MİLLİ RE

2020 ANNUAL REPORT

Contents

General Information

Millî Reasürans T.A.Ş.

Harbiye Mahallesi
Maçka Caddesi No: 35
34367 Şişli - İstanbul/TURKEY

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

Singapore Branch
4 Battery Road #20-01
Bank of China Building
Singapore 049908

Phone: +65 6499 9340
Fax: +65 6534 2884
E-mail: singapore@millire.com

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

01
GENERAL INFORMATION

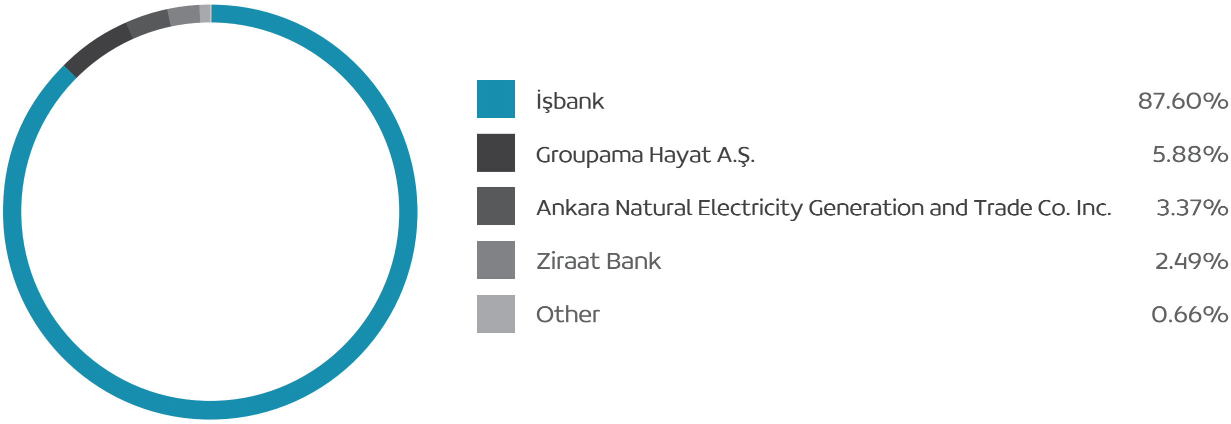
Vision

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

Mission

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

Shareholder Structure



Shareholder	Value of Stake (TL)	Stake (%)
İşbank	578,177,925.55	87.60
Groupama Hayat A.Ş.	38,809,894.19	5.88
Ankara Natural Electricity Generation and Trade Co. Inc.	22,240,455.60	3.37
Ziraat Bank	16,430,944.19	2.49
Other	4,340,780.47	0.66
Total	660,000,000	100.00

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

Capital Increases

There were no capital increases during 2020.

Changes in the Shareholder Structure during 2020

İşbank's acquisition of the shares with a nominal value of TL 69,604,854 representing 10.55 percent of the Company's capital held by Milli Re Staff Pension Fund, one of the shareholders of the Company, in their entirety as of 21 August took place based on the Milli Re Board of Directors decision dated 26 August 2020 no. 1318.

Changes in the Articles of Association during 2020

There were no changes in the Articles of Association during 2020.

Disclosures on Preferred Shares

There are no preferred shares.

Corporate Profile

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

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

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

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

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

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

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

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

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

On 18 June 2020, A.M. Best assigned Milli Re a global rating of B with a stable outlook. Milli Re's national scale rating was affirmed as "tr A+" by Standard&Poor's (S&P) on 18 June 2020.

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

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

Milli Re Singapore Branch

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

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

Anadolu Sigorta

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

Milli Re's Singapore Branch provides service with an experienced and competent team of 12 people.

Milestones

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2006
Milli Re began to write business from international markets.

Decree Pool was terminated.

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

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

2020

In its 92nd year of operation, by bringing its technical knowledge gained in the Turkish market to international arena with the support of its strong capitalization, Milli Re's paid-up capital was TL 660 million while assets reached TL 5,506 million, shareholders' equity amounted to TL 2,639 million and premium volume was TL 1,820 million.

Chairperson’s Message

In line with the vision of being a preferred business partner, Milli Re aims to carry its success into the future by maintaining its steady performance with the confidence which comes from being a strong and well-established company, and having a prestigious position in the insurance and reinsurance markets.

In the last two years, the world economy struggled to overcome the adverse impacts of many developments which led to trade wars, a slowdown in global growth and substantial changes in basic balances.

The Covid-19 outbreak turned into a pandemic in 2020, a year starting with rapid recovery in economic indicators, changed all the dynamics and became the most important agenda item on a global scale. While the pandemic caused an unprecedented shock both in the supply and demand side, with the normalization steps taken in the third quarter of the year, the economic activity gained momentum. Yet, the increase in the number of cases in the fourth quarter have caused downside risks on the macroeconomic outlook to strengthen once again.

The International Monetary Fund (IMF) updated the World Economic Outlook with the January 2021 report, revising its global growth contraction forecast for 2020 to 3.5%, which was previously projected as 4.4%, as the global economic activity attained stronger-than-expected momentum in the second half of 2020. For 2021, the IMF foresees a global growth of 5.5% with the impact of the base effect.

As a response to these adverse developments in 2020, in order to mitigate the negative impacts on the economy, central banks and financial authorities continued to implement extensive measures throughout the year. During this process, central banks in developed countries provided significant amounts of liquidity to the markets with large asset purchases along with their low interest rate policies. The Federal Reserve (Fed) reduced the policy interest rate to 0.50%- 0.75%, which was between 1.50% and 1.75% at the end of 2019, and then to 0.00% -0.25%. On the other hand, steps have been taken in order to meet short-term liquidity needs with the treasury and corporate bond purchases. The European Central Bank has increased its asset purchases while keeping the deposit interest rate fixed at -0.50%. Similarly, as a result of the monetary expansion policies of the Bank of England and the Bank of Japan, a growth of around USD 8 trillion was achieved in 2020 balance sheets of the four major central banks.

Despite the social and economic disruption caused by the pandemic, the lessons learned and gains achieved during these challenging times along with the rapid developments in the scientific field raise hopes and positive expectations for the future. In consideration of the changes in economic and social life which came along with the Covid-19 outbreak, it is considered that 2021 will be the year of countries that effectively use their resources.

As it has been the case for the rest of the world, 2020 has been a challenging year for the Turkish economy as a consequence of the pandemic conditions. The economy, which grew by 4.5% in the first quarter of the year, contracted by 10.3% in the second quarter, the time period during which the impacts of the pandemic reached its peak, and recorded 6.3% growth in the third quarter with a sharp turn, as the economic measures taken started to show results. With 5.9% increase in the fourth quarter of the year, the annual GDP growth is recorded as 1.8% in comparison with the previous year.

Despite the social and economic disruption caused by the pandemic, the lessons learned and gains achieved during these challenging times along with the rapid developments in the scientific field raise hopes and positive expectations for the future.

Chairperson's Message

At the early stages of the outbreak, with the help of the measures taken in order to accelerate the economic activity, the impacts of the Covid-19 have been confined; however, as a consequence, inflation has inevitably increased. In 2020, the inflation based on consumer prices was registered as 14.6%, mainly driven by the prices in food and transportation group.

On the other hand, volatility in financial markets increased as the capital outflows accelerated, and the domestic dollarization trend became notable. The foreign trade deficit, which has increased with the effect of the more pronounced restrictive measures in European countries that are our most important export market, as well as the rapid decrease in transportation and tourism revenues continued to put pressure on the current account balance. Although the emergence of the second wave of the pandemic as of November restrained the economic activity which was showing signs of recovery, the attempts to extend the vaccination and the structural measures taken to maintain the robust functioning of financial markets indicate that outlook for 2021 will be more positive.

The pandemic, which caused significant changes in consumer behaviors and working conditions by affecting all aspects of our lives, especially the health and economy,has undoubtedly touched our field of activity, the insurance and reinsurance markets as well.

While the ultimate cost of the Covid-19 outbreak to the global economy remains uncertain, it is evaluated that the total insured loss amount arising from the outbreak may exceed USD 100 billion. On the other hand, the natural catastrophes in 2020 which gave rise to a total economic loss of USD 210 billion globally by mainly affecting developing countries where the insurance penetration is quite low, is expected to have an impact of around USD 82 billion on the global insurance and reinsurance markets.

In addition to the natural disasters whose frequency has increased in recent years, considering the pressure on profitability caused by the economic stagnation and the pandemic conditions, a more disciplined pricing environment was expected during the January 2021 renewals in the reinsurance market. However, as a result of capital inflows and the relative improvements in investment markets in the second half of 2020, the upward movements in prices remained below the expectations.

Even though a more disciplined pricing environment was expected during January 2021 renewals, as a result of the capital inflows and the relative improvements in investment markets in the second half of 2020, the upward movements in prices remained below the expectations.

The Insurance Association of Turkey announced that the Turkish insurance industry has produced TL 82.6 billion premium by the end of 2020, which corresponds to 19% nominal and 4% real growth compared to 2019. While 83% of the total premium production originates from Non-life; Life Insurance grew by 27% as a result of the ongoing expansion in loan volume in 2020 and the acceleration in housing sales with the impact of the low-interest loans introduced in the second half of the year.

In 2020, our Company, which seamlessly adapts to the extraordinary conditions prevailing all over the world, have continued to offer reinsurance capacity in line with the needs of ceding companies by accurately analyzing the market dynamics, with its experience going back to many years and strong financial structure.

Increasing by 10% compared to last year, Milli Re's premium production was TL 1,820 million in 2020. As of 2020 year-end, Milli Re's total assets reached TL 5,506 million, shareholders' equity amounted to TL 2,639 million and the net profit was registered as TL 349 million.

In line with the vision of being a preferred business partner, Milli Re aims to carry its success into the future by maintaining its steady performance with the confidence which comes from being a strong and well-established company, and having a prestigious position in the insurance and reinsurance markets.

On behalf of myself and our Board of Directors, I would like to thank all our stakeholders, especially our employees, shareholders, and business partners, for their valuable support and contribution.

Ebru ÖZŞUCA
Chairperson of the Board of Directors

In 2020, our Company, which seamlessly adapts to the extraordinary conditions prevailing all over the world, have continued to offer reinsurance capacity in line with the needs of the ceding companies by accurately analyzing the market dynamics with its experience going back to many years and owing to its strong financial structure.

General Manager’s Message

Despite the challenges posed by the Covid-19 pandemic which had global political, economic and social impacts, our Company successfully reached its targets for 2020.

As the pandemic set the agenda all around the world, even though 2020 started with the expectations of global economic recovery, World Health Organization’s announcement of pandemic in March has been a breaking point and the world economy faced one of the worst scenarios of the last century.

IMF, projecting world economy to contract by 4.4% in 2020, revised its estimate to 3.5% with the impact of global economy showing stronger-than-expected momentum in the second half of the year, while updating its growth forecast for 2021 to 5.5%, which was previously estimated to be 5.2%, in light of China’s strong growth as well as the positive outlook of economic indicators in the third quarter with the impact of the loosening in pandemic-related restrictions.

Even though the trade war between US and China had been the main item on the agenda for global trade prior to the Covid-19 pandemic, the tension between two countries subdued during the outbreak and the US presidential elections gained importance. During this period in which repercussions of the pandemic remained in effect, global trade volume lost substantial momentum as expected while the uncertainity regarding the global economy kept prevailing.

In Europe, while the Brexit process has been completed at the end of the year, with an agreement setting the legal framework for the future EU-UK trade relationship, economic, social and regulatory uncertainties between United Kingdom and the European Union were not completely resolved. Yet, when considered with the impacts of the pandemic, these uncertainties continue to pose a risk for the global outlook. OECD envisions that this situation will cause substantial contraction both in the United Kingdom and the Euro Zone over the next three-year period.

As it was the case all over the world, in the first half of the year, lockdown and restriction measures taken as a result of the Covid-19 pandemic brought social and economic life to a near standstill in Turkey as well. Making a strong start to 2020, in parallel with the global trends, Turkish economy lost momentum with the pandemic. GDP, which attained 4.5% annual growth in the first quarter according to the data adjusted for seasonal and calendar effects, recorded a sharp contraction of 10.3% in the second quarter of the year. However, with the impact of the measures taken in the second half of the year, 6.3% and 5.9% growth has been achieved in the third and fourth quarters respectively. By the end of the year, GDP grew by 1.8%.

Maintaining a supportive stance in the first half of 2020, as of fourth quarter, Central Bank of the Republic of Turkey (CBRT) tightened its stabilization policies even further as a response to the upward risks in inflation. One one hand, it increased the policy interest rate from 8.25% to 10.25% in September, to 15% in November and to 17% in December; on the other hand, in line with the simplified monetary policy, it terminated the reserve requirement system which was based on real credit growth and showed sectoral differentiation.

According to the year-end figures published by the Insurance Association of Turkey, the total premium production of Turkish insurance industry is TL 82.6 billion in 2020, increasing by 19% in nominal and 4% in real terms compared to the previous year. In 2020, as a result of the expansion in loan volume as well as the increase in housing sales driven by low-interest rate mortgage loans which came into effect in June, share of Life Insurance in the total premium production increased to 17.5% from 2019 level of 16%. Generating 82.5% of the total premium production, Non-Life Insurance achieved 18% growth in nominal terms and the real growth was around 3%. While the majority of the Turkish insurance industry premium production originates from Land Vehicles Liability and Land Vehicles lines, as a result of the factors such as car sales remaining at low levels in comparison to previous years with the impact of the pandemic as well as the ongoing price cap, the premium production of the lines saw a slight increase of 11% in nominal terms. As a consequence of the production that contracted by 3% in real terms, the total share of these two lines in Non-Life Insurance premium declined to 46% from 49%, which also constrained the premium development of Non-Life segment. On the other hand, by taking an important step, Turkish insurance industry players' decision to pay out for pandemic related medical expenses on ex-gratia basis, as well as the higher public awareness induced by the pandemic, promoted the positive perception towards Health Insurance. With the contribution of higher demand for Private Health and Complementary Health Insurance, the line of business achieved 21% nominal and 5% real premium growth. Having 16% share in industry premium production, Fire and Natural Disasters insurance grew by 9% in real terms with the help of the increased level of house sales, significant portion of the renewed policies for commercial and industrial risks having insured amounts and premiums indexed to foreign exchange or inflation, higher public sentiment in the aftermath of the earthquakes in 2020 and also the new earthquake tariff.

Leaving behind the fifth costliest year on record for the industry, global insurance and reinsurance markets encountered around USD 82 billion of natural catastrophe losses in 2020. While catastrophe events severely impacted many developing countries with very low levels of insurance penetration, great portion of the losses were driven by secondary perils such as

General Manager's Message

hail, flood and wildfire which are not widely insured. Affecting various sectors and mainly emanating from event cancellation, business interruption and loss of profit covers, the total insured loss amount driven by the Covid-19 pandemic is expected to exceed USD 100 billion.

The total reinsurance capacity deteriorated at the beginning of the year; however, by the end of September, it reached 2019 year-end figure of USD 625 billion once again. As the pandemic and losses put further pressure on company balance sheets on top of the limited levels of profitability for the last couple of years and the diminishing investment incomes, many reinsurers opted for increasing rates and tightening the terms and conditions during 2021 January renewals in order to compensate for these negative conditions. Yet, as a consequence of the sufficient levels of capacity and investment returns remaining at relatively positive levels, upward movements in prices were capped at levels lower than expected.

As a result of the depreciation in Turkish Lira, the contraction in premiums ceded to the proportional treaties which are mainly denominated in Euro, as well as the deterioration in treaty balances diminished reinsurers' appetite towards proportional programmes. While the majority of the insurance companies operating in Turkish insurance market continued protecting their portfolios with surplus bouquet treaties on proportional basis after the renewals, leading the reinsurance treaties of 16 ceding companies, our Company maintained its market share of 27% in 2021. Moreover, Milli Re's involvement across catastrophe excess of loss programmes of the insurance companies was 9%.

The Covid-19 pandemic deeply impacted not only the social life but also the economy. In this period, new practices such as remote working and online education came into our lives. Testing its disaster plans and procedures regularly, our Company had the opportunity to challenge its technological infrastructure and operational resilience during these unprecedented conditions caused by the pandemic. Shifting to remote working as of March 2020, Milli Re seamlessly adapted to the "new normal", thanks to its flexible business processes supported by the technological infrastructure and the skilled workforce.

According to the year-end figures published by the Insurance Association of Turkey, total premium production of the Turkish insurance industry in 2020 is TL 82.6 billion, increasing by 19% in nominal and 4% in real terms compared to the previous year.

As part of the ongoing digital transformation project, the new underwriting platform, which enables the integration of all reinsurance acitivities conducted in our Head Office and the Singapore Branch, has been completed and went live at the beginning of 2020. Moreover, major steps have been taken with regards to migrating all processes which have been restructured end-to-end, to a digital platform in order to increase efficiency and create a more agile structure.

In 2020, a year which witnessed deep economic and social disruptions, Milli Re achieved its targets in line with its profit-oriented risk management. Increasing by 10% compared to the previous year, our Company's premium production reached TL 1,820 million. Making up 73% of the total premium, TL 1,335 million was generated from local business while TL 485 million, corresponding to 27%, was obtained from international business. As at the end of 2020, total assets reached TL 5,506 million, shareholder's equity amounted to TL 2,639 million and the net profit recorded as TL 349 million.

Continuing its activities successfully since 1929 with its well-established company culture and experience, Milli Re remained to be a preferred business partner in the international markets by providing reinsurance capacity to over 120 ceding companies operating in above 50 countries in 2020, while maintaining its position as a leader in the local market. As it has been until today, in line with its sustainable profitability strategy, our Company aims to play an active role in the local and international markets in the future as well, thanks to its ability to manage market cycles and risks appropriately while meeting market demands with optimum solutions. Our strong capital structure, competence in transforming our potential into growing performance and the synergy created with our business partners will continue to serve as the main foundation for successfully executing our operations in the "new normal".

I would like to thank to our shareholders, business partners and employees for their support, contributions and trust.

Fikret Utku ÖZDEMİR
Director and General Manager

In 2020, a year which witnessed deep economic and social disruptions, increasing by 10% compared to the previous year, our Company's premium production reached TL 1,820 million.

Board of Directors

Ebru ÖZŞUCA
Chairperson

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

Kubilay AYKOL
Vice Chairperson

Kubilay Aykol is a graduate of Faculty of Economics and Administrative Sciences, Department of Business Administration at the Middle East Technical University. He began his career in 1997 as an Assistant Inspector at İşbank. Kubilay Aykol was appointed Merter branch as a Manager in 2006. He served as an Assistant Manager in Retail Banking Marketing Department in 2007 and as Unit Manager in 2009 in the same department. He is currently the Retail Banking Product Department Division Head at İşbank. Having served on the Board of Directors of Anadolu Anonim Türk Sigorta Şirketi between 2010 and 2018, and a member of the Board of Directors of Birleşik İpotek Finansman A.Ş. as of 2021, Kubilay Aykol has been Vice Chairperson of the Board of Directors at Milli Re since 25 March 2019.

Murat VULKAN
Director

Murat Vulkan is a graduate of Faculty of Social and Administrative Sciences, Department of English Language and Literature at the Hacettepe University. He began his career at İşbank in 1982 and served in a number of the Bank's unit and branches. He served on Board of Directors of Işbank between 2011 and 2017, and İş Leasing between 2017 and 2020. Murat Vulkan has been a member of the Board of Directors at Milli Re since 26 March 2020.

Levent KORBA
Director

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

Serdar GENÇER
Director

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

Oğuz Taner OKUTAN
Director

Oğuz Taner Okutan is a graduate of Faculty of Economic and Administrative Sciences, Department of Public Administration at the Hacettepe University. He holds a master's degree in Executive MBA program from the Koç University. He joined Işbank in 1999 and served in number of the Bank's units. He is currently the Retail Loans and Card Operations Department Division Manager. Oğuz Taner Okutan has been a member of the Board of Directors at Milli Re since 26 March 2020.

Board of Directors

Ertuğrul SENEM
Director

Ertuğrul Senem graduated from the Faculty of Political Sciences, Department of International Relations at Ankara University. He began his career at İşbank as an Assistant Inspector on the Board of Inspectors in 1990. He became an Assistant Manager in Deposits and Banking Services Department in 1999, Financial Management Department in 2001, and Strategy and Corporate Performance Management Department in 2003, where he was appointed as a Unit Manager in 2004. In 2006, Ertuğrul Senem worked as a Unit Manager in the Change Management Division which led the Customer Centric Transformation Program (MOD). He was appointed as the Branch Manager of Rıhtım-Kadıköy Branch in İstanbul in 2008. He became the Head of Enterprise Architecture in 2011 and Head of Corporate Compliance in 2017. Ertuğrul Senem, who holds Financial Analyst title, currently functions as the Information Security Coordinator at İşbank, and has been a member of the Board of Directors at Milli Re since 16 November 2020.

Kemal Emre SAYAR
Director

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

Fikret Utku ÖZDEMİR
Director and General Manager

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

Fahriye ÖZGEN
Reporter of the Board of Directors

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

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

During 2020, seven Board meetings were held in total. While full participation was achieved in four of these meetings, two meetings were held each with the absence of one member, whereas two members were absent in another meeting due to their excuses.

