expenses:	2019	2018
SSI Premium Transfers from Previous Period, Net, January 1	23,272,555	17,166,017
Premium Amount Ceded to SSI within the Period	101,578,427	80,834,235
Premium Payments to SSI within the Period (-)	(88,747,124)	(74,727,697)
Total Current Liabilities, December 31	36,103,858	23,272,555

Liabilities denominated in foreign currencies are provided below:

Due to Reinsurance Firms:

Currency	December 31, 2019		
	Foreign Currency Amount	FX Rate	Amount in TRY
EUR	17,873,193	6.6506	118,867,459
USD	1,678,538	5.9402	9,970,853
GBP	15,457	7.7765	120,199
JPY	590,094	0.0543	32,037
NOK	1,346	0.6725	905
SEK	4	0.6343	3
DKK	1	0.8890	1
Total			128,991,457

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19. Trade and Other Payables, Deferred Income (continued)

Other Payables

Currency	December 31, 2019		
	Foreign Currency Amount	FX Rate	Amount in TRY
USD	831,418	5.9402	4,938,789
EUR	233,156	6.6506	1,550,628
Total			6,489,417

Currency	December 31, 2018		
	Foreign Currency Amount	FX Rate	Amount in TRY
USD	548,266	5.2609	2,884,373
EUR	194,047	6.0280	1,169,715
Total			4,054,088

20. Financial Liabilities

Total lease liability of the Company recognized with the transition to TFRS 16 Leases standard and the movements table thereof is provided below.

	December 31, 2019	January 01, 2019
Short term lease liabilities	3,166,309	2,090,594
Long term lease liabilities	6,140,852	9,297,687
Total lease liabilities	9,307,161	11,388,281
		2019
Total lease liability transition to TFRS 16 effect as of January 1		-
Lease payments		11,388,281
Interest expense		(4,222,726)
Interest expense		2,141,606
Total Lease Liability on December 31, 2019		9,307,161

21. Deferred Income Tax

The Company calculates deferred income tax for the temporary differences in the balance sheet items arising from measurements in financial statements and measurements in accordance with Tax Procedural Law ("TPL").

Applicable corporate tax in Turkey as at December 31, 2019 is 22% (2018: 20%). Pursuant to Article 91 of "Act No.7061 on Amendment of Certain Tax Laws and Other Laws" promulgated in Turkish Official Journal No.30261 on December 5, 2017 and to Provisional Article 10 of Corporate Tax Law No.5520, corporate tax payable on entity income generated in 2018, 2019 and 2020 taxation periods shall be calculated over 22% and afterwards corporate tax calculation shall continue to be calculated over 20% for subsequent periods. Council of Ministers is authorized to decrease 22% tax rate down to 20%. In this regard, the tax rate to be used for calculation of deferred tax assets and liabilities is 22% as of December 31, 2019.

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22. Deferred Income Tax (continued)

Breakdown lists of accumulated temporary differences and deferred tax assets and liabilities prepared by using applicable tax rates as of December 31, 2019 and December 31, 2018 are provided below:

	Accumulated Temporary Differences	Deferred Tax Assets / (Liabilities)		
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Deferred Tax Assets				
Equalization Reserve	176,988,825	141,883,912	38,937,542	31,214,461
Provision for Agency Incentives and Sliding Scale Commissions	46,881,523	30,902,556	10,313,935	6,798,562
Provision for Employee Bonuses	25,698,061	20,807,398	5,653,574	4,577,628
Eurobond Valuation Difference	24,638,402	50,705,542	5,420,448	11,155,219
Unexpired Risks Reserve	23,613,963	11,677,760	5,195,072	2,569,107
Provision for Employment Termination Benefits	20,651,501	15,249,864	4,543,330	3,354,970
Provision for Performance Wages	15,582,269	10,277,390	3,428,099	2,261,026
Provision for Unused Leaves	9,007,311	7,456,171	1,981,608	1,640,358
Provision for Legal Cases	8,091,009	8,983,147	1,780,022	1,976,292
Provision for Employee Seniority Incentives and Loyalty	8,016,011	5,674,131	1,763,522	1,248,309
Provision for Due from Insurance Operations	2,487,978	2,487,978	547,355	547,355
Provision for Employment Termination Notice Pay	848,325	730,021	186,632	160,605
Financial Losses (*)	-	21,496,823	-	4,729,301
Total Deferred Tax Assets			79,751,139	72,233,193
Deferred Tax Liabilities				
Gain from Property Value Increases	(35,858,839)	(33,211,263)	(3,944,472)	(3,653,239)
Other	(45,104,531)	(46,678,253)	(9,922,997)	(10,269,216)
Total Deferred Tax Liabilities			(13,867,469)	(13,922,455)
Net Deferred Tax Assets (Note 35)			65,883,670	58,310,738

(*) Deferred Tax Assets are recorded in the financial statements drawn up as of December 31, 2018 over financial losses carried in accordance with the assumptions for availability of taxable profit for future periods made in line with the business plans and projections prepared by Company management.

Movements of Deferred Tax Assets within the year are as follows:

	2019	2018
Period Beginning - January 1	58,310,738	84,236,155
Deferred Tax Income/(Expense)	119,253,343	(108,093,327)
Other Deferred Tax Income/(Expense) Recognized in Shareholders' Equity (Note 16)	1,095,387	(1,278,607)
Deferred Tax Expense Recognized in Shareholders' Equity Due to Value Differences in Investment Securities (Note 15)	1,448,613	474,078
Deferred Tax (Expense) / Income Recognized in Shareholders' Equity Due to Value Increases/(Decreases) in Available for Sale Investments (Note 15)	(114,224,411)	82,972,439
Period End - December 31	65,883,670	58,310,738

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22. Pension Social Aid Liabilities

	December 31, 2019	December 31, 2018
Provision for Employment Termination Benefits	20,651,501	15,249,864
Total	20,651,501	15,249,864

Pursuant to Turkish Labor Law, The Company is liable to pay severance pay for employees who has completed at least one year of employment at the Company and whose employment is terminated or who is retired or who completes required service period (25 years for men and 20 for women) and become entitled for retirement (at the age of 60 for men and 58 for women), who are summoned for military service or who is deceased. Certain provisions are introduced for the transition period regarding the employment service time after the amendment of relevant legislation on May 23, 2002.

Severance pay equals to one month's salary per each employment year and this amount is limited to 6,379.86 TRY, effective as of December 31, 2019. (December 31, 2018: 5,434.42 TRY).

Severance pay ceiling is revised semi-annually and the ceiling amount applicable on January 1, 2020 is taken into account for calculation of the Company's Provision for Employment Termination Benefits amount as of December 31, 2019 (December 31, 2018: 6,017.60 TRY effective as of January 1, 2019).

Severance pay liability is not legally subject to any kind of funding and there are no funding requirements.

Provision for Employment Termination Benefits (i.e. severance pay) is calculated through estimating the present value of the potential liability amount which has to be paid in case of retirement of employees.

TAS 19 stipulates development of actuary valuation methods to estimate the provision amount to be allocated for employment termination. According to this, following actuarial predictions are used to calculate the total liability amount:

	December 31, 2019	December 31, 2018
Discount Rate (%)	2.90	4.30
Turnover Rate for Estimation of Retirement Possibility (%)	92	92

Fundamental assumption is that the ceiling provision amount determined for each year of employment shall be increased in proportion with the inflation rate. Thus, the discount rate applied shows the real rate free of expected inflation effects.

Movements of Provision for Employment Termination Benefits account within the period are shown below:

	2019	2018
Period Beginning - January 1	15,249,864	8,271,716
Service and Interest Cost	5,462,096	12,670,036
Paid within Period (-) (Note 33)	(2,771,855)	(2,223,069)
Actuarial Gain/(Loss)	2,711,396	(3,468,819)
Period End - December 31	20,651,501	15,249,864

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23. Provision for Other Liabilities and Expenses

Commitments not included in Liabilities is explained in Note 43 and Deposits and Guarantees Received is explained in Note 12.3.

Details of provisions classified under Provision for Expense Accruals account in Balance Sheet is provided below:

	December 31, 2019	December 31, 2018
Provision for Employee Bonuses	25,698,061	20,807,398
Provision for Performance Wages	15,582,269	10,277,390
Provision for Unused Leaves	9,007,311	7,456,171
Provision for Legal Cases	8,091,009	8,983,147
Provision for Employee Seniority Incentive	8,016,011	5,674,131
Provision for Consultancy	6,031,389	6,732,898
Provision for BITT (Banking and Insurance)	1,059,084	2,448,413
Provision for Employment Termination Notice Pay	848,325	730,021
Other	3,591,743	-
Total	77,925,202	63,109,569

Provision for Performance Wages (Share Based)

As explained in Note 2.25, the Company grants certain financial rights to employees, with the condition to be used at the end of a certain period, through delivery of parent company Axa SA's shares on employee performance basis in accordance with predetermined Company criteria. Movements of shares and cash amounts subject to the calculation of Provision for Performance Wages included in Company financial statements regarding the costs charged by AxaSA to Company in this regard are provided in the table below.

	Average Price per Share (TRY)	Number of Shares	Total
Period Beginning - January 1	113.02	90,938	10,277,390
Entrance	167.50	44,651	7,479,132
Paid (*)	152.51	(42,562)	(6,491,086)
Exchange Differences from Paid Shares	-	-	2,049,196
Exchange/Price Difference within Period	-	-	2,267,637
Period End - December 31	167.50	93,027	15,582,269

(*) The Company recognized the vested rights paid as AxaSA shares to employees within the period under Operational Expenses account.

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23. Provision for Other Liabilities and Expenses (continued)

December 31, 2018

	Average Price per Share (TRY)	Number of Shares	Total
Period Beginning - January 1	113.68	83,956	9,544,334
Entrance	113.02	37,747	4,265,991
Paid (*)	103.23	(30,765)	(3,175,844)
Exchange Differences from Paid Shares	-	-	1,985,945
Exchange/Price Difference within Period	-	-	(2,343,036)
Period End - December 31	113.02	90,938	10,277,390

(*) The Company recognized the vested rights paid as AxaSA shares to employees within the period under Operational Expenses account.

24. Net Insurance Premium Income

Distribution or written premiums is provided below:

	January 1 - December 31, 2019			
	Gross	Reinsurer's Share	Ceded to SSI	Net
Land Vehicles Liability	1,337,603,011	(254,239,132)	(101,574,317)	981,789,562
Land Vehicles	964,078,789	(8,811,588)	-	955,267,201
Fire and Natural Disasters	825,459,903	(316,092,885)	-	509,367,018
Health	386,168,238	(4,115,859)	-	382,052,379
General Damage	238,861,669	(100,377,986)	-	138,483,683
General Liability	155,687,332	(52,234,484)	-	103,452,848
Freight/Transportation	63,505,048	(12,645,900)	-	50,859,148
Accident	78,858,637	(46,369,930)	(4,110)	32,484,597
Financial Losses	30,061,021	(15,427,154)	-	14,633,867
Legal Protection	12,364,924	-	-	12,364,924
Watercraft	10,775,897	(1,886,680)	-	8,889,217
Aircraft Liability	19,116	-	-	19,116
Aircraft	614,102	(614,102)	-	-
Total Premium Income	4,104,057,687	(812,815,700)	(101,578,427)	3,189,663,560

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24. Net Insurance Premium Income (continued)

	January 1 - December 31, 2018			
	Gross	Reinsurer's Share	Ceded to SSI	Net
Land Vehicles Liability	1,122,018,112	(187,114,897)	(80,834,235)	854,068,980
Land Vehicles	829,291,213	(6,685,015)	-	822,606,198
Fire and Natural Disasters	685,948,589	(271,000,531)	-	414,948,058
Health	254,935,946	(6,234,040)	-	248,701,906
General Damage	201,500,160	(79,259,138)	-	122,241,022
General Liability	103,123,745	(26,421,771)	-	76,701,974
Freight/Transportation	66,535,143	(21,053,018)	-	45,482,125
Accident	65,443,035	(35,039,033)	-	30,404,002
Financial Losses	23,021,412	(11,482,875)	-	11,538,537
Legal Protection	12,295,295	200	-	12,295,495
Watercraft	9,857,745	(1,737,049)	-	8,120,696
Aircraft Liability	24,108	-	-	24,108
Aircraft	675,327	(675,327)	-	-
Total Premium Income	3,374,669,830	(646,702,494)	(80,834,235)	2,647,133,101

25. Subscription (Fee) Income

None (January 1 - December 31, 2018: None).

26. Investment Income

	January 1 - December 31, 2019	January 1 - December 31, 2018
Cash and Cash Equivalents		
Interest and Exchange Rate Difference Income		
Available for Sale Investments	52,999,356	90,408,788
Interest, Exchange Rate Difference and Sales		
Income	865,246,667	1,187,830,365
Share Dividend Income	1,503,617	2,337,203
Income from Other Investments	5,426,890	2,723,394
Investment Income	925,176,530	1,283,299,750
Available for Sale Investments		
Exchange Rate Difference and Sales Expenses	(204,001,990)	(337,922,224)
Investment Expenses	(204,001,990)	(337,922,224)
Total	721,174,540	945,377,526

27. Net Realized Gains on Financial Assets

Information about realized gain/loss on Available for Sale Investments is disclosed in Notes 11 and 15.

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31. Assets with Fair Value Differences Reflected to Income Statement

The Company values investment properties at fair value and recognizes fair value differences in Income Statement. Fair value difference included in the Income Statement in current period is 2,647,576 TRY (January 1 - December 31, 2018: 67,850 TRY).

32. Insurance Rights and Claims

Disclosed in Note 17.

33. Investment Agreement Rights

None (December 31, 2018: None).

31. Other Necessary Expenses

	January 1 - December 31, 2019	January 1 - December 31, 2018
Operational Expenses Classified in Technical Section	795,023,765	653,200,358
(Note 32)	795,023,765	653,200,358

32. Expense Types

	January 1 - December 31, 2019	January 1 - December 31, 2018
Production Commission Expenses	665,224,403	540,752,298
Employee Expenses (Note 33)	141,984,547	120,801,270
Litigation, Consultancy and Audit Expenses	29,767,932	15,763,323
Information Technologies Expenses	26,958,213	18,530,659
Advertising and Marketing Expenses	26,402,308	21,811,363
Taxes, Duties and Fees	7,997,985	7,236,209
Electricity and Cleaning Expenses	3,715,438	2,829,111
Contribution Fees	1,797,355	1,465,601
Rent Expenses	1,427,619	3,471,819
Communication Expenses	925,473	953,706
Earned Reinsurance Commissions Income (Note 10)	(124,229,832)	(92,492,232)
Other	13,052,324	12,077,231
Total (Note 31)	795,023,765	653,200,358

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33. Employee Benefit Expenses

	January 1 - December 31, 2019	January 1 - December 31, 2018
Salary Payments (*)	93,915,382	77,605,125
Insurance Premium Payments	21,663,151	19,142,602
Meal and Transportation Expenses	8,682,022	7,206,352
Premium Payments	8,351,348	5,352,770
Severance Pay (Note 22)	2,771,855	2,223,069
Rent and Child Allowances	728,393	954,288
Leave Compensation	656,701	753,271
Employment Termination Notice Pay	133,674	331,107
Other	5,082,021	7,232,686
Total (Note 32)	141,984,547	120,801,270

(*) Vested rights paid to employees within the period in the form of shares are also included in Salary Payments item.

Total amount of remunerations and other benefits provided to senior management such as chairman, members of BoD, general manager, general coordinator, assistant general managers etc. is disclosed in Note 1.6.

Details regarding share based payments are provided in Note 23.

35. Financial Costs

35.1 Total Financial Expenses for Current Period: 2,531,646 TRY (January 1 - December 31, 2018: 314,807 TRY).

35.1.1 Charged to Production Costs: None (January 1 - December 31, 2018: None).

35.1.2 Charged to Fixed Asset Costs: None (January 1 - December 31, 2018: None).

35.1.3 Charged Directly to Period Expenses: 2,531,646 TRY (January 1 - December 31, 2018: 314,807 TRY).

35.2 Portion related with shareholders, affiliates and subsidiaries in total financial expenses (expenses with shares in total amount exceeding 20% shall be disclosed separately): None (January 1 - December 31, 2018: None).

35.3 Sales to and purchases from shareholders, affiliates and subsidiaries (those with shares in total amount exceeding 20% shall be disclosed separately): Balances and transactions with the related parties are disclosed in Note 45.

35.4 Interest amounts, rent amounts etc. received from or paid to shareholders, affiliates and subsidiaries (those with shares in total amount exceeding 20% shall be disclosed separately): Balances and transactions with the related parties are disclosed in Note 45.

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35. Income Taxes

Tax assets and liabilities and tax income and expenses included in financial statements drawn up as of December 31, 2019 and 2018 are summarized below:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Current Period Corporate Tax Expense (-)	(209,842,169)	-
Deferred Tax Income/(Expense) (Note 21)	119,253,343	(108,093,327)
Total Tax Expense (-)	(90,588,826)	(108,093,327)
	December 31, 2019	December 31, 2018
Provision for Corporate Tax (-)	(209,842,169)	-
Provisional Taxes Paid	127,991,277	-
Prepaid Taxes and Funds	2,565,185	14,307,537
(Provision for Corporate Tax)/Prepaid Taxes, Net	(79,285,707)	14,307,537
	79,751,139	72,233,193
Deferred Tax Assets / (Liabilities) (-)	(13,867,469)	(13,922,455)
Deferred Tax Assets, Net (Note 21)	65,883,670	58,310,738

Realized Tax Income / Expense reconciliation is as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Profit Before Tax	406,966,316	479,373,773
Tax Rate	22%	22%
Calculated Tax Expense	(89,532,590)	(105,462,230)
Effect of Non-Deductible and Tax Free Expenses (-)	(1,056,236)	(7,360,398)
Current Period Loss	-	4,729,301
Corporate Tax and Deferred Tax Income (Expense)(-) for the Period	(90,588,826)	(108,093,327)

36. Net Income from Exchange Rate Changes

	January 1 - December 31, 2019	January 1 - December 31, 2018
Foreign Exchange Gains	291,999,524	460,331,135
Foreign Exchange Losses	(147,315,494)	(284,922,404)
Total	144,684,030	175,408,731

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44. Earnings per Share

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

	January 1 - December 31, 2019	January 1 - December 31, 2018
Net Profit for the Period	316,377,490	371,280,446
Weighted Average Number of Shares with 0.01 TL Nominal Value per Share	122,573,918,691	122,573,918,691
Profit/(Loss) per 100 Shares	0.258	0.303

45. Profit per Share

Profit distribution is not realized within the current period (January 1- December 31, 2018: None).

46. Cash Generated from Operations

Disclosed in Statement of Cash Flows.

47. Convertible Bonds

None (December 31, 2018: None).

48. Redeemable Preference Shares

None (December 31, 2018: None).

49. Risks

	December 31, 2019	December 31, 2018
Outstanding Claims Litigations against the Company - Gross (*)	2,229,232,047	1,966,164,233
Other Litigations against the Company	6,255,964	7,339,024
Other Business Cases Filed against the Company	1,835,045	1,644,123

(*) This amount is classified in Outstanding Claims, movement table of which is disclosed in Note 17. Net amount of these provisions is 1,941,771,748 TRY (December 31 2018: 1,730,491,448 TRY).

50. Commitments

	December 31, 2019			Total
	USD (TRY Equivalent)	EUR (TRY Equivalent)	TRY	
Domestic Bank Letters of Guarantee Given	2,123,622		449,851,926	451,975,548
Total	2,123,622	-	449,851,926	451,975,548

	December 31, 2018			Total
	USD (TRY Equivalent)	EUR (TRY Equivalent)	TRY	
Domestic Bank Letters of Guarantee Given	1,880,772	211,776	432,773,855	434,866,403
Total	1,880,772	211,776	432,773,855	434,866,403

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43. Commitments (continued)

Total Amount of Mortgages or Restrictions on Assets:

	December 31, 2019	December 31, 2018
Financial Assets (*)	404,512,281	366,276,787
Total (Note 17.1)	404,512,281	366,276,787
Time-Deposit Accounts (**)	4,530,387	3,743,329
Demand Deposit Accounts	8,050,886	4,697,088
Total	417,093,554	374,717,204

(*) These assets are earmarked over principal amounts valued at Central Bank prices applicable on December 31, 2019 and their exchange market value including coupon is 415,992,763 TRY (December 31, 2018: 358,346,575 TRY) (Note 11.1).

(**) Time deposit accounts has interest accruals of 1,387 TRY on December 31, 2019.

44. Business Combinations

None (December 31, 2018: None).

45. Related Party Transactions

Axa Group companies and shareholders, affiliates and senior management of the Company are considered as related parties in Company financial statements.

a) Due from Insurance Operations:

	December 31, 2019	December 31, 2018
Axa Pool	39,202,084	21,170,863
Milli Reasürans T.A.Ş.	7,607,361	13,281,849
Groupama Sigorta A.Ş.	2,398,877	3,334,776
Other Axa Group Companies	423,744	2,140,954
Total	49,632,066	39,928,442

b) Due to Insurers and Reinsurers

	December 31, 2019	December 31, 2018
AXA Global P&C	75,801,651	43,536,539
AXA France Corporate Solutions	36,727,485	34,356,262
Axa Germany Corporate Solutions	12,965,730	3,078,708
Axa Partners Turkey	391,145	304,710
Groupama Sigorta A.Ş.	6,412	5,679
Milli Reasürans T.A.Ş.	536	480
Other Axa Group Companies	33,550,419	4,167,893
Total	159,443,378	85,450,271

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45. Related Party Transactions (continued)

c)Other Liabilities:

	December 31, 2019	December 31, 2018
Due to Shareholders	2,568	2,568
Total	2,568	2,568

d)Cash Deposited with Insurance and Reinsurance Companies:

Axa Pool	78,077,009	72,243,056
Total	78,077,009	72,243,056

e)Other Receivables from related Parties

Axa Hayat ve Emeklilik A.Ş.	257,238	238,478
Total	257,238	238,478

f) Ceded Premiums

	January 1 - December 31, 2019	January 1 - December 31, 2018
AXA Global P&C	176,414,609	160,208,984
Axa France Corporate Solutions	29,311,874	25,723,390
Axa Germany Corporate Solutions	15,308,178	11,166,724
Axa Partners Turkey	4,312,793	4,214,505
Groupama Sigorta A.Ş.	2,388,114	1,214,692
Other Axa Group Companies	33,283,717	16,149,284
Total	261,019,285	218,677,579

g) Commissions Received

AXA Global P&C	6,788,313	9,032,814
Axa France Corporate Solutions	3,369,071	4,123,125
Axa Germany Corporate Solutions	2,759,609	1,949,809
Groupama Sigorta A.Ş.	465,028	315,890
Axa Partners Turkey	48,699	34,063
Other Axa Group Companies	7,242,992	1,974,542
Total	20,673,712	17,430,243

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45. Related Party Transactions (continued)

g) Reinsurer's Share in Paid Claims

	January 1 - December 31, 2019	January 1 - December 31, 2018
Axa France Corporate Solutions	47,295,932	11,480,760
AXA Global P&C	9,201,372	29,272,645
Milli Reasürans T.A.Ş.	4,826,126	22,270,313
Axa Germany Corporate Solutions	2,131,419	2,776,715
Groupama Sigorta A.Ş.	371,540	2,616,732
Other Axa Group Companies	2,164,937	5,028,861
Total	65,991,326	73,446,026

i) Rent Income

Axa Hayat ve Emeklilik A.Ş.	953,245	1,118,929
Axa Holding A.Ş.	12,000	12,000
Total	965,245	1,130,929

i) Dividends Paid

No dividend amount is paid within January 1 - December 31, 2019 and 2018 periods.

j) IT and Consultancy Expenses

	January 1 - December 31, 2019	January 1 - December 31, 2018
Axa Regional Services S.A.U	14,510,889	7,596,586
Axa GIE	4,393,408	2,591,139
Axa Group Solutions SAS	2,432,152	-
Axa Services SAS	1,662,704	1,971,519
Axa Business Services Pvt. Ltd.	486,969	1,122,997
Axa Shared Services Spain S.A.	-	207,683
Axa Group Solutions SAS	1,110	53,133
Axa SA	351,094	51,474
Other	338,579	78,240
Total	24,176,905	13,672,771

45.1 Receivables from Shareholders, Affiliates and Subsidiaries and Provisions for Doubtful Receivables Allocated for Such Receivables: None (December 31, 2018: None).

