

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

Ray Sigorta Anonim Şirketi

31 December 2019

Financial Statements

Together With

Independent Auditors' Report Thereon

*(Convenience Translation of Financial Statements and
Related Disclosures and Footnotes Originally Issued in Turkish)*

Independent Auditor's Report

To the Shareholders of Ray Sigorta Anonim Şirketi

A) Audit of the Financial Statements

Opinion

We have audited the accompanying balance sheet of Ray Sigorta Anonim Şirketi ("the Company") as at 31 December 2019 and the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year ended in accordance with the accounting principles and standards in force as per the insurance legislation and that are not regulated by them for "Insurance Accounting and Financial Reporting Legislation" including Turkey Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with the accounting principles and standards in force as per the insurance legislation and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Turkey and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. These matters were addressed in the context of our 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.

Accounting policies for recognition of insurance technical reserves and estimations and assumptions used in calculation of insurance technical reserves please refer to footnote 2.26 and 17.

Key Audit Matter	How our audit addressed the key audit matter
<p>As of 31 December 2019, the Company's total technical reserves amounting to TL, net 580.373.494 and constitute 45 percent of total liabilities. The company make provisions for outstanding claims amount of TL, net 243.929.751. There are also incurred but not reported provisions ("IBNR") amounting to TL, net 109.445.280 in the provision for outstanding claims for possible future claims. The Management has used actuarial assumptions and estimations for calculating the outstanding claims reserve by using registered actuary. Due to the nature of the technical reserves calculations which has uncertainty estimations and management judgments determined this matter as one of the key audit matters.</p>	<p>Our auditing procedures for the matter are given –as below:</p> <p>We evaluated the assumptions and estimations of the company's outstanding claims provision calculations with actuarial specialists.</p> <p>In this context, we evaluated the actual outstanding claims internal controls and effectiveness of the process with the involvement of our IT specialists. We choose samples and tested by getting supported documents of the actual outstanding claims . The lawsuit files of the outstanding claims are controlled by getting letter of confirmation from company lawyer.</p> <p>We controlled the mathematical accuracy of the calculations and average file and opening amounts which are determined by company actuarial specialists.. We evaluate the calculation amount of each case in technical reserves.</p> <p>We made recalculation for technical reserves. We controlled the analyzes accuracy of the past experience of the company and legislation.</p> <p>Additionally, the adequacy of financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities have been evaluated.</p>

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles and standards, in force as per the insurance legislation, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the accounting principles and standards, in force as per the insurance legislation and standards on auditing issued by the CMB and Standards on Auditing issued by POA. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the accounting principles and standards, in force as per the insurance legislation and the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 28 February 2020.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2019, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting
- 3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member of KPMG International Cooperative

Alper Güvenç
Partner

28 February 2020
İstanbul, Turkey

RAY SİGORTA ANONİM ŞİRKETİ
FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

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

İstanbul, 28 February 2020

Koray ERDOĞAN
Member of Board of Directors
General Manager

Derya ÖZTÜRK
Member of the Management Board
Financial Affairs
Deputy General Manager

Mustafa ÖNDER
Finance Manager

Banu GÖNENÇ
Actuary

INDEX	PAGE
BALANCE SHEET.....	1-5
STATEMENT OF INCOME.....	6-7-8
STATEMENT OF CASH FLOW.....	9
STATEMENT OF CHANGES IN EQUITY.....	10
STATEMENT OF PROFIT DISTRIBUTION.....	11
NOTES TO THE FINANCIAL STATEMENTS.....	12-83

Ray Sigorta Anonim Şirketi
Balance Sheet
As At 31 December 2019
(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statement
and Related Disclosures and Footnotes
Originally Issued in Turkish, See Note 2.1.1*

ASSETS			
I- Current Assets	Note	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
A- Cash and Cash Equivalents	14	735.460.231	535.849.907
1- Cash	14	14.316	22.431
2- Cheques Received	14	12	12
3- Banks	14	607.833.612	426.518.056
4- Cheques Given and Payment Orders		-	-
5- Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months	14	127.612.291	109.309.408
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments with Risks on Policyholders		-	-
1- Available-for-Sale Financial Assets		-	-
2- Held to Maturity Investments		-	-
3- Financial Assets Held for Trading		-	-
4- Loans and Receivables		-	-
5- Provision for Loans and Receivables		-	-
6- Financial Investments with Risks on Saving Life Policyholders		-	-
7- Company's Own Equity Shares		-	-
8- Diminution in Value of Financial Investments		-	-
C- Receivables from Main Operations	12	354.504.504	225.247.317
1- Receivables from Insurance Operations	12	354.772.281	225.524.645
2- Provision for Receivables from Insurance Operations	12	(1.135.125)	(1.124.814)
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited to Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Operations		-	-
9- Doubtful Receivables from Main Operations	12	104.783.925	85.521.967
10- Provision for Doubtful Receivables from Main Operations	12	(103.916.577)	(84.674.481)
D- Due from Related Parties	12	19.732	23.332
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel	12	19.732	23.332
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
E- Other Receivables	12	613.122	893.480
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given	12	1.158.120	942.188
4- Other Miscellaneous Receivables	12	(544.998)	(48.708)
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
F- Prepaid Expenses and Income Accruals	17	98.386.217	82.823.147
1- Deferred Acquisition Costs	17	86.955.210	69.838.885
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Prepaid Expenses	17	11.431.007	12.984.262
G- Other Current Assets	12,19	2.873.080	4.859.406
1- Stocks to be Used in the Following Months		-	-
2- Prepaid Taxes and Funds	12,19	2.812.091	4.814.098
3- Deferred Tax Assets		-	-
4- Job Advances		-	-
5- Advances Given to Personnel		-	-
6- Inventory Count Differences		-	-
7- Other Miscellaneous Current Assets		60.989	45.308
8- Provision for Other Current Assets		-	-
I- Total Current Assets		1.191.856.886	849.696.589

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

Ray Sigorta Anonim Şirketi
Balance Sheet
As At 31 December 2019
(Currency: Turkish Lira (TL))

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ASSETS			
II- Non-Current Assets	Note	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
A- Receivables from Main Operations		-	-
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited for Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Business		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations		-	-
B- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
C- Other Receivables		-	-
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables		-	-
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
D- Financial Assets	9	584.340	445.032
1- Investments in Equity Shares	9	569.340	430.032
2- Investments in Associates	9	15.000	15.000
3- Capital Commitments to Associates		-	-
4- Investments in Subsidiaries		-	-
5- Capital Commitments to Subsidiaries		-	-
6- Investments in Joint Ventures		-	-
7- Capital Commitments to Joint Ventures		-	-
8- Financial Assets and Financial Investments with Risks on Policyholders		-	-
9- Other Financial Assets		-	-
10- Impairment in Value of Financial Assets		-	-
E- Tangible Assets	6	68.914.278	66.477.012
1- Investment Property		-	-
2- Impairment on Investment Property		-	-
3- Owner Occupied Property	6	62.315.146	62.260.701
4- Machinery and Equipments		-	-
5- Furniture and Fixtures	6	6.716.399	5.800.290
6- Motor Vehicles	6	4.902.189	4.448.551
7- Other Tangible Assets (Including Leasehold Improvements)	6	2.716.041	2.490.102
8- Tangible Assets Acquired Through Finance Leases	2.1.6.6	6.047.405	140.695
9- Accumulated Depreciation	6	(13.782.902)	(8.663.327)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
F- Intangible Assets	8	14.409.136	9.716.465
1- Rights	8	24.931.294	17.823.554
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortization	8	(10.522.158)	(8.107.089)
7- Advances Paid for Intangible Assets		-	-
G-Prepaid Expenses and Income Accruals	17	266.111	337.409
1- Deferred Acquisition Costs		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses	17	266.111	337.409
H-Other Non-Current Assets		-	-
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Stocks to be Used in the Following Years		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets		-	-
6- Other Miscellaneous Non-Current Assets		-	-
7- Amortization on Other Non-Current Assets		-	-
8- Provision for Other Non-Current Assets		-	-
II- Total Non-Current Assets		84.173.865	76.975.918
TOTAL ASSETS		1.276.030.751	926.672.507

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

Ray Sigorta Anonim Şirketi
Balance Sheet
As At 31 December 2019
(Currency: Turkish Lira (TL))

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LIABILITIES			
III- Short-Term Liabilities	Note	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
A- Financial Liabilities	2.1.6, 20	97.540	-
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables	2.1.6, 20	107.995	-
3- Deferred Leasing Costs	2.1.6, 20	(10.455)	-
4- Current Portion of Long-Term Debts		-	-
5- Principal Installments and Interests on Bonds Issued		-	-
6- Other Financial Assets Issued		-	-
7- Valuation Differences of Other Financial Assets Issued		-	-
8- Other Financial Liabilities		-	-
B- Payables Arising from Main Operations	19	302.938.564	125.784.159
1- Payables Arising from Insurance Operations	19	125.833.696	34.648.760
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies	19	177.104.868	91.135.399
4- Payables Arising from Individual Pension Business		-	-
5- Payables Arising from Other Main Operations		-	-
6- Discount on Payables from Other Main 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	19	30.159.434	23.432.150
1- Deposits and Guarantees Received	19	4.944.556	3.619.949
2- Payables to Social Security Institution	19	9.250.306	7.540.185
3- Other Miscellaneous Payables	19	15.964.572	12.272.016
4- Discount on Other Miscellaneous Payables		-	-
E- Insurance Technical Provisions	17	542.525.682	449.582.899
1- Reserve for Unearned Premiums - Net	17	297.008.871	230.988.195
2- Reserve for Unexpired Risks- Net	2.25,17	1.587.060	2.488.318
3- Life Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net	17	243.929.751	216.106.386
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Provisions - Net		-	-
F- Provisions for Taxes and Other Similar Obligations	19	17.975.925	13.514.161
1- Taxes and Funds Payable	19	16.994.464	12.890.915
2- Social Security Premiums Payable	19	981.461	623.246
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Similar Payables		-	-
5- Corporate Tax Payable	19	15.607.610	10.431.663
6- Prepaid Taxes and Other Liabilities Regarding Current Period Profit	19	(15.607.610)	(10.431.663)
7- Provisions for Other Taxes and Similar Liabilities		-	-
G- Provisions for Other Risks	23	14.159.104	10.644.058
1- Provision for Employee Termination Benefits		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs	23	14.159.104	10.644.058
H- Deferred Income and Expense Accruals	19	58.074.199	49.814.638
1- Deferred Commission Income	19	58.074.199	49.814.638
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
I- Other Short-Term Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		-	-
3- Other Various Short Term Liabilities		-	-
III- Total Short-Term Liabilities		965.930.448	672.772.065

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Ray Sigorta Anonim Şirketi
Balance Sheet
As At 31 December 2019
(Currency: Turkish Lira (TL))

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LIABILITIES			
IV- Long-Term Liabilities	Note	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
A- Financial Liabilities		4.549.662	-
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Liabilities		5.037.340	-
3- Deferred Leasing Costs		(487.678)	-
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assets Issued		-	-
7- Other Financial Liabilities		-	-
B- Payables Arising from Main Operations		-	-
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business		-	-
5- Payables Arising from Other Operations		-	-
6- Discount 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- Medical Treatment Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables		-	-
4- Discount on Other Miscellaneous Payables		-	-
E-Insurance Technical Provisions	17	37.847.812	35.056.538
1- Reserve for Unearned Premiums – Net	17	14.840.106	18.738.366
2- Reserve for Unexpired Risks - Net		-	-
3- Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts – Net		-	-
6- Other Technical Provisions – Net	17	23.007.706	16.318.172
F-Other Liabilities and Relevant Accruals		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Instalment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks	23	4.584.432	4.393.675
1- Provision for Employee Termination Benefits	23	4.584.432	4.393.675
2- Provision for Pension Fund Deficits		-	-
H-Deferred Income and Expense Accruals		-	-
1- Deferred Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Long-Term Liabilities	21	964.291	2.278.364
1- Deferred Tax Liabilities	21	964.291	2.278.364
2- Other Long-Term Liabilities		-	-
IV- Total Long-Term Liabilities		47.946.197	41.728.577

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

Ray Sigorta Anonim Şirketi
Balance Sheet
As At 31 December 2019
(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statement
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EQUITY			
V- Shareholders' Equity	Note	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
A- Paid in Capital		163.069.856	163.069.856
1- (Nominal) Capital	2.13,15	163.069.856	163.069.856
2- Unpaid Capital		-	-
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences		-	-
5- Unregistered Capital		-	-
B- Capital Reserves	15	2.070.152	2.070.152
1- Share Premium	15	2.070.152	2.070.152
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Asset Sales That Will Be Transferred to Capital		-	-
4- Currency Translation Adjustments		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves	15	43.719.212	45.171.528
1- Legal Reserves		93.016	-
2- Statutory Reserves		-	-
3- Extraordinary Reserves		-	-
4- Special Funds		-	-
5- Revaluation of Financial Assets		-	-
6- Other Profit Reserves	15	43.626.196	45.171.528
D- Retained Earnings		3.211.798	-
1- Retained Earnings		3.211.798	-
E- Accumulated Losses		-	(26.531.201)
1- Accumulated Losses		-	(26.531.201)
F-Net Profit/(Loss) for the Period		50.083.088	28.391.530
1- Net Profit for the Year		50.083.088	28.391.530
2- Net Loss for the Year		-	-
3- Net Profit for the Period not Subject to Distribution		-	-
V- Total Equity		262.154.106	212.171.865
TOTAL EQUITY AND LIABILITIES		1.276.030.751	926.672.507

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

Ray Sigorta Anonim Şirketi
Statement of Income
For the Year Ended 31 December 2019
(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
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	Note	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
I-TECHNICAL SECTION			
A- Non-Life Technical Income		545.767.338	374.340.962
1- Earned Premiums (Net of Reinsurer Share)		485.383.971	337.400.311
1.1- Written Premiums (Net of Reinsurer Share)	17	546.605.129	419.797.619
1.1.1- Written Premiums. gross	17	1.238.078.671	906.193.305
1.1.2- Written Premiums. ceded	10,17	(663.847.104)	(464.768.124)
1.1.3- Written Premiums. transferred to SSI	17	(27.626.438)	(21.627.562)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(62.122.416)	(80.382.615)
1.2.1- Reserve for Unearned Premiums. gross	17	(180.774.413)	(102.820.527)
1.2.2- Reserve for Unearned Premiums. ceded	17	115.125.200	19.730.758
1.2.3- Reserve for Unearned Premiums. SSI share	17	3.526.797	2.707.154
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	901.258	(2.014.693)
1.3.1- Reserve for Unexpired Risks. gross		4.774.449	(10.649.377)
1.3.2- Reserve for Unexpired Risks. ceded		(3.873.191)	8.634.684
2- Investment Income - Transferred from Non-Technical Section		73.479.799	44.721.557
3- Other Technical Income (Net of Reinsurer Share)		(28.103.270)	(17.799.234)
3.1- Other Technical Income. gross		(28.103.270)	(17.799.234)
3.2- Other Technical Income. ceded		-	-
4. Accrued Salvage and Subrogation Income		15.006.838	10.018.328
B- Non-Life Technical Expense		(469.517.394)	(351.021.527)
1- Incurred Losses (Net of Reinsurer Share)	17	(328.406.188)	(267.393.003)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(300.582.823)	(220.715.817)
1.1.1- Claims Paid. gross	17	(568.094.745)	(480.730.859)
1.1.2- Claims Paid. ceded	10,17	267.511.922	260.015.042
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(27.823.365)	(46.677.186)
1.2.1- Change in Provisions for Outstanding Claims. gross	17	(139.506.505)	(207.770.030)
1.2.2- Change in Provisions for Outstanding Claims. ceded	17	111.683.140	161.092.844
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)			
2.1- Provision for Bonus and Discounts. gross		-	-
2.2- Provision for Bonus and Discounts. ceded		-	-
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	(6.689.534)	(4.480.605)
4- Operating Expenses	32	(134.421.672)	(79.147.919)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
5.1- Mathematical Provisions		-	-
5.2- Mathematical Provisions. ceded		-	-
6- Other Technical Expense		-	-
6.1- Other Technical Expense. gross		-	-
6.2- Other Technical Expense. ceded		-	-
C- Net Technical Income-Non-Life (A – B)		76.249.944	23.319.435
D- Life Technical Income		-	-
1- Earned Premiums (Net of Reinsurer Share)		-	-
1.1- Written Premiums (Net of Reinsurer Share)		-	-
1.1.1- Written Premiums. gross		-	-
1.1.2- Written Premiums. ceded		-	-
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)		-	-
1.2.1- Reserve for Unearned Premiums. gross		-	-
1.2.2- Reserve for Unearned Premiums. ceded		-	-
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.3.1- Reserve for Unexpired Risks. gross		-	-
1.3.2- Reserve for Unexpired Risks. ceded		-	-
2- Investment Income		-	-
3- Unrealized Gains on Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		-	-

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

Ray Sigorta Anonim Şirketi
Statement of Income
For the Year Ended 31 December 2019
(Currency: Turkish Lira (TL))

