

TÜRK P VE I SİGORTA A.Ş.

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

**1 JANUARY - 31 DECEMBER 2020
THE INDEPENDENT AUDITOR'S REPORT
(ORIGINALLY ISSUED IN TURKISH)**



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR'S REPORT

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

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Türk P ve I Sigorta A.Ş. (the "Company") which comprise the balance sheet as at 31 December 2020 and the statement of income, statement of changes in equity, statement of cash flows and statement of profit distribution for the year then ended and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with accounting and financial reporting regulations enforced by insurance legislation and Turkish Financial Reporting Standards for the matters not regulated by insurance legislation "Regulation on Insurance Accounting and Financial Reporting Principles".

2. Basis for Opinion

Our audit was conducted in accordance with the regulations on the principles on auditing as set out in the insurance legislation and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.



3. Key Audit Matters

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

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p data-bbox="272 747 792 821">Estimation of claims incurred but not reported</p> <p data-bbox="272 867 870 1052">As explained in Notes 2 and 17, the Company has accounted for incurred but not reported claims provision amounting to TRY 10,513,520 on a gross basis; and TRY 5,672,416 on a net basis as of 31 December 2020.</p> <p data-bbox="272 1098 870 1587">Above mentioned provision has been calculated with respect to the best estimation methods determined in accordance with the opinion of the Company's actuary in the context of "Circular on Outstanding Claim Provisions" dated 5 December 2014 and numbered 2014/16 published by the Ministry of Treasury and Finance. The reason we focus on this area during our audit is the significance of the incurred but not reported claims provision for the financial statements and the significant actuarial judgments and estimates required by the nature of provision in the financial statements.</p>	<p data-bbox="894 747 1485 932">We evaluated the design and operational effectiveness of the key controls implemented by the Company's management in relation to the incurred losses used in the calculation of incurred but not reported claims provision.</p> <p data-bbox="894 978 1485 1472">During our audit, we tested the mathematical accuracy of the calculation of incurred but not reported claims provision and reconciled with the information included in the financial statements for selected branches. We evaluated the methods and assumptions used on a branch basis together with our own actuarial experts by inquiring the Company management and Company actuary. In addition, for selected branches, we made an independent assessment of the acceptable reserve ranges for the incurred but not reported claims provision and compared them with the amounts included in Company's accounting records.</p> <p data-bbox="894 1518 1485 1703">In addition, we checked the adequacy and accuracy of the disclosures in the financial statements related to such provisions in the context of Regulation on Insurance Accounting and Financial Reporting Principles.</p>



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

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulation on Insurance Accounting and Financial Reporting Principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

5. Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with the regulations on the principles on auditing as set out in the insurance legislation and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in 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 independent audit conducted in accordance with the regulations on the principles on auditing as set out in the insurance legislation and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the 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 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 independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Company’s bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Company’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

Additional Paragraph for Convenience Translation into English

As discussed in Note 2.1.1, to the accompanying financial statements, the effects of differences between the accounting principles as set out by the related insurance laws and accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations and changes in financial position and cash flows in accordance with accounting principles generally accepted in such countries and IFRS.

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

ORIGINALLY ISSUED IN TURKISH

Adnan Akan, SMMM
Partner

Istanbul, 26 February 2021

**CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON
THE FINANCIAL STATEMENTS PREPARED AS AT 31 DECEMBER 2020**

We confirm that the accompanying financial statements and notes to these financial statements as of 31 December 2020 are prepared in accordance with the accounting principles and standards as set out in the insurance legislation and in conformity with the related regulations and the Company's accounting records.

26 February 2021

R. Ufuk TEKER

Enis GÜNGÖR

Jale İNAN

A. Korhan AKÇÖL

A Member of Board of
Directors and
General Manager

Chief Financial
Officer

Finance Manager

Actuary

TÜRK P VE I SİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020**

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TÜRK P VE İ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2020 AND 2019

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

ASSETS

	Notes	Audited 31 December 2020	Audited 31 December 2019
I- Current Assets			
A- Cash and Cash Equivalents	14	77,757,752	37,582,867
1- Cash	2.12 and 14	16,576	7,560
2- Cheques Received		-	-
3- Banks	2.12 and 14	77,661,180	37,537,865
4- Cheques Given and Payment Orders (-)		-	-
5- Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months	2.12 and 14	79,996	37,442
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments with Risks on Policyholders		9,588,066	-
1- Available for Sale Investments		-	-
2- Held to Maturity Investments	4 and 11.4	9,588,066	-
3- Trading Investments		-	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Financial Assets at Life Insuree's Risk		-	-
7- Company's Shares		-	-
8- Provision for financial assets diminution in value (-)		-	-
C- Receivables from Main Operations	12.1	64,808,660	33,357,570
1- Due from Insurance Operations	12.1	64,808,660	33,357,570
2- Provision for Due from Insurance Operations (-)		-	-
3- Due from Reinsurance Operation		-	-
4- Provision for Due from Reinsurance Operations (-)		-	-
5- Premium Deposits		-	-
6- Policy Loans		-	-
7- Provision for Policy Loans (-)		-	-
8- Due from Private Pension Operations		-	-
9- Doubtful Receivables from Main Operations	12	2,762,560	-
10- Provision for Doubtful Receivables from Main Operations (-)	12	(2,762,560)	-
D- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint-Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
E- Other Receivables		21,306	468,173
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		21,306	468,173
4- Other Miscellaneous Receivables		-	-
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
F- Prepaid Expenses and Income Accruals		12,323,980	7,568,972
1- Deferred Acquisition Costs	17	11,995,950	5,918,673
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		153,663	-
4- Other Prepaid Expenses	47.1	174,367	1,650,299
G- Other Current Assets		1,165	28,566
1- Prepaid Office Supplies		-	3,080
2- Prepaid Taxes and Funds		-	-
3- Deferred Tax Assets		-	-
4- Job Advances		1,165	25,486
5- Advances to Personnel		-	-
6- Count Shortages		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		164,500,929	79,006,148

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

TÜRK P VE I SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2020 AND 2019

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

ASSETS	Notes	Audited 31 December 2020	Audited 31 December 2019
II- Non-Current Assets			
A- Receivables from Main Operations		-	-
1- Due from Insurance Operations		-	-
2- Provision for Due from Insurance Operations (-)		-	-
3- Due from Reinsurance Operations		-	-
4- Provision for Due from Reinsurance Operations		-	-
5- Premium Deposits		-	-
6- Policy Loans		-	-
7- Provision for Policy Loans (-)		-	-
8- Due from Private Pension Operations		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations (-)		-	-
B- Due from Related Parties		-	-
1- Due from Shareholder		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint-Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
C- Other Receivables		21,772	21,772
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		21,772	21,772
4- Other Receivables		-	-
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
D- Financial Assets		-	-
1- Investment Securities		-	-
2- Associates		-	-
3- Capital Commitments to Associates (-)		-	-
4- Subsidiaries		-	-
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint-Ventures		-	-
7- Capital Commitments to Joint-Ventures (-)		-	-
8- Financial Assets and Financial Investments at Insurees' Risk		-	-
9- Other Financial Assets		-	-
10- Provision for Diminution in Value (-)		-	-
E- Tangible Assets	6	1,846,851	1,695,340
1- Investment Properties		-	-
2- Provision for Diminution in Value of Investment Properties (-)		-	-
3- Property for Operational Usage		-	-
4- Machinery and Equipment		-	-
5- Furniture and Fixtures	6	781,643	649,204
6- Motor Vehicles		-	-
7- Other Tangible Assets (including leasehold improvements)	6	677,573	649,182
8- Leased Assets	6	2,234,103	1,554,985
9- Accumulated Depreciation (-)	6	(1,846,468)	(1,158,031)
10- Advances Given for Tangible Assets		-	-
F- Intangibles Assets	8	3,289	2,081
1- Rights	8	8,542	6,247
2- Goodwill		-	-
3- Start-up Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortization (-)	8	(5,253)	(4,166)
7- Advances Given for Intangible Assets		-	-
G- Prepaid Expenses and Income Accruals		-	-
1- Deferred Acquisition Costs		-	-
2- Income Accruals		-	-
3- Other Deferred Expenses		-	-
H- Other Non-Current Assets	21 and 35	1,805,630	209,094
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Prepaid Office Supplies		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21 and 35	1,805,630	209,094
6- Other Non-Current Assets		-	-
7- Other Non-Current Assets Depreciation (-)		-	-
8- Provision for Diminution in Value of Other Non-Current Assets (-)		-	-
II- Total Non-Current Assets		3,677,542	1,928,287
TOTAL ASSETS (I+II)		168,178,471	80,934,435

The accompanying notes form an integral part of these financial statements

TÜRK P VE İ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2020 AND 2019

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

LIABILITIES

	Notes	Audited 31 December 2020	Audited 31 December 2019
III- Financial Liabilities			
A- Financial Liabilities		458,960	306,500
1- Due to Credit Institutions		-	-
2- Leasing Payables	20	458,960	306,500
3- Deferred Leasing Costs (-)		-	-
4- Short Term Instalments of Long-Term Borrowings		-	-
5- Issued Debt Securities		-	-
6- Issued Debt Securities		-	-
7- Value Differences of Other Issued Debt Securities (-)		-	-
8- Other Financial Payables (Liabilities)		-	-
B- Payables from Main Operations	19	8,081,920	6,304,678
1- Payables from Insurance Operations	4 and 19	8,080,724	6,304,678
2- Payables from Reinsurance Operations		-	-
3- Premium Deposits		-	-
4- Payables from Private Pension Operations		-	-
5- Payables from Other Operations	19	1,196	-
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties	19	783	1,793
1- Due to Shareholders	4, 19 and 45	370	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel	4 and 19	413	1,793
6- Due to Other Related Parties		-	-
D- Other Payables	4, 19 and 47.1	95,439	191,650
1- Deposits and Guarantees Received		-	-
2- Payable to SSI medical expense		-	-
3- Other Miscellaneous Payables	4, 19 and 47.1	95,439	191,650
4- Rediscount on Other Payables		-	-
E- Insurance Technical Provisions		105,138,742	43,129,841
1- Unearned Premium Reserve - Net	4 and 17	68,484,942	37,356,354
2- Unexpired Risks Reserve - Net		-	-
3- Mathematical Reserve - Net		-	-
4- Outstanding Claim Provision - Net	4 and 17	36,653,800	5,773,487
5- Bonus and Rebate Provision - Net		-	-
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Fiscal Liabilities		1,623,591	2,655,618
1- Taxes and Funds Payable		1,053,754	433,449
2- Social Security Withholdings Payable		121,907	114,832
3- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
4- Other Taxes and Fiscal Liabilities		-	-
5- Corporate Tax Provision and Other Fiscal Liabilities	35	6,238,850	3,522,598
6- Prepaid tax and other liabilities on current year profit (-)	35	(5,790,920)	(1,415,261)
7- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks	23	9,397,282	-
1- Provision for Employment Termination Benefits	23	125,457	-
2- Provision for Social Aid Fund Asset Shortage		-	-
3- Provision for Expense Accruals	23	9,271,825	-
H- Deferred Income and Expense Accruals	19	116,329	814,954
1- Deferred Commission Income	10, 17 and 19	98,296	784,954
2- Expense Accruals	19	18,033	30,000
3- Other Deferred Income		-	-
I- Other Current Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Count Overages		-	-
3- Other Current Liabilities		-	-
III- Total Current Liabilities		124,913,046	53,405,034