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION for the DETAILED INCOME
STATEMENTS for JANUARY 1 - DECEMBER 31, 2019 and 2018
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(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

45. Related Party Transactions (continued)

45.2 Breakdown of affiliates and subsidiaries having an indirect shareholding and management relationship with the Company, names, shares and share amounts of shareholders/partnerships included in affiliates and subsidiaries, period profit/loss of such shareholders/partnerships in latest financial statements and the periods of such financial statements, whether such financial standards are prepared in compliance with the Board's standards and whether audited by an independent auditor and type of independent audit report prepared (positive opinion, negative opinion or contingent):

Investment Securities

December 31, 2019								
Investment Securities	Participation Share (%)	Book Value	Independ ent Audit Opinion	Financial Statement Period	Total Assets	Total Liabilities	Gross Sales	Net Profit/(Loss)
Milli Reasürans T.A.Ş. (**)	0.09	574,279	-	30.09.2019	12,071,373,945	9,405,475,389	5,245,325,639	242,452,436
Tarsim (**)	4.17	569,340	-	31.12.2019	28,243,974	12,431,336	39,470,846	1,406,873
		1,143,619						

December 31, 2018								
Investment Securities	Participation Share (%)	Book Value	Independ ent Audit Opinion	Financial Statement Period	Total Assets	Total Liabilities	Gross Sales	Net Profit/(Loss)
Aselsan A.Ş. (*)	0.12	27,787,432	-	30.09.2018	17,811,022,000	8,428,861,000	1,273,221,000	1,735,503,000
Milli Reasürans T.A.Ş. (**)	0.09	574,279	-	30.09.2018	10,577,387,633	8,454,557,839	4,616,628,600	182,156,617
Tarsim (**)	4.17	430,032	-	31.12.2018	24,933,182	10,591,774	34,758,653	3,485,207
		28,791,743						

(*) The Company's shares in Şirket'in Aselsan A.Ş. are recorded in market values as at Balance Sheet date.

(**) These financial assets are recorded in indexed cost values since they are not traded in structured markets and their fair values cannot be reliably measured.

45.3 Amount of bonus shares received from affiliates and subsidiaries due to capital increases generated from internal resources: None (December 31, 2018: None).

45.4 Real Rights on Immovables and Their Values: None (December 31, 2018: None).

45.5 Amount of obligations such as guarantees, commitments, advances, endorsements etc. granted in favor of shareholders, affiliates and subsidiaries: None (December 31, 2018: None).

46. Events after Balance Sheet Date

Severance pay upper limit is increased to 6,730.15 TRY after January 01, 2020.

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION for the DETAILED INCOME
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(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

47. Other

47.1 Details of “Other” items in Balance Sheet which exceed 20% of its respective account group or 5% of total assets:

a) Other Receivables:

	December 31, 2019	December 31, 2018
Receivables from High Risk Policyholders Pool	17,010,259	9,033,562
Agency Receivables due to Special Insurances (compulsory Earthquake Insurance)	2,941,056	2,251,054
Other	4,313,064	3,465,227
Total	24,264,379	14,749,843

b) Other Deferred Expenses:

Deferred Assistance Expenses	36,160,452	28,754,872
Repair and Maintenance Expenses	5,984,064	2,230,178
Rent Expenses	683,102	713,565
Life Insurance Expenses	232,797	368,688
Subscription (Fee) Expenses	126,956	5,220
Other	380,291	609,485
Total	43,567,662	32,682,008

c) Other Current Liabilities:

Agencies Suspense Account	1,495,859	730,430
Misc. Provisional Accounts	1,842,493	223,067
Total	3,338,352	953,497

d) Other Payables

Due to Contractual Facilities	58,219,470	51,764,896
Due to Suppliers	25,234,685	17,784,012
Other	244,984	109,505
Total	83,699,139	69,658,413

e) Taxes Payable and Other Fiscal Liabilities

Company's Share in Guarantee Account	10,276,057	8,461,620
Total	10,276,057	8,461,620

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION for the DETAILED INCOME
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(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

47. Other (continued)

47.1 Details of “Other” items in Balance Sheet which exceed 20 % of its respective account group or 5 % of total assets:

f) Other Technical Reserves (Short Term):

	December 31, 2019	December 31, 2018
Provision for Agency Incentives and Sliding Scale		
Commissions	46,881,522	30,902,556
Renewal Premium Reserve	3,931,121	12,032,088
Provision for Treatment Expenses	-	200,131
Total	50,812,643	43,134,775

g) Payables from Other Operations

Payables to DASK	14,463,442	12,354,125
Total	14,463,442	12,354,125

h) Other Technical Reserves (Long Term):

Equalization Reserve - Net	217,091,888	176,988,825
Total	217,091,888	176,988,825

i) Other Technical Expenses:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Assistance Expenses	63,025,389	51,957,381
Guarantee Fund Expense	10,276,057	8,461,620
Other	15,023,329	9,947,533
Total	88,324,775	70,366,534

j) Other Income:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Promotion Income	797,143	797,143
Proxy Fee Income	406,252	863,723
Income from Doubtful Receivables	140,000	87,186
Agency Income	125,571	277,708
Other	1,162,905	260,204
Total	2,631,871	2,285,964

k) Other Expenses and Losses:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Non-Deductible Expenses	305,633	162,352
Other	-	393,936
Total	305,633	556,288

AXA SİGORTA A.Ş.
CONVENIENCE TRANSLATION for the DETAILED INCOME
STATEMENTS for JANUARY 1 - DECEMBER 31, 2019 and 2018
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(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

47. Other (continued)

47.6 Total amounts (separately) of Due from Personnel and Due to Personnel items included in "Other Current or Non-Current Liabilities" and "Other Receivables accounts exceeding 1% of total assets amount in Balance Sheet: None (December 31, 2018: None).

47.7 Amounts related to recovery receivables followed up in off-balance sheet items: 26,576,202 TRY (December 31, 2018: 34,458,497 TRY).

47.8 Explanatory note related to amounts and sources of income & expenses and expenses & losses for previous period: None (January 1 - December 31, 2018: None).

47.9 Information classified as "required to be presented" by Treasury

Provision Income / (Expenses) for the Period:

	January 1 - December 31,	January 1 - December 31, 2018
Provision for Doubtful Receivables		
from Main Operations	(80,272,801)	(73,251,919)
Provision for Employee bonuses, Performance Wages, Seniority Incentives and Loyalty	(27,074,498)	(13,305,106)
Other	(5,206,954)	(13,401,273)
Total	(112,554,253)	(99,958,298)

AXA SİGORTA A.Ş.
APPENDIX 1 - STATEMENT of PROFIT DISTRIBUTION

	Audited Current Period January 1 - December 31, 2019 (*)	Audited Previous Period January 1 - December 31, 2018
I. DISTRIBUTION OF PROFIT FOR THE PERIOD		
1.1. NET PROFIT/(LOSS) FOR THE PERIOD	316,377,490	371,280,446
1.2. TAXES AND FISCAL LIABILITIES	-	-
1.2.1. Corporate Tax (Income Tax)	-	-
1.2.2. Income Tax Deduction	-	-
1.2.3. Other Taxes and Fiscal Liabilities	-	-
A NET PROFIT FOR THE PERIOD (1.1 - 1.2)	316,377,490	371,280,446
1.3. PREVIOUS YEARS' LOSSES (-)	-	-
1.4. PRIMARY LEGAL RESERVES	-	-
1.5. LEGAL RESERVES RETAINED BY COMPANY (-)	-	-
B		
PROFIT FOR THE PERIOD [(A - (1.3 + 1.4 + 1.5)]		
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1. To Common Shareholders	-	-
1.6.2. To Preferred Shareholders	-	-
1.6.3 To Owners of Participating Redeemed Shares	-	-
1.6.4 To Owners of Profit-Sharing Securities	-	-
1.6.5 To Owners of Profit and Loss Sharing Securities	-	-
1.7. DIVIDENDS TO PERSONNEL (-)	-	-
1.8. DIVIDENDS TO FOUNDERS (-)	-	-
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.10. SECOND DIVIDENDS TO SHAREHOLDERS (-)	-	-
1.10.1. To Common Shareholders	-	-
1.10.2. To Preferred Shareholders	-	-
1.10.3. To Owners of Participating Redeemed Shares	-	-
1.10.4. To Owners of Profit-Sharing Securities	-	-
1.10.5. To Owners of Profit and Loss Sharing Securities	-	-
1.11. SECONDARY LEGAL RESERVES (-)	-	-
1.12. STATUTORY RESERVES (-)	-	-
1.13. EXTRAORDINARY RESERVES	-	-
1.14. OTHER RESERVES	-	-
1.15. SPECIAL FUNDS	-	-
II. DISTRIBUTION FROM RESERVES	-	-
2.1. DISTRIBUTED RESERVES	-	-
2.2. SECONDARY LEGAL RESERVES (-)	-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1. To Common Shareholders	-	-
2.3.2. To Preferred Shareholders	-	-
2.3.3 To Owners of Participating Redeemed Shares	-	-
2.3.4 To Owners of Profit-Sharing Securities	-	-
2.3.5 To Owners of Profit and Loss Sharing Securities	-	-
2.4. DIVIDENDS TO PERSONNEL (-)	-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III PROFIT PER SHARE	-	-
3.1. TO COMMON SHAREHOLDERS	-	-
3.2. TO COMMON SHAREHOLDERS (%)	-	-
3.3. TO PREFERRED SHAREHOLDERS (%)	-	-
3.4. TO PREFERRED SHAREHOLDERS (%)	-	-
IV. DIVIDENDS PER SHARE	-	-
4.1. TO COMMON SHAREHOLDERS	-	-
4.2. TO COMMON SHAREHOLDERS (%)	-	-
4.3. TO PREFERRED SHAREHOLDERS (%)	-	-
4.4. TO PREFERRED SHAREHOLDERS (%)	-	-

(*) Shareholders' Assembly is the authorized body of the Company regarding distribution of current period profit. The Company has not yet held the Ordinary Shareholders' Assembly meeting as of the financial statement dates.

AXA HAYAT VE EMEKLİLİK A.Ş.

**FINANCIAL STATEMENTS AND INDEPENDENT AUDIT
REPORT for JANUARY 1 - DECEMBER 31, 2019 PERIOD**



CONVENIENCE TRANSLATION of INDEPENDENT AUDITOR'S REPORT

Axa Hayat ve Emeklilik A.Ş. General Board

C. Independent Audit of Financial Statements

1. Opinion

We have completed the audit on Axa Hayat ve Emeklilik A.Ş.'s ("Company") financial statements drawn up as of December 31, 2019, comprising of detailed Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity, Statement of Cash Flows and Notes to these financial statements, including summary of significant accounting policies.

In our opinion, enclosed Financial Statements present fairly, in all material respects, the Company's financial position as at and the financial performance and cash flows for the period ended on December 31, 2019 in accordance with the regulations regarding accounting and financial reporting under the currently applicable insurance legislation and in accordance with the "Regulation on Accounting and Financial Reporting for Insurance Companies" on issues not covered by the aforementioned legislation.

2. Basis of Opinion

The independent audit has been conducted in accordance with the regulations regarding independent audit principles in effect pursuant to the insurance legislation and with the Independent Audit Standards ("IAS") as part of Turkish Audit Standards issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under these Standards are explained in detail under "Independent Auditor's Responsibility for Independent Audit of Financial Statements" section provided below. We hereby represent that we are independent of the Company in accordance with the Code of Conduct for Independent Auditors ("Code of Conduct") issued by POA and with the ethical rules and requirements set forth in the legislation regarding independent audit of financial statements. We have also fulfilled other ethical responsibilities assigned to independent auditors in Code of Conduct and the relevant legislation. We believe the independent audit evidences obtained during the independent audit activity constitute adequate and appropriate grounds in forming our opinion.



3. Key Audit Issues

Key audit issues are the most critical issues according to our professional judgment for independent audit of financial statements belonging to the current period. Key audit issues are already considered as a whole during the independent audit of and in forming our professional opinion about Company financial tables, therefore a separate opinion in this regard shall not be provided additionally.

<i>Key Audit Issue</i>	<i>Audit Approach to the Issue</i>
<p><i>Estimates and Assumptions Used in Calculation of "mathematical Reserves" Arising from Insurance Contracts</i></p> <p>As explained in Notes 2 & 17, The Company's total Net Mathematical Reserves amount is 59,431,467 TRY as of December 31, 2019, which constitutes a significant portion of the Company's total liabilities excluding Long Term Payables from Private Pension Operations.Measurement of Mathematical Reserves contains significant estimates and assumptions on the consequences of potential uncertain events in the future, including benefits guaranteed to policyholders.</p> <p>Mathematical Reserves are considered as a key audit issue due to their significance for financial statements and estimation uncertainties contained.</p>	<p>Key controls on methods for calculation of the Company's Mathematical Reserves amount as of December 31, 2019 are reviewed and assessed. Mathematical Reserves are recalculated by specialist actuaries in our team by using sampling method on specifications and other relevant calculation data.</p> <p>Also the accuracy and compliance with the Insurance Accounting and Financial Reporting Legislation of the disclosures for these provision amounts presented in financial statement notes are also checked.</p>

7. Other Issue

Company's financial statements prepared for the previous financial year ended on December 31, 2018 were audited by another independent auditor, which declared positive opinion for the audit process and results in the report prepared on March 01, 2019.



8. Responsibilities of Management and Those in Charge of Governance for Company Financial Statements

Company Management is responsible for ensuring preparation and fair presentation of financial statements in accordance with the applicable Insurance Accounting and Financial Reporting Legislation and for the internal control required to prepare true and fair financial statements free of material mistakes arising from errors or fraud

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to the 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 in charge of governance are responsible for overseeing the Company's financial reporting process.

9. Auditor's Responsibilities for Independent Audit of Financial Statements

As independent auditors, our responsibilities for an independent audit are as follows:

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 does not guarantee that an audit conducted in accordance with the regulations regarding independent audit principles in effect under insurance legislation and with IASs shall always detect a material misstatement whenever it exists. Misstatements can arise from fraud or error and these 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 financial statements.

As part of an audit conducted in accordance with the regulations regarding independent audit principles in effect under insurance legislation and with IASs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of "material misstatement" in financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence 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 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 financial statements, including disclosures, and whether financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those in charge of Company 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.

From the matters communicated with officers in charge of Company governance, we determine those matters that were of most significance in the audit of financial statements for the current period, which therefore constitute the key audit issues. We describe these matters in our auditor's report unless existing laws or regulations preclude public disclosure about the issue or when, in extremely rare circumstances, we determine that an issue 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.



D. Other Liabilities Arising from the Legislation

1. Pursuant to Article 402.4 of Turkish Commercial Code no.6102 ("TCC"), no significant item was found in the Company's bookkeeping pattern during and financial statements belonging to the accounting period between January 1 - December 31, 2019 showing non-compliance with the provisions of TCC and Company Articles of Establishment regarding financial reporting.
2. Pursuant to Article 402.4 of TCC, Company Board of Directors made the necessary disclosures and provided the documents requested during the audit activity.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik AŞ.

Talar Gül, SMMM
Chief Auditor in Charge

İstanbul, March 13, 2020

**OUR STATEMENT regarding COMPANY FINANCIAL
STATEMENTS DRAWN UP as of DECEMBER 31, 2019**

We hereby declare that the attached financial statements drawn up as of December 31, 2019 and related notes have been prepared in accordance with the accounting principles and standards in effect as per the insurance regulations and are consistent with the relevant regulations and the records of the Company.

AXA SİGORTA A.Ş. General Management

İstanbul, 13 / 03 / 2020

Yavuz ÖLKEN	Tuba KARATAŞ ARICAN	Gamze KAYĞISIZ	Ertan TAN
BoD Deputy Chairman & General Manager	CFO	Accounting & Collection Manager	Actuary

AXA HAYAT VE EMEKLİLİK A.Ş.

FINANCIAL STATEMENTS for JANUARY 1 - DECEMBER 31, 2019 PERIOD

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AXA HAYAT VE EMEKLİLİK A.Ş.**CONVENIENCE TRANSLATION of the DETAILED
BALANCE SHEETS as at DECEMBER 31, 2019 and 2018**

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

		Audited December 31, 2019	Audited December 31, 2018
I- Current Assets	Note		
A- Cash and Cash Equivalents	14	30,636,728	24,506,788
1- Cash		-	-
2- Checks Received		-	-
3- Banks	2.12 and 14	24,179,366	17,236,267
4- Checks and Payment Orders Issued (-)		-	-
5- Bank Guarantees and Three Months Short Term Credit Cart Receivables	2.12 and 14	6,457,362	7,270,521
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments at Policyholders' Risk	11	99,221,132	170,261,727
1- Available for Sale Investments	11.1	38,626,058	99,822,441
2- Held to Maturity Investments		-	-
3- Trading Investments		-	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Financial Assets at Policyholder's Risk	11.1	60,595,074	70,439,286
7- Company Shares		-	-
8- Provision for Impairment of Financial Assets (-)		-	-
C- Receivables from Operations	11 and 12	2,321,358	2,232,329
1- Due from Insurance Operations	12	504,374	372,730
2- Provision for Due from Insurance Operations (-)	12	(3,592)	(3,592)
3- Due from Reinsurance Operations		-	-
4- Provision for Due from Reinsurance Operations (-)		-	-
5- Cash Deposited with Insurance and Reinsurance Companies	12 and 45	510,526	588,772
6- Loans to Policyholders	12	181,445	332,397
7- Provision for Loans to Policyholders (-)		-	-
8- Due from Private Pension Operations	12	1,128,605	942,022
9- Doubtful Receivables from Main Operations	12	156,543	156,543
10- Provision for Doubtful Receivables from Main Operations (-)	12	(156,543)	(156,543)
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 Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
E- Other Receivables		190,450	16,458
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		4,365	4,365
4- Other Receivables		186,085	12,093
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
F- Deferred Expenses and Income Accruals		145,551	123,465
1- Deferred Production Expenses	17	127,361	100,652
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Deferred Expenses	47	18,190	22,813
G- Other Current Assets		347,366	316,337
1- Prepaid Office Supplies		-	-
2- Prepaid Taxes and Funds	35	347,366	313,837
3- Deferred Tax Assets		-	-
4- Cash Advances		-	-
5- Advances to Personnel		-	2,500
6- Count Shortages		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		132,862,585	197,457,104

Enclosed Notes are complementary to these Financial Statements.

AXA HAYAT VE EMEKLİLİK A.Ş.
CONVENIENCE TRANSLATION of the DETAILED
BALANCE SHEETS as at DECEMBER 31, 2019 and 2018
(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

		Audited December 31, 2019	Audited December 31, 2018
II - Non-Current Assets	Note		
A- Receivables from Operations	2.14 and 17	674,750,457	474,234,675
1- Due from Insurance Operations		-	-
2- Provision for Due from Insurance Operations (-) 3- Due from Reinsurance Operations		-	-
4- Provision for Due from Reinsurance Operations (-)		-	-
5- Cash Deposited with Insurance and Reinsurance Companies		-	-
8- Loans to Policyholders		-	-
9- Provision for Loans to Policyholders (-)		-	-
8- Due from Private Pension Operations	2.14 and 17	674,750,457	474,234,675
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations (-)		-	-
B- Due from Related Parties			
1- Due from Shareholders		-	-
5- Due from Affiliates		-	-
6- Due from Subsidiaries		-	-
7- Due from Joint-Ventures		-	-
7- Due from Personnel		-	-
8- Due from Other Related Parties		-	-
7- Rediscount on Due from Related Parties (-) 8- Provision for Doubtful Receivables from Related		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
C- Other Receivables			
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given 4- Other Receivables		-	-
5- Rediscount on Other Receivables (-)		-	-
8- Other Doubtful Receivables		-	-
9- Provision for Other Doubtful Receivables (-)		-	-
D- Financial Assets		427,810	427,810
1- Investment Securities 2- Affiliates	45.2	427,810	427,810
5- Affiliates Capital Commitments (-)		-	-
6- Subsidiaries		-	-
5- Subsidiaries Capital Commitments (-)		-	-
8- Joint-Ventures		-	-
9- Joint-Ventures Capital Commitments (-)		-	-
8- Financial Assets and Financial Investments at Policyholders' Risk		-	-
11- Other Financial Assets		-	-
12- Provision for Impairment of Financial Assets (-)		-	-
E- Tangible Assets	6	1,591,221	8,518
3- Investment Properties		-	-
4- Provision for Diminution in Value of Investment Property (-)		-	-
3- Property for Operational Usage		-	-
6- Machinery and Equipment		-	-
7- Furniture and Fixtures	6	580,179	578,254
8- Motor Vehicles		-	-
9- Other Tangible Assets (including leasehold improvements)		-	-
8- Leased Assets	6	2,116,445	-
11- Accumulated Depreciation (-)	6	(1,105,403)	(569,736)
12- Advances Given for Tangible Assets (including construction in progress)		-	-
F- Intangible Assets	8	42,230	45,534
3- Rights	8	3,203,113	3,203,113
4- Goodwill		-	-
3- Start-up Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortization (-)	8	(3,160,883)	(3,157,579)
7- Advances Given for Intangible Assets		-	-
G- Deferred Expenses and Income Accruals			
1- Deferred Production Expenses 2- Income Accruals		-	-
3- Other Deferred Expenses		-	-
H- Other Non-Current Assets	21 and 35	2,841,653	1,760,844
1- Effective Foreign Currency Accounts		-	-
5- Foreign Currency Accounts		-	-
6- Prepaid Office Supplies		-	-
7- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21 and 35	2,841,653	1,760,844
6- Other Non-Current Assets		-	-
9- Other Non-Current Assets Depreciation (-)		-	-
10- Provision for Other Non-Current Assets (-)		-	-
II- Total Non-Current Assets		679,653,371	476,477,381
TOTAL ASSETS (I+II)		812,515,956	673,934,485

Enclosed Notes are complementary to these Financial Statements.

AXA HAYAT VE EMEKLİLİK A.Ş.
CONVENIENCE TRANSLATION of the DETAILED
BALANCE SHEETS as at DECEMBER 31, 2019 and 2018
(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

		Audited December 31, 2019	Audited December 31, 2018
III- Current Liabilities	Note		
A- Financial Liabilities	20	586,243	-
1- Due to Credit Institutions		-	-
2- Leasing Payables	20	586,243	-
3- Deferred Leasing Costs (-)		-	-
4- Short Term Installments of Long Term Borrowings		-	-
5- Issued Debt Securities		-	-
6- Other Issued Debt Securities		-	-
7- Value Differences of Other Issued Debt Securities (-)		-	-
8- Other Financial Payables		-	-
B- Payables from Operations	4 and 19	8,433,328	10,155,612
1- Payables from Insurance Operations	4, 10 and 19	1,151,692	1,485,286
2- Payables from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables from Private Pension Operations	4 and 19	7,281,636	8,670,326
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties		256,837	238,296
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	45 and 47.1	256,837	238,296
D- Other Payables		2,237,064	1,731,791
1- Deposits and Guarantees Received	12.3	1,520,050	1,346,211
2- Payables to SSI for Medical Expenses		-	-
3- Other Payables	19 and 47.1	717,014	385,580
4- Rediscount on Other Payables (-)		-	-
E- Insurance Technical Provisions		12,107,131	12,127,558
1- Unearned Premium Reserve - Net	2.24, 4 and 17	868,841	882,245
2- Unexpired Risks Reserve-Net		-	-
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net	2.24, 4 and 17	8,403,586	8,679,737
5- Bonus Provision-Net		-	-
6- Other Technical Reserves - Net	2.24, 4 and 17	2,834,704	2,565,576
F- Taxes and Other Fiscal Liabilities		1,306,523	673,848
1- Taxes and Funds Payable		501,101	531,406
2- Social Security Withholdings Payable		147,372	142,442
3- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
4- Other Taxes and Fiscal Liabilities		-	-
5- Corporate Tax Provision and Other Fiscal Liabilities	35	4,897,160	-
6- Prepaid Taxes and Other Similar Liabilities for Profit (-)	35	(4,239,110)	-
7- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks	23	5,140,956	4,742,382
1- Provision for Employment Termination Benefits		-	-
2- Provision for Social Aid Fund Asset Shortage		-	-
3- Provision for Expense Accruals	23	5,140,956	4,742,382
H- Deferred Income and Expense Accruals	19	958,571	885,887
1- Deferred Commissions Income	17	595,150	512,681
2- Expense Accruals		-	-
3- Other Deferred Income	19 and 47.1	363,421	373,206
I- Other Current Liabilities		320,391	307,382
1- Deferred Tax Liabilities		-	-
2- Count Overages		-	-
3- Other Current Liabilities	19 and 47.1	320,391	307,382
III - Total Current Liabilities		31,347,044	30,862,756

Enclosed Notes are complementary to these Financial Statements.

AXA HAYAT VE EMEKLİLİK A.Ş.**CONVENIENCE TRANSLATION of the DETAILED
BALANCE SHEETS as at DECEMBER 31, 2019 and 2018**

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

IV – Non-Current Liabilities	Note	Audited December 31, 2019	Audited December 31, 2018
A- Financial Liabilities	20	1,172,487	-
1- Due to Credit Institutions		-	-
2- Leasing Payables	20	1,172,487	-
3- Deferred Leasing Costs (-)		-	-
4- Issued Debt Securities		-	-
5- Other Issued Debt Securities		-	-
6- Value Differences of Other Issued Debt Securities (-)		-	-
7- Other Financial Payables		-	-
B- Payables from Operations	2.14, 4, 17 and 19	674,750,457	474,234,675
1- Payables from Insurance Operations		-	-
2- Payables from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables from Private Pension Operations	2.14, 4, 17 and 19	674,750,457	474,234,675
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other 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- Payables to SSI for Medical Expenses		-	-
3- Other Payables		-	-
4- Rediscount on Other Payables		-	-
E- Insurance Technical Provisions		65,488,507	74,607,541
1- Unearned Premium Reserve - Net		-	-
2- Unexpired Risks Reserve - Net		-	-
3- Mathematical Reserves - Net	2.24, 4 and 17	59,431,467	70,462,380
4- Outstanding Claims Reserve - Net		-	-
5- Bonus Provision-Net		-	-
6- Other Technical Reserves - Net	17	6,057,040	4,145,161
F- Other Liabilities and Related Provisions		-	-
1- Other Payables		-	-
2- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
3- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks		1,287,200	1,268,654
1- Provision for Employment Termination Benefits	22	1,287,200	1,268,654
2- Provision for Social Aid Fund Asset Shortage		-	-
H- Deferred Income and Expense Accruals		-	-
1- Deferred Commissions Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
I- Other Current Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Other Non-Current Liabilities		-	-
IV- Total Non-Current Liabilities		742,698,651	550,110,870

Enclosed Notes are complementary to these Financial Statements.