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

	Note	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
I-TECHNICAL SECTION			
E- Life Technical Expense		-	-
1- Incurred Losses (Net of Reinsurer Share)		-	-
1.1- Claims Paid (Net of Reinsurer Share)		-	-
1.1.1- Claims Paid. gross		-	-
1.1.2- Claims Paid. ceded		-	-
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.2.1- Change in Provisions for Outstanding Claims. gross		-	-
1.2.2- Change in Provisions for Outstanding Claims. ceded		-	-
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts. gross		-	-
2.2- Provision for Bonus and Discounts. ceded		-	-
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
3.1- Change in Mathematical Provisions. gross		-	-
3.2- Change in Mathematical Provisions. ceded		-	-
4- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
5- Operating Expenses		-	-
6- Investment Expenses		-	-
7- Unrealized Losses on Investments		-	-
8- Investment Income Transferred to the Non-Life Technical Section		-	-
F- Net Technical Income- Life (D – E)		-	-
G- Pension Business Technical Income		-	-
1- Fund Management Income		-	-
2- Management Fee		-	-
3- Entrance Fee Income		-	-
4- Management Expense Charge in case of Suspension		-	-
5- Income from Individual Service Charges		-	-
6- Increase in Value of Capital Allowances Given as Advance		-	-
7- Other Technical Expense		-	-
H- Pension Business Technical Expense		-	-
1- Fund Management Expense		-	-
2- Decrease in Value of Capital Allowances Given as Advance		-	-
3- Operating Expenses		-	-
4- Other Technical Expenses		-	-
I- Net Technical Income - Pension Business (G – H)		-	-

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

Ray Sigorta Anonim Şirketi
Statement of Income
For the Year Ended 31 December 2019
(Currency: Turkish Lira (TL))

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

	Note	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
II-NON-TECHNICAL SECTION			
C- Net Technical Income – Non-Life (A-B)		76.249.944	23.319.435
F- Net Technical Income – Life (D-E)		-	-
I - Net Technical Income – Pension Business (G-H)		-	-
J- Total Net Technical Income (C+F+I)		76.249.944	23.319.435
K- Investment Income		119.730.370	141.996.080
1- Income from Financial Assets	4.2	93.334.718	60.089.805
2- Income from Disposal of Financial Assets	4.2	-	2.423.173
3- Valuation of Financial Assets		-	-
4- Foreign Exchange Gains	4.2	26.395.652	79.483.102
5- Income from Associates		-	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment		-	-
8- Income from Derivative Transactions		-	-
9- Other Investments		-	-
10- Income Transferred from Life Section		-	-
L- Investment Expense		(108.481.015)	(113.581.449)
1- Investment Management Expenses (including. interest)	4.2	(7.574.813)	(4.634.482)
2- Diminution in Value of Investments	4.2	-	-
3- Loss from Disposal of Financial Assets	4.2	-	(6.234.239)
4- Investment Income Transferred to Non-Life Technical Section		(73.479.799)	(44.721.557)
5- Loss from Derivative Transactions		-	-
6- Foreign Exchange Losses	4.2	(19.712.768)	(53.160.890)
7- Depreciation and Amortization Expenses	6,8	(7.713.635)	(4.830.281)
8- Other Investment Expenses		-	-
M- Income and Expenses From Other and Extraordinary Operations		(21.808.601)	(12.910.873)
1- Provisions	47	(22.872.234)	(14.900.308)
2- Rediscounts		-	-
3- Specified Insurance Accounts		-	-
4- Monetary Gains and Losses		-	-
5- Deferred Taxation (Deferred Tax Assets)	35	1.288.862	1.804.401
6- Deferred Taxation (Deferred Tax Liabilities)		-	-
7- Other Income and Profits		378.737	866.486
8- Other Expenses and Losses		(603.966)	(681.452)
9- Prior Year's Income		-	-
10- Prior Year's Expenses and Losses		-	-
N- Net Profit or Loss for the Period		50.083.088	28.391.530
1- Profit or Loss for the Period		65.690.698	38.823.193
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(15.607.610)	(10.431.663)
3- Net Profit or Loss for the Period		50.083.088	28.391.530
4- Monetary Gains and Losses		-	-

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

Ray Sigorta Anonim Şirketi
Statement of Cash Flow
For the Year Ended 31 December 2019
(Currency: Turkish Lira (TL))

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

	Note	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
A - Cash flows from operating activities			
1. Cash provided from insurance activities		1.002.283.181	828.434.988
2. Cash provided from reinsurance activities		32.641.213	10.656.516
3. Cash provided from pension business		-	-
4. Cash used in insurance activities		(576.270.278)	(501.865.397)
5. Cash used in reinsurance activities		(147.526.270)	(159.616.011)
6. Cash used in pension business		-	-
7. Cash provided from operating activities		311.127.846	177.610.096
8. Interest paid		(498.131)	-
9. Income taxes paid		(12.708.252)	(15.319.897)
10. Other cash inflows		15.983.437	7.013.135
11. Other cash outflows		(200.084.290)	(162.973.277)
12. Net cash provided from operating activities		113.820.610	6.330.057
B. Cash flows from investing activities			
1. Disposal of tangible assets		26.200	231.700
2. Acquisition of tangible assets	6,8	(14.843.572)	(9.412.227)
3. Acquisition of financial assets	11	-	(120.670.978)
4. Disposal of financial assets	11	-	157.149.542
5. Interests received		82.287.741	53.263.368
6. Dividends received		-	-
7. Other cash inflows		-	-
8. Other cash outflows		-	-
9. Net cash provided by investing activities		67.470.369	80.561.405
C. Cash used in financing activities			
1. Equity shares issued		-	-
2. Cash provided from loans and borrowings		-	-
3. Finance lease payments		(1.808.989)	-
4. Dividends paid		-	-
5. Other cash inflows		-	-
6. Other cash outflows		-	-
7. Net cash used in financing activities		(1.808.989)	-
D. Impact of currency differences on cash and cash equivalents		6.682.884	26.322.212
E. Net increase/(decrease) in cash and cash equivalents		186.164.874	113.213.674
F. Cash and cash equivalents at the beginning of the period	14	458.801.136	345.587.462
G. Cash and cash equivalents at the end of the period	14	644.966.010	458.801.136

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

Ray Sigorta Anonim Şirketi
Statement of Changes in Equity
For the Year Ended 31 December 2019
(Currency: Turkish Lira (TL))

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

Shareholder's Equity – 31 December 2018 – Audited												
	Note	Share Capital	Treasury Shares	Value Increase in Assets	Inflation Adjustments	Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Profit	Net Profit for the Period	Retained Earnings /Previous Years' Losses	Total
I – Balance at 31 December 2017		163.069.856	-	41.311.787	-	-	-	-	8.519.713	21.277.863	(49.253.552)	184.925.667
II- Changes in Accounting Policy (*)		-	-	-	-	-	-	-	-	-	-	-
III - New balance (I + II) (1 January 2018)		163.069.856	-	41.311.787	-	-	-	-	8.519.713	21.277.863	(49.253.552)	184.925.667
A- Capital increase		-	-	-	-	-	-	-	-	-	-	-
1 – In cash		-	-	-	-	-	-	-	-	-	-	-
2 – From reserves		-	-	-	-	-	-	-	-	-	-	-
B- Treasury shares		-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not recognized in the statement of income		-	-	-	-	-	-	-	(1.145.332)	-	-	(1.145.332)
D- Change in the value of financial assets		-	-	(1.444.488)	-	-	-	-	-	-	1.444.488	-
E- Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period		-	-	-	-	-	-	-	-	28.391.530	-	28.391.530
I- Dividends paid		-	-	-	-	-	-	-	-	-	-	-
J – Transfers	15	-	-	-	-	-	-	-	-	(21.277.863)	21.277.863	-
II – Balance at 31 December 2018		163.069.856	-	39.867.299	-	-	-	-	7.374.381	28.391.530	(26.531.201)	212.171.865

Shareholder's Equity – 31 December 2019– Audited												
	Note	Share Capital	Treasury Shares	Value Increase in Assets	Inflation Adjustments	Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Profit	Net Profit for the Period	Retained Earnings /Previous Years' Losses	Total
I – Balance at 31 December 2018		163.069.856	-	39.867.299	-	-	-	-	7.374.381	28.391.530	(26.531.201)	212.171.865
II- Changes in Accounting Policy (*)		-	-	-	-	-	-	-	-	-	-	-
III - New balance (I + II) (1 January 2019)		163.069.856	-	39.867.299	-	-	-	-	7.374.381	28.391.530	(26.531.201)	212.171.865
A- Capital increase		-	-	-	-	-	-	-	-	-	-	-
1 – In cash		-	-	-	-	-	-	-	-	-	-	-
2 – From reserves		-	-	-	-	-	-	-	-	-	-	-
B- Treasury shares		-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not recognized in the statement of income		-	-	-	-	-	-	-	(100.847)	-	-	(100.847)
D- Change in the value of financial assets		-	-	(1.444.485)	-	-	-	-	-	-	1.444.485	-
E- Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-

Ray Sigorta Anonim Şirketi
Statement of Changes in Equity
For the Year Ended 31 December 2019
(Currency: Turkish Lira (TL))

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

H- Net profit for the period		-	-	-	-	-	-	-	-	50.083.088	-	50.083.088
I - Dividends paid		-	-	-	-	-	-	-	-	-	-	-
J- Transfers	15	-	-	-	-	-	93.016	-	-	(28.391.530)	28.298.514	-
II – Balance at 31 December 2019		163.069.856	-	38.422.814	-	-	93.016	-	7.273.534	50.083.088	3.211.798	262.154.106

The accompanying notes are integral part of these financial statements.

Ray Sigorta Anonim Şirketi
Statement of Profit Distribution
For the Year Ended 31 December 2019

(Currency: Turkish Lira (TL))

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

	Note	Audited Current Period 31 December 2019 ^(*)	Audited Prior Period 31 December 2018
I. DISTRIBUTION OF PERIOD PROFIT			
1.1. PERIOD PROFIT/(LOSS)		65.690.698	38.823.193
1.2. PAYABLE TAXES AND LEGAL LIABILITIES		(15.607.610)	(10.431.663)
1.2.1. Corporate Tax (Income Tax)		(15.607.610)	(10.431.663)
1.2.2. Income Tax Deduction		-	-
1.2.3. Other Tax and Legal Liabilities		-	-
A NET PERIOD PROFIT/(LOSS) (1.1 – 1.2)		50.083.088	28.391.530
1.3. RETAINING LOSS (-)		-	(26.531.201)
1.4. PRIMARY RESERVE		(2.504.154)	(93.016)
1.5. COMPULSORY LEGAL FUNDS (-)		-	-
B DISTRIBUTABLE NET PERIOD PROFIT [(A-(1.3 + 1.4 + 1.5)]		47.578.934	1.767.313
1.6. FIRST DIVIDEND TO SHAREHOLDERS		-	-
1.6.1. To Shareholders		-	-
1.6.2. To Privileged Shareholders		-	-
1.6.3. To Participating Shareholders		-	-
1.6.4. To Participating Bond Shareholders		-	-
1.6.5. To Profit and Loss Sharing Certificate Holders		-	-
1.7. DIVIDEND TO PERSONNEL		-	-
1.8. DIVIDEND TO BOARD OF DIRECTORS		-	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
1.9.1. To Shareholders		-	-
1.9.2. To Privileged Shareholders		-	-
1.9.3. To Participating Shareholders		-	-
1.9.4. To Participating Bond Shareholders		-	-
1.9.5. To Profit and Loss Sharing Certificate Holders		-	-
1.10. SECOND LEGAL RESERVE (-)		-	-
1.11. STATÜS RESERVE (-)		-	-
1.12. EXTRAORDINARY RESERVES		-	(1.767.313)
1.13. OTHER RESERVES		-	-
1.14. SPECIAL FUNDS		-	-
II. DISTRIBUTION FROM RESERVES			
2.1. DISTRIBUTED RESERVES		-	-
2.2. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
2.3. SHARE TO PARTNERS		-	-
2.3.1. To Shareholders		-	-
2.3.2. To Privileged Shareholders		-	-
2.3.3. To Participating Shareholders		-	-
2.3.4. To Participating Bond Shareholders		-	-
2.3.5. To Profit and Loss Sharing Certificate Holders		-	-
2.4. SHARE TO PERSONNEL (-)		-	-
2.5. SHARE TO BOARD OF DIRECTORS (-)		-	-
III. EARNINGS PER SHARE			
3.1. TO SHAREHOLDERS		-	-
3.2. TO SHAREHOLDERS (%)		-	-
3.3. TO PRIVILEGED SHAREHOLDERS		-	-
3.4. TO PRIVILEGED SHAREHOLDERS (%)		-	-
IV. DIVIDEND PER SHARE			
4.1. TO SHAREHOLDERS		-	-
4.2. TO SHAREHOLDERS (%)		-	-
4.3. TO PRIVILEGED SHAREHOLDERS		-	-
4.4. TO PRIVILEGED SHAREHOLDERS (%)		-	-

^(*) Profit distribution table is not be fulfilled since the proposal for profit distribution as to 2019 has not been prepared yet by the Board of Directors.

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

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements As at 31 December 2019

(Currency: Turkish Lira (TL))

1 General Information

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

The shareholding structure of Ray Sigorta Anonim Şirketi (“the Company”) is presented below. As at 31 December 2019 and 31 December 2018, the shareholder having direct control over the shares of Ray Sigorta Anonim Şirketi (“the Company”) is ATBIH GmbH and the ultimate parent company is Vienna Insurance Group AG (“VIG”). %5,04 (31 December 2018: %5.04) of shares are being traded at Borsa İstanbul A.Ş. (“BİST”).

Name	31 December 2019		31 December 2018	
	Shareholding Amount (TL)	Shareholding Rate (%)	Shareholding Amount (TL)	Shareholding Rate (%)
ATBIH GmbH	133.048.627	81,59	133.048.627	81,59
Vienna Insurance Group	20.663.528	12,67	20.663.528	12,67
LVP Holding GmbH	1.145.734	0,70	1.145.734	0,70
Other	8.211.967	5,04	8.211.967	5,04
Paid in Capital	163.069.856	100,00	163.069.856	100,00

1.2 Domicile and the legal structure of the Company, country and the address of the registered office (address of the operating centre if it is different from the registered office)

The Company was registered in Turkey and has the status of ‘Incorporated Company’. The Company’s address is “Cumhuriyet Mahallesi Haydar Aliyev Caddesi No:28 Tarabya-İstanbul” and the Company has seven regional offices; two of them established in İstanbul and others established in Antalya, İzmir, Adana, two in Ankara (Ankara and Central Anatolia) and Bursa.

1.3 Business of the Company

The Company operates in almost all non-life insurance branches consisting of mainly accident, health, motor vehicles, air vehicles, water vehicles, transportation, fire and natural disasters, general loss, credit, financial losses, and legal protection.

As at 31 December 2019, the Company serves through, 1.303 authorized agencies, 98 agency branches, 50 Alternatif Bank branches, 71 Fibabanka branches, 92 broker, 9 broker branches, 3 leasing (31 December 2018: 1.138 authorized agencies, 66 agency branches, 50 Alternatif Bank branches, 72 Fibabanka branches, 80 broker, 4 leasing) of which, 1.626 agencies (31 December 2018: 1.417 authorized).

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

1 General Information (continued)

1.4 Description of the main operations of the Company

The Company conducts its operations in accordance with the Insurance Law No.5684 (the “Insurance Law”) issued in 14 June 2007 dated and 26552 numbered Official Gazette and the communiqués and other regulations in force issued by the Ministry of Treasury and Finance based on the Insurance Law. The Company operates in insurance branches as mentioned above *Note 1.3 Business of the Company*.

The Company’s shares have been listed on the Istanbul Stock Exchange (“ISE”). The Company operates in their own specific laws and regulations for the matters of establishment, auditing, supervision/oversight, accounting and financial reporting in accordance Capital Market Law No:6362, part of VIII and paragraph of 5 of Article 136.

1.5 The average number of the personnel during the period in consideration of their categories

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

	31 December 2019	31 December 2018
Senior and middle level managers	42	38
Other	240	223
Total	282	261

1.6 Wages and similar benefits provided to the senior management

For the year ended 31 December 2019, wages and similar benefits provided to the senior and middle level management including chairman is amounting to TL 8.714.269 (31 December 2018: 6.012.681 TL).

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

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

In accordance with the above mentioned Communiqué, insurance companies are allowed to transfer technical section operating expense to insurance section through methods determined by Turkish Republic Ministry of Treasury and Finance or by the Company itself. Methods determined by the Company should be approved by the Turkish Republic Ministry of Treasury and Finance, known and exactly distinguishable operating expenses are distributed to related branches directly, while operating expenses are distributed to the sub-branches in accordance with the average of 3 ratios calculated by dividing “number of the policies produced within the last three years”, “gross premium written within the last three years”, and “number of the claims reported within the last three years” to the “total number of the policies”, “total gross written premiums” and the “total number of the claims reported”, respectively.

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

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

The accompanying financial statements comprise only the financial information of the Company.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

1 General information (continued)

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

Trade name of the Company	: Ray Sigorta Anonim Şirketi
Registered address of the head office	: Haydar Aliyev Caddesi No:28 Tarabya 34457 Sarıyer / İstanbul
The web page of the Company	: www.raysigorta.com.tr

The information presented above has not any change since the end of the previous reporting period.

1.10 Events after the reporting date

There haven't been any change at services of the Company, recording of this services and company policies after accounting date.