INTERNAL SYSTEMS MANAGERS

Internal Audit Assistant Manager:
Ekin ZARAKOL SAFİ
Term of Office: 7 years
Professional Experience: 18 years
Departments Previously Served:
Turkish Reinsurance Pool,
Internal Audit and Risk Management
Academic Background: Bachelor's Degree

Internal Control and Risk Management Manager: Duygu GÖLGE
Term of Office: 7 years
Professional Experience: 25 years
Departments Previously Served:
Decree Pool
Academic Background: Master's Degree

Senior Management

Fikret Utku ÖZDEMİR
Director and General Manager

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

Fatma Özlem CİVAN
Assistant General Manager

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

Vehbi Kaan ACUN
Assistant General Manager

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

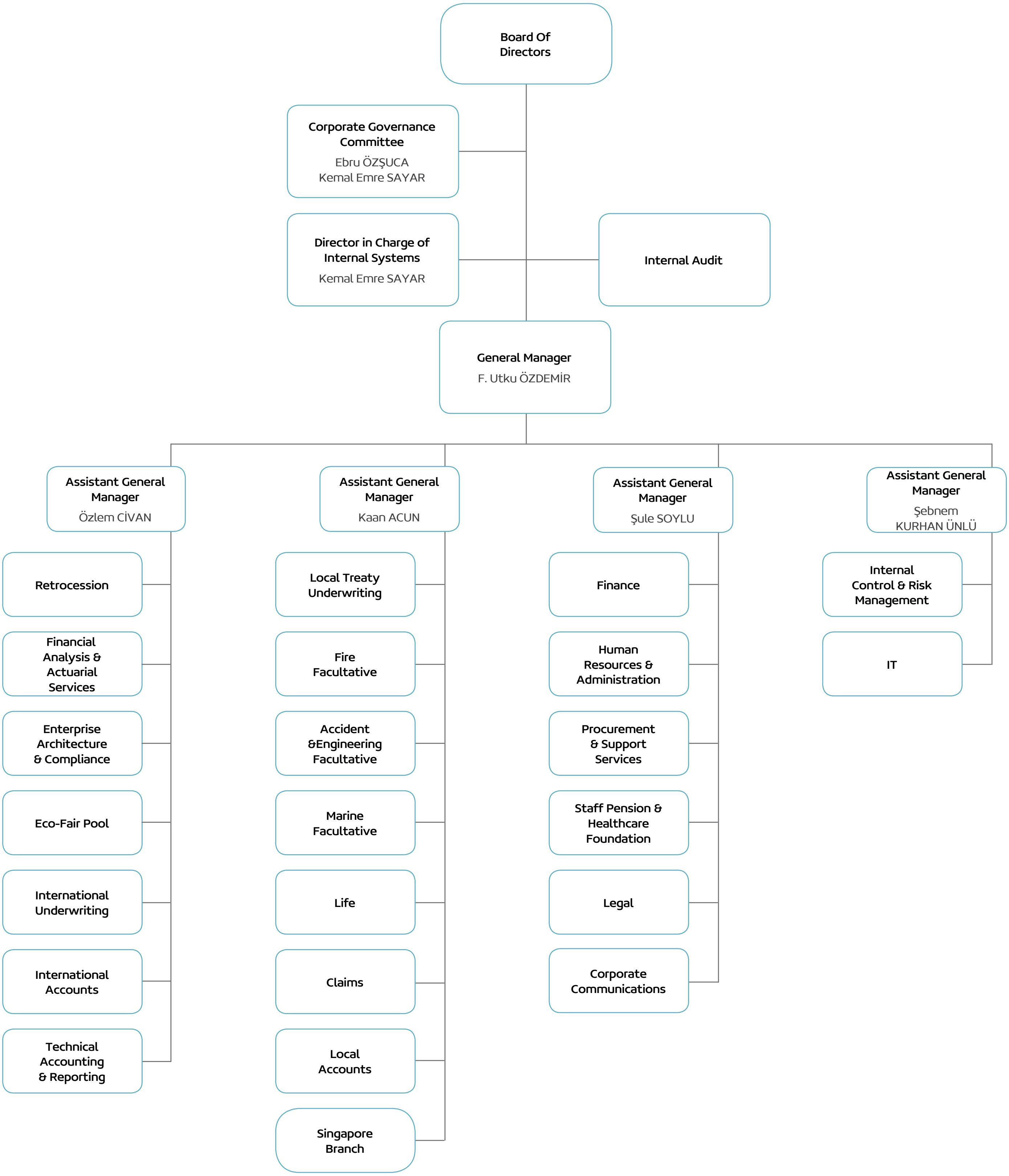
Şule SOYLU
Assistant General Manager

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

Şebnem Kurhan ÜNLÜ
Assistant General Manager

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

Organization Chart



Human Resources Applications

In recognition of the fact that its staff is one of the main contributors in its achievements, Milli Re has highly qualified employees, devoted to their work and the Company, open to continuous learning and development.

Fundamental principles of the Human Resources policies of the Company are recruiting suitable candidates with qualifications suitable for vacant positions, providing a business environment that enables the staff to work efficiently, productively and happily; protecting and observing financial and moral rights of employees, as well as fair and equal opportunities of development and training in view of personal skills, facilitating the staff to foster social relationships for motivation and efficient execution of all processes.

At year-end 2020, Milli Re has 205 employees including Singapore Branch.

Application

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

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

Recruitment

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

Performance Management

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

Providing the working environment conducive for employees to work efficiently, effectively, and happily, and protecting and guaranteeing their financial and moral rights are among the fundamental tenets of the Human Resources Policy of Milli Re.

Human Resources Applications

Training

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

Career

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

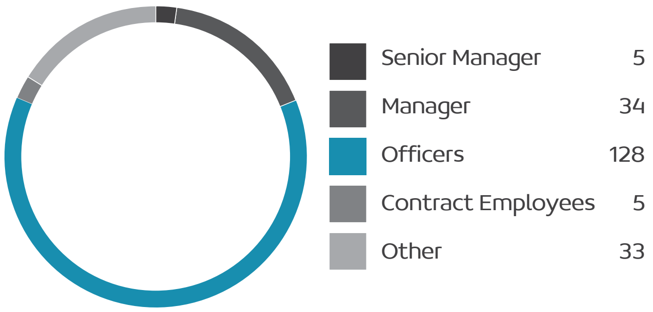
Compensation Policy

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

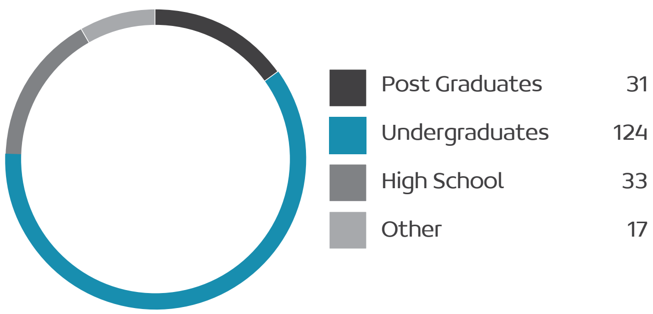
Occupational Health and Safety

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

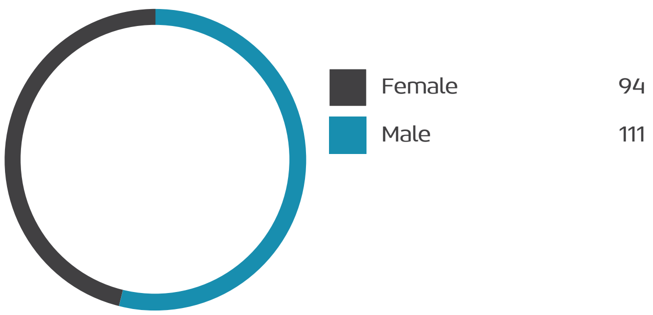
Employee Profile



Educational Profile



Human Resources Profile



2020 Annual Report Compliance Statement

We hereby represent that Millî Reasürans T.A.Ş. 2020 Annual Report issued for its 92nd year of operation has been drawn up in line with the principles and procedures enforced by the "Regulation on the Financial Structures of Insurance, Reinsurance and Pension Companies" published in the Official Gazette issue 26606 dated 7 August 2007 by the Republic of Turkey Ministry of Treasury and Finance.

24 February 2021

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

Independent Auditor's Report on the Annual Report of the Board of Directors

(Convenience translation of a report originally issued in Turkish)

To the General Assembly of Milli Reasürans Türk Anonim Şirketi

1) Opinion

We have audited the annual report of Milli Reasürans Türk Anonim Şirketi ("the Company") and its subsidiaries ("the Group") for the period of January 1 – December 31, 2020.

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

2) Basis for Opinion

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

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

We have expressed an unqualified opinion in our auditor's report dated February 24, 2021 on the full set consolidated and unconsolidated financial statements of the Group for the period of January 1 – December 31, 2020.

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

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

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

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

c) The annual report also includes the matters below:

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

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

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

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

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

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

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

Fatih Polat, SMMM
Engagement Partner

March 25, 2021
Istanbul, Turkey

02

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

RESEARCH & DEVELOPMENT ACTIVITIES

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

The Company's Board of Directors is composed of Chairperson, Vice Chairperson and seven Board members. Senior Management comprises of the General Manager and four Assistant General Managers. The benefits provided to the Senior Executives in 2019 and 2020 are given in the below table:

(TL)	2020	2019
Benefits such as salary, premium, bonus, dividend etc.	6,412,315	6,407,452
Travel, accommodation, entertainment expenses, means in cash and in kind	118,898	112,956

Research & Development Activities

The transformation project for upgrading the applications used for following up and accounting of the Company's reinsurance business went live in January 2020, whereby uniformity was achieved for different applications that were being used at the Head Office and Singapore Branch, resulting in standardization and integration.

Following the acquisition of the applications and phasing of the business processes within the scope of the digital transformation project launched in 2019 with the aim of improving the Company's business processes and increasing their efficiency, digitalization of operational processes began in 2020. 2021 targets include migrating all operational processes to the digital platform and initiating the work in relation to reinsurance processes.

03
ACTIVITIES AND MAJOR DEVELOPMENTS RELATED TO ACTIVITIES

Activities and Major Developments Related to Activities

Information on Investments Made by the Company During the Accounting Period

Initiated in 2018 with the consultancy service and application purchases for regulatory compliance, the data management project continued at Milli Re in 2020. Within the scope of the project, Information Security Management System was installed, and activities were carried out for achieving compliance with the Personal Data Protection Law. Activities associated with data management are slated for completion in 2021.

As part of the efforts for ensuring compliance with the TFRS 17, the implications of TFRS 17 for the Company's business processes, information technologies and information systems were assessed, upon which improvement efforts were carried out in line with the identified topics, and applications were selected in 2020.

The Covid 19 pandemic that domineered the whole world from March 2020 bore radical impacts upon our working order, and the Company shifted to remote work model at a substantial extent for the rest of the year. The needs for hardware, software and remote secure connection that emerged in this period were fulfilled rapidly, thus enabling employees to perform their jobs duly without any interruptions.

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

Repurchased Own Shares by the Company

None

Disclosures Concerning Special Audit and Public Audit During the Reporting Period

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

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

Lawsuits Filed Against the Company and Potential Results

There are no lawsuits brought against the Company in 2020, which are of a nature that might affect the Company's financial standing and its activities.

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

There are no administrative or judicial sanctions imposed against the Company or the members of the governing body on account of any practice violating the provisions of legislation in 2020.

Assessments on Prior Period Targets and General Assembly Resolutions

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

Annual General Assembly meeting was held on 26 March 2020. All of the resolutions by the General Assembly of Shareholders have been fulfilled during 2020 and the targets set in the prior period have been achieved.

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

Company's donations under this heading amounted to TL 419,290 in 2020.

Relations with the Controlling Company or an Affiliate Thereof

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

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

All commercial transactions the Company realized with its controlling shareholder and with the Group Companies affiliated thereto during 2020 were carried out on an arm's length basis, according to the terms and conditions known to us, related counter performances have been carried out, and the Company did not register any loss on account of any such transaction.

Internal Audit

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

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

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

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

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

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

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

In accordance with the Internal Audit Plan approved by the Board at the end of 2019, Internal Audit Department completed on-site inspection of all (20) units, and the Company's Singapore Branch in 2020. During audit activities, it was determined whether the units' operations are carried out in compliance with their operational guidelines. Effectiveness of the implemented internal controls regarding the units' risks was tested and their adequacy was evaluated. Moreover, compliance with regulations, Company policies, limits, jurisdictions, and security measures was verified. Audit activities were performed using techniques such as enquiry, verification, examination, reperformance, recalculation and analytical reviews. During audits, no findings that might have an adverse impact on the Company's financial structure were detected.

Internal Control

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

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

"Control Center" has been structured through "Internal Control and Risk Management Department" which was established in order to perform internal control activities, and "Control Environment" has been structured through assignment of Company employees within the scope of these activities. The Control Group consists of 25 people, of whom 3 are located in the control center and 22 are located in the control environment.

Activities Conducted from Control Center

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

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

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

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

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

Activities Conducted from Control Environment

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

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

Affiliates

Anadolu Anonim Türk Sigorta Şirketi

Anadolu Anonim Türk Sigorta Şirketi (Anadolu Sigorta) is Turkey's first national insurance company, which was established on 1 April 1925. As one of the market leaders, while its premium production reached TL 8 billion, it has total assets of TL 11.7 billion and shareholders' equity of TL 2.4 billion on consolidated basis in 2020. Anadolu Sigorta operates in all lines of business except Life. Fitch Ratings confirmed Anadolu Sigorta's ratings for International Financial Strength as BB+, for National Financial Strength as AA+ (tur), both with stable outlook.

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

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

www.anadolusigorta.com.tr

Miltaş Turizm İnşaat Ticaret A.Ş.

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

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

www.miltasturizm.com.tr

Corporate Social Responsibility

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

Milli Re Art Gallery

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

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

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

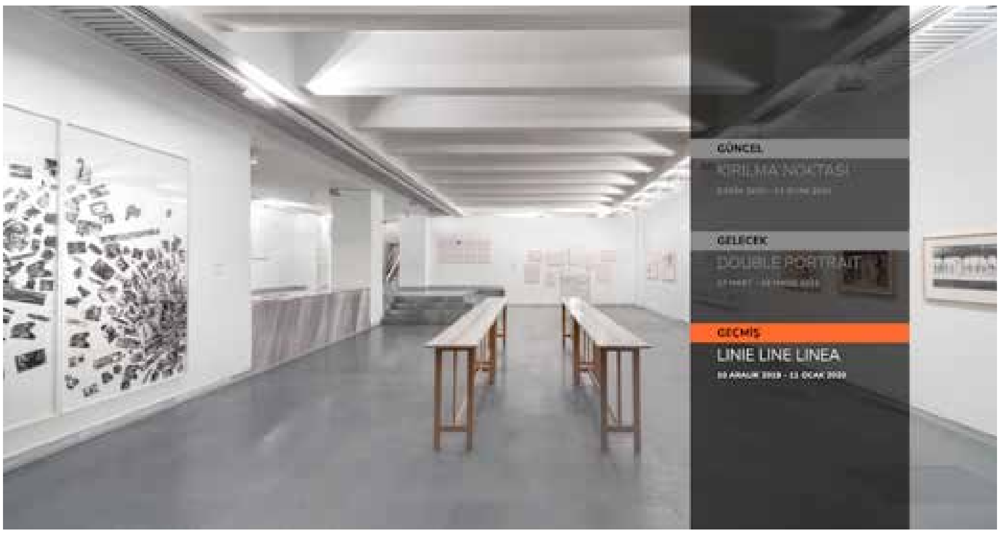
The gallery, hosting projects varying from art to design, has attained a special place within its field. Not only in the area of basic arts such as painting and sculpture, the Gallery also hosts plenty of projects including exhibitions on photography, architecture, graphical design, as well as historical and documentary conceptual exhibitions.

Milli Re Art Gallery has gained the distinction of being a space for artists and art lovers, with the original works created over the years, and are known for its uncompromising artistic identity. Hosting many exhibitions in the contemporary arts field, Milli Re Art Gallery outstands as one of the art institutions undertaking the mission of providing contributions to the art vision in Turkey and supported the conscious collectors within the sector as well as the limited number of museums by bringing in many art works to be acquired to their permanent collections.

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

Due to the restrictions and difficulties impacting exhibition visits during the 2020 pandemic, 3D virtual tour feature and comprehensive documents and visuals about the exhibitions were added to our website in order to offer a richer experience to our viewers.

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



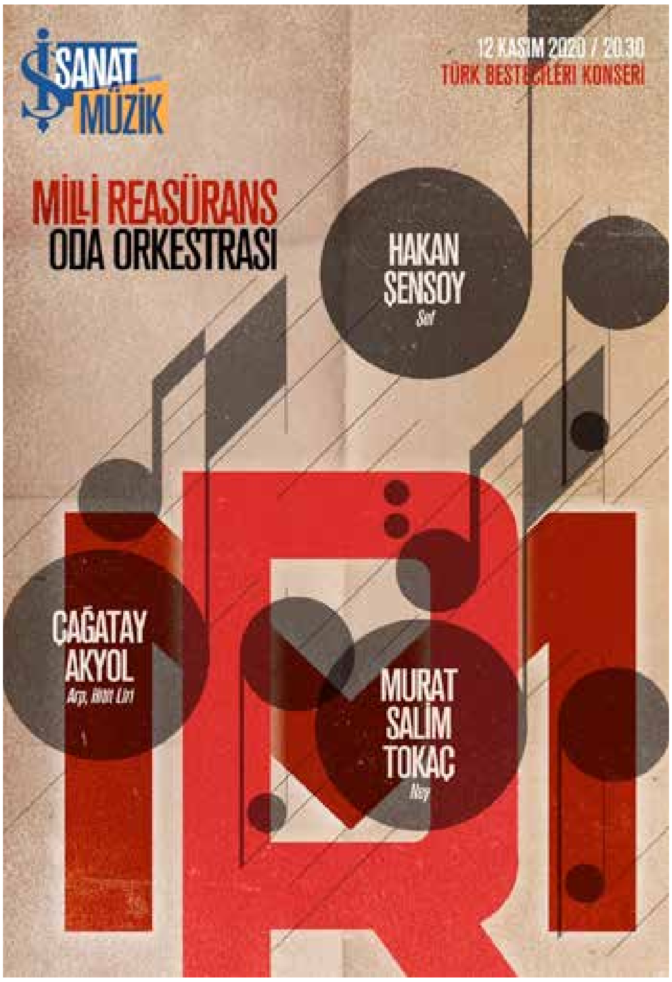
Milli Re Art Gallery outstands as one of the art institutions undertaking the mission of providing contributions to the art vision in Turkey and supported the conscious collectors.

Milli Re Chamber Orchestra

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

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

Compelled to suspend its live concerts due to the pandemic that affected the whole world and our country, Milli Re Chamber Orchestra made a guest appearance on the 21st season of İş Sanat. Three concerts produced as a collaboration of Milli Re and İş Sanat were streamed online in 2020, and were brought to art lovers free of charge on the social network accounts of İş Sanat.



Miltaş Sports Complex

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

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

The International Insurance Tennis Tournament that had been running for 33 years in a row was not organized in 2020 due to the pandemic conditions.

Corporate Social Responsibility

Milli Re Library

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

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

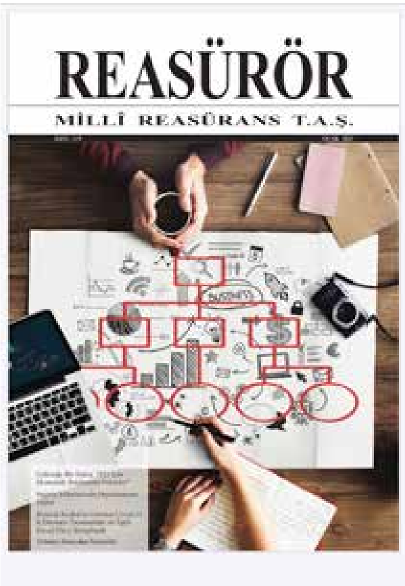
The Library is open from 09:00 until 12:00 and from 13:00 until 17:00 on weekdays, and the catalogues of available publications can be accessed at **http://kutuphane.millire.com**

The Reasürör Magazine serves as a valuable scientific resource for use by the industry technicians and students pursuing their studies at various levels in insurance education.

Reasürör Magazine

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

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



Turkish Insurance Institute Foundation (TSEV)

The Turkish Insurance Institute Foundation (TSEV) was established jointly by Milli Re and the Insurance Association of Turkey in 1970 and continues its training and consulting services for the insurance industry for the last 50 year. TSEV organizes training programs on insurance techniques and law as well as administrative issues for the insurance sector and for various companies, institutions and organizations. In addition to its training activities, the Foundation also visits universities, the chambers of industry and commerce in order to increase the insurance awareness and develop the insurance sector in Turkey. For the purpose of making insurance part of lives of society, TSEV also undertakes some projects on social media.

Due to the pandemic, all business lines around the globe remodeled their processes in 2020; in the same vein, TSEV also revised its activities in view of the conditions imposed by the new era. Under these extraordinary circumstances, visits aimed at raising an awareness of insurance were put on hold, and all training programs were moved to the online platform from March onwards. “Insurance Through My Lens Photography Prize Competition” was held for the third time, but an exhibition could not be opened, again, because of the pandemic.

The “Basic Insurance Training Program”, organized since the establishment of the Foundation has the distinction of being one of the most comprehensive training programs in the field of insurance. A total of 3,000 participants have graduated from the program to date. As a follow-up course to this, TSEV also offers “Advanced Insurance Training Programs” which are the only project and practice-oriented training programs in the market. Besides TSEV regularly provides short-term training programs in accordance with the current market needs, introductory courses for new employees joining the insurance industry and to insurance departments of corporates as well as actuarial training programs. In addition to those, a long-term online program addressing insurers living outside of İstanbul was designed and introduced to the sector in the reporting period, which is titled “Insurance from A to Z for Sales People”. Apart from insurance training, Personal Development Training Programs are also given by TSEV and the versatility in this segment increases by the year. As the training programs were moved to the online platform, many people living outside of İstanbul had the opportunity to attend TSEV training programs. In 2020, 4,347 people received a total of 2,484 hours of training from TSEV through these programs. Furthermore, “Consultancy”, “Closed Group Classroom Training”, “Promotion”, and “Company Exams” were realized based on demands from companies.