AXA HAYAT VE EMEKLİLİK A.Ş.
CONVENIENCE TRANSLATION of the DETAILED
BALANCE SHEETS as at DECEMBER 31, 2019 and 2018
(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

V- Shareholders' Equity	Note	Audited December 31, 2019	Audited December 31, 2018
A- Share Capital	2.13 and 15	20,000,000	62,975,000
1- (Nominal) Capital	2.13 and 15	20,000,000	62,975,000
2- Unpaid Capital (-)		-	-
3- Adjustments to Share Capital		-	-
4- Adjustments to Share Capital (-) 5- Capital of Expected Registration		-	-
B- Capital Reserves		-	-
1- Share Premium 2- Share Premiums of Canceled Shares		-	-
3- Sales Profit Addition to the Capital		-	-
4- Foreign Currency Translation Differences		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		11,423,716	16,496,540
3- Legal Reserves	15	10,000,000	17,216,193
4- Statutory Reserves		-	-
3- Extraordinary Reserves	15	-	1,989,527
4- Special Reserves		-	-
5- Valuation of Financial Assets	2.8 and 15	1,528,336	(2,809,865)
6- Other Profit Reserves	15	(104,620)	100,685
D- Retained Earnings		-	-
1- Retained Earnings		-	-
E- Accumulated Loss (-)		-	-
1- Previous Years' Losses (-)		-	-
F- Net Profit for the Period	37	7,046,545	13,489,319
1- Net Profit for the Period	37	7,046,545	13,489,319
2- Net Loss for the Period (-)		-	-
3- Profit Not Subject to Distribution		-	-
Total Shareholders' Equity		38,470,261	92,960,859
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (III+IV+V)		812,515,956	673,934,485

Enclosed Notes are complementary to these Financial Statements.

AXA HAYAT VE EMEKLİLİK A.Ş.

CONVENIENCE TRANSLATION of STATEMENT of CASH FLOWS for JANUARY 1 - DECEMBER 31, 2019 and 2018 PERIODS

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

	Note	Audited January 1 - December 31, 2019	Audited January 1 December 31,
I- TECHNICAL SECTION			
A- Non-Life Technical Revenues		71,113	63,790
1- Earned Premiums (Net of Reinsurer's Share)		69,527	62,757
1.1- Written Premiums (Net of Reinsurer's Share) (+)	24	82,553	62,327
1.1.1- Gross Written Premiums (+)	24	105,249	83,038
1.1.2- Ceded Premiums (-)	10 and 24	(22,696)	(20,711)
1.1.3- Premiums Ceded to SSI (-)		-	-
1.2 Change in Unearned Premiums Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17	(13,026)	430
1.2.1- Unearned Premium Reserve (-)	17	(17,292)	7,901
1.2.2- Reinsurer's Share in Unearned Premium Reserve (-) 1.2.3-	10 and 17	4,266	(7,471)
SSI Share in Unearned Premium Reserve (+)		-	-
1.3- Change in Unexpired Risks Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-) 2-		-	-
1.3.1- Unexpired Risks Reserve (-)		-	-
1.3.2- Reinsurer's Share in Unexpired Risks Reserve (+/-) 2-		-	-
Investment Income Transferred from Non-Technical Section		-	-
3- Other Technical Income (Net of Reinsurer's Share)		1,586	1,033
3.1- Gross Other Technical Income (+/-)		1,586	1,033
3.2- Reinsurer's Share in Gross Other Technical Income (-)		-	-
4- Recovery and Salvage Income Accruals		-	-
B- Non-Life Technical Expenses (-)		(4,588)	(14,925)
1- Incurred Losses (Net of Reinsurer's Share)		1,602	(17,371)
1.1- Paid Claims (Net of Reinsurer's Share) (-)		(28,295)	(16,841)
1.1.1- Gross Paid Claims (-)		(30,815)	(16,841)
1.1.2- Reinsurer's Share in Paid Claims (+)	10	2,520	-
1.2- Change in Outstanding Claims Reserve (Net of Reinsurer's share and Reserves Carried Forward) (+/-)		29,897	(530)
1.2.1- Outstanding Claims Reserve (+/-)		26,522	(9,795)
1.2.2- Reinsurer's Share in Outstanding Claims Reserve (-)	10	3,375	9,265
2- Change in Bonus and Rebate Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		-	-
2.1- Bonus and Rebate Reserve		-	-
2.2- Reinsurer's Share in Bonus and Rebate Reserve		-	-
3- Change in Other Technical Reserves (Net of Reinsurer's Share and Reserves Carried Forward)		785	1,656
4- Operating Expenses	31 and 32	(17,797)	(11,647)
5- Change in Mathematical Reserves (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		10,822	12,437
5.1- Mathematical Reserves (-)		10,822	12,437
5.2- Reinsurer's Share in Mathematical Reserves (+)		-	-
6- Other Technical Expenses		-	-
6.1- Gross Other Technical Expenses (-)		-	-
6.2- Reinsurer's Share in Gross Other Technical Expenses (+)		-	-
C- Net Technical Income - Non-Life		66,525	48,865
D- Life Technical Revenues		29,587,718	50,285,623
1- Earned Premiums (Net of Reinsurer's Share)		9,409,474	9,710,679
1.1- Written Premiums (Net of Reinsurer's Share)	24	9,383,044	9,458,395
1.1.1- Gross Written Premiums	24	11,294,716	11,364,913
1.1.2- Ceded Premiums	10 and 24	(1,911,672)	(1,906,518)
1.2 Change in Unearned Premiums Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+)	17	26,430	252,284
1.2.1- Unearned Premiums Reserve (+)	17	(167,914)	37,053
1.2.2- Reinsurer's Share in Unearned Premium Reserve (-)	10 and 17	194,344	215,231
1.3- Change in Unexpired Risks Reserve (Net of Reinsurer's Share and Reserves Carried Forward)		-	-
1.3.1- Unexpired Risks Reserve		-	-
1.3.2- Reinsurer's Share in Unexpired Risks Reserve		-	-
4- Life Segment Investment Income	26	20,133,919	40,498,598
5- Unrealized Investment Profits		-	-
4- Other Technical Income (Net of Reinsurer's Share)		44,325	76,346
4.1- Gross Other Technical Income (+/-)		44,325	76,346
4.2- Reinsurer Share in Gross Other Technical Revenues (+/-)		-	-
5- Recovery Income Accruals (+)		-	-
E- Life Technical Expenses		(26,597,689)	(51,075,482)
1- Incurred Losses (Net of Reinsurer's Share)		(25,787,454)	(36,642,774)
1.1- Paid Claims (Net of Reinsurer's Share) (-)		(26,033,708)	(38,410,202)
1.1.1- Gross Paid Claims (-)		(26,574,689)	(38,470,845)
1.1.2- Reinsurer's Share in Paid Claims	10	540,981	60,643
1.2- Change in Outstanding Claims Reserve (Net of Reinsurer's share and Reserves Carried Forward)		246,254	1,767,428
1.2.1- Outstanding Claims Reserve (-)		606,884	1,435,564
1.2.2- Reinsurer's Share in Outstanding Claims Reserve (+)	10	(360,630)	331,864
2- Change in Bonus and Rebate Reserve (Net of Reinsurers' Share and Reserves Carried Forward)		-	-
2.1- Bonus and Rebate Reserve		-	-
2.2- Reinsurer's Share in Bonus and Rebate Reserve		-	-
3- Change in Mathematical Reserves (Net of Reinsurer's share and Reserves Carried Forward)		11,020,091	8,513,492
3.1- Mathematical Reserves (-)		11,020,091	8,513,492
3.1.1- Actuarial Mathematical Reserves (-)		7,039,475	6,125,586
3.1.2- Profit Share Reserve (Reserves for Policies with Investment Risk Borne by Policyholders)		3,980,616	2,387,906
3.2- Reinsurer's Share in Mathematical Reserves		-	-
3.2.1- Reinsurer's Share in Actuarial Mathematical Reserves		-	-
3.2.2- Reinsurer's Share in Profit Share Reserve (Reserves for Policies with Investment Risk Borne by Policyholders) 4-		-	-
Change in Other Technical Reserves (Net of Reinsurer's Share and Reserves Carried Forward)		(93,355)	(242,625)
5- Operating Expenses	31 and 32	(3,108,976)	(4,753,926)
6- Operating Expenses	26	(8,627,995)	(17,949,649)
9- Unrealized Investment Losses (-)		-	-
10- Investment Income Transferred to Non-Technical Section (-)		-	-
F- Net Technical Income - Life		2,990,029	(789,859)
G- Private Pension Technical Income		11,650,842	9,671,361
1- Fund Management Income		7,568,189	5,964,909
2- Management Cost Charge		1,668,503	1,244,873
3- Entrance Fee Income	2.14 and 25	1,930,243	2,059,353
4- Management Cost Charge in case of Suspension 5- -		483,866	402,205
Special Service Expense Charge		-	-
6- Capital Allowance Value Increase Income		-	-
7- Other Technical Income		41	21
H- Private Pension Technical Expense		(16,033,424)	(13,622,099)
1- Fund Management Expenses		(572,847)	(444,224)
2- Capital Allowance Value Decrease Expenses 3-		-	-
Operating Expenses	31 and 32	(13,406,740)	(11,304,652)
4- Other Technical Expenses		(2,053,837)	(1,872,821)
5- Penal Payments (-)		-	(402)
I- Net Technical Income - Pension		(4,382,582)	(3,950,738)

Enclosed Notes are complementary to these Financial Statements.

AXA HAYAT VE EMEKLİLİK A.Ş.**CONVENIENCE TRANSLATION of STATEMENT of CASH FLOWS
for JANUARY 1 - DECEMBER 31, 2019 and 2018 PERIODS**

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

II- NON-TECHNICAL SECTION	Note	Audited January 1 - December 31,	Audited January 1 - December 31,
C- Net Technical Income - Non-Life		66,525	48,865
F- Net Technical Income - Life		2,990,029	(789,859)
I- Net Technical Income - Pension		(4,382,582)	(3,950,738)
J- Overall Technical Income (C+F+I)		(1,326,028)	(4,691,732)
K- Investment Income		34,105,573	33,910,847
1- Income from Financial Investments	26	16,646,976	11,554,482
2- Income from Liquidation of Financial Investments	26	10,784,125	117,898
3- Valuation of Financial Investments	26	417,053	6,748,713
4- Foreign Exchange Gains	26 and	6,257,419	15,489,686
5- Income from Affiliates		-	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment		-	-
8- Income from Derivatives		-	-
9- Other Investments	26	-	68
10- Investment Income Transferred from Life Technical Section		-	-
L- Investment Expenses (-)		(21,368,829)	(10,893,764)
1- Investment Management Expenses - Interest Included (-)	26	(301,316)	(49,994)
2- Diminution in Value of Investments (-)	26	(11,864,193)	(1,858,910)
3- Loss from Realization of Financial Investments (-)	26	(4,845,588)	(830,678)
4- Investment Income Transferred to Non-Life Technical Section (-)		-	-
5- Loss from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	26 and	(3,348,476)	(8,139,725)
7- Operating Expenses (-)	6	(538,971)	(14,457)
8- Other Investment Expenses (-)		(470,285)	-
M- Income and Expenses from Other Operations and Extraordinary Operations (+/-)		532,989	(4,836,032)
1- Provisions (+/-)	47.5	(1,410,510)	(2,128,696)
5- Rediscounts (+/-)		-	-
6- Special Insurances (+/-)		-	-
7- Inflation Adjustments (+/-)		-	-
5- Deferred Tax Assets (+/-)	21 and	2,246,497	-
6- Deferred Tax Liabilities Expenses (-)	21 and	-	(2,461,578)
7- Other Income		42,016	75,063
11- Other Expenses and Losses (-)	47	(345,014)	(320,821)
12- Revenues and Profits from Previous Years		-	-
13- Expenses and Losses from Previous Years (-)		-	-
N- Net Profit (or Loss) for the Period		7,046,545	13,489,319
1- Profit/Loss(-) for the Period		11,943,705	13,489,319
2- Provision for Corporate Tax and Other Fiscal Liabilities (-)	35	(4,897,160)	-
3- Net Profit/Loss(-) for the Period		7,046,545	13,489,319
4- Inflation Adjustment		-	-

Enclosed Notes are complementary to these Financial Statements.

AXA HAYAT VE EMEKLİLİK A.Ş.**CONVENIENCE TRANSLATION of STATEMENT of CASH FLOWS
for JANUARY 1 - DECEMBER 31, 2019 and 2018 PERIODS**

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

	Note	Audited January 1 - December 31, 2019	Audited January 1 - December 31, 2018
A. CASH FLOW FROM OPERATING ACTIVITIES			
1. Cash Inflow from Insurance Operations		12,228,128	25,554,566
4. Cash Inflow from Reinsurance Operations		-	-
5. Cash Inflow from Private Pension Operations		212,166,624	100,470,528
6. Cash Outflow from Insurance Operations (-)		(32,198,682)	(50,711,255)
7. Cash Outflow from Reinsurance Operations (-)		-	-
6. Cash Outflow from Private Pension Operations (-)		(218,124,479)	(104,478,056)
9. Net Cash from Operating Activities (A1+A2+A3-A4-A5-A6)		(25,928,409)	(29,164,217)
10. Interest Payment (-)		-	-
9. 9- Income Tax Payment (-)		(4,620,005)	(313,837)
10. Other Cash Inflows		3,240,262	1,855,658
11. Other Cash Outflows (-)		(4,643,057)	(3,076,539)
12. Net Cash Inflow from Operating Activities		(31,951,209)	(30,698,935)
C. CASH FLOW FROM INVESTMENT OPERATIONS			
1. Sale of Tangible Assets		-	93
2. Tangible Asset Acquisitions (-)	6	(1,925)	-
3. Financial Asset Acquisitions (-)		(16,200,000)	(5,225,935)
4. Sale of Financial Assets		68,526,592	10,485,054
7. Interest Received		46,620,013	11,672,380
8. Dividends Received		-	-
7. Other Cash Inflows		21,377,072	22,548,926
8. Other Cash Outflows (-)		(20,108,466)	(2,739,581)
9. Net Cash Inflow from Investment Activities		100,213,286	36,740,937
D. CASH FLOW FROM FINANCING OPERATIONS			
1. Issue of Shares		-	-
4. Cash Inflows from Borrowings		-	-
5. Leasing Payments (-)	20	(828,000)	-
4. Dividends Paid (-)	38	(13,638,817)	-
5. Other Cash Inflows		-	-
6. Other Cash Outflows (-)	15	(52,031,222)	-
7. Net Cash Inflow from Financing Operations		(66,498,039)	-
D. EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS			
		910,167	455,437
E. Net Increase/(Decrease) in Cash and Cash Equivalents (A12+B9+C7+D)		2,674,205	6,497,439
F. Cash and Cash Equivalents at the Beginning of the Period		24,375,948	17,878,509
G. Cash and Cash Equivalents at the End of the Period (E+F)	2.12	27,050,153	24,375,948

Enclosed Notes are complementary to these Financial Statements.

AXA HAYAT VE EMEKLİLİK A.Ş.
CONVENIENCE TRANSLATION of STATEMENT of CASH FLOWS
for JANUARY 1 - DECEMBER 31, 2019 and 2018 PERIODS

(Denominated in Turkish Lira ("TRY"), unless stated as otherwise)

	Shareholders' Equity	Own Shares (-)	Increase/(Decrease) in Asset Values	Inflation Adjustme nt on Share	Foreign Curren cy Transla	Legal Reserves	Statu tory	Othe r Reserves and Retained Profit	Net Profit for the	Retained Earnings /	Total
Previous Period											
I - Balance at the End of Previous Period (31/12/2017)	62,975,000	-	5,303,260	-	-	17,024,974	-	(192,311)	3,824,381	(1,643,635)	87,291,669
II - Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
III - New Balance (I + II) (01/01/2017)	62,975,000	-	5,303,260	-	-	17,024,974	-	(192,311)	3,824,381	(1,643,635)	87,291,669
A- Capital Increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From Internal Sources	-	-	-	-	-	-	-	-	-	-	-
B- Own Shares	-	-	-	-	-	-	-	-	-	-	-
C- Gains and Losses Not Included in Income Statement (Note 15)	-	-	-	-	-	-	-	292,996	-	-	292,996
D- Increase/(Decrease) in Asset Values	-	-	(8,113,125)	-	-	-	-	-	-	-	(8,113,125)
E- Foreign Currency Translation Differences	-	-	-	-	-	-	-	-	-	-	-
F- Other Income and Losses	-	-	-	-	-	-	-	-	-	-	-
G- Inflation Adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net Profit / (Loss) for the Period	-	-	-	-	-	-	-	-	13,489,319	-	13,489,319
I- Dividends Paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfer (Note 15)	-	-	-	-	-	191,219	-	1,989,527	(3,824,381)	1,643,635	-
IV - Balance at Period End (31/12/2018) (III+ A+B+C+D+E+F+G+H+I+J)	62,975,000	-	(2,809,865)	-	-	17,216,193	-	2,090,212	13,489,319	-	92,960,859
Current Period											
I - Balance at the End of Previous Period (31/12/2018)	62,975,000	-	(2,809,865)	-	-	-	-	2,090,212	13,489,319	-	92,960,859
II - Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
III - New Balance (I + II) (01/01/2018)	62,975,000	-	(2,809,865)	-	-	17,21	-	2,090,212	13,489,319	-	92,960,859
A- Capital Increase (A1 + A2) (Note 15)	9,056,222	-	-	-	-	(9,05	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From Internal Sources	9,056,222	-	-	-	-	(9,05	-	-	-	-	-
B- Own Shares	-	-	-	-	-	-	-	-	-	-	-
C- Gains and Losses Not Included in Income Statement (Note 15)	-	-	-	-	-	-	-	(205,305)	-	-	(205,305)
D- Increase/(Decrease) in Asset Values	-	-	4,338,2	-	-	-	-	-	-	-	4,338,201
E- Foreign Currency Translation Differences	-	-	-	-	-	-	-	-	-	-	-
F- Other Income and Losses (Note 15)	(52,031,222)	-	-	-	-	-	-	-	-	-	(52,031,222)
G- Inflation Adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net Profit / (Loss) for the Period	-	-	-	-	-	-	-	-	7,046,545	-	7,046,545
I- Dividends Paid (Note 38)	-	-	-	-	-	-	-	(1,989,527)	(11,649,290)	-	(13,638,817)
J- Transfer (Note 15)	-	-	-	-	-	1,84	-	-	(1,840,029)	-	-
IV- Balances at Period End (31/12/2019) (III+ A+B+C+D+E+F+G+H+I+J)	20,000,000	-	1,528.336	-	-	10,000,000	-	(104,620)	7,046,545	-	38,470,261

Detailed information about Equity items is provided in Note 15.

Enclosed Notes are complementary to these Financial Statements.

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5. General Information

5.1 Name of Parent Company: Axa Holding A.Ş. is the direct main partner and Axa SA is the ultimate main partner of Axa Hayat ve Emeklilik A.Ş. ("Company") as of December 31, 2019 and December 31, 2018.

Pursuant to the Share Purchasing Agreement executed on February 5, 2008 between Axa SA, a partner of Axa Hayat Sigorta A.Ş.'s main partner Axa Holding A.Ş. and OYAK, all shares of OYAK in Axa Oyak Holding A.Ş. is transferred to Axa Mediterranean Holding SA. Following the official approvals given by the Undersecretariat of Treasury affiliated to the Turkish Ministry of Treasury and Finance ("the Ministry") and Turkish Competition Authority validating the said share transfer, Company's former name Axa Oyak Hayat Sigorta A.Ş. is changed as Axa Hayat Sigorta A.Ş. with the resolution made in Company Shareholders' Assembly held on August 12, 2008 and the title change is officially registered on the same date. Business title of the Company's main partner Axa Oyak Holding A.Ş. is also changed and registered on the same date as Axa Holding A.Ş.

Company Board of Directors ("BoD") decided to change the Company's status from life insurance to life insurance and pension company and initiate the required proceedings in this regard in accordance with Resolution No.28 made on October 16, 2008, and to initiate the activities required for transfer of the Company's health portfolio to Axa Sigorta A.Ş. in accordance with Resolution No.5 made on February 16, 2009. The Company subsequently presented the required documents regarding transfer of the health portfolio on June 15, 2009 to the Ministry. The Ministry approved this transfer with the official letter dated August 25, 2009 and the transfer is realized through recognition in Company financial statements drawn up on October 31, 2009 in accordance with the portfolio transfer agreement signed on September 10, 2009. Company's business title Axa Hayat Sigorta A.Ş. is changed as Axa Hayat ve Emeklilik A.Ş. pursuant to permission no.23749 of the Ministry dated May 12, 2010 and permission no.2709 of General Directorate of Domestic Trade affiliated to the Ministry of Industry and Trade dated May 14, 2010 and the title change is officially registered on June 29, 2010.

The Company filed an application to the Ministry on August 18, 2010 to operate in private pension segment and was subject to a license audit on February 1, 2011. The company obtained the license for private pension operations on May 5, 2011 which was officially registered on May 24, 2011. The Company has 19 Pension Investment Funds with the capacity of fund founder as of December 31, 2019 (December 31, 2018: 19 funds).

5.2 Company's Legal Residence Address, Legal Structure, Country of Incorporation and Address of Officially Registered Office: The Company is established in May 1995 in Istanbul and started operations in July 1995. The Company is registered in Istanbul, Turkey and registered address is "Meclis-i Mebusan Cad. No: 15, 34433 Salıpazarı/Istanbul".

5.3 Nature of Operations: The company operates in line with Insurance Law No.5684 and also with Private Pension Saving and Investment System Act No. 4632. and the official circulars issued regarding these two acts. As disclosed in Note 1.1, the Company operates as an insurer in life and personal accident segments in insurance industry and started operating in private pension segment in 2011.

5.4 Explanation of Company Activities and Characteristics of Main Operations: Disclosed in Notes 1.2 and 1.3.

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1. General Information (continued)

5.5 Average Number of Employees During the Period by Category:

:

	January 1 - December 31, 2018	January 1 - December
Senior and middle level managers	3	4
Other employees	39	47
Total	42	51

5.6 Total salaries and benefits paid to the members of the Board of Directors, General Manager, General Coordinator, Assistant General Managers and other executive management during the current period: 1,544,095 TRY (January 1 - December 31, 2018: 1,269,661 TRY)

5.7 Criteria set for the allocation of investment income and operating expenses (personnel, management, research and development, marketing and sales, outsourcing services and other operating expenses) in financial statements: All investment income generated by investments backing life and non-life technical provisions is transferred from non-technical to technical section of the income statement. Other investment income is classified under non-technical section. The Company considered the weighted average of the number of policies produced within the current period, amount of gross written premiums and number of loss claim reports realized within last three years for distribution of operating income transferred to the technical section.

5.8 Information on financial statements as to whether financial statements include only one firm or a group of firms: Financial Statements are drawn up for only one company Axa Hayat ve Emeklilik A.Ş.).

5.9 Name and other identification information of the reporting firm and changes in this information from the previous balance sheet date: Company's name and other identification details and changes in the foregoing information from the previous balance sheet date are disclosed in Notes 1.1, 1.2, & 1.3.

5.10 Events after Balance Sheet date: The Company's financial statements are approved by Company Senior Management on March 13, 2020. Events after Balance Sheet date are disclosed in Note 46.

6. Summary of Significant Accounting Policies

6.1 Basis of Preparation

The Company prepares its financial statements in accordance with the Insurance Act No.5684 and the regulations issued for insurance and reinsurance companies by the Ministry.

The financial statements are prepared in accordance with the Insurance Chart of Accounts included in the Communiqué issued by the Ministry regarding the Insurance Chart of Accounts and Prospects, published in Turkish Official journal (No:25686) dated December 30, 2004 (Insurance Accounting System Communiqué No.1) and also with the Industry Announcement No.2011/14 dated December 27, 2011 regarding Opening New Account Codes in the Insurance Chart of Accounts. Content and format of the financial statements and explanations and notes thereof are determined in accordance with the Communiqué on Presentation of Financial Statements published in the Official Journal No.26851 dated April 18, 2008 and with the Industry Announcement No.2012/7 dated May 31, 2012 regarding Presentation of Financial Statements with New Account Codes.