2.1 Basis of preparation

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

In accordance with Article 136(5) in Section VIII of the Capital Markets Law, numbered 6362 insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting. Therefore, the Company maintains its books of account and prepares its financial statements in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), and other accounting and financial reporting principles, statements and guidance (collectively "the Reporting Standards") in accordance with the "Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies" as promulgated by the Turkish Republic Ministry of Treasury and Finance based on Article 18 of the Insurance Law and Article 11 of the 4632 numbered Individual Pension Savings and Investment System Law ("Individual Retirement Law").

In Article 4 of the mentioned regulation; insurance contracts, subsidiaries, recognition of jointly controlled subsidiaries and affiliates, and consolidated financial statements with financial statements will be disclosed to the public are set out the principles and procedures relating to the preparation of notes and disclosures related to these it will be determined by Communiqués to be issued by the Turkish Republic Ministry of Treasury and Finance.

"Communiqué Related to Presentation of Financial Statements published in Official Gazette dated 18 April 2008 and numbered 26851 by ensuring the comparison of the prior period financial statements and the financial statements of other companies regulated the form and content of the financial statements that are prepared by companies.

Additional paragraph for convenience translation to English

As explained in note 2.1, the accompanying financial statements are not intended to present the financial position of the Company and results of its operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

Accounting in hyperinflationary countries

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

With respect to the declaration of the Turkish Treasury with the article dated 4 April 2005 and numbered 19387, financial statements as of 31 December 2004 are adjusted for the opening balances of 2005 in accordance with the section with respect to inflation accounting of the Capital Markets Board (“CMB”) Communiqué No: 25 of Series XI, “Communiqué on Accounting Standards in Capital Market” published in the Official Gazette dated 15 January 2003 and numbered 25290. Inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Turkish Treasury. Accordingly, as at 31 December 2018, non-monetary assets and liabilities and items included in shareholders’ equity including paid-in capital recognized or recorded before 31 December 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders’ equity including paid-in capital recognized or recorded after 1 January 2005 are measured at their nominal values

Other accounting policies

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

2.1.3 Valid and presentation currency

The accompanying financial statements are presented in TL, which is the Company’s functional currency and reporting.

2.1.4 Rounding scale of the amounts presented in the financial statements

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

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

The accompanying financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2004, except for the financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments and associates which are measured at their fair values unless reliable measures are available.

2.1.6 Accounting policies, changes in accounting estimates and errors

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the last annual financial statements.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.6 Accounting policies, changes in accounting estimates and errors (continued)

IFRS 16 Leases

The Company has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Company's financial statements;

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company has applied IFRS 16 using the modified retrospective approach which means initial right of use equals to initial financial lease liability. The details of the changes in accounting policies are disclosed below;

a-) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under TAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non- lease components as a single lease component.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.6 Accounting policies, changes in accounting estimates and errors (continued)

IFRS 16 Leases (continued)

b-) As a lessee

The Company leases land and buildings, vehicles and IT equipments.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The carrying amounts of right-of-use assets are as below;

<i>TL</i>	Tangible assets
Balance at 1 January 2019	3.854.248
Balance at 31 December 2019	4.583.063

The Company presents lease liabilities in “Financial Liabilities (Note 20)” in the statement of financial position.

i. Significant accounting policies

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Company’s accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. As of 1 January 2019, incremental borrowing rate used by the Company for TL lease liabilities reflected through statement of financial position is 13,01%.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.6 Accounting policies, changes in accounting estimates and errors (continued)

TFRS 16 Leases (continued)

i. Significant accounting policies (continued)

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

ii. Transition

Previously, the Company classified property leases as operating leases under TAS 17. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under TAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

– an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company used the following practical expedients when applying TFRS 16 to leases previously classified as operating leases under TAS 17.

– As of 31 December 2019, applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

– Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

– Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.6 Accounting policies, changes in accounting estimates and errors (continued)

IFRS 16 Leases (continued)

iii. Impact on financial statements

a. Impacts on transition

The impact on transition is summarized below.

TL	1 January 2019
Right-of-use assets presented in tangible assets	3.854.248
Lease liabilities	3.854.248

b. Impacts for the period

As a result of initial measurement of IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised TL 4.583.063 of right-of-use assets and TL 4.647.202 lease liabilities as at 31 December 2019.

	Right-of-use assets	Lease liabilities
Beginning of period ^(*)	3.854.248	(3.854.248)
Depreciation	(1.323.647)	-
Interest expense	-	(498.131)
Currency exchange loss	-	(51.350)
Paid	-	1.808.989
Impact of income statement	(1.323.647)	1.259.508
Increase / decrease at period	2.052.462	(2.052.462)
End of period	4.583.063	(4.647.202)

Also in relation to those leases under IFRS 16, the Company has recognised depreciation and interest costs, instead of operating lease expense. As at 31 December 2019, the Company recognised TL 1.323.647 depreciation charges and TL 498.131 interest costs from these leases.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.7 Changes in accounting estimates and errors

In the current period there is no accounting policy change and no significant accounting mistake.

The clarification of accounting policies has been given in 3 - *Significant accounting estimates and decisions* note.

2.2 Consolidation

The Company has not any associate or subsidiary to be consolidated as of the reporting period,so consolidated financial statements have not been prepared.

2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Since the main economic environment, where the Company operates, is Turkey, a geographical segment reporting has not been presented. A business segment reporting of the Company is presented in Note 5 in accordance with TFRS 8- *Operating Segments* standard.

2.4 Foreign currency transactions

Transactions are recorded in TL, which is the Company's functional currency. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates ruling at the reporting date and foreign currency exchange differences are offset and all exchange differences are recognized in the statement of income.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.5 Tangible assets

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

The Company measures its properties for use through fair value. For the properties measured at fair value that subject to amortisation, the amortisation started to be calculated by taking into consideration the rest of lives of related properties as of the date of the fair value determined.

Revaluation surplus arising from fair value measurement in buildings is recorded in "Other Capital Reserves" under equity by taking into account the effects of deferred tax. Decreases after revaluation arising from fair value measurement in buildings is subtracted from related assets "Other Capital Reserves" under Shareholders' Equity by comparing on the basis of account. Decreases after revaluation of the assets with no balances in "Other Capital Reserves" under Shareholders' Equity is associated with profit / loss accounts.

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

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

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

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

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation rates and estimated useful lives are as follows:

Tangible Assets	Estimated Useful Lives (years)	Depreciation Rates (%)
Buildings	50	2,0
Machinery and equipments	3 – 16	6,3 – 33,3
Furniture and fixtures	4 – 16	6,3 – 25,0
Vehicles	5	20,0
Other tangible assets (including leasehold improvements)	5 – 10	10,0 – 20,0
Leased tangible assets	4 – 10	10,0 – 25,0

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.6 Investment properties

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

Investment properties are measured initially at cost including transaction costs.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of retirement or disposal.

The Company does not have investment properties as of the reporting period (31 December 2018: None).

2.7 Intangible Assets

The Company's intangible assets consist of computer softwares and rights.

Intangible assets are recorded at cost in compliance with "TAS 38 – Accounting for intangible assets". The cost of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs.

Amortization is charged on a straight-line basis over their estimated useful lives over the cost of the asset.

Intangible assets' useful lives are 3 and 15 years.

2.8 Financial assets

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

Financial assets are classified in two categories; as financial assets fair value through profit or loss and loans and receivables.

Financial assets at fair value through profit or loss are presented as financial assets held for trading in the accompanying financial statements and trading securities and derivatives are included in this category. Financial assets at fair value through profit or loss measured at their fair values and gain/loss arising due to changes in the fair values of related financial assets is recorded in profit / loss. Interest income earned on trading purpose financial assets and the difference between their fair values and acquisition costs are recorded as interest income in the statement of income. In case of disposal of such financial assets before their maturities, the gains/losses on such disposal are recorded under trading income/losses. Accounting policies of derivatives are detailed in note 2.10 – *Derivative financial instruments*.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables those are not interest earning are measured by discounting of future cash flows less impairment losses, and interest earning loans and receivables are measured at amortized cost less impairment losses.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

Securities are recognized and derecognized at the date of settlement.

Long-term securities are financial assets that give a power to govern the financial and operating policies to benefit from the Company's benefit. These financial assets are measured at their cost value after deducting the provision for impairment, if any.

A financial asset is derecognized when the control over the contractual rights that comprise that asset is lost. This occurs when the rights are realized, expire or are surrendered.

2.9 Impairment on assets

Impairment on financial asset

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

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

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

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

Impairment on tangible and intangible assets

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

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

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.10 Derivative financial instruments

As of the reporting date, the Company does not have any derivative financial instruments. Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 – *Financial Instruments: Recognition and measurement*.

Derivative financial instruments are initially recognized at their fair value.

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

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

As of December 31, 2019 and 2018, the Company does not hold any derivative financial instruments.

2.11 Offsetting of financial assets

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

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

2.12 Cash and cash equivalents

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

Ray Sigorta Anonim Şirketi
Notes to the Financial Statements
As at 31 December 2019
(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.13 Capital

As at 31 December 2019 and 31 December 2018, the shareholder having direct control over the shares of Ray Sigorta Anonim Şirketi (“the Company”) is ATBIH GmbH and the ultimate parent company is VIG. As at 31 December 2019 and 31 December 2018, the share capital and ownership structure of the Company are as follows:

Adı	31 December 2019		31 December 2018	
	Shareholding Amount (TL)	Shareholding Rate (%)	Shareholding Amount (TL)	Shareholding Rate (%)
ATBIH GmbH	133.048.627	81,59	133.048.627	81,59
Vienna Insurance Group	20.663.528	12,67	20.663.528	12,67
LVP Holding GmbH	1.145.734	0,70	1.145.734	0,70
Other	8.211.967	5,04	8.211.967	5,04
Paid in Capital	163.069.856	100,00	163.069.856	100,00

Sources of capital increases during the period

The Company has not performed capital increase as at 31 December 2019. (31 December 2018: None).

Privileges on common shares representing share capital

As at 31 December 2019, the issued share capital of the Company is TL 163.069.856 (31 December 2018: TL 163.069.856) and the share capital of the Company consists of 16,306,985,600 (31 December 2018: 16,306,985,600 shares) issued shares with TL 0.01 nominal value each.

Registered capital system in the Company

The Company has accepted the registered capital system. As of 31 December 2019, the Company's registered capital is TL 200.000.000 (31 December 2018: TL 200.000.000).

Repurchased own shares by the Company

None (31 December 2018: None).

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.14 Insurance and investments contracts-classification

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

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

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

2.15 Insurance contracts and investment contracts with discretionary participation feature

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

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

As at the reporting date, the Company does not have any insurance or investment contracts that contain a DPF.

2.16 Investment contracts without DPF

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

2.17 Liabilities

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

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.18 Income taxes

Corporate tax

Corporate income is subject to corporate tax at 20% in Turkey to be effective from January 1, 2006. However, according to the Article 91 of the Law numbered 7061 “Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation” which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

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

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

In accordance with Turkish Tax Legislation, tax losses can be carried forward to offset against future taxable income for up to five years. The Company has not deductible tax losses as of 31 December 2019 (Note 21) (31 December 2018: None).

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Deferred taxes

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

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

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

2 Summary of significant accounting policies (continued)

2.18 Income taxes (continued)

Transfer pricing

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

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

2.19 Employee benefits

Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2019 is TL 6.379 (31 December 2018: TL 5.434).

In Accordance IAS 19 which published by Public Company Accounting Oversight Board (PCAOB) dated March 12, 2013 is about “Benefits Employee Accounting Standard” and defined by beginning from December 31, 2012 net defined benefit liability of the actuarial gains and losses arising on re-measurement should be recognized in other comprehensive income under shareholders' equity and this effect should be applied retrospectively. The Company started to account current actuarial gains and losses under equity (other profit reserves) due to the fact that prior period actuarial gains and losses have remained below the materiality.

The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 – *Employee Benefits*, The major actuarial assumptions used in the calculation of the total liability as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Discount rate	%5,42	%4,72
Expected retirement turnover rate	%92.92	%94.00

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

Other benefits

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

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.20 Provisions

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

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

2.21 Revenue recognition

Written premiums and claims paid

Written premiums represent premiums on policies written during the period net of taxes, premiums of the cancelled policies which were produced in prior periods and premium ceded to reinsurance companies,. Premiums ceded to reinsurance companies are accounted as “written premiums, ceded” in the statement of income.

Claims are recognized as expense as they are paid. Outstanding claims provision is provided for both reported unpaid claims at period-end and incurred but not reported claims. Reinsurer’s shares of claims paid and outstanding claims provisions are off-set against these reserves.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.21 Revenue recognition (continued)

Subrogation, salvage and quasi income

According to the Communiqué 2010/13 dated 20 September 2010; the Company may account for income accrual for subrogation receivables without any voucher after the completion of the claim payments made to the insure. If the amount cannot be collected from the counterparty insurance company, the Company provides provision for uncollected amounts due for six months. If the counter party is not an insurance Company, the provision is provided after four months. As at the reporting date, in accordance with the related Communiqué the Company provided TL 9.316.722 (31 December 2018: TL 7.069.952) subrogation receivables and recorded TL 9.332.716 (31 December 2018: TL 7.115.684) (Note 12) net subrogation and salvage receivables under receivables from main operations. The Company provided allowance for uncollected subrogation receivables amounting to TL 968.939 (31 December 2018: TL 1.009.023) (Note 12) in accordance with Communiqué

For the years ended 31 December 2019 and 2018, salvage and subrogation collected are as follows:

	31 December 2019	31 December 2018
Motor Vehicles	48.718.319	32.753.160
Third Party Liability For Motor Vehicles (MTPL)	2.439.573	1.912.356
Transportation	1.252.986	185.370
Fire and Natural Disaster	530.191	454.883
General Losses	88.417	157.311
Health	3.372	20.617
Indemnification Insurance	4.607	900
General Responsibility	7.397	2.101
Water Vehicles	1.323	1.571
Total	53.046.185	35.488.269

As at 31 December 2019 and 31 December 2018, accrued subrogation and salvage income per branches is as follows:

	31 December 2019	31 December 2018
Motor Vehicles	7.594.750	4.705.001
Third Party Liability For Motor Vehicles (MTPL)	896.677	1.438.338
Fire and Natural Disaster	285.419	332.962
Transportation	456.114	426.168
General Losses	23.818	77.203
Financial Losses	-	63.777
Water Vehicles	39.627	39.628
Indemnification Insurance	36.163	32.607
Health	148	-
Total	9.332.716	7.115.684

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.21 Revenue recognition (continued)

Commission income and expense

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

Interest income and expense

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

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

Trading income/expense

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

Dividends

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

2.22 Leasing transactions

The Company has applied TFRS 16 for leases with more than 12 months of lease term.

The Company recognises the lease payments as an expense on a straight-line basis lower than 12 months of lease term.

The maximum period of the financial lease contracts is 10 years. Tangible assets acquired by way of finance leasing are recognized in tangible assets and the obligations under finance leases arising from the lease contracts are presented under finance lease payables account in the financial statements. In the determination of the related assets and liabilities, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs of leasing agreements are expanded in lease periods at a fixed interest rate.

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

Lease liability is measured at fair value of rent payments that have not been paid on the date rent is actually begin in accordance TFRS 16. Rent payments are discounted as using incremental borrowing rate. Company uses its incremental borrowing rate as the discount rate. As of 1 January 2019, incremental borrowing rate used by the Company for TL lease liabilities reflected through statement of financial position is 13,01%. This borrowing rate is determined by using duration on lease contracts of the Company.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.22 Leasing transactions (continued)

Book value of the lease liability after the lease actually started; remeasured as reflectable to increase the interest in the lease liability, decreased as reflectable the lease payments made, to reflect all reassessments and changes made in the lease, or to reflect fixed lease payments of its revised core.

The interest on the lease liability for each period in the lease term is the amount found as calculated by fixed periodic interest rate to the remaining balance of the lease liability.

After the lease actually starts, the lease liability is remeasured to reflect changes in lease payments. The remeasured amount of the lease liability is reflected in the financial statements as a correction in the right of use.

In case of a change in the duration of the first lease or use of the purchase option, a revised discount rate is used to reflect the changes in the interest rate. However, if there is a change in the lease liabilities arising from a change in an index used in determining the future lease payments or the amounts expected to be paid within the context of the residual value commitment, the unmodified discount rate is used.

Regarding a change that is not recognized as a separate lease, the lease liability is remeasured by reducing the revised lease payments at a revised discount rate at the date of implementation of the change. The revised discount rate is determined as the incremental borrowing rate at the date of application of the change. For changes that narrow the scope of the lease, the carrying amount of the right of use is reduced to reflect the partial or complete termination of the lease. Gains or losses related to the partial or complete termination of the lease are recognized in profit or loss. Corrections are made on the right of use for all other changes.

2.23 Dividend distribution

The principles that are stated in the declaration of profit sharing, titled II-19.1, which were published in the federal register in 23 Jan 2014 by the Capital Market Board should be executed according to the decrees that are stated in the core contract between the partners and the profit sharing policies that were announced by the companies to the public. The Company's "Dividend Policy" was approved at the Annual General Meeting held on March 31,2014.