2020 also marked the organization of the first long-term training programs for foreign countries. Actuary exams and the training courses for these exams are being given by TSEV under the agreements made with the Central Bank of the Republic of Azerbaijan and Azerbaijan Insurers Association. The cooperation with the Azerbaijan insurance industry also continues in other areas through detailed training and exam programs.

TSEV organizes training programs on insurance techniques and law as well as administrative issues for the insurance sector and for various companies, institutions and organizations.

04
FINANCIAL STATUS

Economic Outlook

2020 has been a year during which the Covid-19 pandemic domineered the economic and social life all around the world.

As a result of the events that ensued the worldwide spread of the coronavirus that emerged in China's Wuhan city in December 2019, the World Health Organization (WHO) declared it a pandemic on 11 March 2020.

2020 has been the scene to the combat against the destructive effects of the pandemic, along with the volatilities that impacted the global financial markets starting from the preceding year. International trade, tourism, and capital flows particularly to emerging countries painted a negative picture for the most part of the year. As the first shock was overcome in the aftermath of the monetary and fiscal policy measures implemented, the declined case numbers and normalization steps taken towards the summer supported the recovery of economic activity.

The relative recovery of the global economy in the third quarter continued at a decelerating pace in the last quarter of 2020 as a consequence of the restrictions imposed in connection with the aggravated Covid-19 pandemic. Avoidance of total lockdowns by countries as opposed to what they had done in the initial stage of the pandemic and the positive performance of China that serves as the engine of external trade kept the deceleration in growth at a limited rate as compared to the second quarter.

Vaccine development efforts have been another factor that turned the expectations for the positive. However, the case numbers that picked up once again towards the last quarter of the year indicated at the high risks that put pressure on the medium-term outlook until the pandemic is taken under control completely.

Apart from the pandemic, as the recent vulnerabilities in international trade and investment relations persisted, the US presidential elections and the post-Brexit trade deal negotiations took up an important place on the global political agenda.

The US Federal Reserve System (the Fed) sustained its support to the economy at an increasing rate.

The US Federal Reserve System (the Fed) implemented its first rate cut without waiting for its ordinary monetary policy meeting since 2008. Decreasing the policy rate by 150 bps in total, the Fed brought it down to the 0-0.25% interval from the 1.50-1.75% range in March. Having announced unlimited amount of bond purchases, the Fed also collaborated with the other central banks to increase global USD liquidity through the swap line and repo transactions.

Although having suffered a drastic contraction in the second quarter of 2020 in connection with the negative effects caused by the pandemic, the Turkish economy embarked upon a strong recovery period in the third quarter of the year.

The US economy suffered a 5% contraction in the first quarter of 2020, followed by a record-high shrinkage of 31.7% in the second quarter. Floating at its lowest levels of the past 50 years before the pandemic, the unemployment rate shot up to its historic-high at 14.7% in April. Economic activity recuperated in June with the help of the normalization steps, and the US economy achieved 33.1% growth in the third quarter.

The European Central Bank (ECB) announced strong monetary incentives throughout 2020.

The European Central Bank (ECB) did not make any changes in its monetary policy in 2020 and kept its policy rate and deposits rate fixed at 0% and -0.50%, respectively. Having announced strong monetary incentives throughout 2020, the ECB sustained its support by increasing its Pandemic Emergency Purchase Plan (PPEP) that envisages purchasing private sector and public debt securities by EUR 500 billion in the last month of the year. In addition to that, the ECB set up a repo facility for providing Euro liquidity to non-euro area central banks against adequate collateral.

ECB will presumably not make any changes in interest rates and carry on with its asset buying program in 2021.

Although the Euro Zone economy displayed a rapid growth rate of 12.5% in the third quarter after shrinking by 3.7% and 11.7% in the first and second quarters of 2020, it continued to contract on an annual basis. The vulnerability that resulted in the Euro Zone economy from the pandemic became visible particularly in demand indicators. Pointing at deflation since August, the increase in the annual consumer prices index was realized as -0.3% also in November.

In the final days of the year, the UK and the European Union reached an agreement for the post-Brexit trade deal, eliminating the associated vagueness surrounding the Euro Zone and global economies by early 2021.

On another note, a relative betterment was observed in the confidence indices from December onwards with the assumption that the EU countries would reach vaccination at an earlier time than the rest of the world.

The Chinese economy recaptured the pre-pandemic growth levels in the last quarter of 2020.

The world's second largest economy, China did a better job of managing the pandemic than other economies, and sent out a positive message for 2021 by registering a growth rate at pre-pandemic levels in the last quarter of 2020. Succeeding in quickly getting rid of the pandemic's impacts amid an environment of sustained trade conflicts with the US, China will presumably record the highest growth of the past decade in 2021. It will possibly take some time to ease the tension in the China-US relationships assuming that the newly established Biden administration after the US presidential elections will not make a change of policy soon.

The world trade volume shrank in 2020.

The world trade volume shrank by 7.2% year-over-year in real terms in the January-September period of 2020. Lead indicators suggest that the recovery in the third quarter pursued a vulnerable course in the last quarter. 50.1 at the end of 2019, the manufacturing industry purchasing managers index (PMI) came to its lowest at 39.8 in April, subsequently recovering and reaching 53.7 in November 2020.

The course of the pandemic negatively affected energy and commodity prices. Having averaged USD 64.3 in 2019, Brent crude oil price per barrel decreased from early 2020, carrying on with its decline until mid-April, when it went below USD 16. Having recovered with a wavering pattern in the period that followed, crude oil price went over USD 50 as economic activity gathered speed on a global scale. The expansionary monetary policy implementations of the central banks of developed countries, coupled with the effect of the search for a safe harbor, drove the gold price per ounce above USD 2,000 in August. Gold prices decreased to some extent as the worries regarding the pandemic were alleviated with the positive news about vaccination and medication efforts in the following period.

Falling commodity prices and the vulnerabilities in growth outlook put downward pressure on inflation. Having exceeded 2% in the US at 2019 year-end, inflation plummeted in the initial stage of the pandemic, before registering 1.2% in November. In the same timeframe, annual inflation went down from 1.3% to -0.3% in the Euro Zone.

In 2021, central banks of developed countries will likely continue to support economic activity.

Global economy will possibly recover quickly in 2021 with the base effect created by 2020, but the pre-pandemic levels will most likely remain elusive until 2022. The course of the said recovery will be presumably impacted by the extent of the widespread reach and success of vaccination once vaccine production reaches an adequate level for the whole world.

In all likelihood, central banks of developed countries will continue to keep supporting economic activity in 2021; although that would provide a positive setting for emerging economies with respect to financing sources, country-specific risks will seemingly be telling upon the direction of capital flows.

The Turkish economy embarked upon a recovery process with the help of the fiscal supports provided.

Although the Turkish economy contracted sharply in the second quarter of the year in connection with the negative effects of the pandemic, it entered into a strong recovery process in the third quarter of the year. With the help of the measures implemented by the Central Bank of the Republic of Turkey (CBRT), the Banking Regulation and Supervision Agency (BRSA), Turkish Treasury and the government for controlling and preventing the pandemic, Turkey gradually eliminated the effects of the coronavirus pandemic that started by early 2020, and carried on with its economic activities.

Gross Domestic Product (GDP) expanded by 4.5% year-over-year in the first quarter of 2020, before suffering the most drastic contraction since the inception of the data with 10.3% in the second quarter of the year. With the 5.9% year-over-year increase in the fourth quarter, annual GDP growth came to 1.8% as compared to the previous year.

After outperforming the projections in 2020, the Turkish economy's growth might lose pace in the first quarter of 2021 with the effect of tightened financial conditions and increased restrictions.

Economic Outlook

The CBRT consolidated its tightening policies in the fourth quarter.

Having displayed a supportive stance in the first half of 2020 in response to the weakened economic activity, the CBRT gradually decreased the policy rate that started 2020 at 12% to 8.25% until May, withdrew the measures adopted during the pandemic in phases in the second half of the year, and increased the policy rate to 10.25% in September. Having turned to funding through a single interest rate in line with its simplification policy in November, the CBRT increased its weekly repo rate from 10.25% to 15%.

In December, the CBRT consolidated monetary tightening in order to re-establish the disinflation process in the shortest time possible and brought the policy rate up to the 17% level. It is considered that a stable outlook will be formed in exchange rates in 2021 with the contribution of the CBRT's tightening monetary policy coupled with global liquidity conditions. Such an outlook would back the balancing of domestic demand by causing an increase in TL savings tendency and might alleviate inflationist pressures.

Work is in progress for devising a new financial architecture within the scope of the New Economy Program.

Announced in September, covering 2021-2023 and the government's medium-term goals, the New Economy Program (NEP) identified inflation as the principal area of struggle to be addressed. According to the Program's key targets, a permanent balance will be established in current transactions, and efforts will be ongoing for creating a financial architecture on the basis of financial stability and security through policies that will increase the resilience of the national economy against internal and external shocks. In addition, in order for growth to be sustainable, a new development model will be implemented, which pursues macroeconomic balances and is backed by strategic reforms. The NEP estimates that the Turkish economy will grow 0.3% in 2020, while predicting that it will expand by 5.8% in 2021 and inflation will decline to 8% at year-end 2021.

The growth of the Turkish economy that outperformed the projections in 2020 might lose pace in the first quarter of 2021 due to tightened financial circumstances and increased measures.

GDP Growth Rate - Based on Current Prices (%)

Imports (USD billion)

Exports (USD billion)

Source: TUIK, TCMB, Ministry of Treasury and Finance

Turkish Insurance Market

Already facing challenges due to the effects of the slowdown in the global economy, geopolitical tensions, trade wars and low interest rate environment in the last few years, Turkey's economy and insurance industry was adversely affected by the social and economic consequences of the pandemic since the first months of 2020.

According to 2020 year-end figures published by the Insurance Association of Turkey, insurance industry in Turkey produced TL 82.6 billion premium with an increase of 19% over the previous year. This amount reflects the double counting effect emanating from the "Risky Insureds' Pool" for Land Vehicles Compulsory Liability Insurance on sectoral data and premiums relating to risks which are fronted by insurers and completely transferred to other carriers. 82.5% of the total premium was generated by Non-Life and 17.5% from Life insurance. The share of Life in total market premium increased from 16% in 2019 to 17.5%, owing to the continued growth in loan volume in 2020 and the increase in house sales due to low-interest housing loans introduced at the beginning of June. On the other hand, nominal growth in Non-Life was 18% corresponding to a real term movement of circa 3%.

Although the direct impact of the pandemic on the insurance industry was not significant, due to economic slowdown and the implications of the lockdowns, some contraction was experienced especially in Accident, Health, General Liability, Land Vehicles and Land Vehicles Liability which have a high share in the premium production of the sector. With the normalization process, policy production gained speed again. Specifically, in Land Vehicles, policies which were not renewed in April and May were significantly renewed in June, also reflecting the impact of incentives to the policyholders regarding eased conditions in premium payments and coverage extensions.

Contribution of Land Vehicles Liability and Land Vehicles, which together remain as the largest segment in Non-Life, has dropped to 46% from 49% in 2019, reflecting the effect of the pandemic as well as the continuation of the price cap in Land Vehicles Liability and the sluggish vehicle sales compared to previous years. Muted growth in these lines has constrained overall industry premium.

Although the direct impact of the pandemic on the insurance industry was not significant, due to economic slowdown and the implications of the lockdowns, some contraction was experienced especially in Accident, Health, General Liability, Land Vehicles and Land Vehicles Liability which have a high share in the premium production of the sector. With the normalization process, policy production gained speed again.

TL 82.6 billion premium

According to 2020 year-end figures published by the Insurance Association of Turkey, insurance industry in Turkey produced TL 82.6 billion premium with an increase of 19% over the previous year.

Turkish Insurance Market

Industry's ex-gratia payments for the diagnosis and treatment expenses related to the pandemic which essentially were not included within coverage, strengthened the positive perception of Health insurance and significantly increased the demand for private and complementary Health insurances. Health grew by 21% elevating its volume in Non-Life premium from 14% to 15% in 2020 and further growth is anticipated for this line.

The share of Fire and Natural Catastrophe Perils in Non-Life rose to 15.5%, in line with the 25% increase in premium income. This rate corresponds to a real growth of approximately 9.4%. While economic conditions and drop in purchasing power put pressure on premium from residential risks, the increase in house sales as a result of low-interest loans introduced in early June contributed to the annual growth. There was 18% year-on premium increase in this segment. Despite the pandemic circumstances, price-focused competition and relative stagnation in investments, premium related to commercial and industrial risks increased by 28% and 26% respectively, showing a growth over the sector, which is a translation of the high renewal rate for these policies and the fact that insured values and premiums of a significant part of these policies are either in hard currency or indexed to inflation. Premium for Natural Catastrophe Perils, which has a share of approximately 34% in the premium income of the Fire and Natural Catastrophe Perils, grew by around 26% reflecting the increased public awareness following the earthquakes in 2020 and the effect of the new earthquake tariff.

General Damages comprises of Engineering, Agriculture, Theft and Plate Glass Insurances and approximately 95% of the premium income in this line originates from Engineering and State Subsidized Agricultural Insurances. Engineering premium, which had declined in real terms in the previous year, grew by 52% in 2020 due to several large investments and energy projects fronted by the sector, while if these construction projects are not taken into account, growth would have been around the sector average. On the other hand, increase in the awareness and prevalence of agricultural insurances due to losses caused by climate change and the incentives for policyholders led to 29% growth in the premium production.

The share of Marine, consisting of Hull (Sea Vehicles and Sea Vehicles Liability) and Cargo in Non-Life increased from 2% to 3% as the result of 34% growth over 2020. Cargo premiums increased by 27% mainly due to the affect of currency movements on trade and Sea Vehicle Liability grew by 30%. As most of the policies and respective premiums in Hull insurance are in hard currency, there was around 50% growth in this segment which elevated the volume of Hull premium in Marine from 25% to 33%.

Despite the pandemic conditions, General Liability maintained its 3% share in Non-Life premium with 28% yearly growth. General Liability comprises of 14 sub-branches and 83% of the total premium emanate from General Third Party Liability, Employers' Liability and Professional Indemnity. Whilst the increase in Third Party Liability and Employers' Liability premiums remained limited due to competitive pressures, Professional Liability insurance grew by 58%. The annual real term increase of 67% in Product Liability, which has a share of 7% in General Liability premiums, indicates that there is a great growth potential in this area as well. Liability insurance is expected to continue to evolve in the upcoming period in conjunction with the growing tendency to resort to litigation by individuals and institutions and the increase in claims.

Despite the fact that Personal Accident, which constitutes 90% of total premium income, has gained some momentum due to low-interest housing loans introduced at the beginning of June, the share of Accident in Non-Life premium income has decreased from 4% to 3% due to implications of the pandemic.

Although the market share is currently very small, it is expected that the positive trend in financial insurances such as Surety and Credit, which grew over 30% in 2020, will continue to develop in line with the economic conjuncture and state support.

Efforts to prevent and/or mitigate losses arising from cyber threats and data breaches increase the demand for individual or corporate cyber insurance products. In addition to advances in technology and increased use of digital platforms, with the restrictions due to the pandemic and the continuation of the remote working model, it is anticipated that the demand for cyber insurance, as well as product diversity and the number of insurance companies providing coverage, is expected to increase.

Positive developments in takaful insurance in recent years have been enhanced by regulatory actions as well as the emphasis given by the state to alternative financial markets. Total premium produced in this segment has reached 6% of the industry premium income at the end of 2020.

One of the most important developments in the Turkish insurance industry was the establishment of Insurance and Private Pension Regulation and Supervision Authority (Sigorta Ve Özel Emeklilik Düzenleme ve Denetleme Kurumu - SEDDK).

With this structure, it is envisaged that managing insurance industry through an exclusive entity will enable the maintenance of an optimum coordination between regulatory and supervisory functions and addressing the problems of the industry in a more rapid, efficient and effective manner.

In the coming period, it is expected that the initiatives to insure important infrastructure projects with the cooperation of the public and private sectors, increase in the scope and prevalence of the agricultural insurance pool Tarsim, increase in the insurance penetration in industrial risks and SMEs, within the framework of the New Economy Program, will increase the share of insurance in the economy.

Market Premium (TL)

Branches	2020	Share (%)	2019	Share (%)	Change (%)
Accident	2,237,228,105	3.28	2,372,741,294	4.10	(5.71)
Health	10,095,516,816	14.81	8,358,100,508	14.44	20.79
Land Vehicles	10,737,412,046	15.76	9,406,268,988	16.25	14.15
Railway Vehicles	15,272	-	13,280	-	15.00
Air Vehicles	369,664,551	0.54	223,854,250	0.39	65.14
Sea Vehicles	621,688,667	0.91	413,511,536	0.71	50.34
Marine	1,204,301,235	1.77	950,787,872	1.64	26.66
Fire & Natural Disasters	10,585,806,877	15.53	8,447,104,595	14.59	25.32
General Damages	7,962,761,912	11.69	5,876,737,145	10.15	35.50
Land Vehicles Liability	20,487,190,549	30.06	18,712,174,135	32.33	9.49
Air Vehicles Liability	298,548,469	0.44	263,898,565	0.46	13.13
Sea Vehicles Liability	57,810,503	0.08	44,655,983	0.08	29.46
General Liability	2,190,044,929	3.21	1,712,228,206	2.96	27.91
Credit	399,061,225	0.59	304,281,300	0.53	31.15
Fidelity Guarantee	123,951,705	0.18	91,177,756	0.16	34.47
Financial Losses	547,980,509	0.80	505,294,367	0.87	8.45
Legal Protection	224,970,171	0.33	198,465,014	0.34	13.36
Support	1,928	-	158,666	-	(98.78)
Total Non-life	**68,143,955,472**	**82.52**	**57,882,453,461**	**83.59**	**17.73**
Life	**14,431,890,533**	**17.48**	**11,359,715,131**	**16.41**	**27.04**
Total	**82,575,846,005**	**100.00**	**69,242,168,593**	**100.00**	**19.26**

Source: Insurance Association of Turkey

Turkish Reinsurance Market and Milli Re

The impact of Covid-19, which unexpectedly changed the world agenda in 2020, was felt intensely in insurance and reinsurance industry like many other sectors. Especially in mature insurance markets, lines such as Life and Health, which were directly affected by the pandemic, as well as Organization / Event Cancellation, Contingent Business Interruption, Directors and Officers Liability Insurance and similar covers have faced high loss payments due to the negative impact of the economic recession and quarantine measures on industrial production, trade, services. It is still unclear how the insured claims due to the pandemic will evolve in relation with the uncertainty regarding the course of the global economy and especially the losses regarding loss of profit policies.

In addition to claims related to Covid-19, insurance and reinsurance markets faced significant losses from natural catastrophes in 2020. Combined with the low profitability environment and the decline in investment revenues in recent years, the pressure created by the losses on balance sheets forced many reinsurers to make rate increases and restrict terms and conditions in order to compensate for the adverse circumstances in January 2021 renewals.

Although Turkish insurance market was marginally affected by pandemic claims, exclusions on contagious diseases and cyber risks have been implemented in the reinsurance agreements in virtually all lines of business in 2021 renewals in line with the global practice.

Catastrophes such as the January 24 Earthquake affecting Elazığ and surrounding provinces in 2020, flood and hail events in Ankara, Burdur, Bursa and the Black Sea during the summer and Izmir Earthquake that took place on October 30 were events that have contributed to insurance awareness in the society, but with limited insured loss levels they did not have significant impact in reinsurance renewals.

With the effect of the pandemic on economy and as the result of the dynamics of the industry, there was modest growth in premium income from proportional treaties in Turkish Lira terms. Despite a notable decline in claims in the first half of 2020 due to lockdowns, loss levels started to increase as the restrictions were lifted in the second half-year. Treaty capacities and event limits across the market were determined in relation with individual portfolio structures, movement in exposures and growth prospects on company and/or treaty basis. Commissions and other treaty conditions were reviewed and/or revised depending on the performance and requirements of individual treaties, bouquets and lines vis-à-vis market conditions. Weakened TL led to a relative decline in treaty premiums in Euro terms against Euro denominated treaty limits. This deterioration in treaty balances resulted in reduced appetite of a number of global reinsurers and difficulties in the placement of a few proportional treaties. Additionally, an increased “client-based” approach was observed in the reinsurance market.

Milli Re provides capacity to 21 companies that utilized proportional treaties, leading 16 bouquets and having a 27% market share in 2021.

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

Premium income ceded to proportional agreements which Milli Re participates is expected to grow by 25% in 2021. While some of this increase emanates from new clients and increased shares in existing treaties, it is also anticipated that economic developments, market dynamics and the possible effect of exchange rate and inflation movements will reflect on proportional treaty premiums especially in Property and Marine. The dominance of Property in proportional bouquet income increased slightly in relation with limited growth in Engineering reflecting the slowdown in investments and stagnation in construction industry and Non-Motor Accident, as this line is largely driven by Personal Accident policies which are adversely affected by the pandemic. The split of proportional treaty premium across the market is as follows: Property 59%, Engineering 21%, Marine 12% and Non-Motor Accident 8%.

Coverage provided by catastrophe excess of loss programs moved in line with the changes in natural catastrophe exposures in Euro, reflecting to some extent organic market growth, but also the effect of fluctuation in TL as the currency of nearly all programs in the market is Euro. There was generally reduced catastrophe purchase mirroring the reduction in exposures in Euro terms. A few programs were restructured and optimized to attain better cost/reward balance. Although there has been a nominal decrease in the total premium paid to reinsurers as a translation of lower coverage purchased, barring variations among specific programs and layers, Turkish market saw risk-adjusted rate increases up to 10% on a general level. Milli Re's involvement in catastrophe excess of loss programs in 2021 is 9%.