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2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

Since January 1, 2008, the Company has been booking its activities and operations in line with the "Regulation on Financial Reporting of Insurance and Reinsurance Companies and Pension Companies", issued on July 14, 2007 and effective as of January 1, 2008, in addition to other regulations, announcements and communiques issued by the Ministry regarding the principles of accounting and financial reporting; and for issues not covered by the foregoing, in accordance with the "Insurance Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards ("TFRS") as issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). "TAS 1- Financial Statements and Presentation", "TAS 27- Consolidated and Non-consolidated Financial Statements", "TFRS 1 - Transition to TFRS" and "TFRS 4- Insurance Contracts" have been scoped out of this application pursuant to the notice No. 9 issued by the Ministry on February 18, 2008. In addition, the companies are obliged to comply with the "Communiqué on Preparation of Consolidated Financial Statements of Insurance and Reinsurance Companies and Pension Companies" ("Consolidation Communiqué") dated December 31, 2008 which was published in the Official Journal No. 27097 and effective as of March 31, 2009. The Company does not have any subsidiaries required to be consolidated in the aforementioned scope.

Financial statements were prepared in TRY and on historical cost basis, being adjusted for inflation until December 31, 2004, excluding financial assets measured at fair value.

The Company calculated the insurance technical reserves amounts as of December 31, 2019 in accordance with the Regulation on Technical Reserves of Insurance, Reinsurance And Pension Companies, and Assets in which such Provisions are to be Invested ("Technical Provisions Regulation") issued under Insurance Law No.5684 as amended through the amendments promulgated in Turkish Official Journal No.27655 on July 28, 2010 and No.28356 on July 17, 2012, as well as with other relevant regulations and then reflected these figures to its financial statements (see Note 2.24).

Accounting policies and measurement and assessment principles used in preparation of financial statements are explained in the notes from 2.4 to 2.24 below.

Comparative data is reclassified where required to ensure compliance with the presentation of current period's financial statements.

Changes in Turkish Financial Reporting Standards:

b) New standards effective as of December 31, 2019 and modifications to and interpretations of previously existing standards:

- Modifications in "**TFRS 9 - Financial Instruments**" shall be applicable for the reporting periods starting with January 1, 2019 and afterwards. This modification has clarified two issues: In consideration of whether a financial asset represents only the principal amount and the interest for this principal amount, the earlier paid amount can have both positive and also negative cash flows; and when a financial liability measured at amortized cost is changed without a consequence of de-recognition, the resulting gain or loss should be directly recognized in profit or loss account. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.

The Company will use temporary exemption provisions of TFRS 9 included in TFRS 4 until IFRS 17 becomes effective.

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

- Modifications in "**TAS 28 - Investments in Affiliates and Joint Ventures**" shall be applicable for the reporting periods starting with January 1, 2019 and afterwards. It is clarified that the companies shall book their investments in affiliates or joint ventures by using TFRS 9 standard for long term investments in affiliates and joint ventures which are not subject to equity method.
- Modifications in "**TFRS 16 - Leases**" shall be applicable for the reporting periods starting with January 1, 2019 and afterwards. Earlier implementation shall be permitted if "**TFRS 15 - Revenue from Contracts with Customers**" is also applied. This new standard replaces the current guidance in TAS 17 and introduces far-reaching change in accounting by lessees in particular. Under current TAS 17 standard, lessees were required to make a distinction between a financial lease (on balance sheet) and an operating lease (off balance sheet). However, TFRS 16 now requires lessees to recognize in their balance sheets any lease liability reflecting future lease payments and a 'right of use asset', for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied for lessors. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors shall also be affected by the new standard. At the very least, the new accounting model is expected to impact the negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if such contract conveys the right to control the use of an identified asset for a period of time in exchange for a certain consideration.

The company has applied first adoption of "IFRS 16 - Leases" among the new standards, modifications and interpretations effective as of January 1, 2019, in accordance with the transition provision of the relevant standard.

The effects of the changes in accounting policies arising from standards and the application of the related standards for the first time shall be as follows:

Company - as Lessee

The Company shall assess whether a contract has a lease nature or includes a lease transaction at initial contract stage. In case a contract assigns for a certain period the right to control the use of a defined asset in return for a payment amount, such contract has a lease nature or includes a lease transaction. The Company shall also consider the following conditions when assessing whether the contract assigns for a certain period the right to control the use of a defined asset:

- a) The contract shall include a defined asset; an asset is usually defined either explicitly or implicitly in a contract.
- b) A functional part of such asset shall be physically separate or shall represent a portion close to the entire capacity of such asset. The asset is not defined in case the supplier has a principal right for and derives an economic benefit from replacement of the asset.
- c) Right to obtain almost the entire economic benefit to be derived from use of such defined asset should exist.

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2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

- d) Right to manage the defined asset should exist. The Company considers that the right to use of such defined asset exists in case the decisions regarding how and for which purpose(s) such asset shall be used have previously been made. The Company shall have the right to manage the use of such asset in following conditions:
 - i. The Company has the right to operate the asset (or guide third parties to have the asset operated in line with the means and ways as determined by the Company) during the period of use, or
 - ii. The Company has designed the asset (or certain features of the asset) such that how and for which purpose(s) such asset shall be used during its usage period is determined beforehand.

The Company shall reflect the existence of right to use and a lease liability to its financial statements on the date when the lease is actually started.

Right of Use Asset

The right of use asset shall initially be recognized as measured at cost and shall include the following:

- d) The amount of the initial measurement of lease liability
- e) Amount found by deducting all lease incentives received from all lease payments made on or before the actual lease start date,
- f) All initial direct costs borne by the Company.

The Company shall measure the right of use asset:

- c) Free of accumulated depreciation and accumulated impairment loss amounts, and
- d) Adjusted according to the re-measurement of the lease liability.

The Company shall apply the depreciation provisions set forth in TAS 16 - Tangible Assets standard to depreciate the right of use assets. TAS 36 - Impairment of Assets standard shall be applicable to determine whether the right of use asset is impaired and to recognize any assessed impairment loss amount.

Lease Liability

The Company shall measure its lease liability over the present value of the lease amounts not yet paid on the actual start date of such lease. The lease payments shall be discounted by using the borrowing cost implicit in the lease transaction in case such rate can be readily determined, or otherwise, by using the alternative borrowing interest rate available to the lessee.

Lease payments included in the measurement of Company's lease liability and not yet realized at the actual start date of the lease comprise of the following:

- c) Amount found through deduction of all leasing incentive receivables from fixed payments,
- d) Payments of penalties regarding termination of the lease in cases where the lease period indicates that the Company shall use an option to terminate the leasing.

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2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

The Company shall measure the lease liability as follows after the actual start date of the lease:

- d) Increase the book value to reflect the borrowing cost for the lease liability,
- e) Decrease the book value to reflect the lease payments realized, and
- f) Re-measure the book value to reflect the revaluations or restructuring made or to reflect the lease payments which are fixed in nature after revision. The Company shall reflect the re-measured amount of the lease liability to its financial statements as an adjustment to the right of use asset.

Short term lease contracts with a period of maximum 12 months and lease contracts regarding leasing of information technology equipment assessed to have a low value by the Company (printers, laptops, mobile phones etc.) are considered within the exception permitted by the relevant standard and payments made for such contracts are continued to be booked as expense within the period in which they are realized.

Initial Application of TFRS 16 Leases

The Company started applying the "TFRS 16 Leases" standard replacing "TAS 17 Leases" standard as of the effective date which is January 1, 2019. The Company rearranged the comparable figures for the previous period by using the simplified transition method. In this method, all right of use assets are measured with the leasing payable amounts (adjusted according to the prepaid or accrued leasing costs) as at initial application date.

At initial application stage, the Company recorded a leasing liability amount for leases which previously used to be classified as "operational lease" in accordance with TAS 17. Such liabilities are measured over the present values of outstanding lease payment discounted by using the alternative borrowing interest rates applicable as of January 1, 2019. Right of use assets, on the other hand, are recognized with an amount equal to the leasing payable amounts (adjusted according to the prepaid or accrued leasing costs), again in accordance with the simplified transition method prescribed in the relevant standard. Weighted average of alternative borrowing cost rates used by the Company as of January 1, 2019 for leases in TRY is 24% on annual basis.

	January 1, 2019
Total lease liability under TFRS 16 (not discounted)	3,312,000
Total lease liability under TFRS 16 (discounted with alternative borrowing rate)	2,116,445
Short term lease liabilities	529,111
Long term lease liabilities	1,587,334

Details per asset regarding recognized right of use assets are as follows:

	December 31, 2019	January 01, 2019
Properties, Net Book Value	1,587,334	2,116,445
Total right of use assets	1,587,334	2,116,445

As of January 1, 2019, the Company has 529,111 depreciation expense with regards to booked right of use assets belonging to the period between January 1- December 31, 2019.

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

- Modifications in "**TFRIC 23 - Leases**" shall be applicable for the reporting periods starting with January 1, 2019 and afterwards. This interpretation clarifies how the recognition and measurement requirements of "TAS 12 Income taxes" are applied where there is uncertainty over income tax treatments. IFRS IC had clarified previously that IAS 12, and not IAS 37 "Provisions, contingent liabilities and contingent assets" shall apply to recognition of uncertain income tax treatments. TFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. TFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

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

- **Annual improvements 2015 - 2017**; effective from annual periods beginning on or after January 1, 2019. These improvements include minor changes to:
 - TFRS 3 "Business Combinations"; a company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - TFRS 11 "Joint Arrangements"; a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - TAS 12 "Income Taxes"; a company accounts for all income tax consequences of dividend payments in the same way.
 - TAS 23 "Borrowing costs"; a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The Company is in the process of assessing the impact of the aforementioned standards on financial position or performance of the Company.

- **Improvements to TAS 19 "Employee Benefits" regarding plan amendment, curtailment or settlement**; effective from annual periods beginning on or after January 1, 2019. These amendments require an entity to:
 - Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
 - Recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

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

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

b) Standards and amendments issued but not put into effect as of December 31, 2019:

- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after January 1, 2020. These amendments to TAS 1 "Presentation of Financial Statements", and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and consequential amendments to other TFRSs are as follows:
 - Use a consistent definition of materiality throughout TFRS and the Conceptual Framework for Financial Reporting;
 - Clarify the explanation of the definition of material; and
 - Incorporate some of the guidance in TAS 1 about immaterial information.

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

- **Amendments to TFRS 3 - Definition of Business;** effective from Annual periods beginning on or after January 1, 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to TFRS 9, TAS 39 and TFRS 7 – Interest rate Benchmark Reform;** effective from Annual periods beginning on or after January 1, 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.
- Modifications in "**TFRS 17 - Insurance Contracts**" shall be applicable for the reporting periods starting with January 01, 2023 and afterwards. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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

6.2 Consolidation

The Company does not have any affiliates or subsidiaries required to be consolidated.

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2. Summary of Significant Accounting Policies (continued)

2.3 Segment Reporting

The Company conducted activities in only three reportable segments in Turkey (underwriting in life and personal accident segments and private pension segment) during January 1 - December 31, 2019 and 2018 periods and does not make segment reporting since it is not a listed company.

2.4 Foreign Currency Translation

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

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

Foreign exchange translation differences from non-monetary financial assets and liabilities are considered as part of fair value changes and these differences are classified under the accounts where fair values changes are booked.

2.5 Tangible Assets

All property and equipment are carried at cost less accumulated depreciation. Depreciation on property and equipment is calculated using the straight-line depreciation methods. Residual values of property and equipment estimated over their expected useful lives are as follows:

Leasehold improvements	3-5 years
Furniture and fixtures	3-10 years

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

Depreciation periods of tangible assets are within 4-7 year range.

2.6 Investment Property

None (December 31, 2018: None).

2.7 Intangible Assets

Intangible assets consist of the acquired information systems, royalty rights and computer software. Intangible assets are carried at acquisition cost and amortized by the straight-line and accelerated methods over their estimated useful lives after their acquisition date.

If impairment exists, carrying amount of intangible assets is written down immediately to its recoverable amount (Note 8).

The amortization periods of intangible assets are within 3-15 year range.

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2. Summary of Significant Accounting Policies (continued)

2.8 Financial Assets

The Company classifies and books financial assets as "Available for Sale Investments" and "Loans and Receivables (Receivables from Operations)". Receivables from Operations are those arising from insurance agreements and these are classified as financial assets in financial statements.

The classification of financial assets is determined by the Company management at acquisition date by considering the purpose for which the financial assets are acquired.

Loans and Receivables and Policy Loans (Receivables from Operations):

Loans and Receivables are financial assets created through provision of cash or service to the debtor. These receivables are recognized at acquisition value. Fees paid and other similar expenses incurred for assets received as a guarantee of such receivables are not considered as transaction costs and these are reflected to respective expense accounts.

The Company allocates provisions where Company management deems as required for the receivables based on the assessments and estimations made. Such provision is presented under "Provision for Due from Insurance Operations" item in the Balance Sheet. The Company considers the general structure of existing receivables portfolio, financial structures of policyholders and intermediaries, non-financial data and the economic conjuncture in line with the risk policies and precautionary principle while making its forecasts.

In addition to "Provision for Due from Insurance Operations", the Company also allocates a provision amount for receivables under administrative and legal proceedings for doubtful receivables not included in Provision for Due from Insurance Operations in accordance with Article 323 of Tax Procedural Law. This provision is classified under "Provision for Doubtful Receivables from Main Operations" item in the Balance Sheet.

Provisions for doubtful receivables are deducted from the income of the current year. In case a doubtful receivable for which a provision has been allocated previously is collected, the collected amount is deducted from the relevant provision account and reflected in "Provision Expenses" account. Bad receivables are removed from respective accounts after all legal transactions are completed.

Policy loans are the loan amounts provided to policyholders who have paid premiums during the period specified in the technical principles of the Company regarding the approved life insurance price list (time interval for policy loan is minimum three years in accordance with Life Insurance General Conditions unless another agreements exists otherwise) at a certain percentage of the amounts included in the surrender table in return for policyholders' surrender of the respective life insurance policies. Policy loans are initially recognized at fair value in the Balance Sheet accounted and followed over their values determined by applying effective interest method, by considering impairment provision, if any. Interest income from policy loans and the foreign currency gains and losses are also taken into account under Investment Income/Expenses items within Life Segment Technical Income and Expenses main account group in Income Statement (Note 12).

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2. Summary of Significant Accounting Policies (continued)

2.8 Financial Assets (continued)

Available for Sale Investments

Various debt securities held by the Company are classified as Available for Sale Investments (financial assets) and these are valued at fair value within the periods after initial recognition. It is considered that the fair value cannot be reliably measured if the price that provides a basis for fair value is not set in active market conditions and discounted value calculated with the effective interest method is used as fair value.

Interest income and expenses of Available for Sale financial assets included in Financial Investments at Policyholders' Risk portfolio calculated with effective interest method are recorded in "Life Segment Investment Income" account.

"Unrealized profits and losses" arising from changes in fair values of Available for Sale financial assets are not reflected in the Income Statement for the relevant period until either collection of the amount corresponding to or sale/disposal of or impairment of such asset is realized and followed under "Valuation of Financial Assets" account in Shareholders' Equity. 2,596,613 TRY (December 31, 2018: 761,355 TRY) out of the unrealized gains and losses arising from the changes in fair values of these assets corresponding to the valuation differences regarding Financial Assets at Policyholder's Risk not belonging to the Company is recognized in "Other Technical Provisions" account item under long term insurance technical provisions (Note 17). Accumulated fair value differences booked under Shareholders' Equity are reflected to the Income Statement upon disposal of such assets.

The Company evaluates on each Balance Sheet date whether objective evidence exists regarding impairment in financial assets. The Company does not allocate any impairment provisions for short-term market fluctuations, provided that a collection risk has not been born for financial assets classified under available for sale financial assets and representing borrowings (Note 11).

2.12 Impairment of Assets

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

Mortgages or guarantees on assets are explained in Note 43, provisions for overdue receivables and provisions for receivables which are not overdue are explained in Note 12.1, and provision and rediscount expenses for the period are explained in Note 47.5.

2.13 Derivative Financial Instruments

None (December 31, 2018: None).

2.14 Offsetting of Financial Instruments

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

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2. Summary of Significant Accounting Policies (continued)

2.12 Cash and Cash Equivalents

Cash and cash equivalents include demand deposits held at banks and bank guaranteed short term credit card receivables with a term less than three months.

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

	December 31, 2019	December 31, 2018
Banks (Note 14)	24,179,366	17,236,267
Credit Card Receivables (Note 14)	6,457,362	7,270,521
Minus – Accrued Interest	(583,623)	(130,840)
Minus – Earmarked Bank Accounts (-) (Note 14)	(3,002,952)	
Total	27,050,153	24,375,948

The Company has 3,000,000 TRY in time deposit account earmarked in favor of public institutions and net of interest accruals as of December 31, 2019 (December 31, 2018: None).

2.14 Shareholders' Equity

The composition of the Company's share capital at December 31, 2019 and December 31, 2018 is as follows:

Name of Shareholder	December 31, 2019		December 31, 2018	
	Share (%)	Share Amount	Share (%)	Share Amount
Axa Holding A.Ş.	99.99	19,999,283	99.99	62,972,743
Other	0.01	717	0.01	2,257
Total	100.00	20,000,000	100.00	62,975,000

The Company held a Shareholders' Assembly Meeting on March 29, 2019 and according to the resulting Assembly Resolutions, following decisions are made: Decrease Company capital by 52,031,222 TRY from 62,975,000 TRY paid-in capital down to 10,943,778 TRY; subsequently increase capital by 9,056,222 TRY to reach a total paid-in capital amount of 20,000,000 TRY to be withdrawn from Secondary Legal Reserves; pay the amount obtained from capital decrease at the end of aforementioned transactions to shareholders in proportion with their share percentages, in accordance with the provisions of Turkish Commercial Code No.6102, Trade Registry Regulation and other relevant regulations.

As of December 31, 2019 and December 31, 2018, no privileges are granted to the preference shares representing the share capital.

The Company is not subject to the registered share capital system as of December 31, 2019 and December 31, 2018.

Other information about the Company's share capital is explained in Note 15.

2.15 Insurance and Investment Contracts – Classification

Insurance contracts are those contracts that transfer insurance risk. Insurance contracts provide protection to policyholders against adverse economic consequences of an event of loss as covered under the terms and conditions stipulated in the insurance policy. Main contracts issued by the Company are insurance contracts prepared in personal accident and life segments, as also explained below.

Non-Life Insurance Contracts (Personal Accident)

Personal accident insurance contracts provide guarantee against risks which may arise due to an accident. Riders such as disability due to accident, unemployment or temporary disability and accident medical treatment expenses are also provided in addition to accidental death coverage.

2. Summary of Significant Accounting Policies (continued)

2.14 Insurance and Investment Contracts – Classification (continued)

Life Insurance Contracts

Life insurance contracts are divided into two groups: cumulative and risk (non-cumulative). With this insurance, the Company may insure the probability of death of a person within a certain period or in accordance with the conditions and situations specified in the insurance contract or the probability of that person to live longer than a specified period of time, or both. Information regarding the cumulative and risk insurances written under Life segment is provided below:

i) Insurance for Savings:

Cumulative Life Insurance

Cumulative life insurance products are products with investment purposes with a major portion for ensuring savings and with a minimum period of 10 years. Savings accumulating at the end of minimum 10 years are paid to policyholders. In case of an unexpected death, death coverage provides security. Paid cumulative policies provide surrender and loan rights unless the policy period is not shortened with a counter agreement. Furthermore, accidental death and permanent disability riders can also be included in insurance scope with the deductions to be made from the premiums paid. Policyholders can receive profit shares in case the income generated exceeds the technical interest guaranteed in cumulative policies. The Company classifies and recognizes all cumulative life insurance contracts and insurance contracts in accordance with the applicable insurance regulations.

ii) Insurance for Protection:

Annual Life

Annual life insurance provides security for a period of 1 year against the risks the policyholder can face. This insurance provides accidental death, permanent and temporary disability and dread disease riders in addition to death main coverage and covers the risks to which the policyholder may be exposed during policy period. Annual life insurance policies are risk weighted, do not include savings and do not provide surrender and loan rights. Policies can be issued for individuals or groups.

Long Term Life

Long term life insurance, provides accidental death and permanent disability riders in addition to death main coverage and ensures long term material security against the risks to which the policyholder may be exposed during policy period. Insurance period can be between 1 - 30 years. Long term life insurance policies are protective and risk weighted and do not include savings. These policies are issued for individuals only. Age limit is 18-65 and premium amounts vary according to age, gender and coverage amount (monthly diminishing, yearly diminishing, fixed throughout the period).

Credit Life

Credit life insurance provides coverage for potential risks indicated on the policy such as death or disability etc. which the policyholder may encounter with during reimbursement period. In case of risk realization within insurance period, loan debt is covered by the credit life insurance. Policies usually provide only death coverage. These are risk products not including savings. Premium amounts vary according to age, gender and coverage amount (monthly diminishing, yearly diminishing, fixed throughout the period).

Calculation principles for income and liabilities arising from insurance contracts are provided in Notes 2.21 and 2.24.

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2. Summary of Significant Accounting Policies (continued)

2.14 Insurance and Investment Contracts – Classification (continued)

Private Pension Contracts

The Company has 19 Pension Investment Funds with the capacity of fund founder as of December 31, 2019 (December 31, 2018: 19 funds).

Private pension system receivables consist of capital advances in pension investment funds, fund management amounts deducted from funds, receivables from participants and receivables from the custodian. The Company follows the receivable amounts from fund management charges arising from management of funds and not collected within the same day under receivables from fund management charge account. Advances allocated to pension investment funds founded by the Company are followed under capital advances in pension investment funds account.

Receivables from custodian on fund basis on behalf of participants are classified under due from custodian account. This amount is at the same time shown as due to participants for funds sold under private pension system payables account. These amounts at December 31, 2019 and December 31, 2018 are as follows:

	December 31, 2019
Due from Custodian	674,750,457
Due to Participants	674,750,457
	December 31, 2018
Due from Custodian	474,234,675
Due to Participants	474,234,675

Private pension system payables consist of accruals calculated for pension investment fund management expenses, participant suspense account and payables to private pension intermediaries in addition to due to participants account explained in the previous paragraph. Accruals calculated for pension investment fund management expenses include the accrual entries for the amount to be paid by the Company to the portfolio management firm for pension investment funds the Company has founded. Participants suspense account is the account item where amounts not yet invested in the name of participants and amounts to be paid to participants in case they leave the system or the amounts to be transferred in case participants want to transfer their savings to another company, after the sales of fund shares belonging to participants and deduction of similar items.

Fund management expense charge for fund management and representation services and equipment, labor and accounting services allocated to funds is recognized as income in Company accounts and shared by the Company and portfolio management firm in line with mutually agreed rates and fixed expense shares. All such expenses are included in fund management expense charge account in Company technical income and the portion belonging to the fund manager is reflected to Company technical expenses as the amount paid for fund management.

2. Summary of Significant Accounting Policies (continued)

2.14 Insurance and Investment Contracts – Classification (continued)

Reinsurance Treaties

Reinsurance treaties are agreements executed by and between ceding company and reinsurer(s) which may include one or more segments and coverages and prescribes the technical and financial conditions to be complied with by contractual parties.

Reinsurance policy and treaties of the Company applicable within 2019 and 2018 are summarized below:

The Company ensured protection during 2019 and 2018 periods with surplus reinsurance treaties in life and personal accident segments and with excess of loss reinsurance treaties protecting the retention in these segments.

In surplus reinsurance treaties, premium amounts are ceded to reinsurer(s) on premium basis specified in the treaty for rates found by application of the retention and treaty limits to the relevant risk and the loss amount is collected over the same rates. In excess of loss treaties, excess of loss premiums predetermined and mutually agreed at year beginning are paid to the reinsurer(s) within the year in two equal installments.

2.19 Insurance Contracts and Investment Contracts with Discretionary Participation Feature

None (December 31, 2018: None).

2.20 Investment Contracts without Discretionary Participation Feature

None (December 31, 2018: None).

2.21 Loans

None (December 31, 2018: None).

2.22 Taxes

Corporate Tax

Applicable corporate tax for 2019 is 22% in 2018 (2018: 22%). According to the Provisional Article 10 added to the Corporate Tax Law, corporate tax shall be applied at 22% for corporate earnings realized within the taxation periods of 2019 and 2020 (earnings for the fiscal periods starting in the related year for the institutions assigned with special accounting periods).

Withholding tax is not applied to dividends paid to limited taxpayer entities earning income within Turkey through an office or a permanent representative and to entities residing in Turkey. Dividend payments made to other persons and entities except the foregoing shall be subject to 15% withholding tax. Appropriation of retained earnings to capital is not considered as profit distribution, therefore no withholding tax is applied.

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2. Summary of Significant Accounting Policies (continued)

2.20 Taxes (continued)

Entities calculate the provisional tax amount equal to 22% of their quarterly financial profits, submit their provisional tax return statements until the 14th day and pay the tax amount until the end of 17th day of the second month following the quarterly period subject to provisional tax. Provisional tax amounts paid within the year belong to that specific year and these amounts are rebated against the corporate tax amount to be calculated over the corporate tax return statement to be submitted within the subsequent year. In case a surplus paid amount provisional tax exists even after such rebate, such surplus amount can be recollected or set off against other fiscal payables due to the government.