Additionally, as stated within the aforementioned decision of CMB, for entities required to prepare consolidated financial statements, it has been agreed upon to require the net distributed profit calculations to be performed on the net profit for the period as stated on the consolidated financial statements, so long that the distribution can be funded through statutory resources.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.23 Dividend distribution (continued)

The Company did not perform dividend distribution in 2019. The Company perform ordinary meeting of the general assembly on 28 March 2019. In accordance with the policy of the profit distribution of the Company, Assembly decided to offsetting the TL 26.531.201 portion of TL 28.391.530 net profit amount of 2018 and transfer the rest TL1.767.313 to “retained earnings” after allocation of TL 93.016 legal reserves.

2.24 Reserve for unearned premiums

In accordance with the “Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves” (“Communiqué on Technical Reserves”) which was issued in 26606 numbered and 7 August 2007 dated Official Gazette and put into effect starting from 1 January 2008, the reserve for unearned premiums represents the proportions of the gross premiums written without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the reporting date for all short-term insurance policies. For commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves.

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

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

According to the 2009/9 Numbered Communiqué Related to Application of Technical Reserves issued on 27 March 2009 reserve for unearned premiums is calculated by taking into account that all polices become active at 12:00 at noon and end at 12:00 at noon.

According to the Communiqué on Technical Reserves, for the calculation of unearned premium reserves of foreign currency indexed insurance agreements, foreign currency selling exchange rates announced by Turkish Central Bank will be considered, unless there is a specified exchange rate in the agreement.

As at the reporting date, the Company has provided reserve for unearned premiums amounting to TL 683.946.033 (31 December 2018: TL 503.171.620) and reinsurer share in reserve for unearned premiums amounting TL 356.551.988 (31 December 2018: TL 241.426.788). Furthermore, reserve for unearned premiums includes Social Security Institution (“SSI”) share amounting to TL 15.545.068 (31 December 2018: TL 12.018.271) as at 31 December 2019.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.25 Reserve for unexpired risks

In accordance with the Communiqué on Technical Reserves, while providing reserve for unearned premiums, in each accounting period, the companies should perform adequacy test covering the preceding 12 months due to the probability that future claims and compensations of the outstanding policies may be in excess of the reserve for unearned premiums already provided. In performing this test, it is required to multiply the reserve for unearned premiums, net with the expected claim/premium ratio. Expected claim/premium ratio is calculated by dividing incurred losses (provision for outstanding claims, net at the end of the period + claims paid, net – provision for outstanding claims, net at the beginning of the period) to earned premiums (written premiums, net + reserve for unearned premiums, net at the beginning of the period – reserve for unearned premiums, net at the end of the period). In the calculation of earned premiums; deferred commission expenses paid to the agencies and deferred commission income received from the reinsurance firms which were netted off from reserve for unearned premiums both at the beginning of the period and at the end of the period are not taken into consideration.

In accordance with Treasury Communiqué numbered 2012/15, unexpired risk reserve started to be calculated over main branches as of December 31, 2012. The test is performed on branch basis and in case where the expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that specific branch is added to the reserves of that branch.

Accordingly, as at the reporting date, the Company has provided net reserve for unexpired risk amounting to TL 10.168.187 (31 December 2018: 14.942.636) and unexpired risk amounting of reinsurance to TL 8.581.127 (31 December 2018: 12.454.318) in the accompanying unconsolidated financial statements.

In accordance with sector announcements of Turkish Treasury numbered 2015/30 and 2016/1, as of 31 December 2019, opening provision for outstanding claims amount which is used in determined expected claim/premium ratio for calculating the reserve for unexpired risks has been restated in consistently with the current period.

According to the Communiqué numbered 2011/18, the Company excluded both the premiums transferred to SSI and claims related to treatment costs from calculation of reserve for unexpired risks in motor third party liability, compulsory transportation financial liability and compulsory personal accident for bus transportation branches.

As of 31 December 2019, the Company did not use the method stated in "Reserve for unexpired risks" Communiqué numbered 2019/5 and dated 30 June 2019.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2. Summary of significant accounting policies (continued)

2.26 Provision for outstanding claims

According to Article 7 of Provision for Outstanding Claims titled of the Communiqué Related to Technical Reserves of Insurance and Reinsurance Companies and the Technical Reserves Invested to Assets dated 7 August 2007 and numbered 26606 entered into force by publishing in the Official Gazette, the Company allocates the provision for outstanding claims for incurred and identified but the actual unpaid claims amounts in the prior accounting periods or current period or for the claims realized with its expected amounts but not be reported when the cost could not be calculated.

Claims incurred before the accounting periods but reported subsequent to those dates are considered as incurred but not reported (“IBNR”) claims.

In accordance with the Regulation on the amendment of the relevant Regulation published in the Official Gazette dated July 17, 2012 and numbered 28356, “Inquired but not reported compensation amount, principles of content and implementation shall be calculated by the actuarial chain ladder method determined by the Undersecretariat or by other calculation methods to be determined by the Undersecretariat.”

Claims incurred before the accounting periods but reported after these dates are accepted as the claims incurred but not reported. In accordance with the Communiqué Related to Provision for Outstanding Claims that entered into force in January 1, 2015 by publishing in December 5, 2014 and numbered 2014/16, IBNR account in non-life branches can be made calculation of Actuarial Chain Ladder Method (ACLM) with its six different methods as Standart Chain, Claim/Premium, Cape Code, Frequency/Volume, Munich Chain Method or BornhuetterFerguson.

The difference between the amount of accrued and outstanding claims provision determined using the actuarial chain ladder methods determined as IBNR, calculated negative IBNR results are reflected in the financial reports as 100% in the direction of Communiqué of the Republic of Turkey Ministry of Treasury and Finance numbered with 2011/23 on “Explanations Regarding the Calculation of Inquired But Not Reported (IBNR)”.

The Company has applied the IBNR Test method for assessing the Company actuary for branches with insufficient number of files and has not made a major damage claim for these branches.

According to the method explained above, the amount calculated (included subrogation accrual) by the Company is amounting to TL 290.547.946 (31 December 2018: TL 200.175.737) and re-share is amounting TL 181.102.666 (31 December 2018: TL 111.598.861) in financial statements.

In accordance with “Communiqué Related to Information on Calculation of Incurred But Not Reported Claims Reserve” numbered 2011/23 and dated November 26, 2011, companies may decrease their outstanding claims reserve balances based on the winning ratio of the sub-branches calculated from the last five years claims. Winning ratio used for decrease in provision for outstanding claims could not exceed 25% (15% for the new sub-branches which do not have five year data). Based on the aforementioned regulation, the Company calculated winning ratio within 15%-25% from the last five year data set and TL 71.318.433 (31 December 2018: TL 48.283.822) as IBNR and TL 45.386.524 (31 December 2018: TL 26.901.262) as reinsurer’s share of IBNR is excluded from outstanding claims reserve balance.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.26 Provision for outstanding claims (continued)

The calculated winning ratio of the Company as at 31 December 2019 is within 15% - 25% range (31 December 2018: 3%-25%), winning ratios used in and amounts increased from provision for outstanding claims are as follows:

31 December 2019 Branch	Winning Ratios Used	Gross Amount Decreased	Net Amount Decreased
Third party liability for motor vehicles (MTPL)	15%-25%	21.031.995	16.127.196
General Responsibility	20%-25%	18.601.148	3.612.519
Fire and natural disasters	15%-25%	11.432.875	2.705.487
General Losses	17%-25%	13.346.712	1.052.968
Water Vehicles	25%	3.761.479	317.518
Transportation	25%	979.529	132.009
Motor Vehicles	25%	1.862.568	1.851.297
Health	17%-25%	126.676	9.379
Accident	18%-25%	138.676	86.761
Rail Vehicles	25%	36.775	36.775
Total		71.318.433	25.931.909

31 December 2018 Branch	Winning Ratios Used	Gross Amount Decreased	Net Amount Decreased
Third party liability for motor vehicles (MTPL)	14%-25%	19.038.751	15.444.510
General Responsibility	5%-25%	8.995.839	1.755.616
Fire and natural disasters	25%	6.244.844	1.743.139
General Losses	25%	9.561.686	808.462
Water Vehicles	25%	2.270.476	175.217
Transportation	25%	653.700	114.849
Motor Vehicles	25%	1.273.281	1.257.880
Health	17%	141.272	0
Accident	23%	70.248	49.162
Rail Vehicles	25%	33.725	33.725
Total		48.283.822	21.382.560

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.26 Provision for outstanding claims (continued)

The company has made a big damage item in the fire branch with the Box-Plot method and no major damage item has been made in other branches.

According to Turkey Insurance, Reinsurance and Pension Companies Association (“MTI”) dated September 6, 2017 numbered 2017/4 on "Medical Compulsory Liability Insurance About the Sector Announcement Related to Bad Ideas" reported, it took the lead sharing premium and claims in the respective sub-branches General Liability branch not included in IBNR account.

In accordance with the “Regulation on the Amendment of the Regulation on Tariff Implementation Principles in the Compulsory Financial Liability Insurance for Road Vehicles Motor Vehicles” published in the Official Gazette on July 11, 2017, the gross amount of IBNR for damages to be transferred to the pool regarding the Risky Insured Pool is identified. For the damages coming from the Risky Insured Pool, the additional reserve was added to the IBNR of Total Traffic as Indirect IBNR.

In order to reach Net Requirement Traffic, netting account was made by deducting the gross IBNR to be transferred to the pool. .

Furthermore, the minimum wage amount to be applied between January 1, 2019 and December 31, 2019 in accordance with the minimum wage determination commission no. 2018/1 dated December 25, 2018 and published in the Official Gazette dated 27 December 2018 and numbered 30638, was increased by 26%.

Net IBNR amount calculated by using actual reinsurance transfer ratios determined on agreements in branch basis.

At the end of each period, an outstanding claim adequacy table is prepared by the Company in order to measure the adequacy of the outstanding claims provision for the branches where the new activity has been started and for which there is not sufficient data. During the preparation of the adequacy table and in the calculation of the outstanding claims reserve; outstanding claims that are accrued and accounted for, realized but not reported are taken into consideration. Proportion of outstanding claims to total outstanding claims reserve, including all expense amounts related to the file subject to outstanding claims provision in this framework, represents the outstanding claim adequacy ratio. If the outstanding claim adequacy ratio for these branches is more than 100%, the difference between this ratio and 100% rate is multiplied by the provision for outstanding claims reserve in the current period, and the difference in the adequacy ratio is found.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.26 Provision for outstanding claims (continued)

The adequacy ratio difference amount is added separately for each branch and the provision for outstanding outstanding claims to be set aside in the current year is calculated. In this framework, the Company has calculated the outstanding claims reserve adequacy ratio calculated for the branches that have started the new activity and not enough data as of December 31, 2019 to be TL 6.420 (31 December 2018: TL 3.725), which is calculated for the branches with the outstanding claim adequacy ratio above 100% in the accompanying financial statements.

In accordance with the General Assembly of the Republic of Turkey Ministry of Treasury and Finance numbered with 2016/22 about the “Circular on the Reduction of Net Outflows from Outstanding Claims”, the Company has discounted the net flows of outstanding claims calculated and recorded according to insurance legislation in its all branches. As of 31 December 2019, Gross TL 121.032.240, net TL 45.028.883 discount amount recognised at financials (31 December 2018: Gross TL, 92.418.184, net TL 39.187.735).

The discounting was made using the standard formulation in Table 57 - AZMM, as outlined in the General. The Company has used its own cash flow estimates for these branches because the standard formula given in the IBNR Test method in the IBNR account does not reflect the actual situation as there is not enough file name.

Net IBNR amount calculation is based on branches; current reinsurance shares to reflect the effect of current reinsurance agreements.

ACLM methods chosen by the Company on branch basis are given in the table below.

	31 December 2019	31 December 2018
Motor vehicles	Standard	Standard
Water vehicles	Standard	Standard
Third party liability for motor vehicles (MTPL)	Standard	Standard
Third party liability	Standard	Standard
Third party liability for air vehicles	Test IBNR	Test IBNR
Fire and natural disasters	Standard	Standard
Air crafts	Test IBNR	Test IBNR
Accident	Standard	Standard
General losses	Standard	Standard
Financial losses	Test IBNR	Test IBNR
Health	Standard	Standard
Transportation	Standard	Standard
General liability	Loss/Premium	Loss/Premium
Legal protection	Test IBNR	Test IBNR
Breach of trust	Test IBNR	Test IBNR

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.26 Provision for outstanding claims (continued)

New Regulations on Treatment Costs Resulted from Traffic Accidents in Accordance with the Communiqué Numbered 2011/18 “Communiqué Related to the Accounting of Payments Related to Payment of Treatment Costs Resulted from Traffic Accidents and New Accounts in the Insurance Chart of Accounts”

58th and 59th articles and 1st and 2nd provisional articles of the Law numbered 6111 on “Restructuring of certain receivables and amendment to the law of social insurance and general health insurance and certain other laws and decree laws” published in the Official Gazette numbered 27857 and has come into effect on February 25, 2011.

According to the Article 59 of the aforementioned law, starting from 25 February 2011, premiums written under compulsory motor third party liability insurance contracts providing health assurance will be transferred to SSI by the rate up to 15% which will be later defined by Turkish Treasury. By this premium transfer, all liabilities related to body injuries resulted from traffic accidents will be compensated by SSI. According to the Provisional Article 1 and Article 59 of the Law, up to 20% of the transferred premium amount defined by the Turkish Treasury will also be transferred to SSI and treatment costs resulted from traffic accidents occurred before 25 February 2011 will also be compensated by SSI. As part of the aforementioned law, “Communiqué on Payment of Treatment Costs Resulted from Traffic Accidents” which was issued in Official Gazette numbered 28038 and dated 27 August 2011 has become effective. On 17 October 2011, the Turkish Treasury issued Communiqué numbered 2011/18 “Communiqué Related to the Accounting of Payments Related to Payment of Treatment Costs Resulted from Traffic Accidents and New Accounts in the Insurance Chart of Accounts”.

In accordance with the related Communiqué, the Company recognized outstanding claims reserve amounting to TL 27.626.438 (1 January – 31 December 2018: TL 21.627.562) as “Premium Transferred to SSI”

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.26 Provision for outstanding claims (continued)

New Regulations on Treatment Costs Resulted from Traffic Accidents in Accordance with the Communiqué Numbered 2011/18 “Communiqué Related to the Accounting of Payments Related to Payment of Treatment Costs Resulted from Traffic Accidents and New Accounts in the Insurance Chart of Accounts” (continued)

The movement of the total debt for treatment costs to pay SSI as follow;

	31 December 2019	31 December 2018
Opening Balance	7.540.185	5.666.146
Premiums Transferred to SSI ^(*) ^(**) ^(***)	27.626.438	21.627.562
Premium Paid to SSI	(25.916.317)	(19.753.523)
Closing Balance	9.250.306	7.540.185

(*) In statement of income, it is named Premiums Transferred to SSI.

(**) As described in Note 2.14, as part of the aforementioned law, “Communiqué on Payment of Treatment Costs Resulted from Traffic Accidents” which was issued in Official Gazette numbered 28038 and dated 27 August 2011 has become effective. On 17 October 2011, the Turkish Treasury issued Communiqué numbered 2011/17 “Communiqué Related to the Accounting of Payments Related to Payment of Treatment Costs Resulted from Traffic Accidents and New Accounts in the Insurance Chart of Accounts”. In accordance with the related Communiqué, as at 1 January-31 December 2019, the Company recognised outstanding claims reserve amounting to TL 27.626.438 (1 January – 31 December 2018: TL 21.627.562), as “Debt for treatment cost to pay SSI- Short Term” account, payments are decreased till the end of period.

(***) In the event of differences between 2011/17 and 2012/4 Communiqué No. of provisions within the framework of companies reported liabilities and the portion corresponding to the relevant period, the amount found as a result of calculation stated, regarding the difference in the balance sheet as "SSI debt on treatment expenses" account in the income statement other technical income expenses or income statement. In this respect, the Company as at January 1 – 31 December 2019 , taking into account the liability reported for the 2019 fiscal year has no any debt which will be adding to the account of "SSI debt on treatment costs" (1 January - 31 December 2018: None).

2.27 Equalization provision

In accordance with the Communiqué on Technical Reserves put into effect starting from 1 January 2008, the companies should provide equalization provision in credit insurance and earthquake branches to equalize the fluctuations in future possible claims and for catastrophic risks. Equalization provision, started to be provided in 2008, is calculated as 12% of net premiums written in credit insurance and earthquake branches. In the calculation of net premiums, fees paid for un-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. The companies should provide equalization provision up to reaching 150% of the highest premium amount written in a year within the last five years.

In case where claims incurred, the amounts below exemption limits as stated in the contracts and the share of the reinsurance firms cannot be deducted from equalization provisions. Claims payments are deducted from first year’s equalization provisions by first in first out method. Equalization provisions are presented under “other technical reserves” in the accompanying financial statements. As at the reporting date, the Company provided equalization provision amounting to TL 23.007.706 in the accompanying unconsolidated financial statements (31 December 2018: TL 16.318.172).

Net losses (after reinsurance) resulted from earthquake occurred in several cities amounting to TL 221.028 (31 December 2018: TL 18.676) are decreased from prior periods’ equalization provision.