As in proportional treaties, pandemic and cyber risks exclusions were implemented in excess of loss treaties and given the upward movement in pricing, placement of excess of loss programs was faster and smoother.

The split of Milli Re's domestic premium income differs significantly from that of market Non-Life premiums. Largest contributors to revenue in the Turkish insurance market are Land Vehicles Compulsory Liability and Land Vehicles (Casco), as well as Agriculture and Health insurances. Whilst the share of these lines in the Non-Life premium of the sector stands at 67%, they account only for 8% in Milli Re's premium income, reflecting the conservative approach under the current conditions and the limited appetite of Milli Re. For this reason, the impact of the developments in Land Vehicles Compulsory Liability and Land Vehicles Insurances which generate 30% and 16% of the market Non-Life premium respectively and substantial premium and loss increases in Agriculture remain limited for Milli Re. On the other hand, market developments in Fire and Natural Perils, Engineering, General Liability and Marine where most companies utilize proportional reinsurance for protecting their risk portfolios, are evidently translated to Milli Re's local portfolio.

Premium from local operations grew by 26% annually, mainly driven by Engineering and Marine. Despite the adverse effect of increased retrocession costs reflecting rate of exchange movements and premium adjustments for 2019 retrocession programs, as well as the increase in losses in Property, Engineering, General Liability and Land Vehicles Liability compared to the previous year, with the contribution of net transfers from non-technical income, local portfolio generated a technical profit of TL 31.4 million.

Local Premium by Lines of Business	Share (%)
Fire	55
Engineering	19
Marine	8
General Liability	5
Agriculture	4
Land Vehicles Liability	2
Life	2
Other*	2
Personal Accident	2
Health	1
Total	100

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

Premium from local operations grew by 26% annually, mainly driven by Engineering and Marine.

Local Portfolio	2020	2019	2018	2017	2016
Premium (TL)	1,335,217,811	1,060,777,933	911,044,062	818,143,937	698,726,549
Share in Total Premium (%)	73.4	63.9	69.0	75.4	75.1

Global Reinsurance Market and Milli Re

Total economic losses from natural catastrophes reached USD 210 billion in 2020, remaining significantly above the USD 150 billion loss amount recorded in 2019. Increasing by 57% on an annual basis, global insured losses went up to USD 82 billion, making it the fifth costliest year on record for the industry. While it was notable that only 40% of the global losses were insured, great portion of the natural disasters was recorded in many developing countries in Asia, where the insurance penetration remains very low. The increase recorded in the losses caused by secondary perils such as hail, flood and wildfire which are not as widely insured as hurricane was also eye-catching.

Accounting for USD 67 billion of the total global industry losses, US losses dominated the statistics in 2020. Unlike 2019 which was relatively calm, 2020 witnessed the most active Atlantic hurricane season ever in history with record breaking number of events. In 2020, the total number of named storms reached 30, 13 of which developed into hurricanes, while 12 made landfall in the US. Total economic damage in the US is estimated around USD 43 billion, of which USD 26 billion is expected to be insured.

Making its landfall in southwestern Louisiana on August 27th as a Category 4 storm with sustained windspeed of 240 km/h, Hurricane Laura was the strongest and the costliest of 2020 Atlantic hurricane season. Impacting mainly Louisiana and eastern Texas with strong winds, floods and storm surges, Laura caused devastating losses across the Gulf Coast. Hurricane Laura is estimated to have caused a total economic loss of USD 13 billion, of which USD 10 billion is expected to be recoverable from the insurance industry.

Moreover, a strong Derecho, a weather phenomenon described as a destructive widespread windstorm with fast-moving bands of thunderstorms, hit the Midwestern U.S on August 10th and recorded as one of the costliest events affecting the country in 2020. The disaster caused a total of USD 6.8 billion economic loss, with insured losses amounting to USD 5 billion.

As was the case in 2019, severe weather conditions prevailed during the first half of the year in Europe. Winter storm Ciara, also known as Sabine, which affected mainly Germany, Austria, Switzerland, France, United Kingdom and Ireland on 9th and 10th of February, stood out as one of the costliest events for the insurance industry. While the total cost of Ciara to the economy is expected to exceed USD 2.7 billion, around USD 2 billion of this amount is anticipated to be insured. In the second half of the year, in early October soon after Winter storm Ciara, Windstorm Alex struck western coastline of France with wind gusts reaching up to 186 km/h speed. While it caused relatively negligible wind related damages, bringing along unprecedented rainfalls that are considered to be a 1 in 100 year event, Storm Alex gave rise to severe flooding in Alpes Maritime region of southern France and northern Italy between October 2nd and 4th. The total economic burden from the floods is estimated to be USD 3.2 billion, yet insured losses are expected to be well below this figure as significant portion of the losses were uninsured and related with infrastructure.

Being severely impacted by a series of devastating catastrophe events in 2019, Asia witnessed unprecedented natural disasters in 2020 as well. Reaching Category 3 in a short period of time with wind speeds of 185 km/h, striking India and Bangladesh between the dates May 15th and 21st, Cyclone Amphan was one of the most significant natural disasters affecting the region this year. According to the government authorities, Amphan has destroyed more than 3 million houses as well as causing heavy damages to infrastructure and agricultural fields. Leading to over USD 14 billion total economic loss, super Cyclone Amphan has been recorded as the most destructive and costliest cyclone ever in India's history. However, as a consequence of the low insurance density in the region, the insured losses are expected to be limited.

Second year in a row, China has been hit by a series of catastrophic floods. In June, with the arrival of Meiyu front which brought along torrential seasonal rainfalls, massive floods have been recorded in large areas of southern China, mainly the Yangze river basin. Extending to central and eastern parts of the country during the month of July, seasonal monsoon floods continued to impact China until the end of September and caused at least 21 large scale flood incidents. While Guangdong, Guangxi, Hunan, Jiangxi, Guizhou, Sichuan, Yunnan, Hubei, Zhejiang and Chongqing provinces were among the hardest-hit regions, according to the government authorities, more than 1.4 million houses were damaged and at least 70 million people were affected from the disaster, which is expected to give rise to a total economic burden of USD 32 billion.

The mega bushfires which started in September 2019 as a result of the record-breaking high temperatures and extreme drought and spread across the whole country while mainly affecting Queensland, Victoria, Tasmania, Southern Australia, Western Australia and New South Wales states, continued to prevail in Australia throughout the first quarter of 2020. According to the authorities, the fires have wiped out more than 12.6 million hectares of land and over 1 billion animals were killed. While the total economic loss from the disaster is estimated to exceed USD 5 billion, it is known that the payments made by the Australian Government have reached USD 2 billion as part of the disaster recovery fund.

Although the 2019 wildfire season had been relatively quiet in California, western US suffered from a series of catastrophic wildfires in 2020. Starting in August as a result of the record levels of heat, low humidity and dry lightning storms, the fires rapidly expanded across California, Oregon and Washington and continued to burn until the end of September. The fires have charred more than 5 million acres of land and destroyed thousands of homes, leading to a bill of around USD 11 billion on the insurance market.

Considering its negative social and economic consequences, the Covid-19 pandemic, which began in China in December 2019 and spread around the world rapidly, has been the hottest topic in 2020 for the insurance and reinsurance industry as well.

Total economic losses from natural catastrophes reached USD 210 billion in 2020, remaining significantly above the USD 150 billion loss amount recorded in 2019. Increasing by 57% on an annual basis, global insured losses went up to USD 82 billion, making it the fifth costliest year on record for the industry.

Global Reinsurance Market and Milli Re

The Covid-19 pandemic, which began in Wuhan, China in December 2019 and spread around the world rapidly is considered to be the biggest challenge humanity faced since Second World War. Resulting in global social and economic disruption, it has undoubtedly been the hottest topic in 2020 for the insurance and reinsurance industry as well. Even though it is still difficult to predict the total economic impact of the pandemic, according to the most recent projections, the total insured loss amount could exceed USD 100 billion. Yet by the end of 2020, total reported losses amounted only USD 29.5 billion, pointing to the fact that it's going to take a while for the pandemic related losses to fully develop predominantly owing to the ongoing lawsuits regarding business interruption claims coupled with the unforeseeable duration of the pandemic.

Total of traditional and alternative reinsurance capital, which declined to USD 590 billion in the first quarter of the year, showed a rapid recovery and reached 2019 year-end figure of USD 625 billion by the end of September 2020. While traditional capital rose by USD 3 billion to USD 533 billion, alternative capital, declining by 4% compared to the end of previous year, was registered as USD 92 billion. In addition to the significant losses recorded in the recent years, the uncertainty driven by Covid-19 exerted more pressure on the trapped collateral amount and resulted in diminishing returns for alternative capital investors. Moreover, issues such as climate change, model credibility and deterioration of the losses stood out as other factors affecting the appetite of investors.

Global merger and acquisition activity, which gained momentum in the last couple of years with rising new business models, shifts in technology and greater emphasis on cost optimization following the diminishing profit margins, was observed to slow down in 2020 due to the financial market volatility driven by the pandemic. The most notable announcement in this space just before the global spread of Covid-19 was the merger proposal of Aon to Willis Towers Watson. The new entity is expected to hold a leading position with a transaction volume of USD 80 billion and the deal is likely to be finalized in the first half of 2021. Nonetheless, M&A activity is expected to surge once again in 2021 and beyond, as strategic structural changes as well as industrial transformation will be inevitable in the post pandemic era. Moreover, it is also possible to see increased interest in legacy business as companies are likely to withdraw from certain lines of business and geographies with poor performance.

In addition to the significant losses recorded in the recent years, the uncertainty driven by Covid-19 exerted more pressure on the trapped collateral amount and resulted in diminishing returns for alternative capital investors.

USD 625 billion

Total reinsurance capital reached 2019 year-end figure of USD 625 billion by the end of September 2020.

Following the official approval of Brexit in January, 2020 has been the transition period for EU and UK to negotiate on the terms of their future economic relationship. On December 24th, the parties reached an agreement on a free trade deal called "The EU-UK Trade and Cooperation Agreement", which came into effect as of January 1st 2021. Nevertheless, it is still unclear how the UK's financial sector will be impacted considering that the deal does not grant regulatory equivalence to the UK's financial firms.

Subsequent to the new 3-year strategic plan published in September 2019, in November 2020 Lloyd's launched "Blueprint II" as the second phase of its new business strategy. The 2-year new program aims to transform the market into a digital ecosystem with higher reliance on data and technology as well as reshaping the entire insurance lifecycle process from start to finish. Moreover, one of the objectives of the new transformation plan is to reduce the operational costs by around GBP 800 million and allow market players to focus more on activities such as new product development and innovation.

Considering negative factors such as declining interest rates, poor underwriting results as well as 2020 being another hyperactive year in terms of catastrophe activity exacerbated by the impacts of Covid-19, substantial price increases have been expected in the eve of January 2021 renewals. Nevertheless, rate increases were capped at lower levels as a result of capital inflows and improved investment return. Consequently, on average global property catastrophe reinsurance rate-on-lines rose by 6%, being the highest year-on-year price increase attained in the last decade. Although quoting phase took longer, the early start of renewals enabled companies to successfully manage the process in an orderly manner. Apart from the terms, negotiations were mainly shaped around contractual wording issues for January 2021 renewals. Considering the severe impacts of Covid-19 on the industry, exclusionary language for communicable diseases has undoubtedly been the focus point of lengthy discussions, mainly owing to varying views of underwriters on clauses. Moreover, incorporation of cyber exclusion clauses that provided improved clarity around scope of cover has been the other hot topic especially for the London Market players.

Looking at January 2021 retrocession renewals, some level of capacity constraint was observed in the markets due to the trapped collateral in the alternative capital and decisions of some reinsurers on either ceasing underwriting or considerably limiting capacity allocated to retrocession, although it was not to the extent what has been initially anticipated. As it has been the case previously, increases in the cost of retrocession outpaced the upward movements in reinsurance pricing and reached double digits. While some buyers reshaped their retrocession strategy and opted for buying less protection, in general supply was enough to meet demand as many traditional reinsurers were willing to utilize higher levels of capacity in consideration of the favorable rating environment. Increased issuance of new cat bonds has been the other contributor which helped mitigating the pressure on retrocession rates.

Europe

As 2020 was another benign year in Europe in terms of natural catastrophe activity, Winter storm Ciara and flash floods which were triggered by record amounts of rainfall and impacted the Mediterranean coasts of France and Italy, stood out as the major natural disasters recorded during the year. Looking at the repercussions of the Covid-19 pandemic in the region, losses reached substantial levels in Germany and Switzerland, mainly arising from the high level of non-property damage Business Interruption coverage provided by some companies. On the other hand, in some other territories like Netherlands or Nordic Countries, Covid-19 had almost no impact on property insurance. While Europe-wide loss free cat programs experienced up to 5% price increases, price adjustments for smaller and regional programs remained at levels closer to the lower end of this range. On the other hand, for loss impacted cat programs, risk-adjusted price increases changed between 5% to 10%. As far as risk programs are concerned, upward movements were capped at a maximum of 5% for loss-free programs, while loss impacted programs saw 5% to 10% price increases.

Global Reinsurance Market and Milli Re

America

Even though the Covid-19 pandemic has stimulated further price increases in the U.S on top of what has been recorded over the past two years, programs were placed at rates below the initial expectations as a result of the capital raises and new start-up reinsurers, which helped achieving supply and demand equilibrium in the markets. Nonetheless, aggregate cover capacity was scarce especially for treaties with wildfire and hurricane exposures, while quota share reinsurance buyers faced no issues in securing the protection as many reinsurers were willing to allocate high levels of capacity in order to take maximum advantage of the improved rate environment observed in the insurance market. While loss affected cat programs experienced risk-adjusted price increases fluctuating between 10% to 25%, for loss free cat programs, upward adjustments in the range of 5% to 15% were observed. Loss free risk programs renewed stable to 15% up; whereas, price increases stood between 5% to 20% for loss impacted programs.

Despite the fact that Canada experienced its costliest hailstorm ever in June, the overall losses from natural disaster remained relatively low across the country in 2020. While upward price movements were capped at a maximum of 7.5% for loss free cat programs, risk adjusted price increases varied between 10% to 20% for loss impacted programs. In respect of risk programs, loss affected programs saw 10% to 30% upward price adjustments. On the other hand, for loss free programs, price increases remained between 5% to 7.5%.

Asia

Covid-19 has made 2020 like no other year in history. Change was inevitable, adaptation was critical, time was against the world. The fear in Asia quickly reverberated to the rest of the world.

The re/insurance market had no breather from the previous two years of record-breaking losses arising from the unprecedented cat events. The already tightening market in the region, caught in great uncertainty, was forced to accelerate greater discipline and hardening. The uncertainty in the market grew as the year passed by. A silver lining amidst this storm was the observed greater cooperation between buyers and sellers of capacity as they sailed on the same boat.

While the year had markedly less severe insured cat event losses, we were still reminded of the exposures with many notable events with high economic losses.

Early November 2020, Super Typhoon Goni, the strongest typhoon to have made landfall with sustained winds of 313 km/h, damaged 250,000 homes and caused over USD 1 billion of economic loss in Philippines. Philippines could only mark the end of their extended typhoon season after Typhoon Vamco that occurred in mid-November and caused similar level of losses as Super Typhoon Goni.

Indonesia started and ended the year with flooding in Sumatera and Java with more than 8,000 houses damaged or destroyed in each event. Economic loss currently stands at tens of millions of US dollars.

In January, hailstorms in south eastern Australia caused insured losses of USD 1.4 billion. The absence of large industry cat events is a welcome respite as we continue to navigate the Covid-induced uncertainty in economic activities and the unprecedented exposures to silent risks across classes of business.

Middle East

Countries in the Middle East completed 2020 under the pressure of Covid-19 pandemic and the collapse in oil prices which affected all economic activities in the Region. Economy of the Region is projected to contract by 5.2% in 2020, which is 4.1% below the forecast in April 2020, and 7.8% worse than that of October 2019, reflecting an increasingly pessimistic outlook. The Region is expected to recover only partially in 2021.

The blockade and isolation of Qatar, led by Saudi Arabia and the United Arab Emirates (UAE), which began in June 2017 ended with a declaration at the 41st Gulf Cooperation Council (GCC) Summit on 4th January 2021. Despite the constructive atmosphere in the GCC summit's aftermath, it is still too early to conclude that the tensions in the region will be resolved quickly, considering the disagreements on some regional issues and the ongoing war in Yemen.

On the regulatory side, the most important development was the merger of Insurance Authority (IA) and the Central Bank of UAE which was announced by the UAE Cabinet transferring all Powers of IA to the Central Bank including legislation of new regulations, licensing, supervision and policyholder protection.

The top three markets of 2020 in terms of gross written premium are Saudi Arabia, UAE and Qatar. In Saudi Arabia, the listed insurers posted a 3.5% increase in premium production, which reached USD 7.8 billion at the end of the 3rd quarter. UAE, the second largest insurance market in the Region, managed to post a 3.9% increase in gross premiums to USD 5.2 billion, despite 14 out of 29 companies reporting reduction in their written premiums. Qatar recorded a growth around 5%, in line with the total uptick of the Region by 4.4%, which equates USD 3.3 billion. Across the GCC, Kuwait is the only market to register a double-digit annual growth rate in gross written premium, which was up by 17.5%, reaching USD 1.55 billion.

Meanwhile, the insurance companies in the GCC displayed an impressive performance in the first nine months of 2020 despite the economic challenges presented by the ongoing Covid-19 pandemic. The overall profitability of the market improved by 15.7% to USD 1.1 billion in the 3rd quarter of 2020, while the Region's premium grew by 4.6% to USD 19 billion. The improved overall profitability for the market was contributed by the 30 Saudi listed insurers, which all posted strong underwriting results. UAE market kept its position of being the second largest in terms of profitability after Saudi Arabia while Kuwait managed to surpass Qatar ranking the third.

The long-term outlook remains positive for both life and Non-Life insurance in the Region due to significant untapped potential. The widespread working-age population across the Region is expected to push the demand up partially for savings and retirement products for life insurance while the Non-Life insurance segment is anticipated to benefit from regulatory support through the expansion of compulsory medical and liability coverage.

The insurance companies in the GCC displayed an impressive performance in the first nine months of 2020 despite the economic challenges presented by the ongoing Covid-19 pandemic and the overall profitability of the market improved by 15.7% in the 3rd quarter of 2020.

USD 1.4 billion

In January, hailstorms in south eastern Australia caused insured losses of USD 1.4 billion.

Global Reinsurance Market and Milli Re

Covid-19 claims in the Region seems to be manageable due to most insurers' robust capital buffers. The port explosion in Beirut which occurred on 4 August 2020 and resulted in many casualties and caused significant damage to the city, was the only major event of the year in the Region. The economic loss arising from this event stands around USD 7.5 billion while insured loss estimate ranges between USD 1 billion and USD 1.5 billion. During January 2021 renewals, commissions of most profitable proportional treaties remained the same, while there was some reduction for those treaties with poor performance. Rate adjustments for loss free non proportional treaties ranged from risk-adjusted flat to 10% up, while increases on loss affected ones were roughly 20% up. Although there have been some withdrawals, reinsurance capacity was plentiful.

North Africa

Before the global spread of Covid-19 outbreak, economic growth in North Africa was expected to exceed 4% in 2020 and 2021. However, the uncertain global environment due to pandemic and anticipated contraction in developed economies negatively impacted the growth forecast for the Region.

Morocco, the largest insurance market in North Africa, kept its growth pace in the first half year of 2020 and increased its premium volume by 4.6%, reaching USD 2.78 billion. However, in parallel with the rest of the globe, Covid-19 also affected Moroccan economy gravely. The collective protective measures taken by Supervisory Authority of Insurance and Social Welfare (ACAPS) against the pandemic is anticipated to have compensated for 76 million USD of premium reduction which could otherwise have led Moroccan insurance market profitability to shrink by 25%. Although the market registered a growth in 2020, the prospects for the future are still blurry due to the economic uncertainties caused by Covid-19 pandemic. In addition to this, the upcoming general elections that will be held in September 2021 is yet another driver of the economic uncertainty in the country which evidently affects the insurance market.

Algeria's top 5 state owned insurance companies continuously dominate over the insurance market of the country with their 66.51% share in total. Motor insurance, accounting for around 47% of total premium production in Algeria, is by far the largest line of business in the market. In order to mitigate the heavy consequences of pandemic on the economy, Algerian insurers propose working on a scheme similar to their national catastrophe pool (ACIP).

Considering its 1.69% Non-Life insurance penetration rate, the size of Tunisian insurance market is still not at the desired level compared to its neighbors Morocco and Algeria, despite its welcoming position to international players. In the first half year of 2020, Tunisian insurance market contracted by 16% corresponding to USD 183.21 million of premium as a result of the decline in motor premiums, producing almost more than half of premiums written in the market and is by far the largest line of Tunisia's Non-Life segment on the back of the economic recession caused by Covid-19. On the other hand, as a result of the safety measures taken by government against Covid-19, there has been a 26% decline compared to the previous year in the number of road accidents during the lockdown.

India

The Indian economy witnessed severe slowdown due to the reduction in manufacturing, stress in non-banking financial companies, decline in credit growth and sharp deceleration in consumption, investment as well as exports. In response to the social and economic crisis arising out of the Covid-19 breakout, the policymakers announced various regulatory measures to boost liquidity and revitalize the credit cycle.

The Indian Non-Life insurance industry maintained robust growth during Financial Year 2020 and reported a gross direct premium of USD 26.7 billion, registering a growth rate of 11.72%. Mid-term outlook is unclear owing to the Covid-19. Health insurance has become the largest line of Non-Life segment leaving motor insurance behind. During April-September 2020, health premiums increased by 15% as a result of the outbreak.