75% of the profit obtained from sales of affiliate shares held for minimum 2 years and 50% of the profit obtained from sale of physical properties are considered as tax exemptions, provided that such amounts are added onto capital as pre-stated in Corporate Tax Law or kept in equity for 5 years.

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

There is no practice of reconciliation of payable taxes with the tax authority within Turkey. Corporate tax returns are submitted to the relevant tax office by the 25th day of the 4th month following the month when the accounting period ends.

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

Income or corporate taxpayers calculating their revenues on Balance Sheet basis are required to apply inflation adjustment to their financial statements starting as of January 1, 2004 in accordance with the "Law on Amendment of Tax Procedural No.5024, Income Tax Law and Corporate Tax Law" ("Law No.5024") promulgated in Turkish Official Journal on December 30, 2003. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (TÜİK TÜFE (Consumer Price Index) increase rate). Since the conditions in question were not fulfilled in 2018 and 2019, no inflation adjustments were performed (Note 35).

Deferred Taxes

Deferred taxes are calculated over temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements by using liability method. Deferred tax assets and liabilities are calculated according to the tax rates expected to be applicable within the period where the tax asset shall be realized or the liability shall be fulfilled and in consideration of the tax rates and tax laws already in effect or which shall go in effect as of the Balance Sheet Date.

Deferred tax assets are calculated with the constraint that use of provisional differences through gaining profits subject to tax is highly probable in the future (Note 21).

2.21 Employee Benefits

The Company accounts for its liability related to employment termination, vacation benefits and other benefits provided to employees according to "Turkish Accounting Standards Regarding Employee Benefits" ("TAS 19") and classifies these in the Balance Sheet under "Provision for Employment Termination Benefits" and "Provision for Expense Accruals" accounts.

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2. Summary of Significant Accounting Policies (continued)

2.22 Employee Benefits (continued)

According to the Turkish Labor Law, the Company is required to pay termination benefits to each employee whose job is terminated except for the reasons such as resignation, retirement and attitudes determined in Labor Law. The provision for employment termination benefits is calculated over present value of the possible liability in scope with the Labor Law by considering certain actuarial estimates (Note 22).

2.23 Provisions

In case a liability arising from past events exists and fulfillment of such liability is likely and the amount of such liability is reliably predictable, provisions are allocated in financial statements. Provision amount is calculated in consideration of the risks and uncertainties regarding such liability, through estimating the expense expected to be incurred in the most reliable way on the Balance Sheet date. In case the provision is measured by using the expected cash flows required to fulfill such liability, the book value of such provision equals to the present value of the relevant cash flows.

In cases where the economic benefit required for payment of such liability is expected to be totally or partially borne by third parties, the amount to be collected is recognized as an asset if the collection of such amount is almost certain and can reliably be measured.

Liabilities arising from past events and whose existence would be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are classified as contingent liabilities and not included in the financial statements (Note 23).

2.24 Recognition of Revenues

Written Premiums

Written premiums represent premiums on policies written during the year, net of cancellations and taxes. As disclosed in Note 2.24, premium income is recognized in the financial statements on accrual basis by allocating the unearned premium reserve over written risk premiums. Amount of written premiums for life insurance policies longer than 1 year consists of income with payment due dates accrued within that year. Amount of written premiums for life insurance policies shorter than 1 year covers all the premium amount for the relevant period.

Reinsurance Commissions

Commission income for premiums ceded to reinsurance companies are recorded on an accrual basis over the period, and classified in the technical section of the Income Statement under operating expenses. As disclosed in Note 2.24, reinsurance commission income is recognized in the financial statements on accrual basis by allocating unearned commissions reserve over charged commissions.

2. Summary of Significant Accounting Policies (continued)

2.26 Recognition of Revenues (continued)

Life Segment Investment Income

Fund income in life segment is calculated in line with the efficiency rate of the income obtained from the investments made within the period and reflected in life segment investment income account.

Interest Income

Interest income is recorded periodically by applying effective interest rate method.

Dividend Income

Dividend income is recorded in financial statements when deserved.

2.27 Leasing Transactions

None (December 31, 2018: None).

2.28 Dividend Distribution

Dividend payables are reflected to financial statements as a profit distribution item among the liabilities of the declaration period.

2.29 Technical Reserves

Life Mathematical Reserves

Life segment's mathematical reserve include actuarial mathematical reserves (with minimum income guarantee equal to the technical interest rate determined with approved lists by the Ministry and including risk coverage for longer than one year) and profit share reserves and show the Company's liabilities towards policyholders in life insurance segment.

Mathematical reserves represent the total of actuarial mathematical reserves, calculated separately for each contract in effect according to the technical principles in the specifications, and profit share reserves. The Company's Life Mathematical Reserves consist of actuarial mathematical reserves calculated for cumulative and risk (non-cumulative) life insurances longer than ... years. Actuarial mathematical reserves is the difference between the risk premium amount the Company collects for the risks assumed and the advance values of liabilities to policy owners and beneficiaries. Profit share reserve is allocated for income amounts obtained from investment of these reserve amounts (Note 17).

Unearned Premiums Reserve

Unearned premiums reserve is calculated as the portion of premium amounts accrued for all policies in effect as of Balance Sheet date corresponding to the subsequent year found with the calculation made on days basis. Policies are assumed to begin at 12:00 and expire at 12:00 in general for calculation of the portion carried to the subsequent period on daily basis. In accordance with the Technical Provisions Regulation, unearned premium reserves allocated for policies issued and the reinsurer's share of these reserves are calculated and reflected to the respective accounts as the portion exceeding to the subsequent period(s) on daily basis of the premium amounts accrued for the valid insurance contracts and premiums ceded to reinsurers net of commissions and other similar deductions (Note 17).

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2. Summary of Significant Accounting Policies (continued)

2.24 Technical Reserves (continued)

Deferred Production Expense and Commission Income

Pursuant to Circular No.2007/25 issued by the Ministry on December 28, 2007, the portion of the commissions paid to intermediaries and commission amounts received from reinsurers for ceded premiums corresponding to subsequent period(s) are recognized under "Deferred Acquisition Expenses" and "Deferred Commissions Income", respectively in Balance Sheet and under "Operational Expenses" account in Income Statement (Note 17).

Unexpired Risks Reserve

Pursuant to Technical Provisions Regulation, insurance companies are required to allocate provision amounts for ongoing risks by considering the expected loss ratio for the possibility of potential compensation payments which may be incurred due to valid insurance contracts to exceed the unearned premiums reserve amount allocated for the mentioned contracts. The expected loss ratio is calculated through dividing the realized loss amount by earned premium amount. In case the expected loss ratio calculated on segment basis exceeds 95%, the amount found by multiplying the percentage in excess of 95% with net unearned premiums reserve is calculated as the net unexpired risks reserve and the amount found by multiplying the percentage in excess of 95% with gross unearned premiums reserve is calculated as the gross unexpired risks reserve. The difference between gross and net amounts is considered as the Reinsurer's share.

The Company has no unexpired risk reserve amount based on the calculation made as of December 31, 2019 (December 31, 2018: None) (Notes 4 & 17).

Outstanding Claims Reserve

The Company allocates provisions for loss claim and compensation amounts accrued and assessed through calculations but not actually paid in previous periods or in the current period or for estimated amounts if such calculation has not been made and for loss claim and compensation amounts which are realized but not reported. Outstanding claims reserve amount is determined according to actuary reports or to actuary and policyholder assessments from which no recovery, salvage or similar income items are deducted.

The difference between the accrued and calculated Outstanding Claims Reserve amount and the amount found by using Actuarial Chain Ladder Methods, content and implementation principles of which are prescribed in Technical Reserves Regulation and "Circular No.2014/16 on Outstanding Claims Reserve" dated December 5, 2014 and effective as of January 1, 2015 and also with other relevant regulations, are recognized as Incurred but Not Reported (IBNR) Compensation Amount as of December 31, 2019. "Circular No.2016/22 on Discounting of Cash Flows from Outstanding Claims Reserves" issued by the Ministry on June 10, 2016 allows insurers to discount the net cash flows to be generated by the Outstanding Claims Reserves amount, calculated and allocated in accordance with the applicable insurance legislation. The Company did not preferred to make any changes in its accounting policy and reflected the Outstanding Claims Reserves amount calculated for all segments as of December 31, 2019 and 2018 free of any discounts.

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2. Summary of Significant Accounting Policies (continued)

2.24 Technical Reserves (continued)

"Circular No.2014/16 on Outstanding Claims Reserve" issued by the Ministry on December 5, 2014 and effective as of January 1, 2015 annuls the "Circular No.2010/12 on Actuarial Chain Ladder Method" effective until December 31, 2014 (excluding Articles 9 & 10) and stipulates that the IBNR Reserves amount shall be calculated with the best forecast methods determined in line with the Company Actuary's opinions. According to the aforementioned Circular, selection of the data to be used in calculation of IBNR compensation amounts, adjustments, selection of most suitable method and development factors and interventions thereto shall be performed by the Company actuary. The relevant Circular indicates that the Standard Chain, Loss Ratio, Cape Cod, Frequency/Severance, Munich Chain Method and Bornhuetter-Ferguson Actuarial Chain Ladder Methods ("ACLM") shall be used for calculation of IBNR Reserves amount and the insurers are free to prefer any one of the foregoing methods.

IBNR Reserves amount calculations by the Company are performed in gross amounts and net figures are determined depending on the applicable or relevant reinsurance treaties of the Company.

The Company took the last five years' reported loss and realized loss data into account for calculation of IBNR Reserves amount and calculated 1,380,886 TRY gross, 1,318,567 TRY net IBNR Reserves amount as of December 31, 2019 (December 31, 2018: 1,714,430 TRY gross, 1,642,730 TRY net) (Note 17).

The Company has considered the most suitable method regarding its portfolio structure among available ACLM methods for Personal Accident segment and selected "Standard Chain" method and calculated 528 TRY gross, 186 TRY net IBNR Reserves amount as of December 31, 2019 (December 31, 2018: minus 4,324 TRY gross, minus 1,690 TRY net) (Note 17).

Pursuant to "Circular No.2011/23 on Explanations regarding Calculation of Incurred but Not Reported (IBNR) Claims Reserve" dated December 26, 2011 ("Circular No.2011/23"), insurance companies can calculate a win rate per sub-segments over the amounts of the legal cases filed against the company based on the realizations within last five years (starting as of December 31, 2011 and by considering the finalization dates of such legal cases) and perform deductions from the outstanding claims reserve amount accrued for legal cases still in litigation process according to this win rate. The Company did not calculate a win rate over the amounts of the legal cases filed against the company, nor performed any deductions from the Outstanding Claims Reserve amount accrued for legal cases still in litigation process according to this win rate as of December 31, 2019 and 2018 (Note 17).

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2. Summary of Significant Accounting Policies (continued)

2.24 Technical Reserves (continued)

Renewal Premium Reserve

The Company recognized 2,459,913 TRY in total as renewal premium reserve in its financial statements prepared as of December 31, 2019, comprising of 2,456,837 TRY for life segment and 3,076 TR for personal accident segment, calculated in line with profit share technical principles (December 31, 2018: 2,443,964 TRY in total, with 2,440,081 TRY for life and 3,883 TRY for personal accident segments) (Note 17).

Equalization Reserve

According to the Technical Provisions Regulation, insurance companies are required to provide equalization reserve in their financial statements for earthquake and credit coverage in order to balance the fluctuations in the claim ratios and to meet the catastrophic risks in the subsequent periods. Pursuant to the Industry Announcement No.2009/9 on "Implementation Technical Reserves Regulation", starting from January 1, 2009, the life and pension companies are required to allocate an equalization reserve amount for insurance contracts arranged in life and accident segments including an earthquake rider for death and disability incidents which may occur due to an earthquake. Equalization provision is calculated as 12% of net premiums written in credit insurance and earthquake segments. In accordance with Technical Reserves Regulation, insurance companies are allowed to use their own statistical data for calculation of equalization reserve amount for life policies providing death coverage, and the companies which do not possess such statistical data are allowed to consider 11% of death premium amounts as earthquake premiums and allocate a reserve amount equal to 12% of these amounts.

In calculation of net premiums, fees paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. .

The Company allocated an equalization reserve amount of 3,460,427 TRY in total, comprising of 3,460,313 TRY for Life and 114 TRY for Personal Accident segments as of December 31, 2018 (December 31, 2018: 3,383,806 TRY in total, comprising of 3,383,713 TRY for Life and 93 TRY for Personal Accident segments) (Note 17).

2.30 Share Based Payments

Share certificates are generally provided to employees as part of their salary packages in addition to the salary and other employee benefit amounts. An entity providing shares and share options to its employees is considered to pay an additional amount to gain additional benefits. Such company would measure the fair value of such working service received by taking the fair value of equity based financial instruments as reference, due to the difficulty in measurement of fair values of services received.

Regarding transaction measured with reference to the fair values of equity based financial instruments, fair values of equity based financial instruments are measured over their market values (if available) as of the measurement date, also by taking the terms, conditions and principles of such financial instruments into account.

The Company provides own shares to its employees, provided that the recipient employees' performance levels meet the performance criteria and conditions specified by the Company's ultimate main partner Axa SA. The Company allocates a provision amount in its Balance Sheet in return for these shares for cost reflections made by Axa SA under TFRS 2 "Share Based Payments", while Axa SA recognizes the changes in share prices in Shareholders' Equity account and the costs incurred for provision of shares to qualified employees in Income Statement (Note 23).

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7. Critical Accounting Estimates and Judgments in Applying Accounting Policies

Preparation of financial statements requires calculation of asset and liability amounts reported on Balance Sheet date, disclosure of contingent assets and liabilities and making judgments and using estimates and assumptions which might affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Accounting assessments, estimates and underlying assumptions are reviewed on an ongoing basis, considering past experiences and other relevant factors in addition to current condition and reasonable expectations for future events. Actual results may differ from these estimates although the estimates rely on the best knowledge of management regarding existing events and transactions.

One of the most important accounting estimates for the entity is the forecast of final net liabilities related with the expenses arising from effective insurance policies. Forecast of insurance liabilities include assessment of many contingencies by nature.

In particular, information regarding uncertainties in significant estimates having the highest impact on the amounts presented in the financial statements and the interpretations thereof are provided in the Notes listed below.

Note 4 - Insurance and Financial Risk Management

Note 11- Financial Assets

Note 21- Deferred Taxes

Note 22 - Employee Benefits

Note 23- Provisions

8. Insurance and Financial Risk Management

Insurance Risk

Risk regarding insurance contracts is related with the possibility of realization for the insured event and uncertainty of the potential loss and damage amounts resulting from such realization. By nature of insurance contracts, such risk is random and therefore it is not possible to make a precise estimate.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. The Company determines its strategy when issuing policies according to the type of insurance risks taken and the claims occurred.

Company pricing is made according to statistical analysis, historical data and mortality tables appropriate for the relevant product.

The Company manages the risks mentioned above by its strategy formed for policy issuance and the reinsurance agreements to which the Company is a party in all branches.

Following items are considered in Life and Personal Accident segments in line with the Company's risk acceptance policy:

- For personal policies; medical reports and policyholder's statement regarding their health condition, in consideration of policyholder's age and the insurance amount;
- For group policies; medical reports and individual statements regarding policyholders' health conditions, depending on the number of people included in the group and whether the insurance is compulsory or facultative;
- For pricing; information about application of extra premium amounts, introduction of additional conditions or reduction in coverage amount or rejection, depending on the policyholder's health condition;
- For high coverage amounts; documents containing information about policyholder's financial situation in addition to medical documents.

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

	December 31, 2019	December 31, 2018
Life	3,037,604,448	2,652,394,797
Personal Accident	212,762,599	201,273,875
Total	3,250,367,047	2,853,668,672

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4. Insurance and Financial Risk Management (continued)

Risk exposure of the Company depending on pricing policies is indicated below:

Mortality Risk

It is the risk of incurred death claims exceeding the mortality probabilities listed in mortality tables used in pricing of mortality risk. The Company uses mortality tables appropriate for the respective product. Additionally, required changes are made on price lists according to the loss ratios per product. The Company uses CSO 53-58, CSO 80, TRSH or CSO 2001 mortality tables for pricing of life insurance contracts.

Technical Interest Risk:

Interest equal to "technical interest rate" at minimum is guaranteed to policyholders of cumulative life insurance products. The Company would be exposed to technical interest risk in case market interest rates are lower than this guaranteed risk rate. However, in consideration of the entire life insurance portfolio, the Company predicts that the potential future profit amounts to be obtained from this portfolio shall be higher than the potential loss amount which may be incurred as a result of a decrease in market interest rates.

Interest rates guaranteed by the Company for cumulative products and relevant mathematical reserve amounts allocated are provided below:

Product Currency	December 31, 2019		December 31, 2018	
	Guaranteed Interest Rate (%)	Mathematical Reserves (TRY)	Guaranteed Interest Rate (%)	Mathematical Reserves (TRY)
USD (**)	2.5	33,682,513	2.5	38,883,328
TRY (*)	9.0	12,249,323	9.0	15,491,993
EUR (**)	2.5	4,114,667	2.5	4,680,106
TRY (*)	6.0	3,201,176	6.0	5,176,734
TRY (*)	3.0	2,562,447	3.0	2,408,235
USD (**)	1.0	367,413	1.0	284,347
EUR (**)	1.0	41,487	1.0	32,779
Total Mathematical Reserves Allocated for Cumulative Life Insurance Policies		56,219,026		66,957,522
Total Mathematical Reserves Allocated for Non-Cumulative Life and Non-Life Insurance Policies		3,212,441		3,504,858
Total (Notes 17.15-17.19)		59,431,467		70,462,380

(*) The Company ceased the production of policies offering 9% technical interest guarantee since the end of 2003 and those with 6% technical interest guarantee since the end of 2009. Policies produced since the beginning of 2010 offer only 3% technical interest guarantee.

(**) The Company ceased the production of policies offering 2.5% technical interest guarantee since the end of 2009. Policies produced since the beginning of 2010 offer only 1% technical interest guarantee.

The Company's current financial asset income (including time deposit accounts) is provided below:

Product Currency	December 31, 2019		December 31, 2018	
	Weighted Average Annual Interest Rate (%)	Balance Sheet Value	Weighted Average Annual Interest Rate (%)	Balance Sheet Value
Eurobonds - USD	6.48	54,815,930	7.94	73,442,359
Government Bonds - TRY	14.31	36,215,704	10.86	88,696,040
Time Deposit Accounts - TRY	13.26	22,361,261	23.13	12,054,290
Eurobonds -EUR	3.98	7,678,859	4.07	8,123,328
USD	-	-	3.40	4,003,834
Total		121,071,754		186,319,851

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4. Insurance and Financial Risk Management (continued)

Financial Risks

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

(a) Credit Risk

Credit risk is most simply defined as the potential that a bank borrower or counter party will partially or totally fail to meet its obligations on time and in accordance with agreed terms and the resulting situations the Company shall have to face with.

The Company limits the credit risk of its financial assets classified as credit and receivables and the receivable amounts from insurance operations (including receivables from reinsurers) with the guarantees received and the procedures applied for selection of counter parties. Other information about these receivables is explained in Note 12.

The Company's financial assets, except for Loans and Receivables, which are subject to credit risk generally consist of domestic government bonds and time and demand deposits kept in banks and other financial institutions established in Turkey, which are not deemed to have high credit risk.

Credit risk exposures per type of financial instruments as of December 31, 2019 and December 31, 2018 are provided below. Banks and bank guaranteed short term (<3 months) credit card receivables are also included in credit risk.

December 31, 2019	Loans and Receivables				Available for Sale Investments (*)	Cash and Cash Equivalents
	Due from Insurance and Private Pension Operations		Other Receivables			
	Relevant	Other	Relevant	Other		
Maximum Credit Risk Exposure as at Reporting Date (A+B+C)	510,526	1,810,832		190,450	99,648,942	30,636,728
- Portion of Maximum Risk Secured with Guarantees, Provisions, etc.		63,741				
A. Net Book Value of Financial Assets Undue or Not Impaired	510,526	1,743,891		190,450	99,648,942	30,636,728
B. Net Book Value of Financial Assets Overdue but Not Impaired		66,941				
C. Net Book Value of Impaired Assets	-	-	-	-	-	-
Gross Book Value	-	160,135	-	-	-	-
Impairment	-	(160,135)	-	-	-	-

(*) Including financial investments at policyholders' risk and investment securities.

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4. Insurance and Financial Risk Management (continued)

(a) Credit Risk (continued)

December 31, 2019

December 31, 2019

	Loans and Receivables					
	Due from Insurance and Private Pension Operations		Other Receivables			
	Relevant	Other	Relevant	Other	Available for Sale Investments (*)	Cash and Cash Equivalents
Maximum Credit Risk Exposure as at Reporting Date (A+B+C)	588,772	1,643,557		16,458	170,689,537	24,506,788
- Portion of Maximum Risk Secured with Guarantees, Provisions, etc.		78,108				
A. Net Book Value of Financial Assets Undue or Not Impaired	588,772	1,602,906		16,458	170,689,537	24,506,788
B. Net Book Value of Financial Assets Overdue but Not Impaired		40,651				
C. Net Book Value of Impaired Assets	-	-	-	-	-	-
Gross Book Value	-	160,135	-	-	-	-
Impairment	-	(160,135)	-	-	-	-

(*) Including financial investments at policyholders' risk and investment securities.

(c) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and credit spreads will affect the Company's income or the value of its holdings of financial instruments.

Interest Rate Risk

Changes in interest rates resulting in fluctuations in financial instrument prices require the Company to deal with the emerging interest rate risk. The Company's sensitivity to interest rate risk is related with the inconsistencies between the due dates of asset and liability accounts. This risk is managed by matching the assets affected by interest rate changes with the same type of liabilities.

The Company's interest bearing assets include financial instruments with both fixed and variable interest rates.

	December 31, 2019	December 31, 2018
Financial Instruments w/ Fixed Interest Rate		
Financial Assets (Available for Sale) Financial Assets (Time Deposit Accounts)	98,710,493 22,361,261	138,012,786 16,058,124
Financial Instruments w/ Variable Interest Rate		
Financial Assets (Available for Sale)		32,248,941

Sensitivity to Interest Rate

The Company's sensitivity to interest rates arise from domestic government bonds classified under available for sales assets and valued at fair value. The increase and decrease effect in fair values of government bonds classified as available for sale assets and therefore in valuation of financial assets account kept among the Company's equity items as a result of the changes in interest rates is explained below. Other variables, particularly the foreign exchange rates are assumed to be constant during this analysis.

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4. Insurance and Financial Risk Management (continued)

Interest Rate Risk (continued)

	December 31, 2019 Impact on Equity	December 31, 2018 Impact on Equity
1% Increase in Interest Rates	(999,947)	(4,920,734)
1% Decrease in Interest Rates	1,138,005	5,355,662

Exchange Rate Risk

The Company is exposed to foreign exchange rate risk due to transactions, payables and receivables in foreign currencies. These risks are monitored and limited through analysis of foreign exchange rates. Foreign exchange position of the Company as at Balance Sheet date is provided below.

Foreign Exchange Position Table

December 31, 2019

	Total TRY Equivalent (Functional US Dollar (TRY Currency) Equivalent)	EUR (TRY Equivalent)	GBP (TRY Equivalent)	CHF (TRY Equivalent)
Cash and Cash Equivalents Due from Insurance Operations	1,558,599	1,381,471	141,245	5,057
Financial Assets and Financial Investments at Life Policyholder's Risk	279,803	29,755	242,035	8,013
	62,494,789	54,815,930	7,678,859	
Total Assets	64,333,191	56,227,156	8,062,139	38,839
Mathematical Reserves	(40,300,753)	(35,942,336)	(4,330,505)	(27,912)
Outstanding Claims Reserve	(2,167,066)	(2,086,115)	(80,951)	-
Total Liabilities	(42,467,819)	(38,028,451)	(4,411,456)	(27,912)
Net Foreign Currency Asset/(Liability) Position	21,865,372	18,198,705	3,650,683	10,927

Foreign Exchange Position Table December 31, 2018

	Total TRY Equivalent (Functional US Dollar (TRY Currency) Equivalent)	EUR (TRY Equivalent)	GBP (TRY Equivalent)	CHF (TRY Equivalent)
Cash and Cash Equivalents	4,751,999	4,398,501	339,135	3,153
Due from Insurance Operations	946,001	72,122	873,879	-
Financial Assets and Financial Investments at Life Policyholder's Risk	81,565,687	73,442,359	8,123,328	-
Total Assets	87,263,687	77,912,982	9,336,342	3,153
Mathematical Reserves	(45,562,014)	(40,668,863)	(4,869,944)	(23,207)
Outstanding Claims Reserve	(1,732,221)	(1,516,202)	(216,019)	-
Total Liabilities	(47,294,235)	(42,185,065)	(5,085,963)	(23,207)
Net Foreign Currency Asset/(Liability) Position	39,969,452	35,727,917	4,250,379	3,153

Foreign Exchange Rate Sensitivity

The table below shows the increases and decreases in equity and income statement items (excluding tax effect) within periods ended on December 31, 2019 and 2018 due to valuation or devaluation of TRY by 20 percent against following foreign currencies. This analysis is prepared with assumption that all other variables, particularly foreign exchange rates, stay constant.