	31 December 2019	31 December 2018
Opening Balance	16.318.172	11.837.567
Provisions during the year	6.910.562	4.499.281
Discounted from equalization earthquake	(221.028)	(18.676)
Total	23.007.706	16.318.172

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.28 Related parties

Parties are considered related to the Company if;

(a) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company;

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

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

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

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

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

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

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

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

2.29 Earnings per share

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

2.30 Events after the reporting date

Post-balance sheet events that provide additional information about the Company's position at the reporting dates (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.31 Standards and interpretations issued but not yet effective

Standards issued but not yet effective and not early adopted

A number of new standards and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Company has not early adopted are as follows.

The revised Conceptual Framework

The revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing TFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to TFRS 4: Applying TFRS 9 Financial Instruments with TFRS 4 Insurance Contracts

TFRS 4 has been amended by IASB to reduce the impact of the differing effective dates of the new insurance contracts standard and TFRS 9. These amendments to TFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying TFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognised in profit or loss under TFRS 9 and those that would have been reported under TAS 39; or ii) an optional temporary exemption from applying TFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2021. These companies will be permitted to continue to apply existing requirements for financial instruments in TAS 39.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TFRS 4.

TFRS 17 Insurance Contracts

On 18 May 2017, IASB issued TFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. TFRS 17 replaces TFRS 4, which was brought in as an interim Standard in 2004. TFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. TFRS 17 solves the comparison problems created by TFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies.

Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. TFRS 17 has an effective date of 1 January 2022 but companies can apply it earlier.

The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 17.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies (continued)

2.31 Standards and interpretations issued but not yet effective (continued)

Standards issued but not yet effective and not early adopted (continued)

IFRS 9 Financial Instruments (2017 version)

IFRS 9 Financial Instruments, has been published by POA in January 2017, replaces the existing guidance in TAS 39 Financial Instruments: Recognition and Measurement. It also carries forward the guidance on recognition, classification, measurement and derecognition of financial instruments from TAS 39 to IFRS 9. The last version of IFRS 9 includes a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements and also includes guidance issued in previous versions of IFRS 9. The Standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company has performed an initial assessment on these financial assets and liabilities and does not expect that there will be a significant impact on its financial statements resulting from the application of IFRS 9. The International Accounting Standards Board has decided that IFRS 9 is effective from 1 January 2022 with IFRS 17. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

Amendments to TAS 1 and TAS 8 - Definition of Material

In October 2018, IASB issued Definition of Material (Amendments to TAS 1 and TAS 8). The amendments clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The amended “definition of material” was added to the important definition and it was stated that this expression could lead to similar results by not giving and giving misstating information. In addition, with this amendment, the terminology used in its definition of material has been aligned with the terminology used in the Conceptual Framework for Financial Reporting (Version 2018). Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

The Company does not expect that application of these amendments to TAS 1 and TAS 8 will have significant impact on its financial statements.

Interest Rate Benchmark Reform (Amendments to IFRS 9, TAS 39 and IFRS 7)

Interest Rate Benchmark Reform, which amended IFRS 9, TAS 39 and IFRS 7 issued in September 2019 by IASB and thereon POA issued on 14 December 2018 added Section 6.8 and amended paragraph 7.2.26 of IFRS 9. About this issue, IASB identified two groups of accounting issues that could affect financial reporting. These are pre-replacement issues—issues affecting financial reporting in the period before the reforms and replacement issues—issues that might affect financial reporting when an existing interest rate benchmark is either reformed or replaced.

IASB considered the pre-replacement issues to be more urgent and decided to address the following hedge accounting requirements as a priority in the first phase of the project:

- The highly probable requirement;
- Prospective assessments;
- TAS 39 retrospective assessment; and
- Separately identifiable risk components.

All other hedge accounting requirements remain unchanged. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

3 Critical accounting estimates and judgments in applying accounting policies

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

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

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

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

- Note 4.1 – *Management of insurance risk*
- Note 4.2 – *Financial risk management*
- Note 10 – *Reinsurance assets/liabilities*
- Note 11 – *Financial assets*
- Note 12 – *Loans and receivables*
- Note 17 – *Insurance liabilities and reinsurance assets*
- Note 17 – *Deferred acquisition costs*
- Note 19 – *Trade and other payables, deferred income*
- Note 21 – *Deferred income taxes*
- Note 23 – *Provisions for other liabilities and charges*

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk

4.1 Management of insurance risk

Insurance risk is defined as coverage for exposures that exhibit a possibility of financial loss due to applying inappropriate and insufficient insurance techniques. Main reasons of insurance risk exposure result from the risk selection and inaccurate calculation of insurance coverage, policy terms and fee or inaccurate calculation of coverage portion kept within the company and coverage portion transfers to policyholders and transfer conditions.

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

Potential risks that may be exposed in transactions are managed based on the requirements set out in the Company's "Risk Management Policies" issued by the approval of the Board of Directors. The main objective of risk management policies is to determine the risk measurement, assessment, and control procedures and maintain consistency between the Company's asset quality and limitations allowed by the insurance standards together with the Company's risk tolerance of the accepted risk level assumed in return for a specific consideration. In this respect, instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

Risk tolerance is determined by the Company's Board of Directors by considering the Company's long-term strategies, equity resources, potential returns and economical expectations, and it is presented by risk limitations. Authorization limitations during policy issuing include authorizations for risk acceptances granted based on geographical regions in relation to unacceptable special risks or pre-approved acceptable special risks, insurance coverage to agencies, district offices, technical offices, assistant general managers and top management in the policy issuance period and authorizations for claim payment granted to district offices, claim management administration, automobile claims administration and Claim Committee established by the managing director and assistant managing director in the claim payment period.

Whatsoever, risk acceptance is based on technical income expectations under the precautionary principle. In determining insurance coverage, policy terms and fee, these expectations are based accordingly

It is essential that all the authorized personnel in charge of executing policy issuance transactions, which is the initial phase of insurance process, should ensure to gather or provide all the accurate and complete information to issue policies in order to obtain evidence on the acceptable risks that the Company can tolerate from the related insurance transactions. On the other hand, decision to be made on risk acceptance will be possible by transferring the coverage to the reinsurers and/or coinsurers and considering the terms of the insurance policy.

In order to avoid destructive losses over company's financial structure, company transfers the exceeding portion of risks assumed over the Company's risk tolerance and equity resources through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies. Insurance coverage and policy terms of reinsurance are determined by assessing the nature of each insurance branch.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk (continued)

4.1 Management of insurance risk (continued)

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

Reinsurance

The Company works with reinsurance companies in order to afford reinsurance assurance related to other collateral guarantee given under the life insurance and non life insurance branches for preservation of financial structure and allocation of professional risk considering the existing and varying product structure. In this context, Company's job acceptance capacity and elasticity are increased with the reinsurance agreements and it is provided that the risk is spreaded to different reinsurers by working with different reinsurance companies. Serving to customers with different product structures is intended by working with varying reinsurers.

Recent ratings of these companies given by international institutions are as follows:

Reinsurer	S&P	Status	AM BEST	Status
Milli Reasürans T.A.S.	-	-	B+	Negative
VIG RE zajišťovna a.s.	A+	Stable	-	-
Vienna Insurance Group AG	A+	Stable	-	-
Hannover Rück SE	AA-	Stable	A+	Stable
Everest Reinsurance Company	A+	Stable	A+	Stable
Trust International Insurance & Reinsurance Co. B.S.C.(c)	-	-	NR	-
Barents Re Reinsurance Company, Inc. (CS)	-	-	A	Stable
UnipolRe Designated Activity Company	-	-	A-	Negative
Polish Re (Polskie Towarzystwo Reasekuracji S.A.)	-	-	A-	Stable
China Reinsurance (Group) Corporation	A	Stable	A	Stable
MAPFRE RE, Compañía de Reaseguros, S.A.	A	Positive	A	Stable

Sensitivity to insurance risk

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

The case of potential claims' arising from earthquake and other catastrophic risks exceeding the maximum limit of the excess of loss agreements, such risks are treated as the primary insurance risks and are managed based on the precautionary principle. Maximum limit of excess of loss agreements is determined based on the worst case scenario on the possibility of an earthquake that Istanbul might be exposed to in terms of its severity and any potential losses incurred in accordance with the generally accepted international earthquake models. The total amount of protection for catastrophic risks of the company is identified taking into the compensation amount for an earthquake will occur in a 1000 years.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk (continued)

4.1 Management of insurance risk (continued)

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

Insurance risk concentration

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

Total claims liability 31 December 2019	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Motor vehicles liability (MTPL)	336.111.470	(156.304.365)	179.807.105
Motor vehicles	112.637.286	(91.854.157)	20.783.129
General Liability	18.332.391	(33.410)	18.298.981
Fire and natural disasters	80.057.140	(71.500.365)	8.556.775
General Losses	154.039.995	(147.945.499)	6.094.496
Transportation	11.313.582	(7.291.498)	4.022.084
Financial Losses	24.888.587	(21.891.226)	2.997.361
Accident	3.714.291	(1.803.255)	1.911.036
Health	2.736.693	(2.210.610)	526.083
Water Vehicles	11.086.571	(10.564.134)	522.437
Breach of Trust	8.035.997	(7.764.503)	271.494
Rail Vehicles	115.494	-	115.494
Legal protection	23.276	-	23.276
Aircrafts	384	(384)	-
Aircrafts Liability	3.029.139	(3.029.139)	-
Total	766.122.296	(522.192.545)	243.929.751

Total claims liability 31 December 2018	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Motor vehicles liability (MTPL)	248.705.999	(86.599.958)	162.106.041
Motor vehicles	15.345.496	(100.301)	15.245.195
General Liability	91.671.883	(76.387.953)	15.283.930
Fire and natural disasters	153.848.156	(146.041.387)	7.806.769
General Losses	59.738.310	(52.398.264)	7.340.046
Transportation	11.272.353	(8.072.020)	3.200.333
Financial Losses	17.292.852	(14.943.059)	2.349.793
Accident	10.928.563	(10.091.800)	836.763
Health	1.433.558	(706.558)	727.000
Water Vehicles	11.555.126	(10.977.676)	577.450
Breach of Trust	1.881.055	(1.360.689)	520.366
Rail Vehicles	103.776	-	103.776
Legal protection	8.924	-	8.924
Aircrafts	1.502	(1.502)	-
Aircrafts Liability	2.828.238	(2.828.238)	-
Total	626.615.791	(410.509.405)	216.106.386

Ray Sigorta Anonim Şirketi
Notes to the Financial Statements
As at 31 December 2019
(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk (continued)

4.1 Management of insurance risk (continued)

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

Insurance risk concentration (continued)

Given insurance collateral amounts in respect to branches

	31 December 2019	31 December 2018
General Liability	71,216,757,379	56,401,077,112
Motor vehicles liability (MTPL)	1,874,053,972,093	1,685,974,562,509
Fire and natural disasters	160,002,004,563	110,642,368,362
General Losses	71,126,327,755	62,190,627,309
Accident	31,003,909,646	32,374,209,047
Transportation	27,269,947,812	19,559,653,492
Motor vehicles	17,196,514,536	11,452,462,963
Financial Losses	9,939,246,270	8,404,739,943
Water Vehicles	2,378,414,793	1,463,324,575
Water Vehicles Liability	30,047,500	70,447,500
Legal Protection	1,548,647,000	1,156,892,500
Health	81,631,745,315	14,633,888,538
Aircrafts Liability	612,444,800	1,687,863,825
Breach of Trust	355,523,593	273,538,335
Aircrafts	131,334,000	87,472,390
Total	2,348,496,837,055	2,006,373,128,400

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk

Introduction and overview

This note presents information about the Company's exposure to each of the below risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Duties and responsibilities of the Risk Management and Internal Control Department include design and implementation of risk management system and identification and implementation of risk management policies. It is also responsible for ensuring that the Company implements all necessary risk management techniques. Activities of the Risk Management and Internal Control Department are managed directly by General Manager. The Board of Directors monitors the effectiveness of the risk management system through company's chairman of the supervisory board.

Risk management policies and guidelines are set by the Board of Directors and applied by the top management. These policies include organisation and scope of the risk management function, risk measurement and assessment methods, duties and responsibilities of the Board of Directors, top management and all of the employees, procedures followed in the case of limit extension and compulsory approval and confirmation processes for certain situations.

Credit Risk

Credit risk is most simply defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The balance sheet items that the Company is exposed to credit risks are as follows:

- cash at banks
- other cash and cash equivalents
- available for sale financial assets (except equity-shares)
- Premium receivables from policyholders
- receivables from intermediaries (agencies)
- receivables from reinsurance companies related to commissions and claims paid
- reinsurance shares of insurance liability
- receivables from related parties
- other receivables

Reinsurance contracts are the most common method to manage insurance risk. This does not, however, discharge the Company's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of the reinsurance contract.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Credit risk (continued)

Net carrying value of the assets that is exposed to credit risk is shown in the table below.

	31 December 2019	31 December 2018
Cash and cash equivalents (Note 14)(*)	735.445.915	535.827.476
Financial assets (Note 11)**	-	-
Reinsurer share in provision for outstanding claims (Note 10), (Note 17)	522.192.545	410.509.405
Receivables from main operations (Note 12)	354.504.504	225.247.317
Other prepaid expenses (Not 17)	98.652.328	83.160.556
Prepaid taxes and funds (Note 12)	2.812.091	4.814.098
Other receivables (Note 12)	674.111	938.788
Due from related parties (Note 12)	19.732	23.332
Total	1.714.301.226	1.260.520.972

(*) Cash balance accounting to TL 14.316 are not included (31 December 2018: TL 22.431).

(**) Equity shares not available for 31 December 2019 (31 December 2018: None).

As at 31 December 2019 and 31 December 2018, the aging of the receivables from main operations and reserved provisions are as follows:

	31 December 2019		31 December 2018	
	Gross Amount	Provision	Gross Amount	Provision
Not past due	296.599.600	-	178.971.479	-
Past due 0-30 days	39.760.229	-	30.285.677	-
Past due 31-60 days	14.158.160	-	11.065.519	-
Past due 61-90 days	109.038.217	105.051.702	90.723.937	85.799.295
Total	459.556.206	105.051.702	311.046.612	85.799.295

The movements of the allowances for impairment losses for receivables from insurance and main operations during the period are as follows:

	31 December 2019	31 December 2018
Provision for receivables from insurance operations at the beginning of the period	85.799.295	71.729.108
Collections and additions during the period, net	19.252.407	14.070.187
Provision for receivables from insurance operations at the end of the period	105.051.702	85.799.295

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments.

Management of the liquidity risk

The Company considers the maturity match between asset and liabilities for the purpose of avoiding liquidity risk and ensure that it will always have sufficient liquidity to meet its liabilities when due.

Maturity distribution of monetary assets and liabilities:

31 December 2019	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Unallocated
Cash and cash equivalents	735.460.231	240.990.842	356.658.422	70.654.345	67.156.622	-	-
Financial assets ^(*)	-	-	-	-	-	-	-
Receivable from main operations	354.504.504	54.264.076	71.414.296	124.060.290	44.482.146	2.378.791	57.904.905
Receivable from related parties	19.732	19.732	-	-	-	-	-
Other receivables and current assets	3.486.202	-	-	60.989	3.291.920	133.293	-
Other prepaid expenses	11.697.118	-	-	-	11.431.007	266.111	-
Total monetary assets	1.105.167.787	295.274.650	428.072.718	194.775.624	126.361.695	2.778.195	57.904.905
Liabilities from financial leases	4.647.202	-	-	-	-	4.647.202	-
Liabilities from main operations	302.938.564	32.297.482	65.694.814	184.279.692	2.396.370	-	18.270.206
Other liabilities	30.159.434	18.938.623	6.202.785	73.471	-	4.944.556	-
Insurance technical provisions ^(**)	243.929.751	29.831.765	18.253.177	11.490.946	15.531.557	168.822.306	-
Provisions for taxes and other similar obligations	17.975.925	17.975.925	-	-	-	-	-
Provisions for other risks and expense accruals	18.743.536	-	-	4.096.592	10.062.512	4.584.432	-
Total monetary liabilities	618.394.412	99.043.795	90.150.776	199.940.701	27.990.439	182.998.496	18.270.206

^(*) Provision for outstanding claims is presented as short term liabilities in the accompanying financial statements whereas maturity distribution is presented according to projected payment dated in the above table.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Liquidity risk (continued)

Management of the liquidity risk (continued)

31 December 2018	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Unallocated
Cash and cash equivalents	535.849.907	309.721.002	215.174.551	10.954.354	-	-	-
Financial assets ^(*)	-	-	-	-	-	-	-
Receivable from main operations	225.247.317	30.422.313	41.405.285	78.410.167	25.613.761	3.119.953	46.275.838
Receivable from related parties	23.332	23.332	-	-	-	-	-
Other receivables and current assets	5.752.886	45.308	-	4.814.098	746.410	147.070	-
Other prepaid expenses	13.321.671	-	-	-	12.984.262	337.409	-
Total monetary assets	780.195.113	340.211.955	256.579.836	94.178.619	39.344.433	3.604.432	46.275.838
Liabilities from main operations	125.784.159	4.961.469	11.535.697	106.925.859	859.208	194.333	1.307.593
Other liabilities	23.432.151	14.173.973	5.638.229	-	-	3.619.949	-
Insurance technical provisions ^(**)	216.106.386	24.517.508	14.409.173	11.041.389	13.897.630	152.240.686	-
Provisions for taxes and other similar obligations	13.514.161	13.514.161	-	-	-	-	-
Provisions for other risks and expense accruals	15.037.733	-	-	2.131.530	8.512.528	4.393.675	-
Total monetary liabilities	393.874.589	57.167.110	31.583.099	120.098.778	23.269.366	160.448.643	1.307.593

(*) Equity shares amounting to TL 1.861.346 are not included.