The government focuses on solvency and profitable growth of 3 state-owned insurers as it withholds their long-deliberated merger and therefore has decided a capital injection of around USD 1.3 billion. However, the mergers and acquisitions continue to be one of the hot topics in the market and last August, ICICI Lombard General Insurance and Bharti AXA General Insurance announced that they would merge their businesses by means of share swap deal. ICICI Lombard is expected to become India's third largest company in Non-Life sector with the completion of the merger.

The government of India has amended the Foreign Direct Investment (FDI) policy to allow 100% foreign investment in insurance intermediaries last February, however, the FDI limit on insurance companies remained at 49%. Since Covid-19 pandemic has strained capital in the insurance sector, the government considers raising FDI limit for insurance companies to 74% in the future.

Competitive market conditions, poor pricing in major lines such as motor, health and agriculture (approximately 80% of total Non-Life premiums) and economic reflection of Covid-19 outbreak continue to be the key factors of India's Non-Life market's outlook. As far as April 2020 renewals are concerned, the prices of loss hit non-proportional programs increased by 5% to 10%, while rate decreases up to 5% were witnessed in respect of loss-free programs. For proportional treaties, although commission levels were highly dependent on results, treaties with favorable performance have seen increases up to 8%.

Pakistan

2020 has been a difficult year for the insurance industry due to the consequences of Covid-19 pandemic, which aggravated the economic stagnation prevailing in the country. The Non-Life insurance segment was severely impacted from the Covid-19 induced disruptions in the first two quarters of the year which prompted the insurance regulator, Securities and Exchange Commission of Pakistan (SECP) to take protective measures like deferred premiums and cover extensions. The market in total is expected to grow maximum by 3% in 2020 with some underwriting profitability compensated by above average investment income.

The market, with the support of the SECP, is successful in leveraging digital solutions to improve the accessibility to insurance products. The SECP has revamped the regulatory regime by reducing obstacles in many of its regulated sectors to ensure Ease of Doing Business (EODB). The Commission is also in the process of preparing new legislation for insurance and non-banking financial sector to allow digital distribution channels in addition to issuing amendments in respect of the insurance regulation to fill the gaps in the current law and enhance market developments.

The Indian Non-Life insurance industry maintained robust growth during 2020 and reported a gross direct premium of USD 26.7 billion, registering a growth rate of 11.72%.

3%

The Pakistan insurance market in total is expected to grow maximum by 3% in 2020.

Global Reinsurance Market and Milli Re

The only prominent natural catastrophe event in 2020 was the heavy rains and floods which affected the country's financial hub Karachi in August. Given the low insurance penetration in the Region, the insured losses arising from these events were limited. Except the fire in the facilities of one of the leading cooking oil company in the country in June 2020, risk losses were also on a small scale in line with the previous year. As far as 2021 renewals are concerned, Pak Re had the first right of refusal in addition to the mandatory reinsurance share (35%) offered by all insurance companies in Pakistan. The commissions on proportional treaties with good results were mostly untouched, but there were slight reductions for contracts which performed poorly. Loss affected non proportional treaties have seen rate increases by 5% to 20%.

Eastern Europe

Deterioration in economy due to the Covid-19 outbreak has also affected Eastern Europe insurance market and caused a 3.8% decline in its premium income, which was EUR 19.1 billion for the first half of 2020. The Non-Life insurance premium accounted for 70% of the Region's total premium production, while motor insurance continued its dominance in the Non-Life premium production with 53%.

The largest financial transaction in Central Europe was the acquisition of Dutch insurance giant Aegon by Vienna Insurance Group (VIG). By acquiring the assets of Aegon in Hungary, Turkey, Poland and Romania for EUR 830 million on 29 November 2020, VIG not only strengthened its leading position in CEE but also became the largest insurer in Hungary.

While the catastrophic losses in CEE countries were relatively low, Croatia suffered from two major earthquakes in 2020. The earthquake in March with a magnitude of 5.3 affected Zagreb and caused property losses amounting to EUR 1.6 billion. On 29th of December, another earthquake occurred being the worst of the last 140 years. The epicenter of 6.4 magnitude earthquake was a small town called Patrinja and was felt in neighboring countries such as Bosnia-Herzegovina and Serbia. Thanks to low population density in the Region, devastating earthquake caused the death of only seven people and although insured loss amount is still unknown, because of the low penetration the event is not expected to create a heavy burden for the insurance industry.

In January 2021 renewals, rates movements of loss free catastrophe excess of loss programs ranged between flat to 7.5% up. In respect of risk excess of loss programs, rates were up by 5% to 20% for loss hit and around 3% for loss free treaties.

Deterioration in economy due to the Covid-19 outbreak has affected Eastern Europe insurance market and caused a 3.8% decline in its premium income, which was EUR 19.1 billion for the first half of 2020.

7.5%

In Eastern Europe insurance market's January 2021 renewals, rates movements of loss free catastrophe excess of loss programs ranged between flat to 7.5% up.

Russia

Russian economy is primarily dependent on oil and natural gas exports, which make roughly 40% of the federal budget. The significant decrease in crude oil prices as well as in the demand for refined products due to restrictive measures taken to suppress the spread of Covid-19, ultimately caused a fall in country's financial income and a further weakening of the Rubles against hard currencies in 2020. Hence in April 2020, Russia made an agreement with its Organization of Petroleum Exporting Countries (OPEC) and non-OPEC allies for 10 million barrel per day production cut in order to stabilize the oil price.

Deterioration of economic activity, lockdowns and other measures taken by the government to prevent virus spread have led to a decline in both premiums and claims of the Russian insurance market. In addition to this, depreciation of Rubles against hard currencies fast forwarded the drastic fall in premium income by almost 22% in the first 3 quarters of 2020 compared to the same period of the previous year. The market premium income was EUR 12.2 billion as at September 2020 compared to EUR 15.7 billion of the same period of 2019. In parallel with the reduced premium level, paid claims also declined by 19% compared to 2019 in consequence of the Covid-19 restrictions. Similar to the previous years, Non-Life insurance generating 74% of premiums of the overall market premiums, made the most significant contribution to Russian insurance market in 2020

In May 2020, a major industrial disaster occurred at the vicinity of Norilsk, where a fuel storage tank at Norilsk-Taimyr Energy's Thermal Power Plant failed and almost 21,000 tons of diesel oil flooded out, affecting an immediate area of 18 hectares, the nearby Daldykan River, a tributary of the Ambarnaya River and contaminating an area of 350 square kilometers. Being the second largest oil spill in the Country's history, the incident has been declared as a state of emergency. The environmental damage is estimated to cost around EUR 1.7 billion by the Russian Environmental Regulator although insured loss amount is yet to be determined. It is anticipated that various liability lines will cause a burden on the insurance market as a result of this loss.

There have not been any other any significant risk losses in 2020 in Russia, which is a non-Cat market. However, reinsurance costs of Russian insurers increased owing to both depreciation of Rubles and stricter terms and conditions prevailing in the market. Unlike the previous renewals, loss affected programs have seen rate increases of 10% to 20%, while rates for loss free programs either remained stable or reduced slightly in January 2021 renewals.

International Portfolio 2020 Results

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

A significant portion of the international portfolio is made up of emerging markets business from countries that fall under the scope of FAIR Reinsurance Pool, which has been managed by Milli Re since its establishment in 1974. Additionally, having started its operations in 2008, Milli Re Singapore Branch continues to work efficiently in the Far East, a region which represents significant potential. In 2020, Milli Re maintained its position as a preferred business partner by providing reinsurance capacity to 123 companies in nearly 50 countries in the emerging markets.

Milli Re continue to support its existing business partners within the scope of its overseas activities by prioritizing long-term business relationships based on solid foundations and rapidly responding to the changing market conditions, as well as taking the necessary steps to increase profitability with portfolio diversity by acquiring new businesses in line with its risk appetite.

Global Reinsurance Market and Milli Re

Within the framework of the strategy to develop international activities, Milli Re have been underwriting business from developed markets by participating in conventional reinsurance contracts of leading global reinsurers as well as providing capacity to a few Lloyd's syndicates.

In addition to the factors such as excess reinsurance capacity, increasing competition, political instability and compulsory reinsurance cession to protect national markets, the premium written from the international markets contracted in comparison with the previous year, on the back of the non-renewed accounts due to various reasons.

On the other hand in 2020, the underwriting result for the international book of business was TL 31.1 million profit due to the diminishing impact of losses arising from 2017-2018 catastrophe events mainly affecting the developed markets portfolio, declined loss reserves related with Typhoon Hagibis and Faxai which occurred in the second half of 2019, coupled with the limited effect of natural catastrophe losses occurred in 2020 including Covid-19 losses, which is expected to take some more years to fully develop.

International Premium by Lines of Business	Share (%)
Fire	58
Agriculture	13
Engineering	10
Marine	7
Land Vehicles	5
Land Vehicles Liability	3
Personal Accident	2
Other*	2
Total	100

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

In 2020, Milli Re maintained its position as a preferred business partner by providing reinsurance capacity to 123 companies in nearly 50 countries in the emerging markets.

International Portfolio	2020	2019	2018	2017	2016
Premium (TL)	485,057,495	598,041,994	409,133,471	267,568,952	231,239,381
Share in Total Premium (%)	26.6	36.1	31.0	24.6	24.9

Financial Strength, Profitability and Solvency

Milli Re's premium production reached TL 1,820 million increasing by 10%, while paid losses amounted to approximately TL 1,053 million. The Company booked a net profit of TL 349 million in 2020.

Company's Liquid Assets correspond to 50% of Total Assets. Milli Re fulfilled all its legal and commercial liabilities in 2020 thanks to its strong asset structure and balanced maturity distribution of invested assets.

Details on technical results are presented in the "2020 Technical Results" section.

Financial Results (TL million)	2020	2019	Change (%)
Total Assets	5,506	4,532	21.50
Shareholders' Equity	2,639	2,136	23.54
Technical Income	1,974	1,754	12.58
Technical Profit/Loss	62	85	(26.55)
Financial Income	685	661	3.62
Financial Profit/Loss	286	227	25.80
Profit/Loss for the Period	349	313	11.55

Paid-up Capital (TL million)

Liquid Assets (TL million)

Premium Income (TL million)

Profit for the Period (TL million)

Shareholders' Equity (TL million)

Technical Profit (TL million)

Key Financial Indicators

Assets (TL)	2020	2019	2018
Cash and Cash Equivalents	1,592,117,064	1,754,800,717	1,742,214,225
Securities	1,158,954,397	520,755,751	159,988,747
Affiliates	1,387,229,861	1,064,041,303	768,947,999
Fixed Assets	673,646,023	639,470,512	606,233,234
Total Assets	5,506,298,142	4,531,965,239	3,738,241,986
Liabilities			
Technical Provisions	2,684,224,103	2,235,100,571	1,842,662,679
Shareholders' Equity	2,638,633,525	2,135,840,889	1,736,300,262
Income and Expense Items			
Technical Income	1,974,445,716	1,753,841,699	1,523,163,876
Technical Expenses	(1,911,969,994)	(1,668,777,912)	(1,422,503,672)
Technical Profit/Loss	62,475,722	85,063,787	100,660,204
Financial Income	685,087,147	661,184,678	644,537,098
Financial Expenses	(368,475,610)	(403,360,732)	(425,812,893)
General Expenses	(30,488,351)	(30,377,119)	(41,170,997)
Financial Profit/Loss	286,123,186	227,446,827	177,553,208
Profit/Loss for the Period	348,598,908	312,510,614	278,213,412

Key Ratios (%)	2020	2019	2018
1. Capital Adequacy Ratios			
Gross Premiums/Shareholders' Equity	76	86	79
Shareholders' Equity/Total Assets	43	43	44
Shareholders' Equity/Net Technical Provisions	89	87	90
2. Asset Quality and Liquidity Ratios			
Liquid Assets/Total Assets	50	50	51
Liquidity Ratio	161	159	154
Current Ratio	124	121	121
Premium and Reinsurance Receivables/Total Assets	8	8	8
3. Operational Ratios			
Retention Ratio	87	88	87
Paid Claims/Paid Claims+Outstanding Claims	38	40	39
4. Profitability Ratios			
Gross			
Loss Ratio	76	82	84
Expense Ratio	27	26	27
Combined Ratio	103	108	111
Net			
Loss Ratio	86	87	93
Expense Ratio	31	30	31
Combined Ratio	117	117	124
Profit Before Tax/Gross Written Premiums	21	21	23
Gross Financial Profit/ Gross Written Premiums	17	16	16
Technical Profit/Gross Written Premiums	4	5	7
Profit Before Tax/Average Total Assets	7	8	8
Profit Before Tax/Average Shareholders' Equity (Excluding Profit)	18	21	22

Key Figures	2020	2019	2018	2017	2016*
Gross Premiums	1,820,275,306	1,658,819,927	1,320,177,533	1,085,712,889	929,965,931
Technical Division Balance	62,475,722	85,063,787	100,660,204	63,180,784	85,088,498
Investment Income	685,087,147	661,184,678	644,537,098	378,157,716	320,507,563
Investment Expenses	(368,475,610)	(403,360,732)	(425,812,893)	(192,041,506)	(175,258,106)
Other Income and Expenses	(1,457,582)	6,850,022	(13,488,014)	(2,143,249)	(23,167,772)
Gross Profit/Loss for the Period	377,629,677	349,737,755	305,896,395	247,153,745	207,170,184
Taxation	(29,030,769)	(37,227,141)	(27,682,983)	(44,131,400)	(3,558,844)
Profit/Loss for the Period	348,598,908	312,510,614	278,213,412	203,022,345	203,611,340
Shareholders' Equity	2,638,633,525	2,135,840,889	1,736,300,262	1,587,067,868	1,423,976,225
Total Assets	5,506,298,142	4,531,965,239	3,378,241,986	3,179,504,466	2,816,938,598

*2016 results were restated according to the equity method.

Company Capital

Company's capital adequacy is calculated in accordance with the principles set out in the "Regulation on the Measurement and Evaluation of Capital Adequacy of Insurance, Reinsurance and Pension Companies" published in the Official Gazette issue 29454 dated 23 August 2015. According to the calculation based on the principles specified by the Regulation, Milli Re had a surplus of TL 1,813 million as at end of 2020.

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

Capital Adequacy (TL million)	2020*	2019	2018
Required Capital	719	581	467
Available Capital	2,532	1,985	1,546
Capital Adequacy Result	1,813	1,403	1,079

* 2020 was restated according to the "Circular (2021/2) on Reinsurance Companies Satisfying Fiscal and Technical Criteria". Hence, it differs from Note 4.2 Financial Risk Management under Footnotes to the Consolidated and Unconsolidated Financial Statements as at year end 31 December 2020.

2020 Technical Results

Milli Re's premium income increased by 9.73% on a year-on-year basis and reached TL 1,820,275,306 in 2020. Paid claims increased by 6.69% and were recorded as TL 1,052,685,037 as at the end of 2020.

Premium Production (TL)

Line of Business	2020	2019	2018
Accident	30,010,309	27,302,812	29,228,125
Health	7,369,444	8,029,501	6,949,085
Land Vehicles	27,526,323	38,102,445	34,067,419
Railway Vehicles	-	-	-
Air Vehicles	1,108216	735,239	522,708
Sea Vehicles	66,963,918	45,936,915	36,025,194
Marine	71,603,752	52,994,825	50,733,243
Fire & Natural Disasters	1,005,205,113	977,897,738	688,500,691
General Damages	461,653,743	367,787,905	358,625,948
Land Vehicles Liability	46,154,678	46,795,194	41,101,168
Air Vehicles Liability	-	-	-
Sea Vehicles Liability	-	28,056	24,404
General Liability	62,590,682	70,219,885	51,426,124
Credit	836,401	490	-
Fidelity Guarantee	1,546,349	1,195,108	688,030
Financial Losses	4,364,980	4,087,588	1,552,706
Legal Protection	426,945	382,386	418,001
Total Non-life	**1,787,360,853**	**1,641,496,087**	**1,299,862,846**
Life	**32,914,453**	**17,323,840**	**20,314,687**
Total	**1,820,275,306**	**1,658,819,927**	**1,320,177,533**

2020 Premium Production

Geographical Breakdown	TL	%
Turkey	**1,335,217,811**	**73**
Asia	**316,753,906**	**17**
Asia	223,354,148	12
Middle East	86,518,999	5
Europe	**82,318,632**	**4**
Western Europe	23,522,583	1
Central & Eastern Europe	58,796,049	3
Worldwide	**31,145,666**	**2**
Others (incl. America)	**43,818,440**	**3**
Africa	**11,020,850**	**1**
	1.820.275.306	**100**

2020 Technical Results

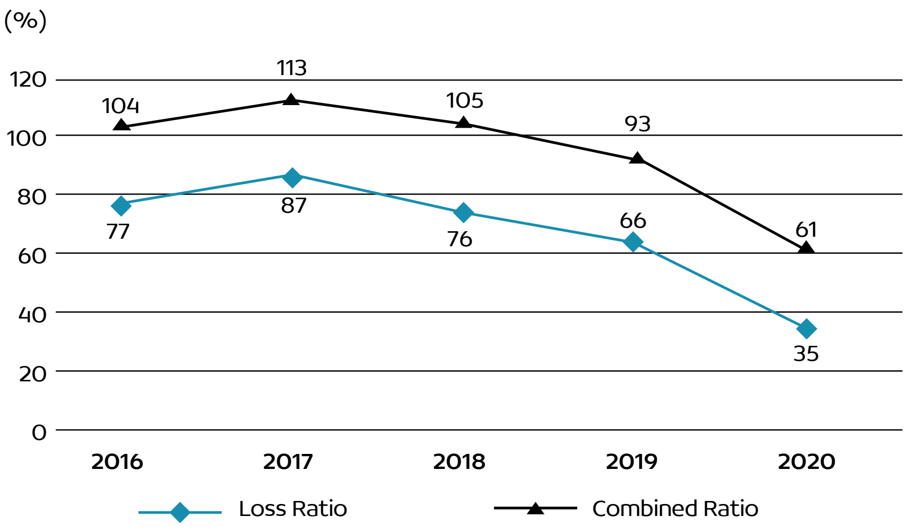
Mill Re's technical operations resulted with TL 62.5 million of profit, mainly owing to an improved loss ratio further to an increased premium income, as well as with the contribution of other income and expense accounts and net income transferred from non-technical accounts.

Technical Profitability (TL)

Line of Business	2020	2019	2018
Accident	16,685,999	19,270,398	9,654,743
Health	18,907,237	(23,654,163)	336,021
Land Vehicles	1,675,359	(2,082,930)	5,243,438
Railway Vehicles	-	-	-
Air Vehicles	937,843	822,139	(134,925)
Sea Vehicles	(9,088,680)	(13,176,073)	(4,004,357)
Marine	23,772,585	21,999,869	18,564,180
Fire & Natural Disasters	229,434,666	110,252,677	97,531,101
General Damages	(88,032,362)	(4,986,851)	1,768,730
Land Vehicles Liability	(31,938,298)	(8,741,515)	(29,263,167)
Air Vehicles Liability	-	-	-
Sea Vehicles Liability	(85,492)	729,938	(350,778)
General Liability	(59,302,976)	5,898,370	(4,138,904)
Credit	(426,313)	(29,278)	(188,397)
Fidelity Guarantee	(740,583)	(205,730)	(535,041)
Financial Losses	(42,944,706)	(25,064,359)	(283,129)
Legal Protection	479,235	418,611	1,021,919
Total Non-life	**59,333,514**	**81,451,103**	**95,221,434**
Life	**3,142,208**	**3,612,684**	**5,438,770**
Total	**62,475,722**	**85,063,787**	**100,660,204**

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

Technical Ratios per Underwriting Year



2020 Financial Results

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

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

Investment Income

In relation to the investment portfolio predominantly consisting of time deposits, income on time deposits declined due to the deposit interest rates that were lower during the current period compared to the previous year, and due to the fact that the portfolio was directed towards other security rather than time deposits; as a result there was a decline in the "income from financial assets" item.

In the current period, there was a significant rise in the income from disposal of financial assets with the effect of disposal of mutual funds.

Valuation of financial assets increased significantly, in connection with the valuation of investments in TL deposit accounts, corporate bonds and bills, Eurobonds and mutual funds, despite the decline in the valuation of government bonds.

On a year-over-year basis, the rise in exchange rates reflected positively on foreign exchange gains in 2020.

The rise in income from subsidiaries item was driven by the dividend income from Anadolu Hayat Emeklilik, the Company's subsidiary.

There was an increase in the income from subsidiaries and joint ventures item in the reporting period due to the rise in the dividend income from the Company's subsidiary, Anadolu Anonim Türk Sigorta Şirketi.

Although rental fees were partially collected in order to support tenants of the Company's properties during the challenging circumstances imposed by the Covid-19 pandemic, the market values of the properties held for investment increased remarkably over the prior period as per survey reports leading to an increase in income from property plant and equipment.

(TL)	2020	2019	Change (%)
Investment Income	**685,087,147**	**661,184,678**	**3.62**
Income from Financial Assets	155,278,239	288,894,987	(46.25)
Income from Disposal of Financial Assets	48,320,501	10,190,719	374.16
Valuation of Financial Assets	27,971,300	(7,692,608)	+
Foreign Exchange Gains	94,862,946	61,769,977	53.57
Income from Subsidiaries	65,656,632	44,942,194	46.09
Income from Subsidiaries and Joint Ventures	2331,971,961	216,410,793	7.19
Income from Property Plant and Equipment	60,771,090	46,591,631	30.43
Income from Derivative Transactions	-	18,985	-
Other Investments	254,478	58,000	338.76

2020 Financial Results

Investment Expenses

There was a slight increase in the Loss from Disposal of Financial Assets due to the disposal of fund shares predominantly constituted by share certificates since greater weight was given to funds backed by fixed-income securities.