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4. Insurance and Financial Risk Management (continued)

Exchange Rate Risk (continued)

FX Rate Sensitivity Analysis Table - December 31, 2019

	Profit/Loss		Shareholders' Equity (*)	
	Increase in Foreign Currency Value	Decrease in Foreign Currency Value	Increase in Foreign Currency Value	Decrease in Foreign Currency Value
In case of 20% change in USD against TRY:				
1- Net Asset / Liabilities in USD	3,639,741	(3,639,741)	3,639,741	(3,639,741)
2- Portion Protected from USD Risk	-	-	-	-
3- USD Net Effect	3,639,741	(3,639,741)	3,639,741	(3,639,741)
In case of 20% change in EUR against TRY:				
1- Net Asset / Liabilities in EUR	730,137	(730,137)	730,137	(730,137)
2- Portion Protected from EUR Risk	-	-	-	-
3- EUR Net Effect	730,137	(730,137)	730,137	(730,137)
In case of 20% change in GBP against TRY:				
1- Net Asset / Liabilities in GBP	2,185	(2,185)	2,185	(2,185)
2- Portion Protected from GBP Risk	-	-	-	-
3- GBP Net Effect	2,185	(2,185)	2,185	(2,185)
In case of 20% change in CHF against TRY:				
1- Net Asset / Liabilities in CHF	1,011	(1,011)	1,011	(1,011)
2- Portion Protected from CHF Risk	-	-	-	-
3- CHF Net Effect	1,011	(1,011)	1,011	(1,011)
Total Foreign Currency Net Effect	4,373,074	(4,373,074)	4,373,074	(4,373,074)

(*) Equity effect includes P/L effect.

FX Rate Sensitivity Analysis Table - December 31, 2018

	Profit/Loss		Shareholders' Equity (*)	
	Increase in Foreign Currency Value	Decrease in Foreign Currency Value	Increase in Foreign Currency Value	Decrease in Foreign Currency Value
In case of 20% change in USD against TRY:				
1- Net Asset / Liabilities in USD	7,145,583	(7,145,583)	7,145,583	(7,145,583)
2- Portion Protected from USD Risk	-	-	-	-
3- USD Net Effect	7,145,583	(7,145,583)	7,145,583	(7,145,583)
In case of 20% change in EUR against TRY:				
1- Net Asset / Liabilities in EUR	850,076	(850,076)	850,076	(850,076)
2- Portion Protected from EUR Risk	-	-	-	-
3- EUR Net Effect	850,076	(850,076)	850,076	(850,076)
In case of 20% change in GBP against TRY:				
1- Net Asset / Liabilities in GBP	(2,399)	2,399	(2,399)	2,399
2- Portion Protected from GBP Risk	-	-	-	-
3- GBP Net Effect	(2,399)	2,399	(2,399)	2,399
In case of 20% change in CHF against TRY:				
1- Net Asset / Liabilities in CHF	631	(631)	631	(631)
2- Portion Protected from CHF Risk	-	-	-	-
3- CHF Net Effect	631	(631)	631	(631)
Total Foreign Currency Net Effect	7,993,891	(7,993,891)	7,993,891	(7,993,891)

(*) Equity effect includes P/L effect.

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4. Insurance and Financial Risk Management (continued)

Price Risk

Share Price Risk

Stock share price risk means the risk of decrease in market prices of shares due to a change in share index levels and in relevant share's value. The Company is not exposed to share price risk as of December 31, 2019 and December 31, 2018, since there are no investments in listed shares traded in stock market.

(c) Liquidity Risk

The Company uses its available cash resources to pay claims arising from insurance contracts. Liquidity risk is the risk of cash unavailability to pay obligations on due dates at a reasonable cost. Management sets limits on the minimum portion of funds available to meet such claims.

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

Cash Flow from Insurance Contracts					
December 31, 2019	< 3 Months	3 Months - 1 Year	1 - 5 Years	> 5 Years	Total
Due to Insurers and Reinsurers	-	1,151,692	-	-	1,151,692
Payables from Private Pension Operations	-	7,281,636	-	674,750,457	682,032,093
Other Payables	717,014	-	-	-	717,014
Other Current Liabilities	320,391	-	-	-	320,391
Total	1,037,405	8,433,328	-	674,750,457	684,221,190

Expected Cash Flows

December 31, 2019	< 3 Months	3 Months - 1 Year	1 - 5 Years	> 5 Years	Total
Mathematical Reserves	8,137,341	14,940,575	24,328,969	12,024,582	59,431,467
Outstanding Claims Reserve - Net	7,649,986	185,069	454,270	114,261	8,403,586
Renewal Premiums Reserve - Net	1,299,032	1,160,881	-	-	2,459,913
Unearned Premiums Reserve - Net	46,095	822,746	-	-	868,841
Equalization Reserve - Net	-	-	-	3,460,427	3,460,427
Other Technical Reserves - Net	374,791	-	-	-	374,791
Total	17,507,245	17,109,271	24,783,239	15,599,270	74,999,025

Cash Flow from Insurance Contracts					
December 31, 2018	< 3 Months	3 Months - 1 Year	1 - 5 Years	> 5 Years	Total
Due to Insurers and Reinsurers	-	1,485,286	-	-	1,485,286
Payables from Private Pension Operations	-	8,670,326	-	474,234,675	482,905,001
Other Payables	385,580	-	-	-	385,580
Other Current Liabilities	307,382	-	-	-	307,382
Total	692,962	10,155,612	-	474,234,675	485,083,249

Expected Cash Flows

December 31, 2018	< 3 Months	3 Months - 1 Year	1 - 5 Years	> 5 Years	Total
Mathematical Reserves	5,526,754	12,067,416	39,550,142	13,318,068	70,462,380
Outstanding Claims Reserve - Net	7,489,681	283,291	884,992	21,773	8,679,737
Renewal Premiums Reserve - Net	1,131,387	1,312,577	-	-	2,443,964
Unearned Premiums Reserve - Net	39,889	842,356	-	-	882,245
Equalization Reserve - Net	-	-	-	3,383,806	3,383,806
Other Technical Reserves - Net	121,612	-	-	-	121,612
Total	14,309,323	14,505,640	40,435,134	16,723,647	85,973,744

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4. Insurance and Financial Risk Management (continued)

(c) Liquidity Risk (continued)

The Company estimates that the payment of outstanding claims subject to litigation would take place in more than one year. Furthermore, the Company estimated the payment periods of other claims by considering the payment periods realized in previous years. Entire amounts of Outstanding Claims Reserve and Unearned Premiums Reserve are classified as short term items in Balance Sheet. Total mathematical Reserves amount is classified as a long term item in Balance Sheet. Equalization Reserve is classified as a long term item in Balance Sheet.

The Company foresees to fulfill the liabilities explained above by its financial assets and cash or cash equivalents included in the assets.

Fair Value of Financial Instruments

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

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

The following methods and assumptions were used to estimate the fair value of the financial instruments if such value can be determined.

- 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.

In this regard, fair value classification of financial assets and liabilities measured at fair value is as follows:

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
	38,626,058	-	-	38,626,058
-Available for Sale Investments				
-Financial Investments at Life Policyholder's Risk				
Classified as Available for Sale Investments	60,595,074	-	-	60,595,074
Total Financial Assets	99,221,132	-	-	99,221,132

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4. Insurance and Financial Risk Management (continued)

Fair Value of Financial Instruments (continued)

	December 31, 2018			Total
	Level 1	Level 2	Level 3	
Financial Assets:				
-Available for Sale Investments	99,822,441	-	-	99,822,441
-Financial Investments at Life Policyholder's Risk				
Classified as Available for Sale Investments	70,439,286	-	-	70,439,286
Total Financial Assets	170,261,727	-	-	170,261,727

Cash and cash equivalents are considered to approximate their carrying values since their fair values are short term. Carrying value of Receivables from Operations is estimated to reflect fair values after deduction of relevant doubtful receivable provision amount. Carrying values of Payables from Operations and Other Financial Payables are considered to approximate their fair values.

Capital Management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements determined by the Turkish Ministry of Treasury and Finance;
- To ensure the continuity of the Company's activities within the framework of the Company's continuity principle.

Total Required Shareholders' Equity

	December 31, 2019	December 31, 2018
Required Shareholders' Equity	7,547,138	7,160,736
Existing Shareholders' Equity	41,930,689	96,344,665
Excess of Limit	34,383,551	89,183,929

Based on the regulation on evaluation and assessment of capital adequacy, the minimum required shareholders' equity amount is calculated as 7,547,138 TRY as of December 31, 2019 (December 31, 2018: 7,160,736 TRY). Company capital calculated on December 31, 2019 in accordance with the Regulation on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Private Pension Companies is 34,383,551 TRY in excess of the minimum required Shareholders' Equity amount (December 31, 2018: 89,183,929 TRY in excess).

7. Segment Information

Disclosed in Note 2.3.

8. Tangible Assets

8.1 Total depreciation and depletion expenses for the period: 538,971 TRY
(January 1 - December 31, 2018: 14,457 TRY)

8.1.1 Depreciation expenses: 535,667 TRY (January 1 - December 31, 2018: 11,153 TRY)

8.1.2 Depletion expenses: 3,304 TRY (January 1 - December 31, 2018: 3,304 TRY)

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6. Tangible Assets (continued)

6.2 Calculation Methods for Depreciation and Increases (+) or Decreases (-) in Depreciation Expenses through Changes in These Methods:None (January 1 - December 31, 2018: None).

6.3 Tangible Asset Movements in Current Period:

6.3.1 Cost of purchased, produced or constructed tangible assets: 1,925 TRY (January 1 - December 31, 2018: None).

6.3.2 Cost of sold or scrapped tangible assets : None (January 1 - December 31, 2018: 5,984 TRY).

6.3.3 Revaluation increases in current period:

6.3.3.1 In asset costs (+): None (January 1 - December 31, 2018: None).

6.3.3.2 In Accumulated Depreciation (-): None (January 1 - December 31, 2018: None).

6.3.4 Nature, amount, beginning and ending dates of construction-in-progress: None (January 1 - December 31, 2018: None).

Tangible Asset Movements Table:

	January 01, 2019	Additions	Disposals	December 31, 2019
Cost:	578,254	1,925	-	580,179
Furniture and Fixtures				
Leased Assets (*)	-	2,116,445	-	2,116,445
Total Cost	578,254	2,118,370	-	2,696,624
Accumulated Depreciation:				
Furniture and Fixtures	(569,736)	(6,556)	-	(576,292)
Leased Assets	-	(529,111)	-	(529,111)
Total Accumulated Amortization	(569,736)	(535,667)	-	(1,105,403)
Net Book Value	8,518			1,591,221
	January 01, 2018	Additions	Disposals	December 31, 2018
Cost:				
Furniture and Fixtures	584,238		(5,984)	578,254
Total Cost	584,238	-	(5,984)	578,254
Accumulated Depreciation:				
Furniture and Fixtures	(564,567)	(11,153)	5,984	(569,736)
Total Accumulated Amortization	(564,567)	(11,153)	5,984	(569,736)
Net Book Value	19,671			8,518

7. Investment Properties

None (December 31, 2018: None).

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9. Intangible Assets

	January 01, 2019	Additions	Disposals	December 31, 2019
Cost:				
Rights	3,203,113			3,203,113
Total Cost	3,203,113	-	-	3,203,113
Accumulated Amortization:				
Rights	(3,157,579)	(3,304)		(3,160,883)
Total Accumulated Amortization	(3,157,579)	(3,304)	-	(3,160,883)
Net Book Value	45,534			42,230
	January 01, 2018	Additions	Disposals	December 31, 2018
Cost:				
Rights	3,203,113			3,203,113
Total Cost	3,203,113	-	-	3,203,113
Accumulated Amortization:				
Rights	(3,154,275)	(3,304)		(3,157,579)
Total Accumulated Amortization	(3,154,275)	(3,304)	-	(3,157,579)
Net Book Value	48,838			45,534

9. Investments in Affiliates

None (December 31, 2018: None).

10. Reinsurance Assets

Reinsurance Assets / (Liabilities)	December 31, 2019	December 31, 2018
Reinsurer's Share in Unearned Premiums Reserve (Note 17)	1,279,729	1,081,119
Reinsurer's Share in Outstanding Claims Reserve (Note 17)	524,997	882,252
Due from Reinsurers (Note 12)	351,060	220,359
Due to Reinsurers (Note 19)	(1,151,692)	(1,485,286)
Reinsurance Income / (Expenses)	December 31, 2019	December 31, 2018
Commission Received from Reinsurers (Net) (Note 32).	960,949	845,215
Reinsurer's Share in Paid Claims Reinsurer's Share in Change in Unearned Premiums Reserve (Note 17)	543,501	60,643
Reinsurer's Share in Change in Outstanding Claims Reserve	198,610	207,760
Ceded Premiums (Note 24)	(357,255)	341,129
	(1,934,368)	(1,927,229)

13. Financial Assets

13.1 Sub-classification of Presented Items According to Company Operations

	December 31, 2019						
	Portfolio at Policyholder's Risk			Company Portfolio			
Available for Sale Investments	Earmarked	Free	Total	Earmarked	Free	Total	Grand Total
Government Bonds (Note 4) Eurobonds	15,333,770	2,447,924	17,781,694	17,528,759	905,251	18,434,010	36,215,704
(Note 4) Time Deposits	41,023,961	1,278,780	42,302,741	17,424,879	2,767,169	20,192,048	62,494,789
		510,639	510,639				510,639
Total (Note 11.4)	56,357,731	4,237,343	60,595,074	34,953,638	3,672,420	38,626,058	99,221,132

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11. Financial Assets (continued)

11.1 Sub-classification of Presented Items According to Company Operations: (continued)

	December 31, 2018						
	Portfolio at Policyholder's Risk			Company Portfolio			Grand Total
	Earmarked	Free	Total	Earmarked	Free	Total	
<i>Available for Sale Investments</i>							
Government Bonds							
(Note 4) Eurobonds	11,912,515	8,198,298	20,110,813	32,574,409	36,010,818	68,585,227	88,696,040
(Note 4)	27,743,704	22,584,769	50,328,473	27,790,849	3,446,365	31,237,214	81,565,687
Total (Note 11.4).	39,656,219	30,783,067	70,439,286	60,365,258	39,457,183	99,822,441	170,261,727

Rates of return for government bonds in TRY included in Available for Sale Financial Assets portfolio vary between 8.84% and 21.06% (December 31, 2018: 8.57% - 11.06%). Rates of return for Eurobonds in USD vary between 3.67% and 11.88% (December 31, 2018: 3.67% and 11.88%); rates of return for Eurobonds in EUR vary between 2.77% and 4.89% (December 31, 2018: 2.77% and 4.67%).

Loans and Receivables	December 31, 2019	December 31, 2018
Loans and Receivables (Note 12)	2,321,358	2,232,329
Total	2,321,358	2,232,329

11.4 Securities Issued within the Year except Shares: None (January 1 - December 31, 2018: None).

11.5 Debt Securities Settled during the Year: None (January 1 - December 31, 2018: None).

11.6 Market value of marketable securities and financial assets carried at cost and carrying values and cost and carrying values of marketable securities and financial assets shown at market value in the Balance Sheet:

	December 31, 2019		December 31, 2018	
	Cost Value	Book Value (Fair Value)	Cost Value	Book Value (Fair Value)
Government Bonds Eurobonds	32,648,913	36,215,704	80,761,856	88,696,040
Time Deposits	59,434,392	62,494,789	73,398,569	81,565,687
Total (Note 11.1)	92,083,305	99,221,132	154,160,425	170,261,727

11.5 Amounts of marketable securities included in Marketable Securities and Investment Securities and issued by the Company's shareholders, affiliates and subsidiaries and entities issuing the foregoing: None (December 31, 2018: None).

11.6 Revaluation of financial assets in the last three years: Disclosed in Note 15.

11.7 - 11.9 Other information regarding Financial Assets:

Interest and sales revenues from Available for Sale Investments within the current year is 49,234,292 TRY (January 1 - December 31, 2018: 72,556,257 TRY) and FX rate difference and sales expenses is 28,987,568 TRY (January 1 - December 31, 2018: 28,828,956 TR) and net revenue amount is 20,246,724 TRY (January 1 - December 31, 2018: 43,727,301 TRY). The relevant amounts are recognized under Investment Income and Investment Expense items in Income Statement (Note 26). Unrealized fair value increase is 5,561,796 TRY (January 1- December 31, 2018: 10,401,442 TRY decrease) before deferred tax and this amount is included in the respective item under Shareholders' Equity (Note 15).

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11. Financial Assets (continued)

11.7 -11.9 Other information regarding Financial Assets (continued):

Maturity analysis of Financial Assets is as follows:

December 31, 2019							
	Demand Deposit	0-3 Months	3-6 Months	6 Months - 1 Year	1 - 3 Years	> 3 Years	Total
Government Bonds	-	6,917,876		2,321,659	12,622,032	14,354,137	36,215,704
Eurobonds	-	-	23,612,438	-	21,693,630	17,188,721	62,494,789
Time-Deposit	-	510,639	-	-	-	-	510,639
Accounts	-	-	-	-	-	-	-
Total (Note 11.1).		7,428,515	23,612,438	2,321,659	34,315,662	31,542,858	99,221,132

December 31, 2018							
	Demand Deposit	0-3 Months	3-6 Months	6 Months - 1 Year	1 - 3 Years	> 3 Years	Total
Government Bonds	-	21,626,795		4,914,492	33,424,852	28,729,901	88,696,040
Eurobonds	-	-	-	-	44,661,461	36,904,226	81,565,687
Total (Note 11.1).		21,626,795		4,914,492	78,086,313	65,634,127	170,261,727

Financial Assets (excluding Loans and Receivables):

December 31, 2019			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	9,227,960	5.9402	54,815,930
EUR	1,154,611	6.6506	7,678,859
Total			62,494,789

December 31, 2018			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	13,960,037	5.2609	73,442,359
EUR	1,347,599	6.0280	8,123,328
Total			81,565,687

14. Loans and Receivables

14.1 Classification receivables as "receivables from main customers", "receivables from related parties", "receivables for advance payments" (short-term and long-term prepayments) and "other receivables":

	December 31, 2019	December 31, 2018
Receivables from Intermediaries	121,559	131,142
Due from Reinsurers	351,060	220,359
Due from Policyholders	28,163	17,637
Other Receivables	3,592	3,592
Due from Insurance Operations	504,374	372,730
Cash Deposited with Insurance and Reinsurance Companies	510,526	588,772
Due from Private Pension Operations	1,128,605	942,022
Loans to Policyholders	181,445	332,397
Doubtful Receivables from Operations	156,543	156,543
Receivables from Operations - Gross	2,481,493	2,392,464
Provision for Doubtful Receivables from Policyholders and Intermediaries (*)	(156,543)	(156,543)
Provision for Due from Insurance Operations	(3,592)	(3,592)
Provision for Doubtful Receivables	(160,135)	(160,135)
Receivables from Operations - Net	2,321,358	2,232,329

(*) Shown under Provision for Doubtful Receivables from Main Operations in Balance Sheet.

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13. Loans and Receivables

12.2 Debit-Credit Relation of the Company with Shareholders, Affiliates and Subsidiaries:

Balances and transactions with the related parties are disclosed in Note 45.

12.3 Total amount of mortgages and other guarantees obtained for receivables:

Details of deposits, guarantees and collaterals received in foreign currencies are provided below:

December 31, 2019

	USD (TRY Equivalent)	EUR (TRY Equivalent)	TRY	Total
Mortgages	-	-	4,032,700	4,032,700
Cash (*)	736,417	160,755	622,878	1,520,050
Guarantee Letters	-	-	1,507,550	1,507,550
Other Guarantees and Sureties	163,959	6,804	105,276	276,039
Total	900,376	167,559	6,268,404	7,336,339

December 31, 2018

	USD (TRY Equivalent)	EUR (TRY Equivalent)	TRY	Total
Mortgages	-	-	4,143,200	4,143,200
Guarantee Letters	-	-	1,565,300	1,565,300
Cash (*)	594,092	135,514	616,605	1,346,211
Other Guarantees and Sureties	146,261	6,167	105,276	257,704
Total	740,353	141,681	6,430,381	7,312,415

(*)Shown in "Deposits and Guarantees Received" item under Other Payables account in Current Liabilities in Balance Sheet.

12.4 Receivables and payables denominated in foreign currencies without foreign exchange rate guarantees and assets in foreign currencies and conversion rates:

Loans and Receivables:

December 31, 2019			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	5,009	5.9402	29,755
EUR	36,393	6.6506	242,035
GBP	1,030	7.7765	8,013
Total			279,803

December 31, 2018			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	13,709	5.2609	72,122
EUR	144,970	6.0280	873,879
Total			946,001

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12. Loans and Receivables

12.5 - 12.7 Other Information regarding Loans and Receivables:

Aging of receivables from insurance operations is provided below:

	December 31, 2019	December 31, 2018
Overdue	66,941	40,651
< 3 Months	52,240	71,484
3-6 Months	22,386	32,465
6 Months-1 Year	8,155	4,179
Doubtful Receivables	3,592	3,592
Total	153,314	152,371
Due from Reinsurers	351,060	220,359
Total	504,374	372,730

Aging of overdue but not impaired receivables from policyholders and agencies is as follows:

	December 31, 2019	December 31, 2018
< 3 Months	66,941	40,651
Total	66,941	40,651

Total amount of Guarantees received for the above mentioned receivables is as follows:

	December 31, 2019	December 31, 2018
Mortgage Bonds	4,032,700	4,143,200
Cash	1,520,050	1,346,211
Guarantee Letters	1,507,550	1,565,300
Other Guarantees and Sureties	276,039	257,704
Total	7,336,339	7,312,415

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13. Derivative Financial Instruments

None (December 31, 2018: None).

14. Cash and Cash Equivalents

Cash and cash equivalents that are included the Statements of Cash Flows for the periods ended on December 31, 2019 and December 31, 2018 are explained in Note 2.12 and the details of cash and cash equivalents in Company Balance Sheet are as follows:

	December 31, 2019	December 31, 2018
Banks	24,179,366	17,236,267
Bank Guarantees and Three Months Short Term Credit Card	6,457,362	7,270,521
Total	30,636,728	24,506,788
Bank Deposits in Foreign Currencies	1,558,599	748,165
- Time Deposits	-	4,003,834
Total	1,558,599	4,751,999
Deposits in TRY		
- Demand Deposits	770,145	429,978
- Time Deposits	21,850,622	12,054,290
Total	22,620,767	12,484,268
Total Banks	24,179,366	17,236,267

The Company has 3,000,000 TRY in time deposit account earmarked in favor of public institutions and net of interest accruals as of December 31, 2019 (December 31, 2018: None).

Maturity dates of time deposit accounts are less than 3 months and weighted average annual interest rates are provided below:

	December 31, 2019	December 31, 2018
TRY	13.23%	23.13%
USD		3.40%

Demand and Time Deposit Accounts in Foreign Currencies:

December 31, 2019					
Foreign Currency			TRY		
Time Deposit	Demand Deposit	FX Rate	Time Deposit	Demand Deposit	
USD	- 232,563	5.9402	-	1,381,471	
EUR	- 21,238	6.6506	-	141,245	
GBP	- 3,964	7.7765	-	30,826	
CHF	- 830	6.0932	-	5,057	
Total			-	1,558,599	
December 31, 2018					
Foreign Currency			TRY		
Time Deposit	Demand Deposit	FX Rate	Time Deposit	Demand Deposit	
USD	761,055 75,019	5.2609	4,003,834	394,667	
EUR	- 56,260	6.0280	-	339,135	
CHF	- 591	5.3352	-	3,153	
GBP	- 1,685	6.6528	-	11,210	
Total			4,003,834	748,165	

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12. Shareholders' Equity

The Company has 2,000,000,000 shares fully paid-in (December 31, 2018:6,297,500,000). Each Company share has a nominal value of 1 Kr (Kuruş), total nominal value of Company shares is 20,000,000 TRY (December 31, 2018: 62,975,000 TRY).

Movements in shares between period beginning and period end are as follows:

	January 01, 2019		New Issue		Redemption		December 31, 2019	
	Units	Nominal TRY	Units	Nominal TRY	Units	Nominal TRY	Units	Nominal TRY
Paid (*)	6,297,500,000	62,975,000	905,622,200	9,056,222 (5,203,122,200)	(52,031,222)		2,000,000,000	20,000,000
Total	6,297,500,000	62,975,000	905,622,200	9,056,222 (5,203,122,200)	(52,031,222)		2,000,000,000	20,000,000

	January 01, 2018		New Issue		Redemption		December 31, 2018	
	Units	Nominal TRY	Units	Nominal TRY	Units	Nominal TRY	Units	Nominal TRY
Paid	6,297,500,000	62,975,000					6,297,500,000	62,975,000
Total	6,297,500,000	62,975,000	-	-	-	-	6,297,500,000	62,975,000

(*) The Company held a Shareholders' Assembly Meeting on March 29, 2019 and according to the resulting Assembly Resolutions, following decisions are made: Decrease Company capital by 52,031,222 TRY from 62,975,000 TRY paid-in capital down to 10,943,778 TRY; subsequently increase capital by 9,056,222 TRY to reach a total paid-in capital amount of 20,000,000 TRY to be withdrawn from Secondary Legal Reserves; pay the amount obtained from capital decrease at the end of aforementioned transactions to shareholders in proportion with their share percentages, in accordance with the provisions of Turkish Commercial Code No.6102, Trade Registry Regulation and other relevant regulations.