(**) Provision for outstanding claims is presented as short term liabilities in the accompanying financial statements whereas maturity distribution is presented according to projected payment dated in the above table.

Ray Sigorta Anonim Şirketi
Notes to the Financial Statements
As at 31 December 2019
(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and credit spreads will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Currency Risk

The Company is exposed to currency risk through insurance and reinsurance transactions in foreign currencies.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated by the Central Bank of the Republic of Turkey's spot purchase rates and the differences arising from foreign currency rates are recorded as foreign exchange gain or loss in the statement of income.

The Company's exposure to foreign currency risk is as follows:

31 December 2019	US Dollar	Euro	Other Currencies	Total
Cash and cash equivalents	6.665.681	9.207.963	-	15.873.644
Receivables from main operations	94.325.061	46.221.028	86.267	140.632.356
Total foreign currency assets	100.990.742	55.428.991	86.267	156.506.000
Liabilities from main operations	54.705.367	24.630.067	1.382.477	80.717.911
Insurance technical provisions	3.283.339	3.529.184	-	6.812.523
Other financial liabilities	-	370.928	-	370.928
Total foreign currency liabilities	57.988.706	28.530.179	1.382.477	87.901.362
Net financial position	43.002.036	26.898.812	(1.296.210)	68.604.638

31 December 2018	US Dollar	Euro	Other Currencies	Total
Cash and cash equivalents	1.886.117	3.203.514	68.034	5.157.665
Receivables from main operations	33.075.469	30.767.702	255.158	64.098.329
Total foreign currency assets	34.961.586	33.971.216	323.192	69.255.994
Liabilities from main operations	8.814.317	3.978.383	160.777	12.953.477
Insurance technical provisions	3.460.166	3.573.241	-	7.033.407
Total foreign currency liabilities	12.274.483	7.551.624	160.777	19.986.884
Net financial position	22.687.103	26.419.592	162.415	49.269.110

TL equivalents of the related monetary amounts denominated in foreign currencies are presented in the above table.

If technical provision denominated in any currency not specified, it is evaluated are evaluated by the Central Bank of the Republic of Turkey's spot sales rates as at 31 December 2019 and as at 31 December 2018 foreign currency transactions are recorded at the foreign exchange rates ruling at the dates of the transactions and foreign currency denominated monetary items are evaluated by the Central Bank of the Republic of Turkey's spot purchase rates as at 31 December 2019 and as at 31 December 2018.

Ray Sigorta Anonim Şirketi
Notes to the Financial Statements
As at 31 December 2019
(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Exposure to currency risk

Foreign currency rates used for the translation of foreign currency denominated assets and liabilities as at 31 December 2019 and 31 December 2018 are as follows:

	US Dollar	Euro
31 December 2019	5,9402	6,6506
31 December 2018	5,2609	6,0280

A 10 percent depreciation of the TL against the following currencies as at 31 December 2019 and 31 December 2018 would have increased or decreased equity and profit or loss (excluding tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. In case of a 10 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

	31 December 2019		31 December 2018	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	4.300.204	4.300.204	2.268.710	2.268.710
Euro	2.689.881	2.689.881	2.641.959	2.641.959
Other	(129.621)	(129.621)	16.242	16.242
Total, net	6.860.464	6.860.464	4.926.911	4.926.911

(*) Equity effect also includes profit or loss effect of 10% depreciation of TL against related currencies.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands.

As at reporting date; the interest rate profile of the Company's interest earning financial assets and interest bearing financial liabilities are detailed as below:

	31 December 2019	31 December 2018
<i>Financial assets with fixed interest rates:</i>		
Cash at banks (Note 14)	590.159.615	420.072.747
Financial liabilities (Note 20)	4.647.202	-
Available for sale financial assets – Government bonds (Note 11)	None	None
Available for sale financial assets –bonds (Note 11)	None	None
Marketable securities to be held until maturity (Note 11)	None	None
<i>Financial assets with variable interest rates:</i>	None	None

Interest rate sensitivity of the financial instruments

Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income for the trading financial assets and financial liabilities held at 31 December 2019 and 2018. This analysis assumes that all other variables remain constant. Tax effect of changes in interest rate is not taken into consideration in the calculations.

As at 31 December 2019 and 31 December 2018, the Company has no financial asset held for trading.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Fair value information

The estimated fair values of financial instruments have been determined using available market information, and where they exist, appropriate valuation methodologies.

The Company has classified its financial assets as financial assets held for trading. As at the reporting date, financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying unconsolidated financial statements. Equity shares not traded in active markets are measured at cost less impairment losses if any.

The Company management estimates that the fair value of other financial assets and liabilities are not materially different than their carrying amounts.

Fair value sensitivity of the equities

Equity price risk is the risk that the fair values of equities decrease as a result of the changes in the levels of equity indices and the value of individual stocks.

The effect on income as a result of 10% change in the fair value of equity instruments held as held for trading financial assets which is traded at BIST due to a reasonably possible change in equity indices (with all other variables held constant) is as follows (excluding tax effect):

As at 31 December 2019 and 31 December 2018, the Company has no financial asset held for trading.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Classification of fair value measurements

TFRS 7 – *Financial instruments: Disclosures* requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires the utilization of observable market data, if available.

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

As at 31 December 2019 and 31 December 2018, the Company has no financial asset measured at fair value.

Ray Sigorta Anonim Şirketi
Notes to the Financial Statements
As at 31 December 2019
(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Gains and losses from financial assets

<i>Gains and losses recognized in the statement of income:</i>	1 January – 31 December 2019	1 January – 31 December 2018
Interest income from time deposit	93.334.718	55.224.242
Foreign exchange gains	26.395.652	79.483.102
Marketable securities to be held until maturity	-	1.647.868
Income from equity shares classified as trading financial assets	-	537.007
Income from debt securities classified as trading financial assets	-	5.103.861
Valuation of financial investment	-	-
Investment income	119.730.370	141.996.080
Loss from disposal of financial assets	-	(6.234.239)
Foreign exchange losses	(19.712.768)	(53.160.890)
Investment expenses – including interest	(7.574.813)	(4.634.482)
Investment impairments	-	-
Investment expenses	(27.287.581)	(64.029.611)
Financial gains and losses recognized in the statement of income, net	92.442.789	77.966.469

Capital management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements required by the Turkish Treasury
- To safeguard the Company's ability to continue as a going concern

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Individual Pension Companies" issued by Turkish Treasury on 23 August 2015 dated and 29454 numbered; the Company measured its minimum capital requirement as TL 246.294.004 as at 31 December 2019 (31 December 2018: TL 177.899.880). As at 31 December 2019, the capital amount of the Company presented in financial statements is TL 285.161.814 (31 December 2018: 228.490.038 TL) and it has capital surplus amounting to TL 38.867.810 (31 December 2018: TL 66.550.117 according to the communiqué.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

5 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Business segment

A business segment reporting of the Company is presented in accordance with TFRS 8 – *Operating Segments* standard in this section.

Insurance Fire and Natural Disaster

Insurance on fire and natural disasters covers material damages occurred due to fire, lightning, explosion or smoke, steam and temperature resulted from fire, lightning and explosion up to insurance policy limits.

Motor Third Party Liability Insurance

According to the Motorway Traffic Code numbered 2918, Motor Third Party Liability Insurance is covers vehicle owner’s legal liability for all bodily damages to third persons and financial damages to other vehicles.

Damages caused by the trailer or semi-trailers (included light trailers) or the vehicles pulled is covered by the insurance of the trailer. However, the trailers used for transportation of people should be included in an additional liability insurance in order to obtain coverage.

In order to reduce and prevent the damage in the accident happened, reasonable and necessary expenses of the policyholder is compensated by the Company. This insurance also covers unfair claims against the policyholders.

Motor Vehicles (Casco)

Insurance on motor vehicles covers the following dangers related with vehicles. It is possible to widen policy scope for accessories or audio, display and communication devices which are not included in standard version of the vehicle by specifying on the insurance policy.

- Accident with the motorized or non-motorized vehicles which used in high-ways,
- Crash with fixed or moving items without desire of the driver or accidents due to crash, capsize, fall or tumble
- The actions of third parties resulted from bad intention or mischief,
- Burn,
- Theft or attempted theft

Health-illness Insurance

Insurance on health compensates treatment costs of illnesses or accidental injuries during the period of insurance and, if any, daily allowances in this general framework with special conditions up to the amount written in the policy. Geographical limits of the insurance are stated in the policy.

Geographical segment

The main geographical segment which the Company operates is Turkey. Hence, the Company has not disclosed report on geographical segments.

Ray Sigorta Anonim Şirketi
Notes to the Financial Statements
As at 31 December 2019

(Currency: Turkish Lira (TL))

5 Segment reporting (continued)

	Fire Transportation	Accident	Engineering	Other	Unallocated	Total
1 January – 31 December 2019						
1- Earned Premiums (Net of Reinsurer Share)	46.566.147	17.165.100	359.184.317	15.274.650	47.193.757	- 485.383.971
1.1- Written Premiums (Net of Reinsurer Share)	58.857.582	17.163.049	398.979.962	10.469.822	61.134.714	- 546.605.129
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	(12.453.438)	(156.080)	(39.821.653)	4.804.828	(14.496.073)	- (62.122.416)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	162.003	158.131	26.008	-	555.116	- 901.258
2- Other Technical Income (Net of Reinsurer Share)	(100.794)	2.156.005	(13.875.118)	1.372.125	(2.648.650)	- (13.096.432)
Technical Income (*)	46.465.353	19.321.105	345.309.199	16.646.775	44.545.107	- 472.287.539
1- Incurred Losses (Net of Reinsurer Share)	(10.745.230)	(4.925.543)	(272.980.587)	(10.127.160)	(29.627.668)	- (328.406.188)
1.1- Claims Paid (Net of Reinsurer Share)	(12.763.459)	(4.592.301)	(245.724.928)	(10.231.244)	(27.270.891)	- (300.582.823)
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	2.018.229	(333.242)	(27.255.659)	104.084	(2.356.777)	- (27.823.365)
2- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	(8.598.814)	(1.913.848)	(31.178.218)	(10.823.879)	(11.346.747)	- (63.861.506)
Technical Expense	(19.344.044)	(6.839.391)	(304.158.805)	(20.951.039)	(40.974.415)	- (392.267.694)
Investment Income					119.730.370	119.730.370
Personnel Expenses					(47.003.616)	(47.003.616)
Administrative Expense					(30.246.084)	(30.246.084)
Other and Investment Expense (*)					(58.098.679)	(58.098.679)
Profit Before Tax						64.401.836
Tax Expense						(14.318.748)
Net Profit						50.083.088

(*) The investment incomes transferred from non-technical branches amounting to TL 73.479.799 has not been included.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

5 Segment Reporting (continued)

	Fire	Transportation	Accident	Engineering	Other	Unallocated	Total
1 January – 31 December 2018							
1- Earned Premiums (Net of Reinsurer Share)	27.818.204	13.168.298	273.177.938	13.681.975	9.553.896	-	337.400.311
1.1- Written Premiums (Net of Reinsurer Share)	36.596.830	13.942.337	342.639.531	15.136.167	11.482.754	-	419.797.619
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	(8.739.888)	(966.269)	(67.848.522)	(1.454.192)	(1.373.744)	-	(80.382.615)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	(38.738)	192.230	(1.613.071)	-	(555.114)	-	(2.014.693)
2- Other Technical Income (Net of Reinsurer Share)	2.214.829	1.146.987	(10.912.004)	1.176.846	(1.407.564)	-	(7.780.906)
Technical Income (*)	30.033.033	14.315.285	262.265.934	14.858.821	8.146.332	-	329.619.405
1- Incurred Losses (Net of Reinsurer Share)	(10.681.571)	(4.554.094)	(229.805.440)	(11.785.047)	(10.566.851)	-	(267.393.003)
1.1- Claims Paid (Net of Reinsurer Share)	(10.183.070)	(3.024.776)	(189.374.341)	(10.062.574)	(8.071.056)	-	(220.715.817)
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	(498.501)	(1.529.318)	(40.431.099)	(1.722.473)	(2.495.795)	-	(46.677.186)
2- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	(1.225.603)	(2.375.191)	(19.949.885)	(827.985)	401.132	-	(23.977.532)
Technical Expense	(11.907.174)	(6.929.285)	(249.755.325)	(12.613.032)	(10.165.719)	-	(291.370.535)
Investment Income						141.996.080	141.996.080
Other and Investment Expense(*)						(33.562.280)	(33.562.280)
Personnel Expense						(26.088.712)	(26.088.712)
Administrative Expense						(83.575.166)	(83.575.166)
Net Loss Before Tax							37.018.792
Tax Revenue							(8.627.262)
Net Loss							28.391.530

(*) Investment income transferred to non-technical section from technical section amounting to TL 44.721.557 is not included.

Ray Sigorta Anonim Şirketi
Notes to the Financial Statements
As at 31 December 2019
(Currency: Turkish Lira (TL))

6 Tangible assets

Movements in tangible assets in the period from 1 January to 31 December 2019 are presented below

	1 January 2019	Additions	Disposals	31 December 2019
Cost:				
Buildings for own use	62.260.701	54.445	-	62.315.146
Furniture and fixtures	5.800.290	1.095.100	(178.991)	6.716.399
Motor vehicles	4.448.551	453.638	-	4.902.189
Other tangible assets (including leasehold improvements)	2.490.102	225.939	-	2.716.041
Leased tangible assets	140.695	-	-	140.695
Right-of-use assets	-	5.906.710	-	5.906.710
	75.140.339	7.735.832	(178.991)	82.697.180
Accumulated depreciation:				
Buildings for operational use	(2.239.196)	(2.148.437)	-	(4.387.633)
Furniture and fixtures	(3.095.505)	(732.843)	178.991	(3.649.357)
Motor vehicles	(1.512.359)	(905.117)	-	(2.417.476)
Other tangible assets (including leasehold improvements)	(1.675.573)	(188.522)	-	(1.864.095)
Leased tangible assets	(140.694)	-	-	(140.694)
Right-of-use assets	-	(1.323.647)	-	(1.323.647)
	(8.663.327)	(5.298.566)	178.991	(13.782.902)
Carrying amounts	66.477.012			68.914.278

(*) As of 31 December 2019, right-of-use assets comprises from leased buildings, office equipments, vehicles and IT equipments.

The Company's buildings for own use are revalued. "Headquarter Building" located in İstanbul and İzmir Office" buildings are presented in financial statements at the amounts determined in the expertise report dated November 17, 2017, is appraised by independent appraisal experts authorized by Capital Markets Board of Turkey using sales comparison method. The Company's buildings for own use are designated as "Level 2" as fair value.

	31 December 2019 Net book value	31 December 2018 Net book value
Headquarter building	60.754.445	60.700.000
İzmir office	1.470.000	1.470.000
Other buildings	88.845	88.845
Land	1.856	1.856
Depreciation	(4.387.633)	(2.239.196)
Net book value after increasing in value	57.927.513	60.021.505

Revaluation surplus arising from fair value measurement in buildings is recorded in "Other Capital Reserves" under equity by taking into account the effects of deferred tax. Decreases after revaluation arising from fair value measurement in buildings is subtracted from related assets "Other Capital Reserves" under Shareholders' Equity by comparing on the basis of account. Decreases after revaluation of the assets with no balances in "Other Capital Reserves" under Shareholders' Equity is associated with profit / loss accounts.

Revaluation movement of property for own use in accordance with fair value method as of 31 December 2019 and 2018;

Ray Sigorta Anonim Şirketi
Notes to the Financial Statements
As at 31 December 2019
(Currency: Turkish Lira (TL))

6 Tangible assets (continued)

	31 December 2019	31 December 2018
Valuation increase at the beginning of period (Note 15)	39.867.299	41.311.787
Fair value increase due to revaluation (Note 15)	-	-
Deferred tax due to revaluation, net	-	-
Current year depreciation	(1.444.485)	(1.444.488)
Revaluation increase at the end of period (Note 15)	38.422.814	39.867.299

Movements in tangible assets in the period from 1 January to 31 December 2018 are presented below:

	1 January 2018	Additions	Disposals	31 December 2018
Cost:				
Buildings for own use	62.260.701	-	-	62.260.701
Furniture and fixtures	4.028.470	1.808.502	(36.682)	5.800.290
Motor vehicles	3.756.937	924.240	(232.626)	4.448.551
Other tangible assets (including leasehold improvements)	2.200.777	654.429	(365.104)	2.490.102
Leased tangible assets	140.695	-	-	140.695
	72.387.580	3.387.171	(634.412)	75.140.339
Accumulated depreciation:				
Buildings for operational use	(92.429)	(2.146.767)	-	(2.239.196)
Furniture and fixtures	(2.701.744)	(428.510)	34.749	(3.095.505)
Motor vehicles	(813.622)	(843.133)	144.396	(1.512.359)
Other tangible assets (including leasehold improvements)	(1.970.635)	(70.042)	365.104	(1.675.573)
Leased tangible assets	(140.694)	-	-	(140.694)
	(5.719.124)	(3.488.452)	544.249	(8.663.327)
Carrying amounts	66.668.456			66.477.012

There is not any change in depreciation method in the current period.