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

TÜRK P VE I SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2020 AND 2019

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

LIABILITIES

	Notes	Audited 31 December 2020	Audited 31 December 2019
IV- Non-Current Liabilities			
A- Financial Liabilities		1,075,393	920,348
1- Due to Credit Institutions		-	-
2- Leasing Payables	20	1,075,393	920,348
3- Deferred Leasing Costs (-)		-	-
4- Issued Debt Securities		-	-
5- Other Issued Debt Securities		-	-
6- Value Differences of Other Issued Debt Securities (-)		-	-
7- Other Financial Payables (Liabilities)		-	-
B- Payables from Main Operations			
1- Payables from Insurance Operations		-	-
2- Payables from Reinsurance Operations		-	-
3- Premium Deposits		-	-
4- Payables from Private Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties			
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables			
1- Deposits and Guarantees Received		-	-
2- Payable to SSI medical expense		-	-
3- Other Miscellaneous Payables		-	-
4- Rediscount on Other Payables		-	-
E- Insurance Technical Provisions			
1- Unearned Premium Reserve - Net		-	-
2- Unexpired Risks Reserve - Net		-	-
3- Mathematical Reserve - Net		-	-
4- Outstanding Claim Provision - Net		-	-
5- Bonus and Rebate Provision - Net		-	-
6- Other Technical Reserves - Net		-	-
F- Other Liabilities and Related Provisions			
1- Other Payables		-	-
2- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
3- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks		506,234	365,582
1- Provision for Employment Termination Benefits	22	506,234	365,582
2- Provision for Social Aid Fund Asset Shortage		-	-
H- Long term Deferred Income and Expense Accruals			
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Short term Other Deferred Income		-	-
I- Other Non-Current Liabilities			
1- Deferred Tax Liabilities		-	-
2- Other Non-Current Liabilities		-	-
IV- Total Non-Current Liabilities		1,581,627	1,285,930

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

TÜRK P VE İ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2020 AND 2019

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

SHAREHOLDERS’ EQUITY

	Notes	Audited 31 December 2020	Audited 31 December 2019
V- Shareholders’ Equity			
A- Share Capital	2.13 and 15	25,000,000	13,500,000
1- (Nominal) Capital	2.13 and 15	25,000,000	13,500,000
2- Unpaid Capital (-)		-	-
3- Adjustments to Share Capital		-	-
4- Adjustments to Share Capital (-)		-	-
5- Capital Not Yet Registered		-	-
B- Capital Reserves			
1- Share Premium		-	-
2- Profit from Stock Abrogation		-	-
3- Sales Profits to be Added to the Capital		-	-
4- Foreign Currency Translation Differences		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		671,826	206,627
1- Legal Reserves		904,554	304,227
2- Statutory Reserves		-	-
3- Extraordinary Reserves		-	-
4- Special Funds (Reserves)		-	-
5- Valuation of Financial Assets		-	-
6- Other Profit Reserves	15	(232,728)	(97,600)
D- Retained Earnings		436,517	530,325
1- Retained Earnings		436,517	530,325
E- Accumulated Deficit (-)			
1- Accumulated Deficit		-	-
F- Net Profit for the Period		15,575,455	12,006,519
1- Net Profit for the Period		15,575,455	12,006,519
2- Net Loss for the Period (-)		-	-
3- Profit not subject to Distribution		-	-
V- Total Shareholders’ Equity		41,683,798	26,243,471
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY (III+IV+V)		168,178,471	80,934,435

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

TÜRK P VE I SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

TECHNICAL PART

	Notes	Audited 1 January - 31 December 2020	Audited 1 January - 31 December 2019
A- Non-Life Technical Income		123,649,182	47,617,160
1- Earned Premiums (Net of Reinsurers' Share)		103,615,960	41,913,153
1.1- Written Premiums (Net of Reinsurers' Share)	24	134,744,548	63,441,367
1.1.1- Gross Written Premium (+)	24	181,831,638	96,623,167
1.1.2- Reinsurers' Share of Gross Written Premium	10 and 24	(47,087,090)	(33,181,800)
1.1.3- Premiums Ceded to SSI (-)		-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	17	(31,128,588)	(21,528,214)
1.2.1- Unearned Premiums Reserve (-)	17	(35,918,399)	(19,969,718)
1.2.2- Reinsurers' Share of Unearned Premiums Reserve (+)	10 and 17	4,789,811	(1,558,496)
1.3- Change in Unexpired Risks Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		-	-
1.3.1- Unexpired Risks Reserve (-)		-	-
1.3.2- Reinsurers' Share of Unexpired Risks Reserve (+)		-	-
2- Investment Income Transferred from Non-Technical Part		20,033,222	5,674,348
3- Other Technical Income - (Net of Reinsurers' Share)		-	29,659
3.1- Gross Other Technical Income (+)		-	29,659
3.2- Reinsurers' Share of Other Gross Technical Income (-)		-	-
4- Claim Recovery and Salvage Income Accruals (+)		-	-
B- Non-Life Technical Expense (-)		(102,291,778)	(31,098,869)
1- Incurred Claims - (Net of Reinsurer's Share)		(70,022,037)	(14,351,375)
1.1- Paid Claims - (Net of Reinsurer's Share)		(67,184,188)	(11,943,562)
1.1.1- Gross Paid Claims (-)		(67,184,188)	(36,202,749)
1.1.2- Reinsurers' Share of Gross Paid Claims (+)	10	28,042,464	24,259,187
1.2- Change in Outstanding Claims (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		(30,880,313)	(2,407,813)
1.2.1- Outstanding Claims Provision (-)		(35,000,223)	2,369,783
1.2.2- Reinsurers' Share of Outstanding Claims Provision (+)	10	4,119,910	(4,777,596)
2- Change in Bonus and Rebate Provision (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		-	-
2.1- Bonus and Rebate Provision (-)		-	-
2.2- Reinsurers' Share of Bonus and Rebate Provision (+)		-	-
3- Change in Other Technical Reserves (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		-	-
4- Operating Expenses (-)	31 and 32	(32,269,741)	(16,747,494)
5- Change in Mathematical Reserves (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		-	-
5.1- Mathematical Reserves (-)		-	-
5.2- Net of Reinsurer's Share and Reserves Carried Forward (+)		-	-
6- Other Technical Expenses (-)		-	-
6.1- Gross Other Technical Expenses (-)		-	-
6.2- Reinsurers' Share of Other Gross Technical Expenses (+)		-	-
C- Net Technical Income- Non-Life (A - B)		21,357,404	16,518,291
D- Life Technical Income			
1- Earned Premiums (Net of Reinsurers' Share)		-	-
1.1- Written Premiums (Net of Reinsurers' Share)		-	-
1.1.1- Gross Written Premiums (+)		-	-
1.1.2- Reinsurers' Share of Written Premiums (-)		-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers' Share and Returned Reserve) (+/-)		-	-
1.2.1- Unearned Premiums Reserve (-)		-	-
1.2.2- Reinsurers' Share of Unearned Premiums Reserve (+)		-	-
1.3- Change in Unexpired Risks Reserve (Net of Reinsurers' Share and Returned Reserve) (+/-)		-	-
1.3.1- Unexpired Risks Reserve (-)		-	-
1.3.2- Reinsurers' Share of Unexpired Risks Reserve (+)		-	-
2- Life Investment Income		-	-
3- Unrealized Investment Income		-	-
4- Other Technical Income - (Net of Reinsurers' Share) (+/-)		-	-
E- Life Technical Expense			
1- Incurred Claims - (Net of Reinsurer's Share) (+/-)		-	-
1.1- Paid Claims (Net of Reinsurer's Share) (-)		-	-
1.1.1- Gross Paid Claims (-)		-	-
1.1.2- Reinsurer's Share of Gross Paid Claims (+)		-	-
1.2- Change in Outstanding Claims (Net of Reinsurer's Share and Returned Reserve) (+/-)		-	-
1.2.1- Outstanding Claims Provision (-)		-	-
1.2.2- Reinsurer's Share of Outstanding Claim Provisions (+)		-	-
2- Change in Bonus and Rebate Provision (Net of Reinsurers' Share and Returned Reserve) (+/-)		-	-
2.1- Bonus and Rebate Provision (-)		-	-
2.2- Reinsurers' Share of Bonus and Rebate Provision (+)		-	-
3- Change in Mathematical Reserves (Net of Reinsurers' Share and Returned Reserve) (+/-)		-	-
3.1- Mathematical Reserves (-)		-	-
3.1.1- Actuarial Mathematical Reserves (+/-)		-	-
3.1.2- Profit Share Reserve (For Permanent Life Insurance Policies)		-	-
3.2- Reinsurers' Share of Mathematical Reserves (+)		-	-
3.2.1- Reinsurer's Share of Actuarial Mathematical Reserves (+)		-	-
3.2.2- Reinsurer's Share of Profit Share Reserve (for Permanent Life Insurance Policies) (+)		-	-
4- Change in Other Technical Reserves - (Net of Reinsurer's Share and Returned Reserve) (+/-)		-	-
5- Operating Expenses (-)		-	-
6- Investment Expenses (-)		-	-
7- Unrealized Investment Expense (-)		-	-
8- Investment Income Transferred to Non-Life Technical Part (-)		-	-
F- Net Technical Income - Life (D - E)			
G- Private Pension Technical Income			
1- Fund Management Income		-	-
2- Management Expense Charge		-	-
3- Entrance Fee Income		-	-
4- Management Expense Charge in case of Suspension		-	-
5- Special Service Expense Charge		-	-
6- Capital Allowance Value Increase Income		-	-
7- Other Technical Income		-	-
H- Private Pension Technical Expense			
1- Fund Management Expense (-)		-	-
2- Fund Management Expense (-)		-	-
3- Operating Expenses (-)		-	-
4- Other Technical Expenses (-)		-	-
I- Net Technical Income - Private Pension (G - H)			