While depreciation costs increased upon the reinsurance software's going live, other investment expenses declined in conjunction with the decreased income subject to expenditure tax.

During the current period, foreign exchange losses decrease due to the increase of exchange rates.

(TL)	2020	2019	Change (%)
Investment Expenses	**(368,475,610)**	**(403,360,732)**	**(8.65)**
Investment Management Expenses - (Incl. Interest)	(78,988)	(44,377)	77.99
Loss from Disposal of Financial Assets	(1,586,173)	(1,345,499)	17.89
Investment Income Transferred to Non-life Technical Account	(316,455,994)	(348,001,715)	(9.06)
Foreign Exchange Losses	(20,493,502)	(31,632,288)	(35.21)
Depreciation and Amortization Expenses	(16,136,886)	(4,170,943)	286.89
Other Investment Expenses	(13,724,067)	(18,165,910)	(24.45)

Income and Expenses from Other and Extraordinary Operations

While a higher amount of deferred tax income was generated under the Income and Expenses from Other and Extraordinary Operations item because of the weighted impact of the rise in equalization reserve, unexpired risk reserves and additional fund deficit reserves, deferred tax income declined due to the reversals in the previous period.

On the other hand, the rise in the additional fund deficit reserves as compared to the previous year negatively affected the reserves account.

(TL)	2020	2019	Change (%)
Income and Expenses From Other and Extraordinary Operations	**(1,457,582)**	**(6,850,022)**	**(121.28)**
Provisions	(21,990,214)	(13,080,686)	(68.11)
Rediscounts	495,757	(299,165)	+
Deferred Taxation (Deferred Tax Assets)	7,274,347	9,740,590	(25.32)
Other Income	12,788,554	10,607,605	20.56
Other Expenses and Losses	(26,026)	(118,322)	(78.00)

Corporate Tax Liability Provision on Period Profit

The decrease in the corporate tax liability provision basically stems from the increased disallowable income although the taxable income in the current period was higher compared to the previous period.

As a result, the Company posted a net profit of TL 348,598,908 in 2020.

General Assembly Agenda

MİLLÎ REASÜRANS T.A.Ş.

AGENDA FOR THE GENERAL ASSEMBLY HELD ON 30 MARCH 2021

1. Opening and formation of the Presiding Board,
2. Reading and discussion of the 2020 Activity Report drawn up by the Board of Directors,
3. Reading of the Statutory Auditors' report,
4. Reading, discussion and approval of the Company's Financial Statements for 2020,
5. Approval of the election made pursuant to Article 363 of the Turkish Commercial Code and Article 12 of the Articles of Association for the member's seat on the Board of Directors vacated during the reporting period,
6. Declaration of the Board of Directors,
7. Determination of the manner and date of distribution of profit,
8. Election for the seats on the Board of Directors,
9. Determination of Statutory Auditor,
10. Determination of the remuneration to be paid to the members of the Board of Directors,
11. Authorizing the Board of Directors to perform the transactions set out in Articles 395 and 396 of the Turkish Commercial Code.

Report by the Board of Directors

Distinguished Shareholders,

We respectfully present the balance sheet, income statement, profit distribution statement, statement of changes in equity, and the cash flow statement showing the results achieved in 2020, marking the Company's 92nd year of operation, for the assessment and approval of the Esteemed Assembly. These documents are prepared in line with the provisions of applicable legislation and the principles and guidelines set out by the Republic of Turkey Ministry of Treasury and Finance.

After the deceleration in 2019, as a result of the precautions taken in order to control the Covid-19 pandemic, the world economy has come to a standstill in 2020 and the global growth outlook deteriorated remarkably. The monetary and fiscal policy measures taken by the countries helped recuperating the initial shock, the decreasing number of cases as well as the normalization steps taken towards summer promoted the recovery in economic activities while the vaccine development studies had been another factor promoting positive expectations. Yet, the total number of cases going up once again in the last quarter of the year pointed out to the risks which could put pressure on medium-term outlook until the pandemic is completely under control.

With the impact of the crisis observed in the second half of 2020 and in 2021 as a result of the pandemic, the substantial increase in developing countries' need for external financing as well as these countries with high debt ratio going through a crisis and facing greater burden during the mentioned period, stood out as other factors which could negatively impact the global economic risk outlook.

In 2020, in addition to the uncertainties regarding the protective trade policies, geopolitical developments had an influence on the global economic activity as well. U.S. Presidential Elections which took place in the second half of the year and the developments related to the trade deal which will govern the post-Brexit economic relationships between EU and England were the main items on global political agenda.

Although international organizations forecasted world economy to grow by 3% in 2020, with the impact of the pandemic, they revised their estimates to around 3.5% contraction. For 2021, with the contribution of base effect, they projected global economy to grow by 5.5%.

Even though Turkey's economy made a strong start to 2020, in line with the global trends considering the impacts of the pandemic, it lost momentum and current account balance deteriorated as a result of the contraction in the tourism sector. Contracting sharply in the second quarter, with the help of monetary and economic measures taken, the economy showed a quick recovery in the third quarter and the annual growth rate has been registered as 6.7% for the mentioned period. The CBRT which took a supportive position in the first half of 2020 as a response to the economic weakening, gradually stepped back considering the rising risks with respect to the inflation outlook and started to implement tight monetary policy.

The total cost of the natural catastrophes to the global economy was around USD 210 billion in 2020. As a result of the global insured losses which went up to USD 82 billion by increasing 57% on an annual basis, 2020 has been the fifth costliest year on record for the industry. While great portion of the natural disasters affected many developing countries in Asia, where the insurance penetration remains very low and were caused by secondary perils such as hail, flood and wildfire which are not as widely insured as hurricane, only 40% of the global losses were insured.

In 2020, which witnessed the most active Atlantic hurricane season ever in history with record breaking number of events, majority of the global industry losses amounting to USD 67 billion, emanated from the natural disasters which occurred in U.S. On the other hand, severe weather conditions prevailed during the first half of the year in Europe and Winter storm Sabine, which affected Germany, Austria, Switzerland, France, United Kingdom and Ireland stood out as one of the costliest events for the insurance industry. Asia has been impacted by devastating natural disasters in 2020 as well; Cyclone Amphan which stroke India and Bangladesh destroyed more than 3 million houses and caused heavy damages to infrastructure and agricultural fields. However, due to the low insurance penetration, the insured losses remained to be very limited. In China, massive flood incidences have been recorded as a result of the monsoon rains and also the Meiyu front which brought along torrential seasonal rainfalls.

Considering its social and economic disruptions, the Covid-19 pandemic, which is described to be the biggest challenge humanity faced since Second World War, has undoubtedly been the hottest topic in 2020 for the insurance and reinsurance industry as well. Even though total insured losses amounted to only USD 29.5 billion by the end of 2020; due to the reasons such as the ongoing lawsuits regarding business interruption claims as well as the unforeseeable duration of the pandemic, it's expected that the pandemic related losses will take a while to fully develop and the total insured loss amount would exceed USD 100 billion.

Total reinsurance capital, including alternative capital, which declined in the first quarter of the year, showed a recovery in the following period and reached 2019 year-end figure of USD 625 billion by the end of third quarter 2020. In addition to the large losses recorded in recent years, the pressure on alternative capital investors due to the uncertainty caused by the Covid-19 pandemic as well as the issues such as climate change, catastrophe model credibility and deterioration of the losses stood out as important factors affecting the appetite of investors.

According to 2020 year-end figures released by the Insurance Association of Turkey, insurance industry in Turkey produced TL 82.6 billion premium with an increase of 19% compared to 2019. This amount reflects the double counting effect emanating from the "High Risk Insurance Pool" for Land Vehicles Liability Insurance as well as the business ceded by the companies through fronting arrangements without retaining any liability. 82.5% of the total premium was generated by Non-Life and 17.5% from Life insurance.

Previous year, due to the continued growth in loan volume as well as the increase recorded in housing sales as a result of the significant decline seen in housing loan interest rates, there has been 27% nominal growth in life insurance and its share in total premium production increased from 16% in 2019 to 17%. While a growth of 18% on nominal basis was recorded in Non-Life businesses, in real terms growth was around 3%. As a result of the pandemic conditions, ongoing price cap implementation and the sluggish vehicle sales compared to previous years, the premium income of Land Vehicles Liability and Land Vehicles business lines, which have predominant weight in total industry premium, showed a limited growth of 11% on nominal basis and constrained the overall Non-Life premium production as well.

Even though it is not within the scope of cover, the industry's decision to compensate for pandemic related diagnosis and treatment costs without charging any additional premium strengthen the positive perception towards Health Insurance and increased the demand for Private Health and Complementary Health Insurance. The premium income for the business line achieved 21% growth in 2020. Having 16% share in total industry premium production, the premium income of Fire and Natural Catastrophe Perils showed 25% upward movement in nominal terms, which corresponds to 9% growth in real terms. Factors such as increase in housing sales with the impact of the decline recorded in housing loan interest rates at the beginning of June, the sum insured amounts and premiums of a significant portion of the renewed policies for commercial and industrial risks being indexed to foreign exchange or inflation as well as the increased public awareness in the aftermath of earthquake disasters occurred in 2020 and the new earthquake tariff, contributed to the premium growth of the business line.

With its know-how in the local market, experience as well as the reputation earned in the eyes of the international reinsurance companies and its strong financial structure, Milli Re participates in a significant number of the reinsurance programs of companies operating in the Turkish insurance market, most of which have international shareholders. Providing capacity to 21 companies that utilized reinsurance cover on proportional basis in 2021, Milli Re leads 16 bouquets and has 27% market share.

Continuing its operations successfully since 1929 with its well-established corporate culture and experience; starting in 2006, Milli Re focused on underwriting business from the international markets as part of its strategy to expand to international markets. Our Singapore Branch, which started its operations in 2008 in line with this strategy, marked its 14^{th} year of operation. Providing reinsurance capacity to 123 ceding companies operating in over 50 countries, Milli Re remains to be a preferred business partner in the international markets.

Being one of the most powerful players in the region, Milli Re continues with its digital transformation at full speed in order to increase its productivity in line with its aim to sustain its leader position in the local market and be a preferred business partner in the international markets.

The pandemic which had a worldwide impact since March 2020 affected all aspects of life, especially health and economy, and caused substantial changes in working conditions. As part of the precautions taken in order to minimize the risks for our employees, their family members and the general public health while ensuring business continuity, our Company adapted to remote working conditions starting in March. In the new working practice according to which maximum 75% of our employees worked from home as of June, our company carried out its activities successfully owing to the advantages provided by the information technologies infrastructure as well as the sanitary measures taken.

The total premium production of our Company by the end of 2020 reached TL 1,820 million indicating a year-on-year growth of 9.7%. 73% of total premium amounting to TL 1,335 million was obtained from local business while 27% equaling to TL 485 million originated from international markets. In 2020, taking into account the investment income and expense transferred from non-technical operations, our Company obtained a profit of TL 62.5 million in respect of our technical operations and TL 286.1 million from financial operations and closed the 2020 operating year with a profit of TL 348.6 million. The assets of our company reached TL 5,506 million and shareholders' equity was TL 2,639 million as at the end of 2020.

We would like to thank our esteemed stakeholders for being the greatest supporters of our Company, while it continues to carry forward its reputation and reliability that has been gained over the 92 years of operation, and its efforts to be a preferred business partner with its strong financial structure.

Sincerely yours,

BOARD OF DIRECTORS

Dividend Distribution Policy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dividend Distribution Proposal

Out of TL 381,115,664	that constitutes the pretax profit reported in 2019 balance sheet,
Less TL 29,030,769 Yielding TL 352,084,895	to be set aside as provision for taxes provided that there is a balance after accrual of taxes, such balance will be added to legal reserves; which is the pretax profit reported in 2019 balance sheet,
TL 17,604,245 from the remaining amount of TL 334,480,650	which is 5% pretax profit, set aside for legal reserves as per section 27/a of the Articles of Association;
TL 33,448,065 from the remaining amount of TL 301,032,585	which is 10% of pretax profit, be distributed to shareholders as first dividend, as per section 27/c of the Articles of Association,
TL 4,231,201 from the remaining amount of TL 296,801,384	for distribution to the personnel, as per section 27/f of the Articles of Association,
a total of TL 9,551,935 from the remaining amount of TL 287,249,449	be set aside for second dividend, as per section 27/g of the Articles of Association
TL 1,423,120 from the remaining amount of TL 285,826,329	be set aside as statutory reserves as per Article 519/2 (c) of the Turkish Commercial Code
TL 17,000,000 the entirety of the remaining amount of TL 268,826,329	to be set aside for acquiring venture capital mutual fund participation shares under Article 325/A of the Tax Procedure Law and Article 10 of the Corporate Tax Law be transferred to retained earnings.

Provided that the proposal presented above is approved by your Esteemed Assembly, profit share distribution will take place on 31 March 2021. We extend our thanks to our business partners and our employees who contributed to the positive results achieved in 2020.

BOARD OF DIRECTORS

05

RISKS AND ASSESSMENT OF THE GOVERNING BODY

Risk Management Practices

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

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

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

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

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

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

Basic Risks and Measurement Methods

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

Financial Risks

Underwriting Risk

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

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

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

Credit Risk

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

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

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

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

Asset-Liability Management Risk

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

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

a) Market Risk

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

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

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

- Backtesting
- Stress Tests
- Scenario Analysis

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

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

Risk Management Practices

b) Structural Interest Rate Risk

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

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

c) Liquidity Risk

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

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

d) Capital Investment Risk

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

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

e) Real Estate Investment Risk

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

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

Non-Financial Risks

Operational Environment Risk

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

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

Strategy Risk

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

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

Model Risk

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

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

Operational Risk

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

Qualitative and quantitative methods are used together in measuring the operational risk. Factor Based Standard Approach is applied as a quantitative method. In this method, the required capital for operational risks is calculated by multiplying gross technical provisions and gross earned premiums by the factors in respect of the relevant lines of business.

“Self-Assessment Methodology”, which allows determination of the risks related to activities conducted with the involvement of staff performing such activities, is applied as a qualitative method for operational risk. The level of the operational risk that the Company is exposed to is subsequently classified as “High”, “Acceptable” or “Low” depending on the result of the assessments.

Reputation Risk

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

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

Information Technologies Risk

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

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

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

All findings obtained as a result of measurement of the above mentioned risks, analyses and assessments in respect of these findings are regularly reported by Internal Control and Risk Management Department to General Manager, Risk Committee and Board of Directors, as well as to Subsidiaries Division of İşbank.

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

Assessment of Capital Adequacy

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

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

Transactions Carried out with Milli Re’s Risk Group

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

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

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

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

The Annual Reports of the Parent Company in the Group of Companies

a) The Parent Company Milli Re holds shares representing 57.31% of the capital of Anadolu Anonim Türk Sigorta Şirketi directly, and 1% and 12.46% of the capital of Anadolu Hayat ve Emeklilik A.Ş. directly and indirectly, respectively.

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

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

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Millî Reasürans Türk Anonim Şirketi

A) Report on the Audit of the Unconsolidated Financial Statements

1) Opinion

We have audited the unconsolidated financial statements of Millî Reasürans Türk Anonim Şirketi (the Company), which comprise the unconsolidated statement of financial position as at December 31, 2020, and the unconsolidated statement of income, unconsolidated statement of changes in equity, unconsolidated statement of cash flows and statement of profit distribution for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2020, and its unconsolidated financial performance, its unconsolidated cash flows and its profit distribution for the year then ended in accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Financial Reporting Standards decree for the matters not regulated by insurance legislation; "Insurance Accounting and Financial Reporting Legislation".

2) Basis for Opinion

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

3) Key Audit Matters

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

Key audit matter	***How our audit addressed the key audit matter***
Incurred But Not Reported Outstanding Claims Reserve	
As of December 31, 2020, the Company has insurance liabilities of TL 2.684.224.103 representing 49% of the Company's total liabilities. The Company has reflected a net provision of TL 1.631.453.741 for the future outstanding claims for insurance contracts. In the calculation of Incurred But Not Reported (IBNR) claims provisions (net negative amount of TL 264.569.654) which is accounted under the outstanding claims reserves, the Company Management has used the actuarial assumptions and estimates detailed in note 2 and 17. The significance of the provision amount allocated for compensations for incurred but not reported losses within Company's unconsolidated financial tables and also the calculations of such provisions include significant actuarial judgements and forecast, IBNR calculations has been considered as a key audit matter.	We have performed the audit procedures related the actuarial assumptions which disclosed in the Note 2 and 17 together with the actuary auditor who is part of our audit team. These procedures are primarily intended to assess whether the estimates and methods that used in the calculation of the outstanding claims reserve by the Company are appropriate. In this context, we have performed the audit procedures related to the recording the Company's incurred outstanding claims; performed the analytical review, performed detailed testing on the incurred case files which selected randomly; have performed the audit procedures related to the completeness of the data used in the calculation of insurance contract liabilities; assessed the properness of the IBNR calculation method used by the Company for each line of businesses both the relevant claim characteristics and the Company's claim history; performed the recalculation procedure on the amount of IBNR calculated by the Company; reviewed the claim analyzes made by the Company's actuary and questioned these analyzes in terms of suitability and consistency of both legislation and Company past experience; assessed whether the disclosures in the notes of the financial statements are sufficient.

INDEPENDENT AUDITOR'S REPORT

Valuation of investment properties and properties for own use and significant information disclosed	
As explained in note 2, 6 and 7, the Company recognizes investment properties and properties for own use at their fair values, after initial recognition. As of December 31, 2020, fair value amount of the investment properties and properties for own use disclosed in the unconsolidated financial statements amounts to TL 458.821.000 and TL 180.163.740 respectively, as determined by independent appraisal firms and details of the valuation have been disclosed in note 2, 6 and 7. Due to the fact that investment properties and properties for own use are a significant part of the Company's assets and applied valuation methods contain significant judgements and assumptions, we have considered the valuation of properties as a key audit matter.	We assessed the qualifications, competencies and independence of the professional appraisers engaged by the management. In our audit, we assessed whether the valuation methods as applied by appraisers are acceptable for valuation of the underlying property. We reconciled the appraised value for independent sections in the valuation report with disclosed amount in note 6 and 7. In addition, we reconciled standing data included in the valuation report such as rental income, duration of lease contracts, occupancy rates and administration expenses to source documents. Among the other audit procedures we performed, we verified the assumptions used by the external appraisers in their valuations (including the discount rate, the market rent and the expected occupancy rates) against external data. For this assessment we involved internal valuation experts in our audit procedures. Due to the high level of judgment in the valuation of investment property and properties for own use and the existence of alternative assumptions and valuation methods, we assessed if the result of the external valuation is within an acceptable range. We also examined the suitability of the information in the financial statements and explanatory note, given the importance of this information for users of the financial statements.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 - December 31, 2020 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
2) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

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

Fatih Polat, SMMM
Sorumlu Denetçi

25 Mart 2021
İstanbul, Türkiye

Millî Reasürans Türk Anonim Şirketi

CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON THE UNCONSOLIDATED FINANCIAL STATEMENT PREPARED AS OF DECEMBER 31, 2020

We confirm that the unconsolidated financial statements and related disclosures and footnotes as of December 31, 2020 which were prepared in accordance with the accounting principles and standards in force as per the regulations of Republic of Turkey Ministry of Treasury and Finance are in compliance with the "Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies" and the financial records of our Company.