There is not any mortgage over tangible assets of the Company as at 31 December 2019 and 31 December 2018.

As of 31 December 2019 and 2018, details of buildings for own use below:

	31 December 2019	31 December 2018	Expert Date	Expert Value	Cost Value
	Net Book Value	Net Book Value			
İstanbul – Sarıyer	56.553.907	58.568.943	17 November 2017	60.700.000	16.148.867
İzmir – Konak	1.308.516	1.385.696	17 November 2017	1.470.000	874.708
Net book value after valuation	57.862.423	59.954.639		62.170.000	17.023.575

As of 31 December 2019 ve 31 December 2018, the cost values of the buildings that belongs to Company which remeasured with market approach presented below:

	31 December 2019			31 December 2018		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
İstanbul – Sarıyer	16.148.867	(6.610.601)	9.538.266	16.094.422	(6.287.041)	9.807.381
İzmir – Konak	874.708	(577.213)	297.495	874.708	(559.718)	314.990
Net book value at cost value	17.023.575	(7.187.814)	9.835.761	16.969.130	(6.846.759)	10.122.371

Ray Sigorta Anonim Şirketi
Notes to the Financial Statements
As at 31 December 2019
(Currency: Turkish Lira (TL))

7 Investment properties

There is no investment property (31 December 2018: None).

8 Intangible assests

Movements in intangible assets in the period from 1 January to 31 December 2019 are presented below:

	1 January 2019	Additions	Disposals	31 December 2019
<i>Cost:</i>				
Rights	17.823.554	7.107.740	-	24.931.294
	17.823.554	7.107.740	-	24.931.294
<i>Accumulated amortization:</i>				
Rights	(8.107.089)	(2.415.069)	-	(10.522.158)
	(8.107.089)	(2.415.069)	-	(10.522.158)
Carrying amounts	9.716.465			14.409.136

Movements in intangible assets in the period from 1 January to 31 December 2018 are presented below:

	1 January 2018	Additions	Disposals	31 December 2018
<i>Cost:</i>				
Rights	11.798.498	6.025.056	-	17.823.554
	11.798.498	6.025.056	-	17.823.554
<i>Accumulated amortization:</i>				
Rights	(6.765.259)	(1.341.830)	-	(8.107.089)
	(6.765.259)	(1.341.830)	-	(8.107.089)
Carrying amounts	5.033.239			9.716.465

9 Investments in associates

In 7 June 2012, Risk Ekspert Risk Danışmanlık Hizmetleri Limited Company has been founded with 30% partnership of the Company as it was registered in “Ticari Sicil Gazetesi”. As of 31 December 2019 and 2018, the Company’s share amount is accounted with acquisition cost as it has been predicted in accordance with Consolidation Communiqué. Since the mentioned affiliate’s total asset amount is lower than 1% of the Company’s total asset amount.

	31 December 2019		31 December 2018	
	Carrying value	Participation rate	Carrying value	Participation rate
Tarım Sigortaları Havuz İşlt. AŞ	569.340	4,16%	430.032	4,16%
Risk Ekspert Risk ve Hasar Danışmanlık Hiz. Ltd. Şti.	15.000	30,00%	15.000	30,00%
Investments in associates, net	584.340		445.032	

Name	Total assets	Shareholders' equity	Retaines earnings	Profit for the period	Audited or not	Period
Tarım Sigortaları Havuz İşlt. AŞ	28.243.973	15.812.637	64.356	1.406.872	Not Audited	31 December 2019
Risk Ekspert Risk ve Hasar Danışmanlık Hiz. Ltd. Şti.	446.128	317.805	203.806	63.998	Not Audited	31 December 2019

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

10 Reinsurance assets and liabilities

As at 31 December 2019 and 31 December 2018, reinsurance assets and liabilities of the Company in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	31 December 2019	31 December 2018
Reserve for unearned premiums, ceded (Note 17)	356.551.988	241.426.788
Provision for outstanding claims, ceded (Note 4.2), (Note 17)	522.192.545	410.509.405
Reserve for unexpired risks, ceded (Note 17)	8.581.127	12.454.318
Commission income accrual from reinsurers and receivables due to paid claims (Note 12)	13.418.332	26.502.922
Total	900.743.992	690.893.433

There is no value decrease for reinsurance assets.

Reinsurance Liabilities	31 December 2019	31 December 2018
Commission debts related to written premiums to reinsurance companies (Note 19)	118.739.913	29.749.543
Depository from reinsurance company (Note 19)	177.104.868	91.135.399
Total	295.844.781	120.884.942

Gains and losses recognized in the statement of income in accordance with existing reinsurance contracts are as follows:

	31 December 2019	31 December 2018
Premiums ceded during the period (Note 17)	(663.847.104)	(464.768.124)
Reserve for unearned premiums, ceded at the beginning of the period (Note 17)	(241.426.788)	(221.696.030)
Reserve for unearned premiums, ceded at the end of the period (Note 17)	356.551.988	241.426.788
Premiums earned, ceded (Note 17)	(548.721.904)	(445.037.366)
Claims paid, ceded during the period (Note 17)	267.511.922	260.015.042
Provision for outstanding claims, ceded at the beginning of the period (Note 17)	(410.509.405)	(249.416.561)
Provision for outstanding claims, ceded at the end of the period (Note 17)	522.192.545	410.509.405
Claims incurred, ceded (Note 17)	379.195.062	421.107.886
Commission income accrued from reinsurers during the period	97.991.948	91.688.848
Deferred commission income at the beginning of the period (Note 19)	49.814.638	45.696.625
Deferred commission income at the end of the period (Note 19)	(58.074.199)	(49.814.638)
Commission income earned from reinsurers (Note 32)	89.732.387	87.570.835
Total, net	(79.794.455)	63.641.355

Ray Sigorta Anonim Şirketi
Notes to the Financial Statements
As at 31 December 2019
(Currency: Turkish Lira (TL))

11 Financial assets

As at 31 December 2019 and 31 December 2018, the Company's has no financial asset.

There is no debt security issued during the period or issued before and paid during the period by the Company.

There is no financial asset that is overdue but not impaired among the Company's financial investments portfolio.

As at 31 December 2018, movements of the financial assets during the period are presented below:

	31 December 2018		
	Trading	Until Maturity	Total
Balance at the beginning of the period	36.478.564	-	36.478.564
Acquisitions during the period	100.671.521	19.999.457	120.670.978
Disposals (sale and redemption)	(137.150.085)	(19.999.457)	(157.149.542)
Change in the fair value of financial assets	-	-	-
Balance at the end of the period	-	-	-

As of 31 December 2019, the Company does not have any financial assets given as deposit for the Republic of Turkey Ministry of Treasury and Finance due its insurance activities. (31 December 2018: None)

Ray Sigorta Anonim Şirketi
Notes to the Financial Statements
As at 31 December 2019
(Currency: Turkish Lira (TL))

12 Loans and receivables

	31 December 2019	31 December 2018
Receivables from main operations (Note 4.2)	354.504.504	225.247.317
Other receivables (Note 4.2)	674.111	938.788
Prepaid taxes and funds (Note 4.2)	2.812.091	4.814.098
Receivables from related parties (Note 4.2)	19.732	23.332
Total	358.010.438	231.023.535

As at 31 December 2019 and 31 December 2018, the details of the receivables from main operations are as follows:

	31 December 2019	31 December 2018
Receivables from agencies, brokers and intermediaries	235.370.720	135.116.675
Receivables from guaranteed credit card	60.205.192	40.989.872
Salvage and subrogation receivables	34.453.873	8.857.710
Receivables from policyholders	13.418.332	26.502.922
Receivables from insurance companies	9.332.716	7.115.684
Receivables from reinsurance companies (Note 10)	1.991.448	6.941.782
Provision from doubtful receivables from insurance operations (Note 4.2)	(1.135.125)	(1.124.814)
Total receivables from insurance operations, net	353.637.156	224.399.831
Doubtful receivables from main operations	104.783.925	85.521.967
Provisions for doubtful receivables from main operations (Note 4.2)	(103.916.577)	(84.674.481)
Receivables from main operations (Note 4.2)	354.504.504	225.247.317

As at 31 December 2019 and 31 December 2018, the details of mortgages and other guarantees for the Company's receivables are presented below:

	31 December 2019	31 December 2018
Mortgage notes	15.142.708	15.752.708
Letters of guarantees	12.940.955	15.027.921
Public securities	6.000	6.000
Collateral cheques	6.048.040	2.919.631
Collateral bills	422.002	1.394.134
Other guarantees	8.660.085	5.610.092
Total	43.219.790	40.710.486

Provisions for overdue receivables and receivables not due yet

a) Receivables under legal and administrative follow up (due): TL 10.437.955 (31 December 2018: TL 10.065.755).

b) Provision for subrogation receivables under legal and administrative follow up: TL 93.478.622 (31 December 2018: TL 74.608.726).

c) Doubtful receivables from insurance operations: TL 1.135.125 (31 December 2018: TL 1.124.814).

The Company's receivables from and payables to shareholders, associates and subsidiaries are detailed in note 45 – *Related party transactions*.

The details of the receivables and payables denominated in foreign currencies and foreign currency rates used for the translation are presented in Note 4.2– *Financial risk management*.

Ray Sigorta Anonim Şirketi
Notes to the Financial Statements
As at 31 December 2019
(Currency: Turkish Lira (TL))

13 Derivative financial instruments

As at 31 December 2019, the Company does not have derivative financial instruments (31 December 2018: None).

14 Cash and cash equivalents

As at 31 December 2019 and 31 December 2018, cash and cash equivalents are as follows:

	31 December 2019		31 December 2018	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	14.316	22.431	22.431	52.870
Cheques received	12	12	12	12
Banks	607.833.612	426.518.056	426.518.056	336.769.731
Other cash and cash equivalents	127.612.291	109.309.408	109.309.408	73.307.301
Cash and cash equivalents in the balance sheet	735.460.231	535.849.907	535.849.907	410.129.914
Interest accruals on banks deposits	(15.994.221)	(18.548.771)	(18.548.771)	(19.542.452)
Bank deposits – blocked ^(*) (Note 17)	(74.500.000)	(58.500.000)	(58.500.000)	(45.000.000)
Cash and cash equivalents in the statement of cash flows	644.966.010	458.801.136	458.801.136	345.587.462

^(*) As at 31 December 2019 and 31 December 2018 cash collateral kept in favour of the Turkish Treasury and TARSİM as a guarantee for the insurance activities.

As at 31 December 2019 and 31 December 2018, bank deposits are further analyzed as follows:

	31 December 2019	31 December 2018
Foreign currency denominated bank deposits		
- demand deposits	15.873.644	5.157.665
- time deposits	-	-
Bank deposits in Turkish Lira		
- demand deposits	1.800.353	1.287.644
- time deposits	590.159.615	420.072.747
Bank deposits	607.833.612	426.518.056

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

15 Equity

Paid in capital

The shareholder having direct or indirect control over the shares of the Vienna Insurance Group.

The Company does not increase its share capital in the period ended at 31 December 2019.

As at 31 December 2019, the issued share capital of the Company is TL 163.069.856 (31 December 2018: TL 163.069.856). The share capital of the Company consists of 16.306.985.600 (31 December 2018: 16.306.985.600 shares) issued shares with TL 0.01 nominal value each.

Other capital reserves

In accordance with “TAS 16 – Tangible Assets”, the Company accounts for property for operational use using the revaluation model. Increases in the carrying amounts arising on revaluation of properties, net of tax, are accounted for in “Other profit reserves” under shareholders’ equity. At each accounting period, the difference between depreciation based on the revalued carrying amount of the asset (charged to the statement of income) and the depreciation based on the asset’s original cost is transferred revaluation increases arising from the revaluation of property for operational use are not allowed to be used in capital increases.

In accordance with the 4 July 2007 dated and 2007/3 numbered Compliance Communiqué issued by the Turkish Treasury, it was stated that the companies would not further provide earthquake provision for the year 2007. However, it was also stated that earthquake provisions provided in previous periods (earthquake provision in the financial statements as at 31 December 2006) should be transferred to the reserve accounts under equity in accordance with the 5th Temporary Article of the Insurance Law. The companies had to transfer total amount of provisions, including earthquake provisions reserved as at 31 December 2006 and related gains obtained from investment of these amounts, to the account called as “549.01 – transferred earthquake provisions” which would be opened as at 1 September 2007 within Uniform Chart of Account and the reserves amount should not be subject to dividend distribution or should not be transferred to other accounts.

Other capital reserves distribution is presented below;

	31 December 2019	31 December 2018
Revaluation fund	38.422.814	39.867.299
Earthquake provision transferred to profit reserve	9.265.400	9.265.403
Transfer to legal reserves	93.016	-
Actuarial losses, net	(4.062.018)	(3.961.174)
Other capital reserves at the end of the period	43.719.212	45.171.528

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity’s share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity’s share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

16 Other reserves and equity component of DPF

As at 31 December 2019 and 31 December 2018, change in fair values of available-for-sale financial assets which is presented as “valuation of financial assets” and earthquake provisions provided in the previous years presented under “other profit reserves” are explained in detail in Note 15 – *Equity* above. As at 31 December 2019 and 31 December 2018, the Company does not hold any insurance or investment contracts which contain a DPF.

17 Insurance contract and reinsurance assets

Estimation of the ultimate payment for the outstanding claims is one of the most important accounting assumptions of the Company. Estimation of the insurance contract liabilities contains several ambiguities by nature. The Company makes calculation of the related insurance technical provisions accordance with the Insurance Legislation and reflects them into financial statements as mentioned in Note 2 – *Summary of significant accounting policie*.

As at 31 December 2019 and 31 December 2018, details of the technical reserves of the Company are as follows:

	31 December 2019	31 December 2018
Reserve for unearned premiums, gross	683.946.033	503.171.620
Reserve for unearned premiums, ceded (Note 10)	(356.551.988)	(241.426.788)
Reserve for unearned premiums, SSI share	(15.545.068)	(12.018.271)
Reserves for unearned premiums, net	311.848.977	249.726.561
Reserve for unexpired risks, gross	10.168.187	14.942.636
Reserve for unexpired risks, ceded (Note 10)	(8.581.127)	(12.454.318)
Provision for unexpired risks, net	1.587.060	2.488.318
Provision for outstanding claims, gross	766.122.296	626.615.791
Provision for outstanding claims, ceded (Note 10)	(522.192.545)	(410.509.405)
Provision for outstanding claims, net	243.929.751	216.106.386
Equalization provision, net	23.007.706	16.318.172
Other technical provisions, net	23.007.706	16.318.172
Total technical provisions, net	580.373.494	484.639.437
Short-term	542.525.682	449.582.899
Medium and long-term	37.847.812	35.056.538
Total technical provisions, net	580.373.494	484.639.437

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

17 Insurance liabilities and reinsurance assets (continued)

As at 31 December 2019 and 31 December 2018, movements of the insurance liabilities and related reinsurance assets are presented below:

	31 December 2019			Net
	Gross	Reinsurer share	SSI share	
Reserve for unearned premiums				
Reserve for unearned premiums at the beginning of the period	503.171.620	(241.426.788)	(12.018.271)	249.726.561
Premiums written during the period	1.238.078.671	(663.847.104)	(27.626.438)	546.605.129
Premiums earned during the period	(1.057.304.258)	548.721.904	24.099.641	(484.482.713)
Reserve for unearned premiums at the end of the period	683.946.033	(356.551.988)	(15.545.068)	311.848.977
	31 December 2018			Net
	Gross	Reinsurer share	SSI share	
Reserve for unearned premiums				
Reserve for unearned premiums at the beginning of the period	400.351.093	(221.696.030)	(9.311.117)	169.343.946
Premiums written during the period	906.193.305	(464.768.124)	(21.627.562)	419.797.619
Premiums earned during the period	(803.372.778)	445.037.366	18.920.408	(339.415.004)
Reserve for unearned premiums at the end of the period	503.171.620	(241.426.788)	(12.018.271)	249.726.561
	31 December 2019			Net
	Gross	Reinsurer share		
Provision for outstanding claims				
Provision for outstanding claims at the beginning of the period	626.615.791	(410.509.405)		216.106.386
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	707.601.250	(379.195.062)		328.406.188
Claims paid during the period	(568.094.745)	267.511.922		(300.582.823)
Provision for outstanding claims at the end of the period	766.122.296	(522.192.545)		243.929.751
	31 December 2018			Net
	Gross	Reinsurer share		
Provision for outstanding claims				
Provision for outstanding claims at the beginning of the period	418.845.761	(249.416.561)		169.429.200
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	688.500.889	(421.107.886)		267.393.003
Claims paid during the period	(480.730.859)	260.015.042		(220.715.817)
Provision for outstanding claims at the end of the period	626.615.791	(410.509.405)		216.106.386

Ray Sigorta Anonim Şirketi
Notes to the Financial Statements
As at 31 December 2019
(Currency: Turkish Lira (TL))

17 Insurance liabilities and reinsurance assets (continued)

Claim development tables

The basic assumption used in the estimation of provisions for outstanding claims is the Company's past experience on claim developments. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. The sensitivity of certain assumptions like legislative change, uncertainty in the estimation process, etc, is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the reporting date. Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognized in subsequent financial statements.