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

TÜRK P VE I SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

NON-TECHNICAL PART

	Notes	Audited 1 January - 31 December 2020	Audited 1 January - 31 December 2019
C- Net Technical Income-Non-Life (A-B)		21,357,404	16,518,291
F- Net Technical Income-Life (D-E)		-	-
I- Net Technical Income-Private Pension (G-H)		-	-
J- Total Net Technical Income (C+F+I)		21,357,404	16,518,291
K- Investment Income		20,033,223	5,674,348
1- Income from Financial Investments	26	1,616,147	1,679,673
2- Income from Sales of Financial Investments		-	-
3- Valuation of Financial Investments	26	490,900	31,017
4- Foreign Exchange Gains	36	17,926,176	3,963,658
5- Income from Associates		-	-
6- Income from Subsidiaries and Joint-Ventures		-	-
7- Income from Land and Buildings		-	-
8- Income from Derivatives		-	-
9- Other Investments		-	-
10- Investment Income Transferred from Life Technical Part		-	-
L- Investment Expense (-)		(21,018,714)	(6,645,258)
1- Investment Management Expenses (Interest included) (-)	34	(224,644)	(268,552)
2- Diminution in Value of Investments (-)		-	-
3- Loss from Realization of Financial Investments (-)		-	-
4- Investment Income Transferred to Non-Life Technical Part (-)		(20,033,222)	(5,674,348)
5- Loss from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)		-	-
7- Depreciation Expenses (-)	6 and 8	(689,524)	(619,031)
8- Other Investment Expenses (-)		(71,324)	(83,327)
M- Income and Expenses from Other Operations and Extraordinary Operations (+/-)		1,442,392	(18,264)
1- Provisions (+/-)	47.5	(97,199)	(89,869)
2- Rediscunts (+/-)		-	-
3- Special Insurance Account (+/-)		-	-
4- Inflation Adjustment (+/-)		-	-
5- Deferred Tax Assets (+/-)	21 and 35	1,562,754	72,208
6- Deferred Tax Liabilities Expenses (-)		-	-
7- Other Income		40,569	38,226
8- Other Expenses (-)		(63,732)	(38,829)
9- Prior Year's Income		-	-
10- Prior Year's Expenses (-)		-	-
N- Net Profit/(Loss) for the Period	37	15,575,455	12,006,519
1- Profit/(Loss) for the Period		21,814,305	15,529,117
2- Corporate Tax Provision and Other Fiscal Liabilities (-)	35	(6,238,850)	(3,522,598)
3- Net Profit/(Loss) for the Period		15,575,455	12,006,519
4- Inflation Adjustment		-	-

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

TÜRK P VE I SİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENTS OF CASH FLOWS
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2020 AND 2019**

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

	Notes	Audited 1 January - 31 December 2020	Audited 1 January - 31 December 2019
A- CASH GENERATED FROM MAIN OPERATIONS			
1- Cash inflows from insurance operations		222,691,109	120,948,566
2- Cash inflows from reinsurance operations		-	-
3- Cash inflows from private pension operations		-	-
4- Cash outflows from insurance operations (-)		(174,481,420)	(102,909,491)
5- Cash outflows from reinsurance operations (-)		-	-
6- Cash outflows from private pension operations (-)		-	-
7- Net cash from main operations (A1+A2+A3-A4-A5-A6)		48,209,689	18,039,075
8- Interest payment (-)		-	-
9- Income tax payment (-)		(7,898,257)	(1,415,261)
10- Other cash inflows		473,375	-
11- Other cash outflows (-)		(90,366)	(2,663,274)
12- Net cash used in main operations		40,694,441	13,960,540
B- CASH FLOWS FROM INVESTING OPERATIONS			
1- Sale of tangible assets		-	-
2- Tangible assets purchases (-)	6	(842,243)	(294,822)
3- Financial assets purchases (-)	11	(10,679,172)	-
4- Sales of financial assets		-	-
5- Interest received		1,677,334	1,679,673
6- Dividends received		-	-
7- Other cash inflows		-	-
8- Other cash outflows (-)		(71,324)	(48,506)
9- Net cash from investing activities		(9,915,405)	1,336,345
C- CASH FLOWS FROM FINANCING OPERATIONS			
1- Issue of shares		-	-
2- Cash flows due to the borrowings		-	-
3- Leasing payments (-)	20	(675,290)	(618,944)
4- Dividends paid (-)		-	-
5- Other cash inflows		-	-
6- Other cash outflows (-)		-	-
7- Net cash from financing activities		(675,290)	(618,944)
D- EFFECT OF EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	36	9,611,526	2,019,243
E- Net increase in cash and cash equivalents		39,715,272	16,697,184
F- Cash and cash equivalents at the beginning of the period		31,762,921	15,065,737
G- Cash and cash equivalents at the end of the period (E+F)	2.12	71,478,193	31,762,921

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

TÜRK P VE I SİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2020 AND 2019**

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

Statements of Changes in Shareholders' Equity - Audited (*)											
	Capital	Unpaid Capital (-)	Valuation Increase in Assets	Capital Reserves	Foreign Currency Translation Differences	Legal Reserves	Statutory Reserves	Other Reserves and Retained Profit	Net Profit for Period	Retained Earnings	Total
I- Balances as previously reported (31/12/2018)	8,250,000	-	-	-	-	16,157	-	(49,934)	5,761,402	306,993	14,284,618
A- Capital Increase (A1 + A2)	5,250,000	-	-	-	-	-	-	-	-	(5,250,000)	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From internal resources (Note 2.13)	5,250,000	-	-	-	-	-	-	-	-	(5,250,000)	-
B- Treasury shares of the company	-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not recognized in the income statement (Note 15)	-	-	-	-	-	-	-	(47,666)	-	-	(47,666)
D- Value increase in the assets	-	-	-	-	-	-	-	-	-	-	-
E- Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-
F- Other income and losses	-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period (-) (Note 37)	-	-	-	-	-	-	-	-	12,006,519	-	12,006,519
I- Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfers	-	-	-	-	-	288,070	-	-	(5,761,402)	5,473,332	-
II- Balances at the period end (31/12/2019) (I+A+B+C+D+E+F+G+H+I+J)	13,500,000	-	-	-	-	304,227	-	(97,600)	12,006,519	530,325	26,243,471

Statements of Changes in Shareholders' Equity - Audited (*)											
	Capital	Unpaid Capital (-)	Valuation Increase in Assets	Capital Reserves	Foreign Currency Translation Differences	Legal Reserves	Statutory Reserves	Other Reserves and Retained Profit	Net Profit for Period (-)	Retained Earnings	Total
I- Balances as previously reported (31/12/2019)	13,500,000	-	-	-	-	304,227	-	(97,600)	12,006,519	530,325	26,243,471
A- Capital Increase (A1 + A2)	11,500,000	-	-	-	-	-	-	-	-	(11,500,000)	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From internal resources (Note 2.13)	11,500,000	-	-	-	-	-	-	-	-	(11,500,000)	-
B- Treasury shares of the company	-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not recognized in the income statement (Note 15)	-	-	-	-	-	-	-	(135,128)	-	-	(135,128)
D- Value increase in the assets	-	-	-	-	-	-	-	-	-	-	-
E- Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-
F- Other income and losses	-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period (-) (Note 37)	-	-	-	-	-	-	-	-	15,575,455	-	15,575,455
I- Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfers	-	-	-	-	-	600,327	-	-	(12,006,519)	11,406,192	-
II- Balances at the period end (31/12/2020) (I+A+B+C+D+E+F+G+H+I+J)	25,000,000	-	-	-	-	904,554	-	(232,728)	15,575,455	436,517	41,683,798

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

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

TÜRK P VE I SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF STATEMENTS OF PROFIT DISTRIBUTION FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

	Note	Current Period (*)	Previous Period (**)
I. DISTRIBUTION OF PROFIT FOR THE PERIOD			
1.1. PROFIT FOR THE PERIOD		20,251,551	15,456,909
1.2. TAXES PAYABLE AND LEGAL LIABILITIES			
1.2.1. Corporate Tax (Income Tax)		(6,238,850)	(3,522,598)
1.2.2. Income Tax Deduction		-	-
1.2.3. Other Taxes and Legal Liabilities		1,562,754	72,208
A NET PROFIT FOR THE PERIOD (1.1 - 1.2)		15,575,455	12,006,519
1.3. PREVIOUS YEARS' LOSSES (-)		-	-
1.4. FIRST LEGAL RESERVE		-	(600,327)
1.5. LEGAL FUNDS TO BE KEPT IN THE COMPANY (-)		-	-
B NET DISTRIBUTABLE PROFIT FOR THE PERIOD [(A - (1.3 + 1.4 + 1.5))]		-	11,406,192
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	-
1.6.1. To common shareholders		-	-
1.6.2. To preferred shareholders		-	-
1.6.3 To owners of participating redeemed shares		-	-
1.6.4 To owners of profit-sharing securities		-	-
1.6.5 To owners of profit and loss sharing securities		-	-
1.7. DIVIDENDS TO PERSONNEL (-)		-	-
1.8. DIVIDENDS TO FOUNDERS (-)		-	-
1.9. DIVIDENDS TO THE BOARD OF DIRECTORS (-)		-	-
1.10. SECOND DIVIDENDS TO SHAREHOLDERS (-)		-	-
1.10.1. To common shareholders		-	-
1.10.2. To preferred shareholders		-	-
1.10.3. To owners of participating redeemed shares		-	-
1.10.4. To owners of profit-sharing securities		-	-
1.10.5. To owners of profit and loss sharing securities		-	-
1.11. SECOND LEGAL RESERVE		-	-
1.12. STATUTORY RESERVES		-	-
1.13. EXTRAORDINARY RESERVES		-	-
1.14. OTHER RESERVES		-	-
1.15. SPECIAL FUNDS		-	-
II. DISTRIBUTION FROM RESERVES		-	-
2.1. DISTRIBUTED RESERVES		-	-
2.2. SECOND LEGAL RESERVE (-)		-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1. To common shareholders		-	-
2.3.2 To preferred shareholders		-	-
2.3.3. To owners of participating redeemed shares		-	-
2.3.4 To owners of profit-sharing securities		-	-
2.3.5 To owners of profit and loss sharing securities		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO THE BOARD OF DIRECTORS (-)		-	-
III PROFIT PER SHARE		-	-
3.1. TO COMMON SHAREHOLDERS		-	-
3.2. TO COMMON SHAREHOLDERS (%)		-	-
3.3. TO PREFERRED SHAREHOLDERS		-	-
3.4. TO PREFERRED SHAREHOLDERS (%)		-	-
IV. DIVIDENDS PER SHARE		-	-
4.1. TO COMMON SHAREHOLDERS		-	-
4.2. TO COMMON SHAREHOLDERS (%)		-	-
4.3 TO PREFERRED SHAREHOLDERS		-	-
4.4. TO PREFERRED SHAREHOLDERS (%)		-	-

(*) The Company's authorized body regarding the distribution of the period profit is the General Assembly. As of the date of preparation of the financial statements, the Company's annual General Assembly meeting has not been held yet.