Legal Reserves:

Accumulated profit amounts in legal books can be distributed, excluding the provision regarding legal reserves stated below. According to Turkish Commercial Code ("TCC"), legal reserves are divided into Primary and Secondary Legal Reserves. Pursuant to TCC, primary reserves are allocated as 5% of legal net profit until the amount reaches up to 20% of the Company's paid-in/issued capital. Secondary reserves constitute 10% of distributed profit exceeding 5% of the Company's paid-in/issued capital. In accordance with TCC, legal reserves can be used only for offsetting the loss as long as the amount of legal reserves does not exceed 50% of paid-in/issued capital. Any other use is not legally permitted.

Movements of legal reserves within the period are shown below:

	2019	2018
Period Beginning - January 1	17,216,193	17,024,974
Amount Used for Capital Increase (-)	(9,056,222)	-
Transfer from Retained Earnings	1,840,029	191,219
Period End - December 31	10,000,000	17,216,193

Extraordinary Reserves:

Movements of extraordinary reserves within the period are shown below:

	2019	2018
Period Beginning - January 1	1,989,527	-
Amount Used for Dividend Payments (*)	(1,989,527)	-
Transfer from Retained Earnings	-	1,989,527
Period End - December 31	-	1,989,527

(*) 13,638,817 TRY, which is the amount remaining after allocation of 674,466 TRY Primary Legal Reserves amount and 1,165,563 TRY Secondary Reserves amount from the amount found by adding 1,989,527 TRY Extraordinary Reserves amount allocated from 2017 Profit to 13,489,319 TRY Net Profit for 2018, is used for dividend payments in 2019.

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18. Shareholders' Equity (continued)

Movements of actuarial gains/losses within Other Profit Reserves during the period are provided below:

	2019	2018
Period Beginning - January 1	100,685	(192,311)
Change within Period - Net	(205,305)	292,996
Period End - December 31	(104,620)	100,685

Valuation of Financial Assets:

Portion belonging to the Company out of the unrealized profit and loss amounts arising from the changes in fair values of Available for Sale Investments is recognized under "Valuation of Financial Assets" in Shareholders' Equity.

Movements of valuation of financial assets within the period are shown below:

	2019	2018
Period Beginning - January 1		
(Net of Tax Effects)	(2,809,865)	5,303,260
Increase/(Decrease) in Fair Value	5,561,796	(10,401,442)
Tax Arising from Fair Value Increases	(1,223,595)	2,288,317
Period End - December 31		
(Net of Tax Effects)	1,528,336	(2,809,865)

19. Other Reserves and Capital Component of Discretionary Participation

Information regarding Other Reserves within Shareholders' Equity is provided in Note 15.

20. Insurance Liabilities and Reinsurance Assets

20.1 Guarantee amounts required for Life and Non-Life segments and Guarantee amounts established for assets per Life and Non-Life segments:

December 31, 2019

	Life	Non-Life	Total
Guarantee Amount Required (*)	70,009,692	642,309	70,652,001
Guarantee Amount Provided (Note 43) (**)	87,199,031	665,060	87,864,091

December 31, 2018

	Life	Non-Life	Total
Guarantee Amount Required (*)	77,652,140	274,733	77,926,873
Guarantee Amount Provided (Note 43) (**)	90,553,339	1,205,600	91,758,939

(*) Guarantee amount required as of December 31, 2019 is calculated, in accordance with the capital adequacy calculation for the same period, as 70,652,001 TRY (December 31, 2018: 77,926,873 TRY) .

(**) Guarantee amount provided as of December 31, 2019 is calculated as 87,864,091 TRY (December 31, 2018: 91,758,939 TRY) through revaluation with Turkish Central Bank prices applicable on December 31, 2019 of the financial assets regarding the required guarantee amount in accordance with the capital adequacy calculation as of December 31, 2019. (*) In accordance with Article 4 of Regulation on Financial Structure of Insurance, Reinsurance and Private Pension Companies", published in Turkish Official Journal No.26606 on August 7, 2007 pursuant to the Insurance Law, the insurance companies and private pension companies operating in personal accident and life insurance branches should provide guarantee amounts equal to one third of the required capital amount in each capital adequacy calculation period.

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17. Insurance Liabilities and Reinsurance Assets (continued)

20.2 Current number of life policies, number of life policies entering and exiting within the period and current number and mathematical reserve amount for life policyholders:

	December 31, 2019		December 31, 2018	
	Number of Policyholders	Mathematical Reserves	Number of	Mathematical Reserves
Increase within Period (*)	26,007	10,230,884	55,547	17,970,243
Exits during Period (**)	(34,914)	(21,261,797)	(48,798)	(26,414,966)
Life Mathematical Reserves	25,659	59,411,579	55,170	70,431,671
Personal Accident Mathematical Reserves	348	19,888	377	30,709
Total	26,007	59,431,467	55,547	70,462,380

(*) The relevant amount exists at period beginning and includes the increases in mathematical reserves for policies still valid at period end and the increases in mathematical reserves for policies added during the period. Number of policyholders belongs to the products for which a mathematical reserve amount is allocated.

(**) The relevant amount includes the increases in mathematical reserves for policies exited during the period. Number of policyholders belongs to the products for which a mathematical reserve amount is allocated.

20.3 Guarantee amount provided for Non-Life segment:

Disclosed in Note 4.

20.4 Unit prices of pension investment funds founded by the Company:

Pension investment funds in circulation and founded by the Company and unit prices thereof are provided below:

Pension Investment Funds	December 31, 2019 Unit Price in TRY	December 31, Unit Price in TRY
Non-Governmental Debt Instruments Pension Investment Fund	0.03005	0.02409
Gold Pension Investment Fund	0.02843	0.02137
Stock Pension Investment Fund	0.02664	0.01954
Variable Pension Investment Fund	0.02400	0.01792
Money Market Pension Investment Fund	0.02321	0.01910
Participation Pension Investment Fund	0.02227	0.01571
Participation Contribution Pension Investment Fund	0.02176	0.01701
Government Debt Instruments Standard Pension Investment Fund	0.01939	0.01518
Contribution Pension Investment Fund	0.01825	0.01345
Initial Pension Investment Fund	0.01550	0.01293
APS Enthusiastic Participation Variable Pension Investment Fund	0.01518	0.01058
Initial Participation Pension Investment Fund	0.01471	0.01239
APS Participation Standard Pension Investment Fund	0.01392	0.01120
APS Aggressive Participation Variable Pension Investment Fund	0.01332	0.00908
APS Standard Pension Investment Fund	0.01294	0.01067
APS Aggressive Variable Pension Investment Fund	0.01264	0.00940
APS Enthusiastic Variable Pension Investment Fund	0.01228	0.01012
APS Cautious Variable Pension Investment Fund	0.01158	0.01000
APS Balanced Variable Pension Investment Fund	0.01140	0.01001

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.5 Number and amount of participation certificates within the portfolio and in circulation:

Private Pension Funds in Circulation:

	December 31, 2019		December 31, 2018	
	Number of Shares in Circulation	Amount (TRY)	Number of Shares in Circulation	Amount (TRY)
Variable Pension Investment Fund	4,514,933,130	108,353,880	4,703,981,312	84,314,161
Government Debt Instruments Standard Pension Investment Fund	5,298,197,495	102,737,348	5,080,728,735	77,105,139
Contribution Pension Investment Fund	5,416,540,905	98,846,451	4,946,375,970	66,533,699
Gold Pension Investment Fund	3,138,647,360	89,238,022	2,533,700,856	54,145,187
Non-Governmental Debt Instruments Pension Investment Fund	2,344,939,770	70,460,750	1,997,119,767	48,102,627
Money Market Pension Investment Fund	2,690,948,683	62,456,919	2,684,018,125	51,254,009
Stock Pension Investment Fund	1,811,173,433	48,242,416	1,858,309,015	36,305,783
APS Participation Standard Pension Investment Fund	1,782,682,876	24,814,946	1,551,922,709	17,381,534
APS Standard Pension Investment Fund	1,409,528,071	18,243,522	1,268,323,934	13,533,017
Initial Participation Pension Investment Fund	1,059,731,134	15,587,586	447,743,968	5,545,309
Initial Pension Investment Fund	900,645,479	13,958,204	382,421,115	4,943,557
Participation Pension Investment Fund	573,177,004	12,763,505	568,250,223	8,924,370
Participation Contribution Pension Investment Fund	372,752,020	8,109,591	339,831,965	5,781,561
APS Aggressive Variable Pension Investment Fund	22,055,700	278,806	14,449,626	135,812
APS Enthusiastic Participation Variable Pension Investment Fund	12,620,155	191,587	4,894,060	51,794
APS Aggressive Participation Variable Pension Investment Fund	13,718,283	182,659	6,346,094	57,648
APS Enthusiastic Variable Pension Investment Fund	13,967,860	171,469	7,192,366	72,808
APS Balanced Variable Pension Investment Fund	5,348,262	60,970	2,085,468	20,882
APS Cautious Variable Pension Investment Fund	4,476,984	51,826	2,576,807	25,778
Total	31,386,084,604	674,750,457	28,400,272,115	474,234,675

17.6 Portfolio amounts per number of private pension and group pension participants entered, exited, canceled and existing during the period: Number of contracts entering within the period is 125,977 in addition to 99,199 contracts existing at period beginning. Number of contracts at withdrawal stage is 64,466, number of contracts exiting the system is 26,863, transferred to another insurer is 4,493, terminated due to death/disability is 54 and terminated due to retirement is 125. Portfolio amount of 129,175 contracts active at period end is 567,794,409 TRY, State contribution fund amount is 106,956,048 TRY (January 1 - December 31, 2018: Number of contracts entering within the period is 139,256 in addition to 84,891 contracts existing at period beginning. Number of contracts at withdrawal stage is 81,196, number of contracts exiting the system is 26,294, transferred to another insurer is 17,393, terminated due to death/disability is 47 and terminated due to retirement is 18. Portfolio amount of 99,199 contracts active at period end is 401,919,415 TRY, State contribution fund amount is 72,315,260 TRY) (Note 17.5).

17.7 Valuation methods used for calculation of profit share in profit share life insurances:The Company classifies financial assets at policyholders' risk as "Available for Sale Investments (financial assets)". These assets are subject to valuation in line with the principles disclosed in Note 2.8.

17.8 Number and individual/group allocation of gross/net contribution amounts of private pension participants newly entered in the portfolio:Number of newly entered participants within the period is 104,462, 101,440 of which are corporate customers. Participation share amounts total of newly entered private (individual) contracts is 10,221,139 TRY net and 10,237,671 TRY gross; total amount of participation shares belonging to corporate contracts is 17,700,439 TRY net and 17,700,439 TRY gross. (January 1 - December 31, 2018: Number of newly entered participants within the period is 149,963, 141,704 of which are corporate customers. Participation share amounts total of newly entered private (individual) contracts is 12,991,309 TRY net and 13,160,967 TRY gross; total amount of participation shares belonging to corporate contracts is 23,143,521 TRY net and 23,143,521 TRY gross.

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.9 Number and individual/group allocation of gross/net contribution amounts of private pension participants transferred from another insurer: Number of participants transferred from another insurer within this period is 401, and their contribution share amounts total is 5,045,283 TRY net and 5,045,779 TRY gross. (January 1 - December 31, 2018: Number of participants transferred from another insurer within this period is 140, and their contribution share amounts total is 3,848,352 TRY net and 3,849,045 TRY gross.)

17.10 Number and individual/group allocation of gross/net contribution amounts of private pension participants transferred from the Company's life portfolio to private pension portfolio within the period: None (January 1 - December 31, 2018: None).

17.11 Number and individual/group allocation of gross/net contribution amounts of private pension participants exited Company's portfolio and transferred and/or not transferred to another insurer within the period: Number of participants exiting the portfolio within this period is 89,066 (6% private and 94% corporate), and their contribution share amounts total is 79,174,355 TRY net and 79,244,724 TRY gross (January 1 - December 31, 2018: number of participants 119,330, 78,401,750 TRY net, 78,498,498 TRY gross).

17.12 Number and individual/group allocation of gross/net premiums of life policyholders who joined the portfolio during the period:

January 1 - December 31, 2019			
	Number of Contracts	Gross Premium	Net Premium
Individual	7,182	1,343,001	1,343,001
Group	6,444	491,845	491,845
Total	13,626	1,834,846	1,834,846

January 1 - December 31, 2018			
	Number of Contracts	Gross Premium	Net Premium
Individual	4,510	726,077	726,077
Group	9,425	728,182	728,182
Total	13,935	1,454,259	1,454,259

17.13 Number and individual/group allocation of gross/net premiums and mathematical reserve amounts of life policyholders who left the portfolio during the period:

January 1 - December 31, 2019				
	Number of Contracts	Gross Premium	Net Premium	Mathematical Reserves
Individual	41,152	205,258	205,258	15,923,200
Group	10,420	229,559	229,559	5,338,597
Total	51,572	434,817	434,817	21,261,797

January 1 - December 31, 2018				
	Number of Contracts	Gross Premium	Net Premium	Mathematical Reserves
Individual	57,421	352,483	352,483	16,231,974
Group	17,289	382,002	382,002	10,182,992
Total	74,710	734,485	734,485	26,414,966

Amounts of premiums written within the period for policies canceled within the same period are taken as basis for gross premium amounts in the above table.

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.14 Profit distribution percentage to life policyholders within the period:

January 1 - December 31, 2019			
Currency (Guaranteed Interest Rate)	95% Profit Share	90% Profit Share	85% Profit Share
TRY (3%)	-	-	8.67%
TRY (6%)	-	10.54%	9.96%
TRY (9%)	10.54%	9.99%	-
USD	5.29%	5.01%	4.73%
EUR	3.46%	3.28%	3.10%

January 1 - December 31, 2018			
(Guaranteed Interest Rate)	95% Profit Share	90% Profit Share	85% Profit Share
TRY (3%)	-	-	8.60%
TRY (6%)	-	8.43%	7.96%
TRY (9%)	9.53%	9.03%	-
USD	5.48%	5.19%	4.90%
EUR	3.54%	3.36%	3.17%

17.15 - 17.19 Other required explanations regarding liabilities arising from insurance contracts:

Mathematical Reserves:	December 31, 2019	December 31, 2018
Actuarial Mathematical Reserves - Cumulative Policies	33,397,536	40,155,413
Profit Share Reserve - Cumulative Policies	22,821,490	26,802,109
Mathematical Reserves - Cumulative Policies	56,219,026	66,957,522
Mathematical Reserves - Non-Cumulative Policies	3,212,441	3,504,858
Total Mathematical Reserves	59,431,467	70,462,380

	2019	2018
Period Beginning - January 1	70,462,380	78,988,310
Premium Amounts from Cumulative Life Policies	3,667,838	4,742,614
Investment Income	8,815,535	19,621,990
Surrender and Maturity Payments	(22,367,827)	(30,593,731)
Portion Transferred to outstanding Claims Reserve due to Surrender and/or Maturity	(387,860)	(79,867)
Charges	(168,341)	(364,838)
Risk Premiums	(191,822)	(227,224)
Change in Mathematical Reserves of Non-Cumulative Life and Personal Accident Policies	(292,419)	(1,481,856)
Other (*)	(106,017)	(143,018)
Period End - December 31	59,431,467	70,462,380

(*) Includes income payments and policies not in effect at period beginning but in effect at period end.

Life Mathematical Reserves denominated in foreign currencies are provided below:

December 31, 2019			
Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	6,030,796	5.9598	35,942,336
EUR	649,008	6.6725	4,330,505
GBP	3,565	7.8288	27,912
Total			40,300,753

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17. Insurance Liabilities and Reinsurance Assets (continued)

17.15 - 17.19 Other required explanations regarding liabilities arising from insurance contracts: (continued)

December 31, 2018

Currency	Foreign Currency Amount	FX Rate	Amount in TRY
USD	7,704,917	5.2783	40,668,863
EUR	805,229	6.0479	4,869,944
GBP	3,465	6.6975	23,207
Total			45,562,014

Unearned Premiums Reserve:

	2019		
	Gross	Reinsurer's Share	Net
Period Beginning - January 1 Net Change	1,963,364	(1,081,119)	882,245
	185,206	(198,610)	(13,404)
Period End - December 31	2,148,570	(1,279,729)	868,841

	2018		
	Gross	Reinsurer's Share	Net
Period Beginning - January 1 Net Change	2,008,318	(873,359)	1,134,959
	(44,954)	(207,760)	(252,714)
Period End - December 31	1,963,364	(1,081,119)	882,245

Deferred Commission Expenses and Income amounts as of December 31, 2019 are 127,361 TRY (December 31, 2018: 100,652 TRY) and 595,150 TRY (December 31, 2018: 512,681 TRY) respectively and these are included under Deferred Acquisition Expenses and Commission account items within the Balance Sheet.

Other Long Term Technical Reserves

a) Renewal Premium Reserve:

Movements of Renewal Premium Reserve within the period are shown below:

	2019	2018
Period Beginning - January 1	2,443,964	2,267,322
Changes within Period	15,949	176,642
Period End - December 31	2,459,913	2,443,964

b) Pension Commission Reserve:

Movements of Pension Commission Reserve within the period are shown below:

	2019	2018
Period Beginning - January 1	121,612	170,000
Changes within Period (*)	253,179	(48,388)
Period End - December 31	374,791	121,612

(*) Changes within the period are shown under Operating Expenses in Income Statement.

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17. Insurance Liabilities and Reinsurance Assets (continued)

Other Short Term Technical Reserves (continued)

Outstanding Claims Reserve:

	2019		
	Gross	Reinsurer's Share	Net
Claims Made - Period Beginning January 1	7,851,883	(813,186)	7,038,697
Claims Paid (*)	(3,225,330)	349,000	(2,876,330)
Increase			
- Current Period Outstanding Claims	2,680,505	-	2,680,505
- Previous Periods Outstanding Claims	240,111	1,850	241,961
Claims Made - Period End December 31	7,547,169	(462,336)	7,084,833
Incurred But Not Reported Claims	1,381,414	(62,661)	1,318,753
Total	8,928,583	(524,997)	8,403,586

(*) Paid claim amounts included in Outstanding Claims Reserve tables consist of claim payments made for files included in Outstanding Claims Reserve at previous period end.

2018

	Gross	Reinsurer's Share	Net
Claims Made - Period Beginning January 1	8,906,761	(448,837)	8,457,924
Claims Paid (*)	(5,461,794)	-	(5,461,794)
Increase			
- Current Period Outstanding Claims	2,782,742	(351,250)	2,431,492
- Previous Periods Outstanding Claims	1,624,174	(13,099)	1,611,075
Claims Made - Period End December 31	7,851,883	(813,186)	7,038,697
Incurred But Not Reported Claims	1,710,106	(69,066)	1,641,040
Total	9,561,989	(882,252)	8,679,737

(*) Paid claim amounts included in Outstanding Claims Reserve tables consist of claim payments made for files included in Outstanding Claims Reserve at previous period end.

Net Outstanding Claims Reserve amounts for reported claims denominated in foreign currencies are provided below:

December 31, 2019			
Currency	Foreign Currency Amount	FX Rate (**)	Amount in TRY
USD	350,031	5.9598	2,086,115
EUR	12,132	6.6725	80,951
Total			2,167,066
December 31, 2018			
Currency	Foreign Currency Amount	FX Rate (**)	Amount in TRY
USD	287,252	5.2783	1,516,202
EUR	35,718	6.0479	216,019
Total			1,732,221

(**) Effective FX Selling Rates as announced by CBT on December 31, 2019 and 2018 are used.

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17. Insurance Liabilities and Reinsurance Assets (continued)

Other Long Term Technical Reserves:

Portion not belonging to the Company out of the unrealized profit and loss amounts arising from the changes in fair values of Available for Sale Investments and Equalization Reserve are recognized under "Other Long Term Technical Reserves".

	December 31, 2019	December 31, 2018
Other Technical Reserves (*)	2,596,613	761,355
Equalization Reserve	3,460,427	3,383,806
Total	6,057,040	4,145,161

(*) Valuation differences in fair values of Financial Investments at Life Policyholder's Risk are recognized in Other Technical Reserves account.

Other Technical Reserves:	2019	2018
Period Beginning - January 1	761,355	(467,051)
Increase/(Decrease) in Fair Value	1,933,030	1,320,130
Outflows from Sold or Amortized Financial Assets	(97,772)	(91,724)
Period End - December 31	2,596,613	761,355
Equalization Reserve:	2019	
	Gross	Reinsurer's Share
Period Beginning - January 1	3,383,806	-
Net Change	76,621	-
Period End - December 31	3,460,427	-
		2018
	Gross	Reinsurer's Share
Period Beginning - January 1	3,319,479	-
Net Change	64,327	-
Period End - December 31	3,383,806	-

Unexpired Risks Reserve

The Company has no Unexpired Risks Reserve as of December 31, 2019 and December 31, 2018.

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18. Insurance Liabilities and Reinsurance Assets (continued)**17.15 - 17.19 Other required explanations regarding liabilities arising from insurance contracts (Continued):**

Claim development tables used in ACLM calculations made in accordance with Technical Provisions Regulation are explained below.

Gross Claim Development Table prepared according to incurred losses as of December 31, 2019:

Accident Year	January 01, December 31,	January 01, December 31,	January 01, December 31,	January 01, December 31,	January 01, December 31,	January 01, December 31,	January 01, December 31,	Total Gross Incurred Loss
Loss Incurred within Accident	106,059	3,270	4,219	21,542	13,769	6,063	12,936	167,858
1 Year Later	(100,000)	-	43,800	-	(5,700)	-	-	(61,900)
2 Years Later	-	-	-	-	-	-	-	-
3 Years Later	-	-	-	-	-	-	-	-
4 Years Later	-	-	-	-	-	-	-	-
5 Years Later	-	-	-	-	-	-	-	-
6 Years Later	-	-	-	-	-	-	-	-
	6,059	3,270	48,019	21,542	8,069	6,063	12,936	105,958

Gross Claim Development Table prepared according to incurred losses as of December 31, 2018:

Accident Year	January 01, December 31,	January 01, December 31,	January 01, December 31,	January 01, December 31,	January 01, December 31,	January 01, December 31,	January 01, December 31,	Total Gross Incurred
Loss Incurred within Accident	93,058	106,059	3,270	4,219	21,542	13,769	6,063	247,980
1 Year Later	25,613	(100,000)	-	43,800	-	(5,700)	-	(36,287)
2 Years Later	(9,061)	-	-	-	-	-	-	(9,061)
3 Years Later	-	-	-	-	-	-	-	-
4 Years Later	-	-	-	-	-	-	-	-
5 Years Later	-	-	-	-	-	-	-	-
6 Years Later	(4,308)	-	-	-	-	-	-	(4,308)
Total Gross Incurred Loss	105,302	6,059	3,270	48,019	21,542	8,069	6,063	198,324

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18. Investment Agreement Liabilities

None (December 31, 2018: None).

19. Trade and Other Payables, Deferred Income

	December 31, 2019	December 31, 2018
Payables from Private Pension Operations	7,281,636	8,670,326
Due to Reinsurers (Note 10)	1,151,692	1,485,286
Payables from Operations - Short Term	8,433,328	10,155,612
Payables from Private Pension Operations - Long Term (Note 17.5)	674,750,457	474,234,675
Payables from Main Operations - Long Term	674,750,457	474,234,675
Intermediary Commission Accruals and Deferred Income (Note 47.1)	349,817	357,958
Deferred Commissions Income (Note 17)	595,150	512,681
Deferred Loan Income (Note 47.1)	13,604	15,248
Deferred Income and Expense Accruals	958,571	885,887
Other Payables (Note 47.1)	717,014	385,580
Other Current Liabilities (Note 47.1)	320,391	307,382
Total	685,179,761	485,969,136

Related Party balances are disclosed in Note 45.

20. Loans

Total lease liability of the Company as of December 31, 2019 and 2018 recognized with the transition to TFRS 16 Leases standard and the movements table thereof are provided below.

	December 31, 2019	January 01,
Current Liabilities	828,000	828,000
Non-Current Liabilities	1,656,000	2,484,000
Discount with Alternative Borrowing Rate	(725,270)	(1,195,555)
	1,758,730	2,116,445
Total lease liability transition to TFRS 16 effect as of January 1		-
Lease Payment (-)		(828,000)
Interest Cost		470,285
Total Lease Liability on December 31, 2019		1,758,730

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22. Deferred Income Tax

The Company calculates deferred income tax for the temporary differences in the balance sheet items arising from measurements in financial statements and measurements in accordance with Tax Procedural Law ("TPL").