Istanbul,
February 24, 2021

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

CONTENTS

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2020

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

ASSETS

I- Current Assets	Note	Audited Current Period December 31, 2020	Audited Prior Period December 31, 2019
A- Cash and Cash Equivalents	**4.2,14**	**1.592.117.064**	**1.754.800.717**
1- Cash	4.2,14	21.439	60.119
2- Cheques Received	4.2,14	400.138	240.000
3- Banks	4.2,14	1.591.695.487	1.754.500.598
4- Cheques Given and Payment Orders (-)		-	-
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months		-	-
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Investments with Risks on Policy Holders	**11**	**1.158.954.397**	**520.755.751**
1- Financial Assets Available for Sale	11	975.166.126	527.710.291
2- Financial Assets Held to Maturity		-	-
3- Financial Assets Held for Trading	11	190.742.811	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders		-	-
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)	11	(6.954.540)	(6.954.540)
C- Receivables From Main Operations	**4.2,12**	**265.641.807**	**178.472.108**
1- Receivables From Insurance Operations		-	-
2- Provision for Receivables From Insurance Operations (-)		-	-
3- Receivables From Reinsurance Operations	4.2,12	174.596.149	125.367.512
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited For Insurance & Reinsurance Companies	4.2,12	91.045.658	53.104.596
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Pension Operation		-	-
9- Doubtful Receivables From Main Operations		-	-
10- Provisions for Doubtful Receivables From Main Operations (-)		-	-
D- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
E- Other Receivables	**4.2,12**	**1.604.433**	**1.746.065**
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given	4.2,12	510.403	405.543
4- Other Receivables	4.2,12	1.094.030	1.340.522
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables	4.2,12	832.788	754.788
7- Provisions for Other Doubtful Receivables (-)	4.2,12	(832.788)	(754.788)
F- Prepaid Expenses and Income Accruals		**250.765.325**	**199.958.501**
1- Deferred Commission Expenses	17	200.379.888	186.668.623
2- Accrued Interest and Rent Income		-	-
3- Income Accruals	4.2	20.892.868	12.380.768
4- Other Prepaid Expenses	4.2	29.492.569	909.110
G- Other Current Assets		**12.161.384**	**7.095.926**
1- Inventories		105.755	119.748
2- Prepaid Taxes and Funds	12, 19	11.092.252	6.312.824
3- Deferred Tax Assets		-	-
4- Job Advances	4.2,12	106.950	10.000
5- Advances Given to Personnel		-	-
6- Stock Count Differences		-	-
7- Other Current Assets		856.427	653.354
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		**3.281.244.410**	**2.662.829.068**

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

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2020

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

ASSETS

II- Non-Current Assets	Note	Audited Current Period December 31, 2020	Audited Prior Period December 31, 2019
A- Receivables From Main Operations		**163.933.921**	**165.250.624**
1- Receivables From Insurance Operations		-	-
2- Provision for Receivables From Insurance Operations (-)		-	-
3- Receivables From Reinsurance Operations	4.2,12	50.447.197	68.753.775
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited for Insurance & Reinsurance Companies	4.2,12	113.486.724	96.496.849
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables From Pension Operations		-	-
9- Doubtful Receivables from Main Operations	4.2,12	35.056.517	28.638.564
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(35.056.517)	(28.638.564)
B- Due from Related Parties		**-**	**-**
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
C- Other Receivables		**-**	**-**
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
D- Financial Assets	**4.2,9**	**1.387.229.861**	**1.064.041.303**
1- Investments In Associates		-	-
2- Affiliates	4.2,9	199.595.913	160.221.809
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries	4.2,9	1.187.633.948	903.819.494
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)		-	-
E- Tangible Fixed Assets	**6**	**642.476.255**	**599.167.225**
1- Investment Properties	6,7	458.821.000	415.891.000
2- Diminution in Value for Investment Properties (-)		-	-
3- Building for own use	6	180.163.740	179.340.000
4- Machinery and Equipments		-	-
5- Furnitures and Fixtures	6	9.712.433	7.535.039
6- Vehicles	6	2.439.414	2.325.551
7- Other Tangible Assets (Including Leasehold Improvements)		-	-
8- Leased Tangible Fixed Assets	6	3.631.739	2.938.936
9- Accumulated Depreciation (-)	6	(12.292.071)	(8.863.301)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		-	-
F- Intangible Fixed Assets	**8**	**31.169.768**	**40.303.287**
1- Rights	8	47.785.666	10.494.461
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortizations (-)	8	(16.615.898)	(7.691.295)
8- Advances Regarding Intangible Assets	8	-	37.500.121
G- Prepaid Expenses and Income Accruals		**243.927**	**373.732**
1- Deferred Commission Expenses		-	-
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses		243.927	373.732
H- Other Non-current Assets		**-**	**-**
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets		-	-
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
II- Total Non-current Assets		**2.225.053.732**	**1.869.136.171**
TOTAL ASSETS		**5.506.298.142**	**4.531.965.239**

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

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2020

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

LIABILITIES			
III- Short-Term Liabilities	**Note**	**Audited Current Period December 31, 2020**	**Audited Prior Period December 31, 2019**
A- Borrowings	**20**	**-**	**1.392.078**
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Current Portion of Long-Term Borrowings		-	-
5- Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6- Other Financial Assets Issued		-	-
7- Value Differences on Issued Financial Assets (-)		-	-
8- Other Financial Borrowings (Liabilities)	20	-	1.392.078
B- Payables From Main Operations	**4.2,19**	**61.827.219**	**56.241.983**
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations	4.2,19	60.370.427	55.631.210
3- Cash Deposited by Insurance & Reinsurance Companies	4.2,19	1.456.792	610.773
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties	**4.2,19**	**136.214**	**141.374**
1- Due to Shareholders	45	127.553	116.208
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties	45	8.661	25.166
D- Other Payables	**19**	**1.321.982**	**2.411.894**
1- Deposits and Guarantees Received	19	400.138	240.000
2- Due to SSI regarding Treatment Expenses		-	-
3- Other Payables	19,4.2	921.844	2.171.894
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves	**17**	**2.499.551.753**	**2.095.347.691**
1- Unearned Premiums Reserve - Net	17	819.936.604	706.720.487
2- Unexpired Risk Reserves - Net	17	48.148.394	23.524.292
3- Mathematical Reserves - Net	17	13.014	38.691
4- Outstanding Claims Reserve - Net	4.2,17	1.631.453.741	1.365.064.221
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Relevant Provisions	**4.2,19**	**2.358.902**	**2.273.036**
1- Taxes and Dues Payable	19	2.181.669	2.085.958
2- Social Security Premiums Payable	19	177.233	187.078
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		-	-
5- Corporate Tax Liability Provision on Period Profit	19	29.030.769	37.227.141
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	19	(29.030.769)	(37.227.141)
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks		**-**	**-**
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs	23	-	-
H- Deferred Income and Expense Accruals	**19**	**10.087.217**	**7.246.691**
1- Deferred Commission Income	10,19	2.760.960	1.018.666
2- Expense Accruals	19	6.988.383	6.070.508
3- Other Deferred Income	19	337.874	157.517
I- Other Short-Term Liabilities		**-**	**-**
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short-Term Liabilities		-	-
III- Total Short-Term Liabilities		**2.575.283.287**	**2.165.054.747**

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

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2020

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

LIABILITIES

IV-Long-Term Liabilities	Note	Audited Current Period December 31, 2020	Audited Prior Period December 31, 2019
A- Borrowings		-	-
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Bonds Issued		-	-
5- Other Issued Financial Assets		-	-
6- Value Differences on Issued Financial Assets (-)		-	-
7- Other Financial Borrowings (Liabilities)		-	-
B- Payables From Main Operations		**13.293.592**	**5.022.541**
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations	4.2,19	13.293.592	5.022.541
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Discount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		-	-
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses		-	-
3- Other Payables		-	-
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves	**17**	**184.672.350**	**139.752.880**
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net	17	184.672.350	139.752.880
F- Other Liabilities and Provisions		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks	**4.2,23**	**81.684.219**	**64.258.745**
1- Provision for Employment Termination Benefits	4.2,23	12.123.164	11.041.790
2- Provisions for Employee Pension Fund Deficits	4.2,22,23	69.561.055	53.216.955
H- Deferred Income and Expense Accruals	**19**	-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
I- Other Long-Term Liabilities	**21**	**12.731.169**	**22.035.437**
1- Deferred Tax Liability	21	12.731.169	22.035.437
2- Other Long-Term Liabilities		-	-
IV-Total Long-Term Liabilities		**292.381.330**	**231.069.603**

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

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2020

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

EQUITY			
V- Equity	**Note**	**Audited Current Period December 31, 2020**	**Audited Prior Period December 31, 2019**
A- Paid in Capital		**660.000.000**	**660.000.000**
1- (Nominal) Capital	2.13,15	660.000.000	660.000.000
2- Unpaid Capital (-)		-	-
3- Positive Inflation Adjustment on Capital		-	-
4- Negative Inflation Adjustment on Capital (-)		-	-
5- Unregistered Capital		-	-
B- Capital Reserves	**15**	**170.939.417**	**155.868.041**
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital	15	24.431.260	24.245.511
4- Translation Reserves	15	(21.166.656)	(34.192.451)
5- Other Capital Reserves	15	167.674.813	165.814.981
C- Profit Reserves		**1.266.340.895**	**903.648.247**
1- Legal Reserves	15	194.945.022	155.933.971
2- Statutory Reserves	15	58.171.807	37.967.890
3- Extraordinary Reserves	15	692.870.924	588.605.263
4- Special Funds (Reserves)	15	16.900.903	-
5- Revaluation of Financial Assets	11,15	284.072.561	99.474.796
6- Other Profit Reserves	15	19.379.678	21.666.327
D- Previous Years' Profits		**192.754.305**	**103.813.987**
1- Previous Years' Profits		192.754.305	103.813.987
E- Previous Years' Losses (-)		-	-
1- Previous Years' Losses		-	-
F- Net Profit of the Period	**15**	**348.598.908**	**312.510.614**
1- Net Profit of the Period		347.853.694	309.381.420
2- Net Loss of the Period (-)		-	-
3- Net Income not subject to distribution		745.214	3.129.194
Total Shareholders' Equity		**2.638.633.525**	**2.135.840.889**
Total Liabilities and Shareholders' Equity		**5.506.298.142**	**4.531.965.239**

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

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

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

I- TECHNICAL SECTION	Note	Audited Current Period December 31, 2020	Audited Prior Period December 31, 2019
A- Non-Life Technical Income		**1.951.352.868**	**1.733.602.618**
1- Earned Premiums (Net of Reinsurer Share)		1.423.174.468	1.290.042.473
1.1 - Written Premiums (Net of Reinsurer Share)	17	1.554.043.224	1.437.381.633
1.1.1 - Gross Written Premiums (+)	17	1.787.360.853	1.641.496.087
1.1.2 - Ceded Premiums to Reinsurers (-)	10,17	(233.317.629)	(204.114.454)
1.1.3 - Ceded Premiums to SSI (-)		-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	17,29	(106.244.654)	(127.117.873)
1.2.1 - Unearned Premiums Reserve (-)	17	(79.066.920)	(154.360.090)
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)	10,17	(27.177.734)	27.242.217
1.2.3 - SSI of Unearned Premiums Reserve (+)		-	-
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(24.624.102)	(20.221.287)
1.3.1 - Unexpired Risks Reserve (-)	29	(24.649.803)	(20.537.046)
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+)	29	25.701	315.759
2- Investment Income Transferred from Non-Technical Part		316.455.994	348.001.715
3- Other Technical Income (Net of Reinsurer Share)		211.722.406	95.558.430
3.1 - Gross Other Technical Income (+)		211.722.719	95.553.804
3.2 - Reinsurance Share of Other Technical Income (-)		(313)	4.626
4- Accrued Subrogation and Salvage Income (+)		-	-
B- Non-Life Technical Expense (-)		**(1.892.019.354)**	**(1.652.151.515)**
1- Total Claims (Net of Reinsurer Share)		(1.261.381.866)	(1.149.064.080)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(993.878.791)	(943.198.052)
1.1.1 - Gross Claims Paid (-)	17	(1.041.213.361)	(980.374.026)
1.1.2 - Reinsurance Share of Claims Paid (+)	10,17	47.334.570	37.175.974
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17,29	(267.503.075)	(205.866.028)
1.2.1 - Outstanding Claims Reserve (-)	17	(257.506.169)	(246.897.057)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	10,17	(9.996.906)	41.031.029
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1 - Bonus and Discount Reserve (-)		-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(44.573.541)	(38.578.905)
4- Operating Expenses (-)	32	(586.063.947)	(464.508.530)
5- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
5.1- Mathematical Reserves (-)		-	-
5.2- Reinsurance Share of Mathematical Reserves (+)		-	-
6.- Other Technical Expenses (-)		-	-
6.1.- Gross Other Technical Expenses (-)		-	-
6.2.- Reinsurance Share of Other Technical Expenses (+)		-	-
C- Non-Life Technical Net Profit (A-B)		**59.333.514**	**81.451.103**
D- Life Technical Income		**23.092.848**	**20.239.081**
1- Earned Premiums (Net of Reinsurer Share)		20.295.729	16.225.200
1.1 - Written Premiums (Net of Reinsurer Share)	17	27.267.192	15.523.242
1.1.1 - Gross Written Premiums (+)	17	32.914.453	17.323.840
1.1.2 - Ceded Premiums to Reinsurers (-)	10,17	(5.647.261)	(1.800.598)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	17,29	(6.971.463)	701.958
1.2.1- Unearned Premium Reserves (-)	17	(9.586.883)	856.646
1.2.2- Unearned Premium Reserves Reinsurer Share (+)	10,17	2.615.420	(154.688)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
1.3.1- Unexpired Risks Reserves (-)		-	-
1.3.2- Unexpired Risks Reserves Reinsurer Share (+)		-	-
2- Life Branch Investment Income		2.734.967	3.896.284
3- Unrealized Income from Investments		-	-
4- Other Technical Income (Net of Reinsurer Share) (+/-)		62.152	117.597
4.1- Gross Other Technical Income (+/-)		62.152	117.597
4.2- Reinsurance Share of Other Technical Income (+/-)		-	-
5- Accrued Subrogation and Salvage Income (+)		-	-

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

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

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

I- TECHNICAL SECTION	Note	Audited Current Period December 31, 2020	Audited Prior Period December 31, 2019
E- Life Technical Expense		**(19.950.640)**	**(16.626.397)**
1- Total Claims (Net of Reinsurer Share)		(7.053.481)	(5.541.814)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(8.167.036)	(5.425.659)
1.1.1- Gross Claims Paid (-)	17	(11.471.676)	(6.307.867)
1.1.2- Claims Paid Reinsurer Share (+)	10,17	3.304.640	882.208
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17,29	1.113.555	(116.155)
1.2.1 - Outstanding Claims Reserve (-)	17	2.790.109	(687.868)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	10,17	(1.676.554)	571.713
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1 - Bonus and Discount Reserve (-)		-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	25.677	35.104
3.1- Mathematical Reserves (-)	29	25.677	35.104
3.1.1- Actuarial Mathematical Reserve (-)	29	25.677	35.104
3.1.2- Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-
3.2- Reinsurer Share of Mathematical Reserves (+)		-	-
3.2.1- Reinsurance Share of Actuarial Mathematical Reserve (+)		-	-
3.2.2- Reinsurance Share of Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-
4- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(345.929)	(186.425)
5- Operating Expenses (-)	32	(12.576.907)	(10.933.262)
6- Investment Expenses (-)		-	-
7- Unrealized Losses from Investments (-)		-	-
8- Investment Income Transferred to Non-Technical Part (-)		-	-
F- Life Technical Profit (D-E)		**3.142.208**	**3.612.684**
G- Individual Retirement Technical Income		**-**	**-**
1- Fund Management Fee		-	-
2- Management Fee Deduction		-	-
3- Initial Contribution Fee		-	-
4- Management Fee In Case Of Temporary Suspension		-	-
5- Withholding tax		-	-
6- Increase in Market Value of Capital Commitment Advances		-	-
7- Other Technical Income		-	-
H- Individual Retirement Technical Expense		**-**	**-**
1- Fund Management Expenses (-)		-	-
2- Decrease in Market Value of Capital Commitment Advances (-)		-	-
3- Operating Expenses (-)		-	-
4- Other Technical Expense (-)		-	-
I- Individual Retirement Technical Profit (G-H)		-	-

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

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

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

II-	NON-TECHNICAL SECTION	Note	Audited Current Period December 31, 2020	Audited Prior Period December 31, 2019
C-	**Non-Life Technical Profit (A-B)**		**59.333.514**	**81.451.103**
F-	**Life Technical Profit (D-E)**		**3.142.208**	**3.612.684**
I -	**Individual Retirement Technical Profit (G-H)**		**-**	**-**
J-	**Total Technical Profit (C+F+I)**		**62.475.722**	**85.063.787**
K-	**Investment Income**		**685.087.147**	**661.184.678**
1-	Income From Financial Investment	4.2	155.278.239	288.894.987
2-	Income from Sales of Financial Investments	4.2	48.320.501	10.190.719
3-	Revaluation of Financial Investments	4.2	27.971.300	(7.692.608)
4-	Foreign Exchange Gains	4.2	94.862.946	61.769.977
5-	Income from Affiliates	4.2	65.656.632	44.942.194
6-	Income from Subsidiaries and Joint Ventures	4.2	231.971.961	216.410.793
7-	Income Received from Land and Building	7	60.771.090	46.591.631
8-	Income from Derivatives	4.2	-	18.985
9-	Other Investments		254.478	58.000
10-	Investment Income transferred from Life Technical Part		-	-
L-	**Investment Expenses (-)**		**(368.475.610)**	**(403.360.732)**
1-	Investment Management Expenses (including interest) (-)	4.2	(78.988)	(44.377)
2-	Valuation Allowance of Investments (-)		-	-
3-	Losses On Sales of Investments (-)	4.2	(1.586.173)	(1.345.499)
4-	Investment Income Transferred to Non-Life Technical Part (-)		(316.455.994)	(348.001.715)
5-	Losses from Derivatives (-)		-	-
6-	Foreign Exchange Losses (-)	4.2	(20.493.502)	(31.632.288)
7-	Depreciation Expenses (-)	6,8	(16.136.886)	(4.170.943)
8-	Other Investment Expenses (-)		(13.724.067)	(18.165.910)
M-	**Other Income and Expenses (+/-)**		**(1.457.582)**	**6.850.022**
1-	Provisions Account (+/-)	47	(21.990.214)	(13.080.686)
2-	Discount account (+/-)	47	495.757	(299.165)
3-	Mandatory Earthquake Insurance Account (+/-)		-	-
4-	Inflation Adjustment Account (+/-)		-	-
5-	Deferred Tax Asset Accounts (+/-)	21,35	7.274.347	9.740.590
6-	Deferred Tax Expense Accounts (-)		-	-
7-	Other Income and Revenues		12.788.554	10.607.605
8-	Other Expense and Losses (-)		(26.026)	(118.322)
9-	Prior Period Income		-	-
10-	Prior Period Losses (-)		-	-
N-	**Net Profit/(Loss)**		**348.598.908**	**312.510.614**
1-	Profit/(Loss) Before Tax		377.629.677	349.737.755
2-	Corporate Tax Liability Provision (-)		(29.030.769)	(37.227.141)
3-	Net Profit (Loss)		348.598.908	312.510.614
4-	Inflation Adjustment Account		-	-

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

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

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

Audited - Changes in Equity - December 31, 2019

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

Audited Changes in Equity - December 31, 2020

		Note	Paid in Capital	Equity Share Owned by Company (-)	Revaluations of Financial Assets	Inflation Adjustment on Capital
I -	**Balance at the end of the previous year - December 31, 2019**		**660.000.000**	**-**	**99.474.796**	**-**
II -	**Change in Accounting Standards (*)**		**-**	**-**	**-**	**-**
III -	**Restated balances (I+II) - January 1, 2020**		**660.000.000**	**-**	**99.474.796**	**-**
A-	Capital increase		-	-	-	-
	1- In cash		-	-	-	-
	2- From reserves		-	-	-	-
B-	Purchase of own shares		-	-	-	-
C-	Gains or losses that are not included in the statement of income		-	-	-	-
D-	Change in the value of financial assets	15	-	-	184.597.765	-
E-	Currency translation adjustments		-	-	-	-
F-	Other gains or losses		-	-	-	-
G-	Inflation adjustment differences		-	-	-	-
H-	Net profit for the year		-	-	-	-
I -	Other reserves and transfers from retained earnings	38	-	-	-	-
J-	Dividends paid	38	-	-	-	-
IV -	**Balance at the end of the period - December 31, 2020**	**15**	**660.000.000**	**-**	**284.072.561**	**-**

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

Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/ (Loss) for the Period	Previous Years' Profit/(Loss)	Total
(34.192.451)	**155.933.971**	**37.967.890**	**800.332.082**	**312.510.614**	**103.813.987**	**2.135.840.889**
-	-	-	-	-	-	-
(34.192.451)	**155.933.971**	**37.967.890**	**800.332.082**	**312.510.614**	**103.813.987**	**2.135.840.889**
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	21.950.991	20.203.917	120.925.496	-	(163.510.236)	**(429.832)**
-	-	-	-	-	-	**184.597.765**
13.025.795	-	-	-	-	-	**13.025.795**
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	348.598.908	-	**348.598.908**
-	17.060.060	-	-	(269.510.614)	252.450.554	-
-	-	-	-	(43.000.000)	-	**(43.000.000)**
(21.166.656)	**194.945.022**	**58.171.807**	**921.257.578**	**348.598.908**	**192.754.305**	**2.638.633.525**

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

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

	Note	Audited Current Period 1 January- December 31, 2020	Audited Prior Period 1 January- December 31, 2019
A - Cash flows from operating activities			
1- Cash provided from insurance activities		-	-
2- Cash provided from reinsurance activities		2.114.800.101	1.919.682.017
3- Cash provided from individual pension business		-	-
4- Cash used in insurance activities		-	-
5- Cash used in reinsurance activities		(2.016.674.033)	(1.883.622.176)
6- Cash used in individual pension business		-	-
7- Cash provided by operating activities		**98.126.068**	**36.059.841**
8- Interest paid		-	-
9- Income taxes paid		(40.123.021)	(46.748.400)
10- Other cash inflows		51.578.645	66.135.959
11- Other cash outflows		(70.753.096)	(47.279.861)
12- Net cash provided by operating activities		**38.828.596**	**8.167.539**
B- Cash flows from investing activities		-	-
1- Proceeds from disposal of tangible assets		441.347	58.000
2- Acquisition of tangible assets	6, 8	(7.280.291)	(10.807.277)
3- Acquisition of financial assets	11	(2.707.677.529)	(1.163.468.635)
4- Proceeds from disposal of financial assets	11	2.382.035.721	888.744.285
5- Interests received		233.485.806	285.098.663
6- Dividends received		80.183.212	58.670.765
7- Other cash inflows		373.333.895	277.520.591
8- Other cash outflows		(465.594.809)	(52.466.704)
9- Net cash provided by investing activities		**(111.072.648)**	**283.349.688**
C- Cash flows from financing activities		-	-
1- Equity shares issued		-	-
2- Cash provided from loans and borrowings		-	-
3- Finance lease payments		-	-
4- Dividends paid	2.23	(42.986.879)	(59.981.259)
5- Other cash inflows		-	-
6- Other cash outflows		-	-
7- Net cash used in financing activities		**(42.986.879)**	**(59.981.259)**
D- Effect of exchange rate fluctuations on cash and cash equivalents		**48.578**	**2.426**
E- Net increase in cash and cash equivalents		**(115.182.353)**	**231.538.394**
F- Cash and cash equivalents at the beginning of the year	14	1.551.826.847	1.320.288.453
G- Cash and cash equivalents at the end of the year	14	**1.436.644.494**	**1.551.826.847**

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

Millî Reasürans Türk Anonim Şirketi

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED DECEMBER 31, 2020

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

	Note	Audited Current Period December 31, 2020[*]	Audited Prior Period December 31, 2019
I. PROFIT DISTRIBUTION			
1.1. CURRENT YEAR PROFIT [*]		**381.115.664**	**350.548.490**
1.2. TAX AND FUNDS PAYABLE	35	**(29.030.769)**	**(37.227.141)**
1.2.1. Corporate Income Tax (Income Tax)	35	(29.030.769)	(37.227.141)
1.2.2. Income tax deduction			
1.2.3. Other taxes and Duties			
A. NET PROFIT (1.1 - 1.2)		**352.084.895**	**313.321.349**
1.3. PREVIOUS PERIOD LOSSES (-)			
1.4. FIRST LEGAL RESERVE		(17.604.245)	(15.666.067)
1.5. STATUTORY FUND (-)			
B. NET PROFIT DISTRIBUTION [(A-(1.3 + 1.4 + 1.5)]		**334.480.650**	**297.655.282**
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	**(29.765.528)**
1.6.1. Holders of shares		-	(29.765.528)
1.6.2. Holders of Preferred shares		-	-
1.6.3. Holders of Redeemed shares		-	-
1.6.4. Holders of Participation Bond		-	-
1.6.5. Holders of Profit and Loss sharing certificate		-	-
1.7. DIVIDEND TO PERSONNEL (-)		-	**(3.939.929)**
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
1.9.1. Holders of shares		-	**(13.234.472)**
1.9.2. Holders of Preferred shares		-	(13.234.472)
1.9.3. Holders of Redeemed shares		-	-
1.9.4. Holders of Participation Bond		-	-
1.9.5. Holders of Profit and Loss sharing certificate		-	-
1.10. SECOND LEGAL RESERVE (-)		-	-
1.11. STATUTORY RESERVES (-)		-	**(1.393.993)**
1.12. EXTRAORDINARY RESERVES		-	-
1.13. OTHER RESERVES		-	-
1.14. SPECIAL FUNDS		-	-
II. DISTRIBUTION OF RESERVES		-	-
2.1. DISTRIBUTION OF RESERVES		-	-
2.2. SECOND LEGAL RESERVES (-)		-	-
2.3. COMMON SHARES (-)		-	-
2.3.1. Holders of shares		-	-
2.3.2 Holders of Preferred shares		-	-
2.3.3. Holders of Redeemed shares		-	-
2.3.4 Holders of Participation Bond		-	-
2.3.5 Holders of Profit and Loss sharing certificate		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III. PROFIT PER SHARE		-	-
3.1. HOLDERS OF SHARES		-	-
3.2. HOLDERS OF SHARES (%)		-	313.321.349
3.3. HOLDERS OF PREFERRED SHARES		-	47,4729
3.4. HOLDERS OF PREFERRED SHARES (%)		-	-
IV. DIVIDEND PER SHARE		-	-
4.1. HOLDERS OF SHARES		-	-
4.2. HOLDERS OF SHARES (%)		-	43.000.000
4.3. HOLDERS OF PREFERRED SHARES		-	6,5152
4.4. HOLDERS OF PREFERRED SHARES (%)		-	-

[*] Since the profit distribution proposal for the year 2020 has not prepared by the Board of Directors, profit distribution table has not been filled yet.