(**) The company has no dividend distribution for the period 1 January - 31 December 2019.

TÜRK P VE I SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

1. General information

1.1 Name of the parent Company: As of 31 December 2020 share of Group A, B, and C of Türk P ve I Sigorta A.Ş. (“Company”) belongs to Türkiye Sigorta A.Ş., share of group D belongs to Omur Denizcilik A.Ş., Metropole Denizcilik ve Ticaret Ltd. Şti. and Vitsan Denizcilik A.Ş. jointly (As of 31 December 2019 share of Group A of Türk P ve I Sigorta A.Ş. (“Company”) belongs to Ziraat Sigorta A.Ş., share of Group B belongs to Güneş Sigorta A.Ş., share of Group C belongs to Türkiye Halk Bankası A.Ş. and share of group D belongs to Omur Denizcilik A.Ş., Metropole Denizcilik and Ticaret Ltd. Şti. and Vitsan Denizcilik A.Ş. jointly).

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

1.3 Nature of operations: The Company is operating in accordance with the Insurance Law No: 5684 and has operations in protection and indemnity branch and hull and machinery branch.

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

1.5 Average number of employees during the period by category:

	31 December 2020	31 December 2019
Senior Management	3	3
Other personnel	24	21
Total	27	24

1.6 Total salaries and benefits paid to the chairman and members of the board of directors, general manager, general coordinator, assistant general managers and other executive management during the current period: Total amount of wages and other benefits provided for the general managers and assistant general managers recognized as the top management of the Company is TRY 2,983,506 (31 December 2019: TRY 2,587,902).

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

All income from the investment of assets that meet non-life technical provisions were transferred from the non-technical part to the technical part.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

1. General information (Continued)

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

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

1.10 Events occurred after the balance sheet date: The Board of Directors has the authority to change and approve the financial statements for the period 1 January - 31 December 2020, the said financial statements are signed and approved on 5 May 2020 by General Manager Ufuk Teker and Assistant General Manager Abdullah Kara under the authorization of Board of Directors. Events occurred after the balance sheet date are explained in Note 46

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

The Company prepares its financial statements in accordance with the principles stipulated for insurance and reinsurance companies by the Insurance and Private Pension Regulation and Supervision Agency ("SEDDK") established by the Insurance Law No.5684 and the Presidential Decree dated 18 October 2019. The insurance legislation regarding financial reporting before the establishment of SEDDK and the initiation of regulatory activities regarding the insurance sector was published by the Ministry of Treasury and Finance.

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

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

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

As of 31 December 2020, the Company calculates and recognizes its insurance technical provisions in its financial statements in accordance with the “Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested” (“Regulation on Technical Reserves”), which is published in Official Gazette dated 28 July 2010 and numbered 27655 and changes on this regulation were published in Official Gazette dated 17 July 2012 and numbered 28356 and other regulations issued for insurance and reinsurance companies by the Ministry of Treasury and Finance (Note 2.24).

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

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

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

Changes in Turkish Financial Reporting Standards:

Accounting policies and measurement principles that are used in the preparation of the financial statements are applied in-line with the previous years’ except for TFRYK comments and new standards and amendments summarized below that are applicable as of 31 December 2020.

a) Standards, amendments and interpretations applicable as at 31 December 2020:

- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, ‘Presentation of financial statements’, and TAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other TFRSs:
 - i. Use a consistent definition of materiality throughout TFRSs 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.
- **Amendments to TFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

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

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

- **Amendments to TFRS 16 ‘Leases - COVID 19 Lease concessions’;** Valid for annual reporting periods starting on or after 1 June 2020. Due to the COVID-19 outbreak, some privileges were provided to lessees in rent payments. These concessions can take a variety of forms, including suspension or postponement of lease payments. On 28 May 2020, with the amendment to TFRS 16 Leases standard, the IASB introduced an optional facilitating application for lessees to not evaluate whether the privileges granted due to COVID-19 in lease payments are a change in the lease. Tenants may choose to account for such lease concessions in accordance with the decrees that apply in the absence of a change to the lease. This ease of implementation often causes the lease concession to be accounted for as variable lease payment in periods when an event or condition occurs that triggers a reduction in lease payments.

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2020:

- **TFRS 17, ‘Insurance contracts’;** effective from annual periods beginning on or after 1 January 2022. 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.
- **Amendment to TAS 1, ‘Presentation of financial statements’ regarding the classification of liabilities.;** Valid for annual reporting periods starting on or after 1 January 2022. These narrow amendments to TAS 1, ‘Presentation of financial statements’, explain that liabilities are classified as current or non-current, depending on the rights existing at the end of the reporting period. The classification is unaffected by events after the reporting date or the entity's expectations (e.g. obtaining a concession or breach of contract). The amendment also clarifies what TAS 1 means to ‘settle’ a liability.
- **Narrow generic amendment changes in TFRS 3, TAS 16, TAS 17 and some annual improvements in TFRS 1, TFRS 9, TAS 41 and TFRS 16;** Valid for annual reporting periods starting on or after 1 January 2022.
 - i) **Amendments to TFRS 3 ‘Business Combinations’;** this amendment updates a reference to the Conceptual Framework for Financial Reporting in TFRS 3 without changing the accounting requirements for business combinations.
 - ii) **Amendments to TAS 16 ‘Tangible fixed assets’;** prohibits a company from deducting the income from the sale of manufactured products from the amount of tangible fixed assets until the asset is ready for use. Instead, the company will reflect such sales revenue and related cost in profit or loss.
 - iii) **Amendments to TAS 37, ‘Provisions, Contingent Liabilities and Contingent Assets’;** This amendment specifies what costs the company involves when deciding whether to lose from a contract.
- Annual improvements make minor changes to the explanatory examples of TFRS 1, ‘First application of International Financial Reporting Standards’ TFRS 9 ‘Financial Instruments’, TAS 41 ‘Agricultural Activities’ and TFRS 16.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020 AND 2019

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2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

- **Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 - Indicative interest rate reform Phase 2;** Valid for annual reporting periods starting on or after 1 January 2021. This Phase 2 change addresses issues arising from the implementation of reforms, including the replacement of a benchmark rate with an alternative.
- **Amendments to TFRS 17 and TFRS 4 'Insurance Contracts, postponement of the application of TFRS 9;** Valid for annual reporting periods starting on or after 1 January 2021. These amendments defer the application date of TFRS 17 to 1 January 2023 for two years and the fixed date of the temporary exemption in TFRS 4 for the application date of TFRS 9 Financial Instruments standard has been postponed to 1 January 2023.

2.2 Consolidation

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

2.3 Segment Reporting

The Company operates only in Turkey and only in non-life insurance business, treated as a single reportable segment as of 31 December 2020 and 2019. The Company does not perform segment reporting in the scope of “IFRS 8 - 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 into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

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

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

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020 AND 2019

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2. Summary of Significant Accounting Policies (Continued)

2.5 Property and Equipment

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

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

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

Right of use asset

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

2.6 Investment Property

The company does not have investment property as of 31 December 2020 (31 December 2019: None).

2.7 Intangible Assets

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

2.8 Financial Assets

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 a 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 as ‘financial assets held to maturity’ and ‘loans and receivables’.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

2. Summary of Significant Accounting Policies (Continued)

2.8 Financial Assets (Continued)

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.

Held-to-maturity financial assets

Held-to-maturity financial assets are fair value at initial recognition, with fixed or determinable payments and fixed maturity, excluding loans and receivables, held with the intention of keeping to maturity and for which the necessary conditions are met to be held to maturity, including funding ability are financial assets that are not classified as financial assets, the difference of which is reflected in the income statement and is not shown as available for sale in the records. The related assets are initially recorded at the acquisition cost and this value is accepted as the fair value. The fair value of the assets held to maturity is determined on the basis of the transaction price or market prices of similar financial instruments. Financial assets that will be held to maturity are valued with their "discounted price". Interest income related to assets held to maturity is reflected in the income statement.

The Company does not reserve any impairment for short-term market fluctuations, provided that collection risk does not arise for securities that represent debt classified under financial assets to be held to maturity. In case of a collection risk, the amount of the impairment is the difference between the book value of the financial asset and the value of the cash flows, if any, that are still expected to be collected from the financial asset, discounted on the basis of the original effective rate of return.

Loans and receivables (Receivables from main operations):

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

The Company accounts for a provision for its receivables based on evaluations and estimations of the management. The Company sets its estimations in accordance with the risk policies and the principle of prudence by considering the structure of current receivable portfolio, financial structure of policyholders and intermediaries, non-financial data and economic conditions. As of 31 December 2020, the provision for claim recovery receivables is TRY 2,762,560 (31 December 2019: None) (Note 12).

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

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 using 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 after an impairment loss is recognized directly in equity.

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

2.10 Derivative Financial Instruments

None (31 December 2019: None).

TÜRK P VE I SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

2. Summary of Significant Accounting Policies (Continued)

2.11 Offsetting Financial Instruments

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

2.12 Cash and Cash Equivalents

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

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

	31 December 2020	31 December 2019
Cash	16,576	7,560
Banks	77,661,180	37,537,865
Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months	79,996	37,442
Less - Interest Accrual	(479,559)	(49,846)
Less - Blocked deposits (*) (Notes 17 and 43)	(5,800,000)	(5,770,100)
Total Cash and Cash Equivalents	71,478,193	31,762,921

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

2.13 Share Capital

As of 31 December 2020 and 2019 the capital of the company composed of A, B, C and D groups of shares and the distribution of the capital is as follow:

Name of Shareholders	Group	31 December 2020		31 December 2019	
		Share Ratio (%)	Share Amount	Share Ratio (%)	Share Amount
Türkiye Sigorta A.Ş. (Former trade name “Güneş Sigorta A.Ş.”)	A, B, C	50.00	12,500,000	16.67	2,250,000
Omur Denizcilik A.Ş.	D	36.75	9,187,500	36.75	4,961,250
Metropole Denizcilik ve Ticaret Ltd. Şti.	D	7.50	1,875,000	7.50	1,012,500
Vitsan Denizcilik A.Ş.	D	5.75	1,437,500	5.75	776,250
Ziraat Sigorta A.Ş.	A	-	-	16.67	2,250,000
Türkiye Halk Bankası A.Ş.	C	-	-	16.67	2,250,000
Total		100.00	25,000,000	100.00	13,500,000

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

2. Summary of Significant Accounting Policies (Continued)

2.13 Share Capital (Continued)

Company’s capital increased from TRY 13,500,000 to TRY 25,000,000 from internal resources of the company by the decision of General Assembly in 22 April 2020. The capital increase is declared in official gazette numbered 10084 in 27 May 2020. (2019: Capital increased to TRY 8,250,000 from TRY 13,500,000 by cash in General Assembly in 29 April 2019. The capital increase is declared in official gazette numbered 9883 in 21 May 2019).