Applicable corporate tax in Turkey as at December 31, 2019 is 22% (2018: 20%). Pursuant to Article 91 of "Act No.7061 on Amendment of Certain Tax Laws and Other Laws" promulgated in Turkish Official Journal No.30261 on December 5, 2017 and to Provisional Article 10 of Corporate Tax Law No.5520, corporate tax payable on entity income generated in 2018, 2019 and 2020 taxation periods shall be calculated over 22% and afterwards corporate tax calculation shall continue to be calculated over 20% for subsequent periods. Council of Ministers is authorized to decrease 22% tax rate down to 20%. Therefore, as of December 31, 2019 the tax rate to be used for calculation of deferred tax assets and liabilities is 22% for deferred tax bases to be realized in 2020 and 20% for subsequent periods (December 31, 2018: 22% for deferred tax bases to be realized in 2019-2020 and 20% for subsequent periods).

Breakdown lists of accumulated temporary differences and deferred tax assets and liabilities prepared by using applicable tax rates as of December 31, 2019 and December 31, 2018 are provided below:

	Temporary Timing Differences		Deferred Tax Assets / (Liabilities)	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Deferred Tax Assets				
Equalization Reserve	3,460,427	3,383,806	761,294	744,437
Provision for Bonus and Discounts	2,459,913	2,443,964	541,181	537,672
Provision for Employee Bonuses	1,974,017	1,933,076	434,284	425,277
Provision for Employment Termination	1,287,200	1,268,654	283,184	279,104
Provision for Unused Leaves	1,129,929	986,467	248,584	217,023
Provision for Performance Wages	952,074	627,947	209,456	138,148
Provision for Employee Seniority Incentives	501,310	695,229	110,288	152,950
Provision for Legal Cases	495,914	447,620	109,101	98,476
Incentive Commission	374,791	-	82,454	-
Provision for Intermediary Commission	299,818	247,958	65,960	54,550
Government Bonds Valuation Difference	123,059	-	27,073	-
Usable Financial Loss	-	3,492,030	-	464,406
Other	652,289	338,093	143,504	74,380
			3,016,363	3,186,423
Deferred Tax Liabilities				
Eurobond Valuation Difference	(794,138)	(2,548,297)	(174,710)	(560,625)
Government Bonds Valuation Difference	-	(3,931,607)	-	(864,954)
			(174,710)	(1,425,579)
Deferred Tax Assets - Net (Note 35).			2,841,653	1,760,844
Movements of Deferred Tax Assets within the year are as follows:				
			2019	2018
Period Beginning - January 1			1,760,844	2,016,745
Deferred Tax Income/(Expense) (Note 35)			2,246,497	(2,461,578)
Tax Income / (Expense) Arising from				
Increase in Fair Value (Note 15)			(1,223,595)	2,288,317
Other Deferred Tax Income/(Expense) Recognized in Shareholders' Equity			57,907	(82,640)
Period End - December 31			2,841,653	1,760,844

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22. Pension Social Aid Liabilities

	December 31, 2019	December 31,
Provision for Employment Termination Benefits	1,287,200	1,268,654
Total	1,287,200	1,268,654

Pursuant to Turkish Labor Law, The Company is liable to pay severance pay for employees who has completed at least one year of employment at the Company and whose employment is terminated or who is retired or who completes required service period (25 years for men and 20 for women) and become entitled for retirement (at the age of 60 for men and 58 for women), who are summoned for military service or who is deceased. Certain provisions are introduced for the transition period regarding the employment service time after the amendment of relevant legislation on May 23, 2002.

Severance pay equals to one month's salary per each employment year and this amount is limited to 6,730.15 TRY, effective as of January 01, 2020.

Severance pay liability is not legally subject to any kind of funding and there are no funding requirements.

Provision for Employment Termination Benefits (i.e. severance pay) is calculated through estimating the present value of the potential liability amount which has to be paid in case of retirement of employees.

TAS 19 stipulates development of actuary valuation methods to estimate the provision amount to be allocated for employment termination. According to this, following actuarial predictions are used to calculate the total liability amount:

	December 31, 2019	December 31, 2018
Annual Discount Rate (%)	2.90	4.30
Turnover Rate for Estimation of Retirement Possibility (%)	91	91

Fundamental assumption is that the ceiling provision amount determined for each year of employment shall be increased in proportion with the inflation rate. Thus, the discount rate applied shows the real rate free of expected inflation effects.

Movements of Provision for Employment Termination Benefits account within the period are shown below:

	2019	2018
Period Beginning - January 1	1,268,654	629,813
Paid within Period (Note 33)	(474,146)	(313,441)
Provision Amount Allocated/(Released) in Current Period (including actuarial losses/gains)	492,692	952,282
Period End - December 31	1,287,200	1,268,654

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23. Provision for Other Liabilities and Expenses

Commitments not included in Liabilities are disclosed in Note 43.

Deposits and Guarantees Received are disclosed in Note 12.3.

Details of provisions classified under Provision for Expense Accruals account in Balance Sheet are provided below:

	December 31, 2019	December 31, 2018
Provision for Employee Bonuses (*)	1,974,017	1,933,076
Provision for Unused Leaves	1,129,929	986,467
Provision for Performance Wages	952,074	627,947
Provision for Employee Seniority Incentives and Loyalty	501,310	695,229
Provision for Legal Cases	495,914	447,620
Provision for Employment Termination Notice Pay	54,397	51,705
Other	33,315	338
Total	5,140,956	4,742,382

(*) The Company made a bonus payment of 1,256,709 TRY in 2019 by carrying this amount from Provision for Employee Bonuses account to Due to Personnel account and allocated an additional provision amount of 1,297,544 TRY in total within the period (Note 47.5).

Provision for Performance Wages (Share Based Payments)

As explained in Note 2.25, the Company grants certain financial rights to employees, with the condition to be used at the end of a certain period, through delivery of parent company Axa SA's shares on employee performance basis in accordance with predetermined Company criteria. Movements of shares and cash amounts subject to the calculation of Provision for Performance Wages included in Company financial statements regarding the costs charged by AxaSA to Company in this regard are provided in the table below.

December 31, 2019

	Average Price per Share (TRY)	Number of Shares	Total
Period Beginning	113.02	5,556	627,947
Entrance	167.50	3,672	615,067
Paid (**)	152.51	(3,544)	(540,492)
Exchange Differences from Paid Shares	-	-	111,360
Exchange/Price Difference within Period	-	-	138,192
Period End	167.50	5,684	952,074

(*) The Company recognized the vested rights paid as AxaSA shares to employees within the period under Operational Expenses account.

December 31, 2018

	Average Price per Share (TRY)	Number of Shares	Total
Period Beginning	113.68	12,192	1,386,030
Entrance	103.00	(1,884)	(194,044)
Paid (**)	113.02	(4,752)	(537,049)
Exchange Differences from Paid Shares	-	-	116,169
Exchange/Price Difference within Period	-	-	(143,159)
Period End	113.02	5,556	627,947

(*) The Company recognized the vested rights paid as AxaSA shares to employees within the period under Operational Expenses account.

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24. Net Insurance Premium Income

Distribution or written premiums is provided below:

January 1 - December 31, 2019			
	Gross	Reinsurer's	Net
		Share	
Life	11,294,716	(1,911,672)	9,383,044
Personal Accident	105,249	(22,696)	82,553
Total Premium Income	11,399,965	(1,934,368)	9,465,597
January 1 - December 31, 2018			
	Gross	Reinsurer's	Net
		Share	
Life	11,364,913	(1,906,518)	9,458,395
Personal Accident	83,038	(20,711)	62,327
Total Premium Income	11,447,951	(1,927,229)	9,520,722

27. Subscription (Fee) Income

The Company has an entrance fee amount of 1,930,243 TRY for the fiscal period ended on December 31, 2019 (January 1 - December 31 2018: 2,059,353 TRY).

28. Investment Income

	January 1 - December 31, 2019	January 1 - December 31, 2018
Available for Sale Investments		
Interest, Exchange Rate Difference and Sales	49,234,292	72,556,257
Income		
Cash and Cash Equivalents		
Interest and Exchange Rate Difference Income	5,005,200	1,853,188
Investment Income	54,239,492	74,409,445
Available for Sale Investments		
Exchange Rate Difference and Sales Expenses	(28,987,568)	(28,828,956)
Investment Expenses	(28,987,568)	(28,828,956)
Total	25,251,924	45,580,489

20,133,919 TRY Investment Income recognized under Technical Section is included in Total Investment Income amount for January 1 - December 31, 2019 period (January 1 - December 31, 2018: 40,498,598 TRY). 8,627,995 TRY Investment Expenses recognized under Technical Section is included in Total Investment Expenses amount for January 1 - December 31, 2019 period (January 1 - December 31, 2018: 17,949,649 TRY).

30. Net Realized Gains on Financial Assets

Information about unrealized gain/loss on Available for Sale Investments is disclosed in Notes 11 and 15.

31. Assets with Fair Value Differences Reflected to Income Statement

The Company has no assets with fair value differences reflected to Income Statement.

32. Insurance Rights and Claims

Disclosed in Note 17.

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31. Investment Agreement Rights

None (December 31, 2018: None).

32. Other Necessary Expenses

	January 1 - December 31, 2019	January 1 - December 31, 2018
Operational Expenses Classified in Technical Section		
- Non-Life	3,108,976	4,753,926
- Pension	13,406,740	11,304,652
- Non-Life	17,797	11,647
Total (Note 32)	16,533,513	16,070,225

32. Expense Types

	January 1 - December 31,	January 1 - December 31, 2018
Employee Expenses (Note 33)	10,803,118	9,905,271
Production Commission Expenses	2,401,114	1,975,821
Dividend Payments	1,337,089	1,218,915
Consultancy and Audit Expenses	540,041	759,803
Information Technologies Expenses	452,370	156,942
Contribution Fee Expenses	237,947	142,964
Electricity and Cleaning Expenses	224,054	168,500
Rent Expenses	221,021	1,213,182
Taxes, Duties and Fees	208,387	175,175
Communication Expenses	158,288	197,531
Advertising and Marketing Expenses	153,945	84,759
Other Technical Expenses	23,920	169,270
Reinsurance Commissions Income	(960,949)	(845,215)
Other	733,168	747,307
Total (Note 31)	16,533,513	16,070,225

33. Employee Benefit Expenses

	January 1 - December 31, 2019	January 1 - December 31, 2018
Salary Payments (*)	7,083,274	6,722,770
Insurance Premium Payments	1,749,016	1,635,826
Premium Payments	751,610	327,382
Meal and Transportation Expenses	560,590	465,005
Severance Pay Payments	474,146	313,441
Leave Compensation	78,194	98,072
Employment Termination Notice Pay Expenses	47,050	45,158
Rent and Child Allowances	14,439	11,238
Other	44,799	286,379
Total (Note 32)	10,803,118	9,905,271

(*) Vested rights paid to employees within the period in the form of Axa SA shares is also included in Salary Payments item.

Total amount of remunerations and other benefits provided to senior management such as chairman, members of BoD, general manager, general coordinator, assistant general managers etc. is disclosed in Note 1.6.

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36. Financial Costs

36.1 Total Financial Expenses for Current Period: 483,368 TRY (January 1 - December 31, 2018: 14,159 TRY).

- 36.1.1 Charged to Production Costs: None (January 1 - December 31, 2018: None).
36.1.2 Charged to Fixed Asset Costs: None (January 1 - December 31, 2018: None).
36.1.3 Charged Directly to Period Expenses: : 483,368 TRY (January 1 - December 31, 2018: 14,159 TRY).

36.2 Portion related with shareholders, affiliates and subsidiaries in total financial expenses (expenses with shares in total amount exceeding 20% shall be disclosed separately): None (January 1 - December 31, 2018: None).

36.3 Sales to and purchases from shareholders, affiliates and subsidiaries (those with shares in total amount exceeding 20% shall be disclosed separately): Balances and transactions with the related parties are disclosed in Note 45 in detail.

36.4 Interest amounts, rent amounts etc. received from or paid to shareholders, affiliates and subsidiaries (those with shares in total amount exceeding 20% shall be disclosed separately): Balances and transactions with the related parties are disclosed in Note 45 in detail.

37. Income Taxes

Tax assets and liabilities and tax income and expenses included in financial statements drawn up as of December 31, 2019 and 2018 are summarized below:

	January 1 - December 31,	January 1 - December 31, 2018
Deferred Tax Income/(Expense) (Note 21)	2,246,497	(2,461,578)
Current Period Corporate Tax	(4,897,160)	-
Total Tax Income / (Expense)	(2,650,663)	(2,461,578)
	December 31, 2019	December 31,
Provision for Current Period Corporate Tax (-)	(4,897,160)	-
Prepaid Taxes and Funds	4,586,476	313,837
(Provision for Corporate Tax)/Prepaid Taxes, Net	(310,684)	313,837
Deferred Tax Assets	3,016,363	3,186,423
Deferred Tax Liabilities	(174,710)	(1,425,579)
Deferred Tax Assets, Net (Note 21)	2,841,653	1,760,844

Realized Tax Income / Expense reconciliation is as follows:

	December 31, 2019	December 31, 2018
Profit before Deferred Taxes and Corporate Tax	9,697,208	15,950,897
Tax Rate	22%	22%
Provision for Corporate Tax	(2,133,386)	(3,509,197)
Effect of Non-Deductible and Tax Free (Expenses)/Income	(517,277)	583,213
Period Loss (Note 21)	-	464,406
Tax Expense for the Period	(2,650,663)	(2,461,578)

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36. Net Income / (Expense) from Exchange Rate Changes

	January 1 - December 31, 2019	January 1 - December 31, 2018
Foreign Exchange Gains	6,257,419	15,489,686
Foreign Exchange Losses	(3,348,476)	(8,139,725)
Total	2,908,943	7,349,961

43. Earnings per Share

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

	January 1 - December 31, 2019	January 1 - December 31, 2018
Net Profit/(Loss) for the Period	7,046,545	13,489,319
Weighted Average Number of Shares with 0.01 TL	2,000,000,000	6,297,500,000
Nominal Value per Share		
Profit/(Loss) per 100 Shares	0.35	0.21

44. Profit per Share

13,638,817 TRY is paid as dividend to Shareholders pursuant to Shareholders' Assembly Resolution made on March 29, 2019 (2018: No profit distribution took place).

45. Cash Generated from Operations

Disclosed in Statement of Cash Flows.

46. Convertible Bonds

None (December 31, 2018: None).

47. Redeemable Preference Shares

None (December 31, 2018: None).

48. Risks

	December 31, 2019	December 31, 2018
Outstanding Claims Litigations against the Company - Gross (*)	1,376,663	1,557,904
Other Business Cases Filed against the Company	340,630	193,838
Other Litigations against the Company	155,284	253,782

(*) This amount is classified in Outstanding Claims, movement table of which is disclosed in Note 17. Net amount of these provisions is 1,047,427 TRY (December 31 2018: 1,229,068 TRY).

43. Commitments

December 31, 2019			
	EUR (TRY Equivalent)	TRY	Total
Domestic Bank Letters of Guarantee Given	65,824	71,900	137,724
Total			137,724
December 31, 2018			
	EUR (TRY Equivalent)	TRY	Total
Domestic Bank Letters of Guarantee Given	59,662	79,610	139,272
Total			139,272

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43. Commitments (continued)

Total Amount of Mortgages or Restrictions on Assets:

	December 31, 2019	December 31, 2018
Government Bonds (*)	32,851,197	44,783,509
Eurobonds (**)	55,012,894	46,975,430
Total (Note 17.1)	87,864,091	91,758,939
Bank Deposits (Disclosed in Notes 2.12 and 14)	3,002,952	-

(*) Government bonds are earmarked over principal amounts valued at Central Bank prices applicable on December 31, 2019 and their exchange market value is 32,862,529 TRY (December 31, 2018: 44,486,924 TRY).

(**) Eurobonds are earmarked over nominal value as of December 31, 2019 and their exchange market value is 58,448,840 TRY (December 31, 2018: 55,534,553 TRY).

46. Business Combinations

None (December 31, 2018: None).

47. Related Party Transactions

Axa Group companies and shareholders, affiliates and senior management of the Company are considered as related parties in Company financial statements.

e) Due to Insurers and Reinsurers

	December 31, 2019	December 31, 2018
Axa Courtage	415,958	415,958
Axa Global	236,733	682,164
Total	652,691	1,098,122

f) Due to Shareholders and Related Parties:

	December 31, 2019	December 31, 2018
Axa Sigorta A.Ş. (common expense share)	256,837	238,296
Total	256,837	238,296

g) Cash Deposited with Insurance and Reinsurance Companies:

	December 31, 2019	December 31, 2018
Axa Pool	510,526	588,772
Total	510,526	588,772

h) Ceded Premiums:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Axa Global	1,338,179	1,438,879
Axa Partners Turkey	3,467	3,305
Total	1,341,646	1,442,184

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45. Related Party Transactions (continued)

e) Commissions Received:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Axa Global	803,561	735,189
Total	803,561	735,189

f) Rent Expense:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Axa Sigorta	953,245	1,118,929
Total	953,245	1,118,929

g) Reinsurer's Share in Paid Claims

	January 1 - December 31, 2019	January 1 - December 31, 2018
Axa Global	540,981	60,643
Total	540,981	60,643

j) Dividends Paid: 13,638,817 TRY (January 1 - December 31, 2018: None).

k) Capital Return: Disclosed in Note 15.

45.6 Receivables from Shareholders, Affiliates and Subsidiaries and Provisions for Doubtful Receivables Allocated for Such Receivables: None (December 31, 2018: None).

45.7 Breakdown of affiliates and subsidiaries having an indirect shareholding and management relationship with the Company, names, shares and share amounts of shareholders/partnerships included in affiliates and subsidiaries, period profit/loss of such shareholders/partnerships in latest financial statements and the periods of such financial statements, whether such financial standards are prepared in compliance with the Board's standards and whether audited by an independent auditor and type of independent audit report prepared (positive opinion, negative opinion or contingent):

Investment Securities:

December 31, 2019	Participati on Share (%)	Book Value	Independent Audit Question Statement	Financial Statement Period December 31, 2019	Total Assets	Total Liabilities	Net Sales	Net Profit
Emeklilik Gözetim Merkezi A.Ş. (*)	5.56	427,810			16,338,477	6,509,942	24,560,133	1,271,117
Total		427,810			16,338,477	6,509,942	24,560,133	1,271,117
December 31, 2019	Participati on Share (%)	Book Value	Independent Audit Opinion Statement	Financial Statement Period December 31, 2018	Total Assets	Total Liabilities	Net Sales	Net Profit
Emeklilik Gözetim Merkezi A.Ş. (*)	5.56	427,810			14,952,987	6,408,517	17,491,831	662,222
Total		427,810			14,952,987	6,408,517	17,491,831	662,222

(**) Fair value assessment of Emeklilik Gözetim Merkezi A.Ş. shares included in Investment Securities cannot reliably be made; therefore these shares are shown at cost value.

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47. Related Party Transactions (continued)

45.8 Amount of bonus shares received from affiliates and subsidiaries due to capital increases generated from internal resources: None (December 31, 2018: None).

45.9 Real Rights on Immovables and Their Values: None (December 31, 2018: None).

45.10 Amount of obligations such as guarantees, commitments, advances, endorsements etc. granted in favor of shareholders, affiliates and subsidiaries: None (December 31, 2018: None).

48. Events after Balance Sheet Date

None.

47. Other

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

	December 31, 2019	December 31, 2018
a) Other Deferred Expenses:		
Prepaid Excess of Loss Premiums	6,917	6,270
Rent Expenses	7,158	3,471
Insurance Expenses	2,661	11,611
Subscription (Fee) Expenses	1,454	1,461
Total	18,190	22,813
	December 31, 2019	December 31, 2018
b) Due to Other Related Parties		
Axa Sigorta A.Ş. (common expense share)	256,837	238,296
Total	256,837	238,296
	December 31, 2019	December 31, 2018
c) Other Deferred Income and Expense Accruals:		
Intermediary Commission Accruals	299,817	247,958
Deferred Income	50,000	110,000
Deferred Loan Income	13,604	15,248
Total	363,421	373,206
	December 31, 2019	December 31, 2018
d) Other Current Liabilities:		
Agencies Suspense Account	320,391	307,382
Total	320,391	307,382
	December 31, 2019	December 31, 2018
e) Other Payables:		
Due to Suppliers	717,014	385,580
Total	717,014	385,580
	January 1 -	January 1 -
	December 31, 2019	December 31, 2018
f) Other Expenses and Losses:		
TRNC Branch Tax Expenses	(344,809)	(313,398)
Other	(205)	(7,423)
Total	(345,014)	(320,821)

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47. Other (continued)

47.2 Total amounts (separately) of Due from Personnel and Due to Personnel items included in "Other Current or Non-Current Liabilities" and "Other Receivables accounts exceeding 1% of total assets amount in Balance Sheet:None (December 31, 2018: None).

47.3 Amounts related to recovery receivables followed up in off-balance sheet items:None (December 31, 2018: None).

47.4 Explanatory note related to amounts and sources of income & expenses and expenses & losses for previous period:None (January 1 - December 31, 2018: None).

47.5 Information classified as "required to be presented" by Turkish Ministry of Treasury and Finance

Provision Income / (Expenses) for the Period:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Provision for Employee Bonuses	1,297,544	1,880,464
Provision for Performance Wages	185,935	(614,924)
Provision for Leave and Notice Pay	146,155	84,019
Provision for Legal Cases	48,294	91,295
Provision for Employment Termination Benefits	(106,473)	871,317
Provision for Employee Seniority Incentives and Loyalty	(193,919)	(183,356)
Other	32,974	(119)
Total	1,410,510	2,128,696

I.	DISTRIBUTION OF PROFIT FOR THE PERIOD		
1.1.	NET PROFIT/(LOSS) FOR THE PERIOD	-	13,489,319
1.2.	TAXES AND FISCAL LIABILITIES	-	-
	1.2.1. Corporate Tax (Income Tax)	-	-
	1.2.2. Income Tax Deduction	-	-
	1.2.3. Other Taxes and Fiscal Liabilities	-	-
A	NET PROFIT FOR THE PERIOD (1.1 - 1.2)	-	13,489,319
1.3.	PREVIOUS YEARS' LOSSES (-)	-	-
1.4.	PRIMARY LEGAL RESERVES	-	-
1.5.	LEGAL RESERVES RETAINED BY COMPANY (-)	-	-
B	NET DISTRIBUTABLE PROFIT FOR THE PERIOD [(A - (1.3 + 1.4 + 1.5)]	-	-
1.6.	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
	1.6.1. To Common Shareholders	-	-
	1.6.2. To Preferred Shareholders	-	-
	1.6.3 To Owners of Participating Redeemed Shares	-	-
	1.6.4 To Owners of Profit-Sharing Securities	-	-
	1.6.5 To Owners of Profit and Loss Sharing Securities	-	-
1.7.	DIVIDENDS TO PERSONNEL (-)	-	-
1.8.	DIVIDENDS TO FOUNDERS (-)	-	-
1.9.	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.10.	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
	1.10.1. To Common Shareholders	-	-
	1.10.2. To Preferred Shareholders	-	-
	1.10.3. To Owners of Participating Redeemed Shares	-	-
	1.10.4. To Owners of Profit-Sharing Securities	-	-
	1.10.5. To Owners of Profit and Loss Sharing Securities	-	-
1.11.	SECONDARY LEGAL RESERVES (-)	-	-
1.12.	STATUTORY RESERVES (-)	-	-
1.13.	EXTRAORDINARY RESERVES	-	-
1.14.	OTHER RESERVES	-	-
1.15.	SPECIAL FUNDS	-	-
II.	DISTRIBUTION FROM RESERVES	-	-
2.1.	DISTRIBUTED RESERVES	-	-
2.2.	SECONDARY LEGAL RESERVES (-)	-	-
2.3.	DIVIDENDS TO SHAREHOLDERS (-)	-	-
	2.3.1. To Common Shareholders	-	-
	2.3.2. To Preferred Shareholders	-	-
	2.3.3 To Owners of Participating Redeemed Shares	-	-
	2.3.4 To Owners of Profit-Sharing Securities	-	-
	2.3.5 To Owners of Profit and Loss Sharing Securities	-	-
2.4.	DIVIDENDS TO PERSONNEL (-)	-	-
2.5.	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III	PROFIT PER SHARE	-	-
3.1.	TO COMMON SHAREHOLDERS	-	-
3.2.	TO COMMON SHAREHOLDERS (%)	-	-
3.3.	TO PREFERRED SHAREHOLDERS (%)	-	-
3.4.	TO PREFERRED SHAREHOLDERS (%)	-	-
IV.	DIVIDENDS PER SHARE	-	-
4.1.	TO COMMON SHAREHOLDERS	-	-
4.2.	TO COMMON SHAREHOLDERS (%)	-	-
4.3.	TO PREFERRED SHAREHOLDERS (%)	-	-
4.4.	TO PREFERRED SHAREHOLDERS (%)	-	-

Shareholders' Assembly is the authorized body of the Company regarding distribution of current period profit. The Company has not yet held the Ordinary Shareholders' Assembly meeting as of the financial statement dates.