Development of insurance liabilities enables to measure the performance of the Company in estimation of its ultimate claim losses. The amounts presented on the top of the below tables show the changes in estimations of the Company for the claims in subsequent years after claim years. The amounts presented on the below of the below tables give the reconciliation of total liabilities with provision for outstanding claims presented in the accompanying financial statements.

31 December 2019								Total gorss incurred claims
Claim year	2013	2014	2015	2016	2017	2018	2019	
Claim incurred in accident period	132.333.394	225.840.918	226.201.820	222.836.979	294.375.434	423.400.165	459.592.783	1.984.581.493
1 year later	45.085.065	105.925.736	83.069.944	151.741.951	151.687.284	197.143.382	-	734.653.362
2 years later	26.187.885	32.695.818	50.730.602	191.815.876	72.465.539	-	-	373.895.720
3 years later	23.966.537	29.037.718	46.620.903	198.270.565	-	-	-	297.895.723
4 years later	25.888.884	30.886.479	46.309.326	-	-	-	-	103.084.689
5 years later	29.464.865	30.067.897	-	-	-	-	-	59.532.762
6 years later	35.038.168	-	-	-	-	-	-	35.038.168
Total gorss incurred claims	317.964.798	454.454.566	452.932.595	764.665.371	518.528.257	620.543.547	459.592.783	3.588.681.917

31 December 2018								Total gorss incurred claims
Claim year	2012	2013	2014	2015	2016	2017	2018	
Claim incurred in accident period	136.643.044	132.333.394	225.840.918	226.201.820	222.836.979	294.375.434	423.402.968	1.661.634.557
1 year later	41.112.935	45.085.065	105.925.736	83.069.944	151.741.951	151.687.284	-	578.622.915
2 years later	25.005.288	26.187.885	32.695.818	50.730.602	191.815.876	-	-	326.435.469
3 years later	26.428.182	23.966.537	29.037.718	46.620.903	-	-	-	126.053.340
4 years later	25.974.637	25.888.884	30.886.479	-	-	-	-	82.750.000
5 years later	26.794.182	29.464.865	-	-	-	-	-	56.259.047
6 years later	24.678.224	-	-	-	-	-	-	24.678.224
Total gorss incurred claims	306.636.492	282.926.630	424.386.669	406.623.269	566.394.806	446.062.718	423.402.968	2.856.433.552

17 Insurance liabilities and reinsurance assets (continued)

Total amount of guarantee that should be placed by the company for life and non-life branches and guarantees placed for the life and non-life branches in respect of related assets

	31 December 2019		Carrying amount
	Should be placed (*)	Placed (*)	
<i>Non-life:</i>			
Bank deposits (Note 14)**)	82.098.001	73.000.000	73.000.000
Total	82.098.001	73.000.000	73.000.000

	31 December 2018		Carrying amount
	Should be placed (*)	Placed (*)	
<i>Non-life:</i>			
Bank deposits (Note 14)	59.299.960	57.000.000	57.000.000
Total	59.299.960	57.000.000	57.000.000

(*) “According to the 10th article of the “Communiqué Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies” which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be established as a guarantee in two months following the calculation period. According to “Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Private Pension Companies”, companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Turkish Treasury Department within two months.

(**) On 3 February 2020, additional amount of guarantee is placed by the company. Total amount of guarantee has been increased TL 83.000.000 in favor of Republic of Turkey Ministry of Treasury and Finance.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

17 Insurance liabilities and reinsurance assets (continued)

Company's number of life insurance policies, additions, disposals during the period and the related mathematical reserves

None.

Distribution of new life insurance policyholders in terms of numbers and gross and net premiums as individual or group during the period

None.

Distribution of mathematical reserves for life insurance policyholders who left the company's portfolio as individual or group during the period

None.

Deferred commission expenses

The Company capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As at 31 December 2019, short-term prepaid expenses amounting to TL 98.652.328 (31 December 2018: TL 83.160.556) consist of deferred commission expenses amounting to TL 86.955.210 (31 December 2018: TL 69.838.885) and other prepaid expenses amounting to TL 11.697.118 (31 December 2018: TL 13.321.671).

As at 31 December 2019 and 31 December 2018, the movements of deferred commission expenses are presented below:

	31 December 2019	31 December 2018
Deferred commission expenses at the beginning of the period	69.838.885	54.596.107
Commissions accrued during the period (Note 32)	146.480.673	107.011.883
Commissions expensed during the period	(129.364.348)	(91.769.105)
Deferred commission expenses at the end of the period	86.955.210	69.838.885

Individual pension funds

None.

18 Investment contract liabilities

None

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Ray Sigorta Anonim Şirketi
Notes to the Financial Statements
As at 31 December 2019
(Currency: Turkish Lira (TL))

19 Trade and other payables and deferred income

	31 December 2019	31 December 2018
Payables from main operations	302.938.564	125.784.159
Short-term deferred income (Note 10)	58.074.199	49.814.638
Other payables	20.909.128	15.891.965
Taxes and funds payable and other similar obligations	17.975.925	13.514.161
Payables to SSI	9.250.306	7.540.185
Payable to personnels	-	-
Total	409.148.122	212.545.108
Short-term liabilities	409.148.122	212.545.108
Long-term liabilities	-	-
Total	409.148.122	212.545.108

Payables arising from main operations of the Company as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Payables to reinsurance companies (Note 10)	118.739.913	29.749.543
Payables to agencies, brokers and intermediaries	7.093.783	4.899.217
Total payables arising from insurance operations	125.833.696	34.648.760
Cash deposited by insurance and reinsurance companies (Note 10)	177.104.868	91.135.399
Payables arising from main operations	302.938.564	125.784.159

Corporate tax liabilities and prepaid taxes are disclosed below:

	31 December 2019	31 December 2018
Prepaid Taxes	18.419.701	15.245.761
Provision of calculated corporate tax	(15.607.610)	(10.431.663)
Corporate tax assets,net	2.812.091	4.814.098

Total amount of investment incentives which will be benefited in current and forthcoming periods

None.

20 Financial liabilities

TFRS 16 "Leases" has been issued by POA at 16 April 2018 and the Company has initially adopted TFRS 16 Leases from 1 January 2019. The Company presents lease liabilities under Other Financial Liabilities. The Company has no financial liabilities as at 31 December 2019 apart from lease liabilities.

As of 31 December 2019, the company has TL 4.647.202 financial liabilities under TFRS 16 Leases standard.

Ray Sigorta Anonim Şirketi
Notes to the Financial Statements
As at 31 December 2019
(Currency: Turkish Lira (TL))

21 Deferred Tax

As at 31 December 2019 and 31 December 2018, deferred tax assets and liabilities are attributable to the following:

	31 December 2019	31 December 2018
	Deferred tax assets /(liabilities)	Deferred tax assets /(liabilities)
Equalization Provision	4.601.541	3.263.635
Benefit Severance and unused leave provision	1.582.674	1.374.728
Actuarial chain difference	387.693	974.769
Provision for ongoing risks	349.153	547.430
Provision for lawsuits	341.335	220.113
Provision for recourse receivables	213.167	221.985
Provision for receivables	36.561	25.474
Temporary differences from TFRS 16	12.828	-
Depreciation adjustments for Turkey Accounting Standards	(10.031.080)	(9.839.997)
Other	1.541.837	933.499
Deferred tax assets/(liabilities), net	(964.291)	(2.278.364)

In accordance with the Article 91 of the Law numbered 7061 “Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation” which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods.

Deferred tax assets are recognized in the records provided that it is highly probable that future taxable profit will be available against which the temporary differences can be utilized. The Company does not have any deductible financial losses as of the balance sheet date (31 December 2018: None).

Ray Sigorta Anonim Şirketi
Notes to the Financial Statements
As at 31 December 2019
(Currency: Turkish Lira (TL))

22 Retirement benefit obligations

None.

23 Other liabilities and provisions

As at 31 December 2019 and 31 December 2018; the details of the provisions for expense accruals are as follows:

	31 December 2019	31 December 2018
Personnel bonus provision	5.484.680	5.257.502
Provision for unused vacation pay liability	3.026.310	2.254.512
Provision for lawsuits	1.551.521	1.000.514
Other expense provisions	4.096.593	2.131.530
Provision for expense accruals	14.159.104	10.644.058

Movements of provision for employee termination benefits during the period are presented below:

	31 December 2019	31 December 2018
Provision at the beginning of the period	4.393.675	3.373.068
Interest and service cost (Note 47)	2.077.346	603.594
Payments made during the period (Note 47)	(2.012.644)	(1.014.651)
Actuarial difference (Note 15)	126.055	1.431.664
Provision at the end of the period	4.584.432	4.393.675

24 Net insurance premium

Net insurance premium revenue is presented in detailed in the accompanying statement of income.

25 Fee revenue

None.

26 Investment income

Investment income is presented in “Note 4.2 – Financial Risk Management.

27 Net income accrual on financial assets

Net realized gains on financial assets are presented in “Note 4.2 – Financial Risk Management.

28 Assets held at fair value through profit or loss

Presented in “Note 4.2 – Financial Risk Management”.

29 Insurance rights and claims

	31 December 2019	31 December 2018
Claims paid, net off reinsurers’ share	(300.582.823)	(220.715.817)
Changes in reserve for unearned premiums, net off reinsurers’ share	(62.122.416)	(80.382.615)
Changes in provision for outstanding claims, net off reinsurers’ share	(27.823.365)	(46.677.186)
Change in equalization provisions	(6.689.534)	(4.480.605)
Changes in reserve for unexpired risks, net off reinsurers’ share	901.258	(2.014.693)
Total	(396.316.880)	(354.270.916)

Ray Sigorta Anonim Şirketi
Notes to the Financial Statements
As at 31 December 2019
(Currency: Turkish Lira (TL))

30 Investment contract benefits

None.

31 Other expenses

The allocation of the expenses with respect to their nature or function is presented in Note 32 – *Expenses by nature* below.

32 Operating expenses

As at 31 December 2019 and 31 December 2018; the details of the operating expenses are disclosed as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Commission expenses (Note 17)	146.480.673	107.011.883
Employee benefit expenses (Note 33)	47.003.616	33.562.280
Other expenses	12.458.472	11.075.160
Administration expenses	7.022.920	5.519.502
Communication and information technologies expenses	6.939.481	5.937.151
Advertising and marketing expenses	4.248.897	3.612.778
Commission income from reinsurers (Note 10)	(89.732.387)	(87.570.835)
Total	134.421.672	79.147.919

33 Employee benefits expenses

	1 January- 31 December 2019	1 January- 31 December 2018
Wages and salaries	33.345.801	23.888.910
Employer’s share of social security premium	4.836.269	4.078.981
Bonus payments	3.689.198	3.724.950
Severance and notice payments	2.796.236	1.146.923
Social Benefits	2.336.112	722.516
Total	47.003.616	33.562.280

34 Financial costs

Finance costs of the period are presented in “Note 4.2 – Financial Risk Management” above. There are no finance costs classified in production costs or capitalized on tangible assets. All financial costs are directly recognised as expense in the statement of income.

Ray Sigorta Anonim Şirketi
Notes to the Financial Statements
As at 31 December 2019
(Currency: Turkish Lira (TL))

35 Income tax

Income tax expense in the accompanying financial statements is as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Current tax expense provision:		
Corporate tax provision	(15.607.610)	(10.431.663)
Deferred taxes:		
Origination and reversal of temporary differences	1.288.862	1.804.401
Total income tax expense recognised in profit or loss	(14.318.748)	(8.627.262)

As at 31 December 2019 and 31 December 2018, a reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate is as follows:

	1 January- 31 December 2019	1 January- 31 December 2018		1 January- 31 December 2018
	Tax Rate		Tax Rate	
Profit before tax	64.401.836	(%)	37.018.792	(%)
Taxes on income per statutory tax rate	(14.168.404)	22,00	(8.144.134)	22,00
Other	(150.344)	0,23	(483.128)	1,31
Total tax income recognized in profit or loss	(14.318.748)	22,23	(8.627.262)	23,31

36 Net foreign exchange gains

Net foreign exchange gains are presented in "Note 4.2 – Financial Risk Management" above.

37 Earnings per share

Earnings per share are calculated by dividing net profit of the period to the weighted average number of shares.

	1 January- 31 December 2019	1 January- 31 December 2018
Net profit / (loss) for the period	50.083.088	28.391.530
Weighted average number of shares	16.306.985.600	16.306.985.600
Earning per share (TL)	0,0031	0,0017

38 Dividends per share

None.

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2019

(Currency: Turkish Lira (TL))

39 Cash generated from operations

The cash flows from operating activities are presented in the accompanying statement of cash flows.

40 Convertible bonds

None.

41 Redeemable preference shares

None.

42 Risks

In the normal course of its operations, the Company is exposed to legal disputes, claims and challenges, which mainly stem from its insurance operations. The necessary income/expense accruals for the revocable cases against/on behalf of the Company are provided under provision for outstanding claims in the accompanying financial statements.

As at 31 December 2019, total amount of the claims that the Company face is TL 358.808.936 in gross (31 December 2018: TL 280.191.830). The Company provided provision for outstanding claims in the financial statements by considering collateral amounts.

As at 31 December 2019, ongoing law suits prosecuted by the Company against the third parties amounting TL 104.783.925 (31 December 2018: TL 85.521.967).

43 Commitments

The details of the guarantees that are given by the Company for the operations in non-life branches are presented in *Note 17*.

The future aggregate minimum lease payments under operating leases for properties rented for use of head office and regional offices and motor vehicles rented for sales and marketing departments are as follows:

	31 December 2019	31 December 2018
Within one year	13.500	598.015
Between one to five year	-	1.430.300
Total of minimum lease payments	13.500	2.028.315

44 Business combinations

None.

Ray Sigorta Anonim Şirketi
Notes to the Financial Statements
As at 31 December 2019
(Currency: Turkish Lira (TL))

45 Related party transactions

The ultimate controlling party of the Company is VIG Group and the affiliates and associates of VIG Group are defined as related parties of the Company.

The related party balances as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
VIG Re	14.822.955	6.337.154
VIG Holding	6.063.559	-
Kooperativa	1.674.681	1.500.989
Other	211.260	-
Payables from main operations	22.772.455	7.838.143
	31 December 2019	31 December 2018
VIG Holding	-	973.532
Other	-	83.111
Receivables from main operations	-	1.056.643
VIG Holding	182.140.300	158.942.233
VIG Re	152.288.676	90.746.459
Kooperativa	1.284.963	1.435.216
Other	1.913.171	1.468.064
Technical provisions	337.627.110	252.591.972
VIG Holding	2.390.809	4.224.752
VIG Re	13.556.429	8.737.090
Other	98.232	94.690
Deferred commission income	16.045.470	13.056.532

No guarantees have been taken against receivables from related parties.

There are no doubtful receivables from shareholders, subsidiaries and joint ventures.

No guarantees, commitments, guarantee letters, advances and endorsements given in favour of shareholders, associates and subsidiaries.

Ray Sigorta Anonim Şirketi
Notes to the Financial Statements
As at 31 December 2019
(Currency: Turkish Lira (TL))

45 Related party transactions (continued)

The transactions with related parties during the year ended 31 December 2019 and 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
VIG Holding	87.806.249	60.634.908
VIG Re	163.689.010	96.672.939
Other	4.974.526	4.817.848
Premiums written, ceded	256.469.785	162.125.695
VIG Holding	11.977.821	6.582.839
VIG Re	25.751.240	15.843.834
Other	250.561	265.220
Commissions received	37.979.622	22.691.893
VIG Holding	39.832.883	32.723.408
VIG Re	83.387.708	50.363.531
Other	37.877	12.807.873
Reinsurers' share on paid claims	123.258.468	95.894.812
VIG Holding	1.463.819	1.514.059
Operational Expenses, net	1.463.819	1.514.059

46 Events after the reporting date

Subsequent events are disclosed in Note 1.10 *Events after the reporting date*.

47 Others

Items and amounts classified under the “other” account in financial statements either exceeding 20% of the total amount of the group to which they relate or 5% of the total assets in the balance sheet

They are presented in the related notes above.

“Payables to employees and receivables from employees presented under accounts, “other receivables” and “other short or long term payables”, and which have balance more than 1% of the total assets

None.

Subrogation recorded in “Off-Balance Sheet Accounts”

None.

Real rights on immovable and their values

None.

Explanatory note for the amounts and nature of previous years’ income and losses

None.

For the years ended 31 December 2019 and 2018, details of discount and provision expenses are as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Subrogation receivables provision under legal follow-up	18.869.896	13.468.692
Provision for unused vacation	771.798	590.617
Provision for personnel bonuses	227.178	117.700
Provision for lawsuits	551.007	66.212
Provision for doubtful receivables from main operations	372.200	40.948
Provision for receivables from policyholder and intermediaries	50.390	(4.334)
Provision for employment termination benefits	64.702	(411.057)
Other provision expense	1.965.063	1.031.530
Total	22.872.234	14.900.308