Güneş Sigorta A.Ş., with the decision taken at the Extraordinary General Assembly dated 27 August 2020, merged with Ziraat Sigorta A.Ş. and Halk Sigorta A.Ş. together with all its assets and liabilities as a whole by dissolution without liquidation and acquired the title Türkiye Sigorta A.Ş.. After the merger, Türkiye Sigorta A.Ş became the owner of 33.33% of the Company's capital.

In order to transfer 16.67% of the shares of Türkiye Halk Bankası A.Ş. in the Company's capital to Türkiye Sigorta A.Ş., a share transfer agreement was signed between Türkiye Sigorta A.Ş. as a buyer and Türkiye Halk Bankası A.Ş. as a seller on 29 December 2020 and the share transfer was completed as of the same date. Within this scope, all 416,666,667 shares of Group C shares with a total nominal value of TRY 4,166,667, corresponding to the 16.67% share of Türkiye Halk Bankası A.Ş. in the Company, were transferred to Türkiye Sigorta A.Ş. in cash as a buyer.

As of 31 December 2020, there are no privileges granted for the shares that represent the capital (31 December 2019: None). Other information about the Company’s share capital is explained in Note 15.

2.14 Insurance and Investment Contracts - Classification

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.14 Insurance and Investment Contracts – Classification (Continued)

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

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

Reinsurance Agreements

Reinsurance agreements are the agreements agreed by the Company and reinsurance company for the loss which may occur in one or more insurance agreements signed by the Company, and those meet all conditions to be classified as insurance contract and those whose costs are paid.

The Company has proportional quota-share and non-proportional reinsurance agreements in the protection and indemnity branch in which the Company operates. The Company can hold a conservation share in variable rates depending on the risk, considering the collateral limits in some of the policies it produces. In the hull and machinery branch, there is an over-loss reinsurance agreement, which is a reinsurance type that exceeds the retention share and up to a certain amount is the responsibility of the reinsurer. The Company also has several voluntary reinsurance agreements based on insurance contracts for certain risks.

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

2.15 Insurance Contracts and Investment Contracts with Discretionary Participation Feature

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

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

As of the end of the reporting period, the company does not have insurance or investment contracts that have discretionary participation feature (31 December 2019: None).

2.16 Investment Contracts without Discretionary Participation Feature

As of the end of the reporting period, the company does not have insurance or investment contracts that have discretionary participation feature (31 December 2019: None).

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

2. Summary of Significant Accounting Policies (Continued)

2.17 Borrowings

None (31 December 2019: None).

2.18 Taxes

Corporate Tax

Corporate tax for 2020 is payable at a rate of 22% in Turkey (2019: 22%). Corporate tax rate is applied on tax base which is the income of the Company adjusted for certain disallowable expenses, exempt income (such as dividend income) and other deductions in accordance with tax legislation. No further tax is payable unless the profit is distributed.

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

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

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

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

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

Deferred Tax

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.19 Employee Benefits

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

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

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

2.20 Provisions

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

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

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

2.21 Accounting for Revenues

Written Premiums

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

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2. Summary of Significant Accounting Policies (Continued)

2.21 Accounting for Revenues

Reinsurance Commissions

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

Interest Income

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

Subrogation and Salvage Income

In accordance with the Circular about recourse and salvage incomes numbered 2010/13 and dated 20 September 2010; the Company can accrue income for subrogation and salvage receivables up to the guarantee limit of insurance companies, if acquittance or payment receipt is received from policyholders or third parties are noticed by insurance companies. In the event that the said amount cannot be collected from the counter insurance company within six months following the payment of the indemnity or from third parties within four months, a provision for receivables is set aside for these receivables and shown in the balance sheet in the account of receivables from insurance operations.

2.22 Leases

On adaption of TFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principle of TAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 31 December 2020. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 31 December 2020 was 21% and %3 for local currency liabilities (December 31, 2019: 21% and %3).

2.23 Dividend Distribution

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

2.24 Technical Provisions

Unearned Premium Reserve

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

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

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2. Summary of Significant Accounting Policies (Continued)

2.24 Technical Provisions (Continued)

Deferred Commission Expenses and Deferred Commission Incomes

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

Outstanding Claims Provision

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

As of 31 December 2020, for outstanding claims provision accrued and calculated; the difference between the amount determined by content and application principles, Technical Provisions Regulation and circular No. 2014/16 and dated 5 December 2014, related to “Outstanding Claims Reserve” which was went into effect on 1 January 2015 is recognized as an incurred but not reported claim amount. According to the circular No. 2014/16 and dated 5 December 2014, related to “Outstanding Claims Reserve” that went into effect on 1 January 2015, which was published by the Ministry of Treasury and Finance, the Circular on ”Actuarial Chain Ladder Method“ numbered 2010/12 and valid until 31 December 2014 is repealed with the exception of Articles 9 and 10, and since 1 January 2015 for incurred but not reported claims reserve according to the best estimates determined within the framework of the Company's actuarial opinions, the provision is calculated. According to the said circular, the selection of the data used in the calculations related to the incurred but not reported claims, the correction procedures, the selection of the most appropriate method and development factors and the intervention to the development factors are made by the Company actuary using actuarial methods. In the calculation of incurred but not reported claims, Standard Chain, Damage / Premium, Cape Cod, Frequency Intensity, Munich Chain or Bornhuetter-Ferguson actuarial chain ladder methods (“ACLM”) will be used and companies have the right to choose one of these methods for each branch.

In accordance with circular No. 2014/16 related to “Outstanding Claims Reserve” and circular No. 2014/16 related to “Outstanding Claims Reserve” the standard chain method has been used in the calculation of the claims incurred but not reported as of 31 December 2020 in the protection and indemnity branch. According to this; As of 31 December 2020, a gross additional amount of incurred but not reported damages amount is TRY 5,501,635 (31 December 2019: TRY 1,806,464).

In the hull and machinery branch, during the calculation of incurred but not reported claims and loss amounts, the sector averages as of 30 September 2019 have been used within the judgements of the Company’s actuary since the sufficient claim data has not yet originated in order to make a well calculation according to actuary chain ladder method as indicated in the circular No. 2014/16 and dated 5 December 2014, related to “Outstanding Claims Reserve” which was went into effect on 1 January 2015. According to this; as of 31 December 2020 for hull and machinery branch the ratio of total actualized but not reported provision for outstanding claims to total provision for outstanding claims multiply filed provision outstanding claims is TRY 5,011,885 as of 31 December 2020 (31 December 2019: TRY 540,932), according to gross realized but not reported loss provisions.

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2. Summary of Significant Accounting Policies (Continued)

2.24 Technical Provisions (Continued)

Within the current reinsurance contracts, the reinsurance share that was incurred but not reported was calculated as of 31 December 2020 TRY 4,841,104 (31 December 2019: TRY 1,849,602) (Note 17).

The "Circular on the Discounting of Net Cash Flows Arising from the Provision for Outstanding Claims" published by the Ministry of Treasury and Finance dated 10 June 2016 and numbered 2016/22 and the Ministry of Treasury and Finance dated 15 September 2017 and numbered 2017/7 "Net Cash Arising from Outstanding Claims Reserve Pursuant to the Circular Amending the Circular No. 2016/22 on the Discounting of Flows, companies have been given the opportunity to discount net cash flows to be generated by the provision for outstanding claims calculated and allocated in accordance with the insurance legislation. As of 31 December 2020, the Company calculated the discount amount for the outstanding claims reserve amounting to net 431,100 TL for protection and indemnity branch and net 1,160,323 TL for the hull and machinery branch deducted it from the net outstanding claims provision.

Unexpired Risk Reserve

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

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

3. Critical Accounting Estimates and Judgements

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

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

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3. Critical Accounting Estimates and Judgements (Continued)*Income Taxes*

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

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

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

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

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

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

	31 December 2020	31 December 2019
Protection and indemnity	2,828,468,368,747	1,630,719,477,777
Hull and machinery	60,170,119,162	19,508,705,986
Total	2,888,638,487,909	1,650,228,183,763

Sensitivity analysis**Financial risk**

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

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4. Management of Insurance and Financial Risk (Continued)

(a) Market Risk

i. Cash flow, market interest rate and price risk

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

ii. Foreign currency risk

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

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

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

31 December 2020	USD	EUR	GBP	Total
<i>Assets:</i>				
Cash	37	8,472	3,182	11,691
Banks	1,857,439	443,570	-	2,301,009
Financial assets	9,588,066	-	-	9,588,066
Receivables from main operations	49,176,640	13,674,112	73,792	62,924,544
Total foreign currency assets	60,622,182	14,126,154	76,974	74,825,310
<i>Liabilities:</i>				
Payables from main operations	(6,483,915)	(1,772,748)	-	(8,256,663)
Provisions for outstanding claims	(26,255,110)	(10,268,457)	-	(36,523,567)
Provisions for expense accruals	(9,271,825)	-	-	(9,271,825)
Total foreign currency liabilities	(42,010,850)	(12,041,205)	-	(54,052,055)
Balance sheet position	18,611,332	2,084,949	76,974	20,773,255
31 December 2019	USD	EUR	GBP	Total
<i>Assets:</i>				
Cash	30	6,258	1,182	7,470
Banks	25,017,960	5,240,027	-	30,257,987
Receivables from main operations	26,056,687	5,247,463	49,326	31,353,476
Deposits and guarantees	110,262	-	-	110,262
Total foreign currency assets	51,184,939	10,493,748	50,508	61,729,195
<i>Liabilities:</i>				
Payables from main operations	(5,340,455)	(924,264)	-	(6,264,719)
Provisions for outstanding claims	(3,898,431)	(1,798,462)	-	(5,696,893)
Total foreign currency liabilities	(9,238,886)	(2,722,726)	-	(11,961,612)
Balance sheet position	41,946,053	7,771,022	50,508	49,767,583

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4. Management of Insurance and Financial Risk (Continued)

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

Exchange rates used in the translation of foreign currency balances as of 31 December 2020 and 2019 are as follows:

	USD	EUR	GBP
31 December 2020	7.3405	9.0079	9.9438
31 December 2019	5.9402	6.6506	7.7765

Imposed Exchange risk rate

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

	Profit/(Loss)		Shareholders Equity	
	Foreign Currency Appreciation	Foreign Currency Depreciation	Foreign Currency Appreciation	Foreign Currency Depreciation
31 December 2020				
USD Exchange rate changes by 20%	3,722,266	(3,722,266)	3,722,266	(3,722,266)
EUR Exchange rate changes by 20%	416,990	(416,990)	416,990	(416,990)
GBP Exchange rate changes by 20%	15,395	(15,395)	15,395	(15,395)
Net effect of exchange rate change	4,154,651	(4,154,651)	4,154,651	(4,154,651)

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

iii. Price risk

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

(b) Credit risk

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

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

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

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4. Management of Insurance and Financial Risk (Continued)

(c) Liquidity risk

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

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

Contractual Cash flows

31 December 2020	Up to 3 months	3 months 1 year	1 year 5-year	Over 5 years	Total
Payables to reinsurance companies	4,040,362	4,040,362	-	-	8,080,724
Payables from other operations	1,196	-	-	-	1,196
Payables to personnel	413	-	-	-	413
Payables to shareholders	370	-	-	-	370
Other payables	95,439	-	-	-	95,439
Total	4,137,780	4,040,362	-	-	8,178,142

31 December 2019	Up to 3 months	3 months 1 year	1 year 5-year	Over 5 years	Total
Payables to reinsurance companies	3,478,686	2,825,992	-	-	6,304,678
Payables to personnel	1,793	-	-	-	1,793
Other payables	191,650	-	-	-	191,650
Total	3,672,129	2,825,992	-	-	6,498,121

Expected Cash Flows

31 December 2020	Up to 3 months	3 months 1 year	1 year 5-year	Over 5 years	Total
Unearned premium reserves - net (*)	6,286,664	61,290,620	907,658	-	68,484,942
Provision for outstanding claims - net	3,364,683	32,803,330	485,787	-	36,653,800
	9,651,347	94,093,950	1,393,445	-	105,138,742

31 December 2019	Up to 3 months	3 months 1 year	1 year 5-year	Over 5 years	Total
Unearned premium reserves - net (*)	3,759,461	31,848,514	1,748,379	-	37,356,354
Provision for outstanding claims - net	36,041	5,737,446	-	-	5,773,487
	3,795,502	37,585,960	1,748,379	-	43,129,841

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

Fair value of the financial assets

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

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

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4. Management of Insurance and Financial Risk (Continued)

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

Financial assets

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

Categories of Financial Assets

Current financial assets	31 December 2020		31 December 2019	
	Book value	Fair value	Book value	Fair value
Held to maturity financial assets	9,588,066	9,311,709	-	-
Total financial assets	9,588,066	9,311,709	-	-

Fair value of financial assets

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm’s length transaction in accordance with market conditions.

The Company determines the estimated fair value of its financial instruments by using the current market information and appropriate valuation methods. Additionally, ability to estimate the market values through assessing the market information requires interpretation and judgment. As a result, the estimations presented herein cannot be an indicator of the amounts obtained by the Company in a current market transaction.

Financial liabilities

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

Capital management

Company’s objectives when managing the capital are:

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

As of the preparation date of the financial statements, the Company's required equity determined in accordance with the Regulation on Measurement and Evaluation of the Capital Adequacy of Insurance and Reinsurance and Pension Companies is TRY 40,483,744 (31 December 2019: TRY 21,099,908); As of 31 December 2019, the equity of the Company is at least TRY 1,200,054 higher than the required equity. (31 December 2019: TRY 5,143,563 high).

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5. Segment information

Disclosed in Note 2.3.

6. Property and equipment

Movement of tangible assets:

	1 January 2020	Additions (*)	Disposals	31 December 2020
Cost:				
Furniture and fixture	649,204	132,439	-	781,643
Special cost	649,182	28,391	-	677,573
Right of use assets	1,554,985	679,118	-	2,234,103
Total Costs	2,853,371	839,948	-	3,693,319
Accumulated depreciation:				
Furniture and fixture	(378,880)	(86,505)	-	(465,385)
Special cost	(278,167)	(91,437)	-	(369,604)
Right of use assets	(500,984)	(510,495)	-	(1,011,479)
Total Accumulated depreciation	(1,158,031)	(688,437)	-	(1,846,468)
Net book value	1,695,340			1,846,851
	1 January 2019	Additions (*)	Disposals	31 December 2019
Cost:				
Furniture and fixture	477,603	171,601	-	649,204
Special cost	527,410	121,772	-	649,182
Right of use assets	-	1,554,985	-	1,554,985
Total Costs	1,005,013	1,848,358	-	2,853,371
Accumulated depreciation:				
Furniture and fixture	(327,860)	(51,020)	-	(378,880)
Special cost	(211,858)	(66,309)	-	(278,167)
Right of use assets	-	(500,984)	-	(500,984)
Total Accumulated depreciation	(539,718)	(618,313)	-	(1,158,031)
Net book value	465,295			1,695,340

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

There are no mortgages on the fixed assets of the Company as of 31 December 2020 and 2019.

7. Investment Properties

The Company does not have Investment Properties as of 31 December 2020 (31 December 2019: None).

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8. Intangible Assets

	1 January 2020	Additions	Disposals	31 December 2020
Costs:				
Rights	6,247	2,295	-	8,542
Total	6,247	2,295	-	8,542
Accumulated depreciation				
Rights	(4,166)	(1,087)	-	(5,253)
Total	(4,166)	(1,087)	-	(5,253)
Net book value	2,081			3,289
	1 January 2019	Additions	Disposals	31 December 2019
Costs:				
Rights	4,798	1,449	-	6,247
Total	4,798	1,449	-	6,247
Accumulated depreciation				
Rights	(3,448)	(718)	-	(4,166)
Total	(3,448)	(718)	-	(4,166)
Net book value	1,350			2,081

9. Investments in Associates

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

10. Reinsurance Assets

Reinsurance Assets/(Liabilities)

	31 December 2020	31 December 2019
Reinsurers' share of outstanding claims provision (Note 17)	21,601,033	17,481,123
Reinsurers' share of unearned premiums reserve (Note 17)	10,238,896	5,449,085
Deferral of commission income (Note 19)	(98,296)	(784,954)
Payables to Reinsurance companies (Net)	(8,080,724)	(6,304,678)

Reinsurance Income/(Expense)

	1 January - 31 December 2020	1 January - 31 December 2019
Reinsurance Income/(Expense)		
Reinsurers' share in paid claims	28,042,464	24,259,187
Reinsurers' share of change in unearned premiums reserve (Note 17)	4,789,811	(1,558,496)
Reinsurers' share of change in outstanding claims provision	4,119,910	(4,777,596)
Commissions received from reinsurers, gross	575,712	2,962,426
Change in deferred commissions from reinsurers	686,658	(267,428)
Ceded premiums to reinsurers (Note 24)	(47,087,090)	(33,181,800)

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11. Financial assets

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

	31 December 2020	31 December 2019
Borrowings and receivables (Note 12.1)	64,808,660	33,357,570
Held-to-maturity financial assets	9,588,066	-
Total	74,396,726	33,357,570

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

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

11.4 Market value of marketable securities and financial assets carried at cost and carrying value of marketable securities and financial assets carried at market value:

Held-to Maturity Financial Assets

	31 December 2020			31 December 2019		
	Cost Value	Fair Value	Book Value	Cost Value	Fair Value	Book Value
Eurobond	10,679,172	9,311,709	9,588,066	-	-	-
Total	10,679,172	9,311,709	9,588,066	-	-	-

As of 31 December 2020, the Company's held to maturity investments amounting to TRY 9,588,066 are blocked in favour of the Insurance and Private Pension Regulation and Supervision Agency (“SEDDK”) (31 December 2019: None) (Notes 17 and 43).

The movement table of the Company's financial assets for the periods ending on 31 December 2020 and 2019 is as follows:

	2020	2019
1 January	-	-
Purchases during the period	10,679,172	-
Unrealized exchange rate differences	(1,091,106)	-
31 December	9,588,066	-

11.5 Amounts of marketable securities classified under marketable securities and investment securities accounts issued by the Company’s shareholders, associates and subsidiaries and the issuers: None (31 December 2019: None).

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

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

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12. Loans and Receivables

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

	31 December 2020	31 December 2019
Due from insurance operations	64,808,660	33,357,570
	64,808,660	33,357,570
Claim recovery receivables	2,762,560	-
Provision for claim recovery receivables (-)	(2,762,560)	-
Receivables from main operations	64,808,660	33,357,570

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

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

12.3 Total mortgages and collaterals obtained for receivables: None (31 December 2019: None).

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

31 December 2020

Foreign Currency Type	Amount	Exchange Rate	TRY Amount
USD	6,699,358	7.3405	49,176,640
EUR	1,518,013	9.0079	13,674,112
GBP	7,421	9.9438	73,792
Total			62,924,544

31 December 2019

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

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12. Loans and Receivables (Continued)

12.5 - 12.7 Other information about loans and receivables:

The aging of due from insurance operations is as follows:

	31 December 2020	31 December 2019
Overdue receivables	13,341,612	1,723,741
Up to 3 months	24,042,132	15,287,630
3 - 6 months	17,130,511	11,406,037
6 months to 1 year	10,187,936	4,940,162
Over 1 year	106,469	-
Total	64,808,660	33,357,570
Claim recovery receivables	2,762,560	-
Provision for claim recovery receivables (-)	(2,762,560)	-
Total	64,808,660	33,357,570

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

	31 December 2020	31 December 2019
Up to 3 months	12,635,905	1,723,741
3 - 6 months	694,118	-
6 months to 1 year	11,589	-
Total	13,341,612	1,723,741

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

13. Derivative Financial Instruments

None (31 December 2019: None).

14. Cash and Cash Equivalents

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

	31 December 2020	31 December 2019
Cash (Note 2.12)	16,576	7,560
Banks (Note 2.12)	77,661,180	37,537,865
Bank guaranteed credit card receivables with maturities less than three months (Note 2.12)	79,996	37,442
Total	77,757,752	37,582,867

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14. Cash and Cash Equivalents (Continued)

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

	31 December 2020	31 December 2019
Bank deposits in TRY		
- Demand deposits	75,065,111	7,189,032
- Time deposits	295,060	90,846
	75,360,171	7,279,878
Foreign deposits in TRY		
- Demand deposits	1,591,135	29,705,024
- Time deposits	709,874	552,963
	2,301,009	30,257,987
Total	77,661,180	37,537,865

As of 31 December 2020, time deposits amounting to TRY 5,800,000 is blocked in favour of SEDDK (31 December 2019: TRY 5,770,100) (Notes 17 and 43).

Time and demand deposits in foreign currency:

	31 December 2020			
	Foreign Currency		TRY	
	Timed	On Demand	Timed	On Demand
USD	216,761	36,279	1,591,135	266,304
EUR	-	49,242	-	443,570
Total			1,591,135	709,874

	31 December 2019			
	Foreign Currency		TRY	
	Timed	On Demand	Timed	On Demand
USD	4,137,069	74,567	24,575,017	442,943
EUR	771,360	16,543	5,130,007	110,020
Total			29,705,024	552,963

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15. Share Capital

The Company has 2,500,000,000 number of shares which are fully paid (31 December 2019: 1,350,000,000 units). Each of the Company's shares has a nominal value of TRY 0.01 and the total nominal value is TRY 25,000,000 (31 December 2019: TRY 13,500,000).

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

	1 January 2020		Issued		Redeemed		31 December 2020	
	Unit	Nominal TRY	Unit	Nominal TRY	Unit	Nominal TRY	Unit	Nominal TRY
Paid in capital	1,350,000,000	13,500,000	1,150,000,000	11,500,000	-	-	2,500,000,000	25,000,000
Total	1,350,000,000	13,500,000	1,150,000,000	11,500,000	-	-	2,500,000,000	25,000,000

	1 January 2019		Issued		Redeemed		31 December 2019	
	Unit	Nominal TRY	Unit	Nominal TRY	Unit	Nominal TRY	Unit	Nominal TRY
Paid in capital	825,000,000	8,250,000	525,000,000	5,250,000	-	-	1,350,000,000	13,500,000
Total	825,000,000	8,250,000	525,000,000	5,250,000	-	-	1,350,000,000	13,500,000

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

Profit Reserves:

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

The movement schedule for other profit reserves is as follows:

	2020	2019
Opening balance - 1 January	(97,600)	(49,934)
Actuarial gains/(losses), net	(135,128)	(47,666)
Period end - 31 December	(232,728)	(97,600)

16. Other Reserves and Equity Component of Discretionary Participation Feature

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

17. Insurance Liabilities and Reinsurance Assets

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

	31 December 2020	31 December 2019
Required guarantee amount to be provided for non-life branches (*)	13,494,581	7,033,303
Guarantee amount provided for non-life branches (Note 43)	15,388,066	5,770,100

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

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17. Insurance Liabilities and Reinsurance Assets (Continued)

- 17.2 Number of life policies, the number and mathematical reserve amount of the life policies that enter and exit during the year and current status:** None (31 December 2019: None).
- 17.3 Insurance coverage amount on a branch basis provided for non-life branches:** Disclosed in Note 4.
- 17.4 Unit prices of pension funds and savings founded by the Company:** None (31 December 2019: None).
- 17.5 Units and amounts of share certificates in portfolio and in circulation:** None (31 December 2019: None)
- 17.6 Numbers and portfolio amounts of the individual and group pension participants entered, left, cancelled during the period and the current participants:** None (31 December 2019: None).
- 17.7 Valuation methods of profit share calculation for life insurance:** None (31 December 2019: None).
- 17.8 Number of units and individual/group allocation of gross/net contribution amounts of the private pension participants entered during the period:** None (31 December 2019: None).
- 17.9 Number of units and individual/group allocation of gross/net contribution amounts of the private pension participants transferred from another company during the period:** None (31 December 2019: None).
- 17.10 Number of units and individual/group allocation of gross/net contribution amounts of the private pension participants transferred from the life insurance portfolio to the private pension portfolio during the period:** None (31 December 2019: None).
- 17.11 Number of units and individual/group allocation of gross/net contribution amounts of the private pension participants that left the company and transferred to another company or that left the company but did not transfer to another company:** None (31 December 2019: None).
- 17.12 Number of units, gross/net premiums and individual/group allocation for life policyholders that joined the portfolio during the period:** None (31 December 2019: None)
- 17.13 Number of units, gross/net premiums and individual/group allocation of mathematical reserves for life policyholders that left the portfolio during the period:** None (31 December 2019: None)
- 17.14 Profit share allocation rate to the life policyholders:** None (31 December 2019: None)

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17. Insurance Liabilities and Reinsurance Assets (Continued)

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

Outstanding claims provision:

	2020		Net
	Gross	Reinsurers' Share	
Opening balance - 1 January	20,904,306	(15,631,521)	5,272,785
Paid claims	(17,544,587)	13,093,195	(4,451,392)
Change			
- Current period claims	31,852,839	(3,377,174)	28,475,665
- Prior year claims	16,794,336	(13,518,587)	3,275,749
Closing balance - 31 December	52,006,894	(19,434,087)	32,572,807
Claims incurred but not reported	10,513,520	(4,841,104)	5,672,416
Discount adjustment for outstanding claims provisions	(4,265,581)	2,674,158	(1,591,423)
Total	58,254,833	(21,601,033)	36,653,800
	2019		Net
	Gross	Reinsurers' Share	
Opening balance - 1 January	22,739,794	(19,674,794)	3,065,000
Paid claims	(10,113,261)	6,391,691	(3,721,570)
Change			
- Current period claims	7,019,429	(2,399,486)	4,619,943
- Prior year claims	1,258,344	51,068	1,309,412
Closing balance - 31 December	20,904,306	(15,631,521)	5,272,785
Claims incurred but not reported	2,350,304	(1,849,602)	500,702
Total	23,254,610	(17,481,123)	5,773,487

As of 31 December 2020, and 2019, the gross and net additional provision amounts to be set aside as a result of these calculations and the claims incurred but not reported method used in the branches are as follows:

Branch	Method Used	31 December 2020		31 December 2019	
		Additional Reserve Gross	Net	Additional Reserve Gross	Net
Protection and indemnity	Standard chain	5,501,635	770,229	1,806,464	83,413
Hull and machinery	Sector average	5,011,885	4,902,187	540,932	414,381
Third party liability	Sector average	-	-	2,908	2,908
Total		10,513,520	5,672,416	2,350,304	500,702

As of December 31, 2020, reinsurance share with incurred but not reported outstanding claims amount was calculated considering the outstanding and paid compensation amount transferred to the reinsurer for the protection and indemnity branch. For the hull and machinery branch, reinsurance share with incurred but not reported outstanding claims was calculated by taking into account the outstanding claim amount transferred to the reinsurer (As of 31 December 2019, reinsurance share with incurred but not reported outstanding claims amount was calculated by considering the outstanding claim amount transferred to the reinsurer as of 31 December 2019).

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17. Insurance Liabilities and Reinsurance Assets (Continued)

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

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

31 December 2020

Foreign Currency Type	Amount	Exchange Rate	TRY Amount
USD	3,570,327	7.3537	26,255,110
EUR	1,137,893	9.0241	10,268,457
Total			36,523,567

31 December 2019

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

Unearned premium reserve:

	2020		
	Gross	Reinsurers' Share	Net
Opening balance - 1 January	42,805,439	(5,449,085)	37,356,354
Net change	35,918,399	(4,789,811)	31,128,588
Closing balance - 31 December	78,723,838	(10,238,896)	68,484,942
	2019		
	Gross	Reinsurers' Share	Net
Opening balance - 1 January	22,835,721	(7,007,581)	15,828,140
Net change	19,969,718	1,558,496	21,528,214
Closing balance - 31 December	42,805,439	(5,449,085)	37,356,354

As of 31 December 2020 the deferred commission expense and income are TRY 11,995,950 (31 December 2019: TRY 5,918,673) and TRY 98,296 (31 December 2019: TRY 784,954) respectively (Note 19) and placed on the balance sheet under the “Deferred Acquisition Costs” and “Deferred Commission Income” accounts.

18. Investment Contract Liabilities

None (31 December 2019: None).

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19. Trade and Other Payables, Deferred Income

	31 December 2020	31 December 2019
Payables to reinsurance companies	8,080,724	6,304,678
Payables from other main operations	1,196	-
Payables from main operations - Short - term	8,081,920	6,304,678
Payables to suppliers and other payables	95,439	191,650
Other payables	95,439	191,650
Payables to shareholders	370	-
Payables to personnel	413	1,793
Payables to related parties - Short- term	783	1,793
Deferred commission income (Note 17)	98,296	784,954
Accrued expenses	18,033	30,000
Expense and income accruals for future periods	116,329	814,954

Foreign currency denominated payables are as follows:

31 December 2020

Foreign Currency Type	Amount	Exchange Rate	TRY Amount
USD	883,307	7.3405	6,483,915
EUR	196,799	9.0079	1,772,748
Total			8,256,663

31 December 2019

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

20. Financial Liabilities

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

	31 December 2020	31 December 2019
Short-term lease liability	552,319	414,969
Long-term lease liability	1,472,561	1,186,205
Alternative borrowing rate and discount amount	(490,527)	(374,326)
Total lease liabilities	1,534,353	1,226,848

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20. Financial Liabilities (Continued)

	2020	2019
Total lease liabilities as of 1 January	1,226,848	-
New contracts	420,452	-
Lease payments	(675,290)	(618,944)
Cost of interest	224,644	226,875
Foreign exchange losses	337,699	63,932
Effect of TFRS 16	-	1,554,985
Total lease liabilities as of 31 December	1,534,353	1,226,848

21. Deferred Income Tax

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

The enacted tax rate used for the calculation of deferred income tax assets and liabilities on temporary differences that are expected to be realized in the following periods under the liability method is 20% (31 December 2019: 22% or 20%).

As of 31 December 2020, and 2019 the temporary differences giving rise to deferred income tax assets and liabilities with using enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Provision for expense accruals	6,259,287	-	1,251,857	-
Provision for claim recovery receivables	2,272,566	-	454,513	-
Provision for employment termination benefits (Note 22)	506,234	365,582	101,247	73,116
Deferred acquisition costs	-	644,606	-	141,813
Other, net	(9,936)	(26,526)	(1,987)	(5,835)
Net deferred income tax assets (Note 35)			1,805,630	209,094

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

	2020	2019
Opening balance - 1 January	209,094	124,970
Deferred tax income (Note 35)	1,562,754	72,208
Deferred tax effect recognized in equity	33,782	11,916
Closing balance - 31 December	1,805,630	209,094

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

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

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22. Retirement Benefit Obligations

	31 December 2020	31 December 2019
Provision for employment termination benefits	506,234	365,582
	506,234	365,582

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

The applicable ceiling amount as at 31 December 2020 is TRY 7,117.17 (31 December 2019: TRY 6,379.86).

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

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

	31 December 2020	31 December 2019
Annual discount rate (%)	2.78	2.80
Turnover rate to estimate the probability of retirement (%)	100	100

Fundamental assumption, for each year, determined maximum provisions should increase depending upon inflation rate. Since therefore, applied discount rate is clarified from expected inflation effects and consequently it shows real rate. Since the Company’s provision for pension payment and maximum amount for pension payment provision is calculated once every six months, as of 1 January 2021, provision for severance payment is calculated TRY 7,638.96 (1 January 2020: TRY 6,730.15).

Provision for employment termination benefits movement is given below:

	2020	2019
Opening Balance - 1 January	365,582	216,131
Provision during the period	146,181	89,869
Claims Paid	(174,439)	-
Actuarial loss (*)	168,910	59,582
Closing Balance - 31 December	506,234	365,582

(*) Actuarial losses are indicated in “Other Profit Reserves” account in balance sheet with clarified from tax effect.

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23. Provisions for Other Liabilities and Charges:

	31 December 2020	31 December 2019
Additional premium provision allocated within the scope of excess of loss reinsurance contract	9,271,825	-
Unused vacation allowance	125,457	-
Total	9,397,282	-

The foreign currency breakdown of the cost provisions expressed in foreign currency is as follows:

31 December 2020

Foreign Currency Type	Amount	Exchange Rate	TRY Amount
USD	1,263,105	7.3405	9,271,825
Total			9,271,825

24. Net Insurance Premium Income

	1 January - 31 December 2020		
	Gross	Reinsurers' Share	Net
Hull and machinery	132,314,199	(25,726,295)	106,587,904
Protection and indemnity	49,517,439	(21,360,795)	28,156,644
Total premium income	181,831,638	(47,087,090)	134,744,548
	1 January - 31 December 2019		
	Gross	Reinsurers' Share	Net
Hull and machinery	55,805,484	(13,152,492)	42,652,992
Protection and indemnity	40,817,683	(20,029,308)	20,788,375
Total premium income	96,623,167	(33,181,800)	63,441,367

25. Fee Income

None (31 December 2019: None).

26. Investment Income

The detail of the investment income is given below:

	1 January - 31 December 2020	1 January - 31 December 2019
Financial Assets Held to Maturity		
- Coupon interest income	337,738	-
Cash and cash equivalents		
- Interest income	1,278,409	1,679,673
- Time deposit valuation	490,900	31,017
Total	2,107,047	1,710,690

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27. Net Realized Gains on Financial Assets

None (31 December 2019: None).

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

None (31 December 2019: None).

29. Insurance Benefits and Claims

Disclosed in Note 17.

30. Investment Contract Benefits

None (31 December 2019: None).

31. Other expenses

	1 January - 31 December 2020	1 January - 31 December 2019
Operating expenses classified under technical part	32,269,741	16,747,494
Total (Note 32)	32,269,741	16,747,494

32. Expenses by Nature

	1 January - 31 December 2020	1 January 31 December 2019
Commission expenses	20,734,323	9,406,835
Personnel expenses (Note 33)	9,448,327	6,914,080
Advertising and marketing expenses	742,250	888,219
Information technology expenses	616,215	443,457
Outsources benefits and services	564,863	253,583
Insurance expense	190,436	127,238
Stationary expenses	115,472	177,523
Representation and hospitality expenses	55,300	77,413
Transportation expenses	43,823	134,419
Travel expenses	34,353	202,810
Communication expense	31,361	26,472
Reinsurance commission income	(1,262,370)	(2,694,998)
Other	955,388	790,443
Total (Note 31)	32,269,741	16,747,494

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33. Employee Benefit Expense

	1 January - 31 December 2020	1 January - 31 December 2019
Personnel salaries	8,391,601	6,107,311
Employer's share of SSI Premium	791,688	608,916
Other	265,038	197,853
Total (Note 32)	9,448,327	6,914,080

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

34. Financial Costs

34.1 Total financial expenses for the period:

- 34.1.1 Expenses related to production cost: None (31 December 2019: None).
- 34.1.2 Expenses related to fixed assets: None (31 December 2019: None).
- 34.1.3 Direct expenses TRY 224,644 (31 December 2019: TRY 268,552).

34.2 Financial expenses related to shareholders, subsidiaries and associates (Any amount exceeding 20% of total will be disclosed separately): None (31 December 2019: None).

34.3 Sales to/purchases from shareholders, subsidiaries and associates (Any amount exceeding 20% of total will be disclosed separately.): None (31 December 2019: None).

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

35. Income Taxes

Tax income and expenses recognized in the statements of income for the periods ended 31 December 2020 and 2019 are summarized below:

	1 January - 31 December 2020	1 January - 31 December 2019
Corporate tax (expense) (-)	(6,238,850)	(3,522,598)
Deferred tax income/(expense) (Note 21)	1,562,754	72,208
Total tax expense (-)	(4,676,096)	(3,450,390)
	31 December 2020	31 December 2019
Tax provision (-)	(6,238,850)	(3,522,598)
Prepaid taxes	5,790,920	1,415,261
Net tax liability (-)	(447,930)	(2,107,337)
Deferred income tax assets, net (Note 21)	1,805,630	209,094

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35. Income Taxes (Continued)

The income tax reconciliation is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Profit before tax (-)	20,251,551	15,456,909
Tax rate	%22	%22
Calculated tax income	(4,455,341)	(3,400,520)
Effect of non-deductible expenses and exceptions, the effect of discounts, net	(220,755)	(49,870)
Total tax expense (-)	(4,676,096)	(3,450,390)

36. Net Foreign Exchange Gains

	1 January - 31 December 2020	1 January - 31 December 2019
Financial income	9,611,526	2,019,243
Technical income	8,314,650	1,944,415
Total	17,926,176	3,963,658

37. Earnings per Share

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

	1 January - 31 December 2020	1 January - 31 December 2019
Net profit for the period	15,575,455	12,006,519
Weighted average number of shares with nominal value of TRY 0.01 per share	2,500,000,000	2,500,000,000
Earnings per Share (TRY)	0.62	0.48

38. Dividends per Share

The company has no dividend distribution for the years ended 31 December 2020 and 2019.

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

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

41 Redeemable Preference Shares: None (31 December 2019: None).

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42. Contingencies:

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

	31 December 2020	31 December 2019
Outstanding claims cases filed against the Company, net provisions (*)	343,655	212,484
Total	343,655	212,484

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

43. Commitments

Total amount of mortgages or restrictions on assets:

	31 December 2020	31 December 2019
Bank deposits (Notes 2.12, 14 and 17)	5,800,000	5,770,100
Financial assets (Notes 11.1 and 17)	9,588,066	-
Total	15,388,066	5,770,100

As of 31 December 2020, time deposits and financial assets amounting to TRY 15,388,066 is blocked in favour of the SEDDK (31 December 2019: TRY 5,770,100 time deposits).

44. Business Combinations

None (31 December 2019: None).

45. Transactions with Related Parties

The total amount of salaries and benefits provided for the top management of the Company such as Chairman and board members, general manager, general coordinator and assistant general managers during the current period is disclosed in note 1.6. Güneş Sigorta A.Ş., with the decision taken at the Extraordinary General Assembly dated 27 August 2020, merged with Ziraat Sigorta A.Ş. and Halk Sigorta A.Ş. together with all its assets and liabilities as a whole by dissolution without liquidation and acquired the title Türkiye Sigorta A.Ş. The balances and transactions regarding the companies subject to the mentioned merger are shown under Türkiye Sigorta A.Ş. below.

a) Banks

	31 December 2020	31 December 2019
Türkiye Halk Bankası A.Ş.	51,568,551	25,818,172
Türkiye Vakıflar Bankası T.A.O.	14,317,391	906,698
T.C. Ziraat Bankası A.Ş.	8,456	-
Total	65,894,398	26,724,870

TÜRK P VE I SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

45. Transactions with Related Parties (Continued)

b) Receivables from insurance operations

Türkiye Sigorta A.Ş.	995,738	896,847
Total	995,738	896,847

c) Payables to shareholders

Türkiye Sigorta A.Ş.	370	-
Total	370	-

d) Payables from insurance operations

Türkiye Sigorta A.Ş.	1,134,733	1,162,440
Total	1,134,733	1,162,440

e) Written premiums

	1 January - 31 December 2020	1 January - 31 December 2019
Türkiye Sigorta A.Ş.	1,742,555	2,009,848
Total	1,742,555	2,009,848

f) Ceded premiums

	1 January - 31 December 2020	1 January - 31 December 2019
Türkiye Sigorta A.Ş.	2,778,885	2,367,024
Total	2,778,885	2,367,024

g) Interest income

	1 January - 31 December 2020	1 January - 31 December 2019
Türkiye Halk Bankası A.Ş.	1,469,617	1,103,833
Türkiye Vakıflar Bankası T.A.O.	74,917	103,332
T.C. Ziraat Bankası A.Ş.	12,688	92
Total	1,557,222	1,207,257

h) Operational expenses

	1 January - 31 December 2020	1 January - 31 December 2019
Türkiye Sigorta A.Ş.	108,515	127,238
Türkiye Halk Bankası A.Ş.	70,141	13,271
Other	72,694	-
Total	251,350	140,509

TÜRK P VE İ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

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

45.2 Breakdown of associates and subsidiaries having an indirect shareholding and management relationship with the Company; names, participation rates and amounts of associates and subsidiaries; profit/loss and net profit/loss in the latest financial statements, the period of these financial statements, whether these financial statements are prepared in accordance with the accounting principles and standards as set out in the insurance legislation, whether they are independently audited and the opinion type of the independent audit report: None (31 December 2019: None).

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

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

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

46. Events after the Balance Sheet Date:

None.

47. Other

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

a) Other Liabilities

	31 December 2020	31 December 2019
Payables to suppliers	93,138	187,060
Other liabilities	2,301	4,590
Total	95,439	191,650

b) Other expenses for the following months

	31 December 2020	31 December 2019
Insurance expenses	84,209	58,948
Information technology expenses	24,951	123,273
Deferred excess of loss reinsurance premiums	-	1,412,139
Other	65,207	55,939
Total	174,367	1,650,299

47.2 Due from and due to personnel classified in "Other receivables" and "Other short-term or long-term payables" that exceed 1% of total assets: None (31 December 2019: None).

TÜRK P VE İ SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020 AND 2019

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

47. Other (Continued)

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

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

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

Provision (expenses) for the period:

	1 January - 31 December 2020	1 January - 31 December 2019
<i>Provision expenses:</i>		
Unused vacation allowance	(125,457)	-
Provision for employment termination benefits	28,258	(89,869)
	(97,199)	(89,869)

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