[**] As of December 31, 2020, the dividend to be paid to personnel amounting to TL 4.231.201 (December 31, 2019: TL 3.939.929), which is allocated in accordance with TAS 19, has also been added to the profit. In the profit of the period of December 31, 2020, in accordance with the 5th article of Corporate Tax Law, 75% of the sales income arising from the sales income of the affiliate amounting to TL 162.083 which is allocated to be followed under Non-Distributable Period Profit has not been subject to Profit Distribution. In our financial statements which are prepared in accordance with the equity method in accordance with TAS 27 - Consolidated and Individual Financial Statements standard, TL 583.131 (December 31, 2019: TL 3.129.194) Non-Distribution Period Profit, which comes from the accounting of our subsidiary Anadolu Hayat Emeklilik by equity method, has not been subject to Profit Distribution.

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

1 General information

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

The shareholder having direct or indirect control over the shares of Millî Reasürans Türk Anonim Şirketi ("the Company") is Türkiye İş Bankası AŞ Group ("İş Bankası") having 87.60% of the outstanding shares.

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

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

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

1.3 Main operations of the Company

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

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

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

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

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

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

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

	December 31, 2020	December 31, 2020
Top executive	5	5
Managers	34	32
Officers	128	135
Contracted personnel	5	6
Other personnel	33	37
Total	**205**	**215**

1.6 Remuneration and similar benefits provided to top management

For the year ended December 31, 2020, wages and similar benefits provided to the top management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers is amounting to TL 6.531.213 (December 31, 2019: TL 6.520.408).

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

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

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

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

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

The accompanying financial statements comprise only the unconsolidated financial information of the Company. As further discussed in note 2.2 - Consolidation, the Company has prepared consolidated financial statements as of December 31, 2020 separately.

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

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

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

1.10 Subsequent events

There has been no change in the Company's operations, documentation and records or policies after the reporting date. The financial statements for the period January 1 - December 31, 2020 have been approved by the Board of Directors on February 24, 2021.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

The Company complies with the accounting principles and standards set out in the regulations in force in accordance with the Insurance Law numbered 5684 published in the Official Gazette dated 14 June 2007 and numbered 26522, and the Insurance and Private Pension Regulation and Supervision Agency (IPPRSA") established by the Presidential Decree of 18 October 2019. ") other regulations issued by the statements and guidance and Turkey Accounting Standards except arranged matters with them ("TAS") with Turkey Financial Reporting Standards ("IFRS") contains the terms" Insurance Accounting and Financial Reporting regulations "are prepared in accordance with n. The insurance legislation before the establishment of SEDDK and the initiation of regulatory activities regarding the insurance sector was T.C. Published by the Ministry of Treasury and Finance ("Ministry of Treasury and Finance").

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

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

Additional paragraph for convenience translation to English

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Accounting in hyperinflationary countries

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

With respect to the declaration of Republic of Turkey Ministry of Treasury and Finance with the article dated April 4, 2005 and numbered 19387, financial statements as of December 31, 2004 are adjusted for the opening balances of 2005 in accordance with the section with respect to inflation accounting of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated January 15, 2003 and numbered 25290. Inflation accounting is no longer applied starting from January 1, 2005, in accordance with the same declaration of Republic of Turkey Ministry of Treasury and Finance. Accordingly, as at December 31, 2020, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded before January 1, 2005 are measured as restated to December 31, 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded after January 1, 2005 are measured at their nominal values.

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

Other accounting policies

The Company recorded premiums, commissions and claims accruals based on the notifications sent by the insurance and reinsurance companies after the closing of their balances. Premiums, commissions and claims accruals are recorded in the accompanying financial statements with the three-month delay. Therefore, related income statement balances include last quarter results for the year ended December 31, 2020 and nine-month results as at and for the period ended September 30, 2020 and accordingly related balance sheet balances as of December 31, 2020 do not reflect the actual position. According to the letter dated August 31, 2010 and numbered B.02.1.HZN.0.10.03.01/42139 sent by Republic of Turkey Ministry of Treasury and Finance to the Company, it is stated that account statements sent by the ceding companies are subject to possible delays and Republic of Turkey Ministry of Treasury and Finance is considered special situations of the reinsurance companies in their regulations.

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

2.1.3 Current and presentation currency

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

2.1.4 Rounding scale of the amounts presented in the financial statements

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

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

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

2.1.6 Accounting policies, changes in accounting estimates and errors

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

Fire and earthquake premiums obtained from foreign reinsurance treaties could not accounted on the basis of branches in the previous years due to limitations imposed by local legislation of the foreign countries, notification characteristics of the treaties and total premiums used by foreign companies in the reconciliation process. Therefore, all premiums obtained from aforementioned treaties are accounted on the fire branch. According to the letter dated August 2, 2011 and numbered B.02.1.HZN.0.10.03.01/38732 sent by Republic of Turkey Ministry of Treasury and Finance to the Company, it is allowed to use average rate calculated over separately reported fire and earthquake premiums for unclassified premiums of proportioned treaties. Furthermore, according to the letter dated August 12, 2011 sent by the Republic of Turkey Ministry of Treasury and Finance to the Company, prospective application as at June 30, 2011 effective from January 1, 2011 is allowed since retrospective application is impossible. Accordingly, financial statements prepared as of December 31, 2020, premiums obtained from foreign proportioned treaties are accounted on the basis of average earthquake premium ratio calculated from foreign proportioned treaties over the period of January 1 - December 31, 2020. The same ratio is used for unproportioned reinsurance treaties in accordance with the Communiqué released on July 28, 2010 and numbered 27655 "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves". Distribution of commissions and claims between the fire and earthquake branches is parallel with the aforementioned method.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

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

According to 16th article of "Circular on Actuarial Chain Ladder Method (2010/12)" dated September 20, 2010 and announced by Republic of Turkey Ministry of Treasury and Finance, ACML calculation should be made through main branches. However, as at December 31, 2012, the Company has calculated ACML reserve for General Damages main branch as two separate subbranches namely agriculture and non-agriculture branches. Because, Agriculture and Engineering subbranches under General Damages main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Damages branch produces unreliable and improper results. The Company applied to Republic of Turkey Ministry of Treasury and Finance on January 17, 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Damages branch as agriculture and non-agriculture subbranches separately. Republic of Turkey Ministry of Treasury and Finance has given permission the Company in order to calculate IBNR reserve for General Damages within two subbranches with the letter dated January 28, 2013 and numbered 24179134. As of December 31, 2020, the Company recognised the amount that arose due to change in calculation method for IBNR on General Damages branch.

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

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

2.2 Consolidation

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

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

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

2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. As of December 31, 2020, the Company operates in life and non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

2.4 Foreign currency transactions

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

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

2.5 Tangible assets

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

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

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

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

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

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

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

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

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

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

Depreciation rates and estimated useful lives are as follows:

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

2.6 Investment property

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

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

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

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

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

2.7 Intangible assets

The Company's intangible assets consist of computer software.

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

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

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

2.8 Financial assets

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

Securities are recognized and derecognized at the date of settlement.

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

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

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

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

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

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

2.9 Impairment on assets

Impairment on financial assets

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

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

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

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

Impairment on tangible and intangible assets

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

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

2.10 Derivative financial instruments

As of the reporting date, the Company does not have any derivative financial instruments (December 31, 2019: None). Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 - *Financial Instruments: Recognition and measurement*.

Derivative financial instruments are initially recognized at their fair value.

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

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

2.11 Offsetting of financial assets

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

2.12 Cash and cash equivalents

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

2.13 Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group by having 87,60% of the outstanding shares of the Company. As of December 31, 2020, and 2019, the share capital and ownership structure of the Company are as follows:

	December 31, 2020		December 31, 2019	
Name	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding amount (TL)
Türkiye İş Bankası A.Ş.	578.177.926	87,60	508.573.072	77,06
Millî Reasürans T.A.Ş. Mensupları Yardımlaşma Sandığı Vakfı	-	-	69.604.854	10,55
Groupama Hayat A.Ş.	38.809.894	5,88	38.809.894	5,88
Ankara Doğal Elektrik Üretim ve Ticaret A.Ş.	22.240.456	3,37	22.240.456	3,37
T.C. Ziraat Bankası A.Ş.	16.430.944	2,49	16.430.944	2,49
Other	4.340.780	0,66	4.340.780	0,65
Paid in capital	**660.000.000**	**100,00**	**660.000.000**	**100,00**

(*) As of August 21, 2020, Türkiye İş Bankası A.Ş. purchased 69,604,854 shares of nominal value of TL with all of the rate of 10.55% owned by one of the shareholders of the Company, Millî Reasürans T.A.Ş. Mensupları Yardımlaşma Sandığı Vakfı. It was approved by Milli Reasürans T.A.Ş.'s Board of Directors decision dated 26 August 2020 and numbered 1318.

Sources of the capital increases during the year

None.

Privileges on common shares representing share capital

There are no privileges on common shares representing share capital.

Registered capital system in the Company

None.

Repurchased own shares by the Company

None.

2.14 Insurance and investment contracts - classification

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

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

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

2.15 Insurance contracts and investment contracts with discretionary participation feature

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

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

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

2.16 Investment contracts with discretionary participation feature

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

2.17 Liabilities

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

2.18 Income taxes

Corporate Tax

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

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

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

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

Deferred tax

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

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Since the corporate tax rate is 20% as of January 1, 2020, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020 (December 31, 2019: 22% -20%).

Transfer pricing

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

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

2.19 Employee benefits

Pension and other post-retirement obligations

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

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

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

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

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

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

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

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as of December 31, 2020 is TL 7.117 (December 31, 2019: TL 6.380).

The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 - *Employee Benefits*. After the revision of TAS 19, as the amount of actuarial gain and loss are presented under the other profit reserves, which were previously shown under the income statement. The major actuarial assumptions used in the calculation of the total liability as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Discount rate	4,50%	4,20%
Expected rate of salary/limit increase	7,66%	7,20%
Estimated employee turnover rate	2,22%	2,00%

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

Other benefits

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

2.20 Provisions

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

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

2.21 Revenue recognition

Written premiums

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

Claims paid

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

Commission income and expenses

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Interest income and expenses

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

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

Trading income/expense

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

Dividends

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

2.22 Leasing transaction

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

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

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

Right-of-use assets

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

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

Lease liabilities

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

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

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

2.23 Dividend distribution

It is decided in Ordinary General Assembly Meeting of the Company, held on March 26, 2020, to make a dividend payment of TL 43.000.000 to shareholders and to allocate remaining balance as voluntary reserves from the net period income amounting to TL 312.510.614, from 2019 activities of the Company, after the legal reserves are allocated and TL 42.986.938 has been paid in cash and TL 13.062 has been recognized in due to shareholders account under short term liabilities.

2.24 Unearned premium reserve

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

- Unearned premium reserve is calculated on the basis of 1/8 for reinsurance and retrocession transactions that are not subject to basis of day or 1/24 due to application limitations,

- For commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions are also provided as unearned premium reserves.

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

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

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

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

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

2.25 Outstanding claims reserve

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

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

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

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

Branches	December 31, 2020	December 31, 2019
Fire and Natural Disasters	Standard Chain	Standard Chain
General Losses (*)	Standard Chain	Standard Chain
General Liabilities (**)	Standard Chain	Standard Chain
Land Vehicles Liabilities	Standard Chain	Standard Chain
Marine	Standard Chain	Standard Chain
Sea Vehicles	Standard Chain	Standard Chain
Land Vehicles	Standard Chain	Standard Chain
Casualty	Standard Chain	Standard Chain
Health	Standard Chain	Standard Chain
Air Vehicles	Standard Chain	Standard Chain
Legal Protection	Standard Chain	Standard Chain
Sea Vehicles Liability	Sector Average (Insurance Association of Turkey 09/2020)	Sector Average (Insurance Association of Turkey 09/2019)
Air Vehicles Liability	Sector Average (Insurance Association of Turkey 09/2020)	Sector Average (Insurance Association of Turkey 09/2019)
Fidelity Guarantees	Sector Average (Insurance Association of Turkey 09/2020)	Sector Average (Insurance Association of Turkey 09/2019)
Financial Losses	Sector Average (Insurance Association of Turkey 09/2020)	Sector Average (Insurance Association of Turkey 09/2019)
Credit	Sector Average (Insurance Association of Turkey 09/2020)	Sector Average (Insurance Association of Turkey 09/2019)
Life	Sector Average (Insurance Association of Turkey 09/2020)	Sector Average (Insurance Association of Turkey 09/2019)

(*) Two separate calculation have been made as agriculture and non-agriculture subbranches.

(**) In accordance with the "Circular numbered 2020/11 on Making Amendments on Communique regarding Provision for Outstanding Claim Files numbered 2014/16" which has been published by Republic of Turkey Ministry of Treasury and Finance on December 7, 2020 and entered into force as of its publication date, an additional calculation is made in terms of Compulsory Financial Liability Insurance regarding Medical Malpractice sub-branch and calculation is made in terms of other sub-branches under General Liability through excluding Compulsory Financial Liability Insurance regarding Medical Malpractice.

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

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

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

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

In accordance with December 5, 2014 dated and 2014/16 numbered “Circular for Outstanding Claims Reserve” of Republic of Turkey Ministry of Treasury and Finance, ACML calculation should be on main branch. However, as at December 31, 2012, the Company has calculated ACML reserve for General Damages main branch as two separate subbranches namely agriculture and non-agriculture branches. Because, Agriculture and Engineering subbranches under General Damages main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Damages branch produces unreliable and improper results. The Company applied to Republic of Turkey Ministry of Treasury and Finance on January 17, 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Damages branch as agriculture and non-agriculture subbranches separately. Republic of Turkey Ministry of Treasury and Finance has given permission the Company in order to calculate IBNR reserve for General Damages within two subbranches with the letter dated January 28, 2013 and numbered 24179134. As of December 31, 2020, the Company recognised the amount that arose due to change in calculation method for IBNR on General Damages branch.

In accordance with the “Circular numbered 2020/11 on Making Amendments on Communique regarding Provision for Outstanding Claim Files numbered 2014/16” which has been published by Republic of Turkey Ministry of Treasury and Finance on December 7, 2020 and entered into force as of its publication date, IBNR amount is required to be separately calculated for the “Compulsory Financial Liability Insurance regarding Medical Malpractice” sub-branch included under General Liability main branch. In this scope, an additional calculation is made for Compulsory Financial Liability Insurance regarding Medical Malpractice and calculation is made for other sub-branches under General Liability insurance through excluding Compulsory Financial Liability Insurance regarding Medical Malpractice and calculated amounts are recognized on legal books as of December 31, 2020.

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

As of the reporting date, as a result of actuarial chain ladder method; the Company except Singapore branch recorded 100% of additional negative IBNR amounting to TL 296.857.614 (December 31, 2019: TL 196.418.267 negative IBNR) as outstanding claims reserve. As of the reporting date, TL 32.287.960 (December 31, 2019: TL 27.469.420) of IBNR provision is recorded for Singapore branch.

2.26 Mathematical reserves

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

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

2.27 Unexpired risk reserves

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

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

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

In accordance with general communique on provision for ongoing risks (2019/5), reinsurance companies can make the calculation on the basis of working year. In this case, calculation is made through proportioning total gross actual final damage amount of at least last three working years to total gross premium earnings (written premiums less unearned premiums). It is possible to use the calculation made for the last year-end for the current year interim period if it is clearly determined that repetition of calculation in quarterly periods shall not produce meaningful results due to reasons sourcing from structure of related contracts or conciliation processes of respective parties although it is principal to repeat such calculation on the basis of quarterly periods. The company has made provision for ongoing risks amounting to TL 48.148.394 (December 31, 2019: TL 23.524.292) in its financial statements dated December 31, 2020 as of reporting period based on results of test in question. If the above calculation has not been made, the company would make a provision for ongoing risks amounting to TL 59.143.980 in its financial statements as of December 31, 2020.

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

2.28 Equalization reserves

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

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

Equalization reserves are presented under "other technical reserves" within long term liabilities in the accompanying unconsolidated financial statements. As of the reporting date, the Company has recognized equalization reserves amounting to TL 184.672.350 (December 31, 2019: TL 139.752.880).

As of December 31, 2020, the Company has deducted TL 12.134.835 (December 31, 2019: TL 9.650.545) from equalization provision in consequence of realized earthquake losses.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

2.29 Related parties

Parties are considered related to the Company if:

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

(b) the party is an associate of the Company;
(c) the party is a joint venture in which the Company is a venturer;
(d) the party is member of the key management personnel of the Company and its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or
(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

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

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

2.30 Earning per share

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

2.31 Subsequent events

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

2.32 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2020. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2020 are as follows:

Definition of a Business (Amendments to TFRS 3)

In May 2019, the POA issued amendments to the definition of a business in TFRS 3 Business Combinations standards. The amendments are intended to assist entities to remove the assessment regarding the definition of business.

The amendments:

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

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

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

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. in connection with interest rate benchmark reform.

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

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

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

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively, and earlier application is permitted. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Amendments to TFRS 16 - Covid-19 Rent Related Concessions

In June 5, 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021
- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Early application of the amendments is permitted. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

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

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

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

The Company will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

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

On March 12, 2020, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

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

Amendments to TFRS 3 - Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (March 2018).

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

Amendments to TAS 16 - Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for the first-time adopters. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Amendments to TAS 37 - Onerous contracts - Costs of Fulfilling a Contract

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

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

Interest Rate Benchmark Reform - Phase 2 - Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, the POA issued Interest Rate Benchmark Reform - Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings. The amendments are effective for periods beginning on or after 1 January 2021.Earlier application is permitted and must be disclosed.

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Additional disclosures

Amendments need additional TFRS 7 Financial Instruments disclosures such as; How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Annual Improvements - 2018-2020 Cycle

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018-2020 Cycle, amending the followings:

- *TFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter:* The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- *TFRS 9 Financial Instruments - Fees in the "10 per cent test" for derecognition of financial liabilities:* The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.
- *TAS 41 Agriculture - Taxation in fair value measurements:* The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all. The Company is in the process of assessing the impact of the amendments/improvements on financial position or performance of the Company.

3 Significant Accounting Estimates and Requirements

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

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

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

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

Note 4.1 - Management of insurance risk

Note 4.2 - Financial risk management

Note 7 - Investment properties

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Note 9 - Investments in subsidiaries

Note 10 - Reinsurance assets/liabilities

Note 11 - Financial assets

Note 12 - Loans and receivables

Not 17 - Insurance liabilities and reinsurance assets

Not 17 - Deferred acquisition commissions

Note 21 - Deferred income taxes

Note 23 - Other liabilities and cost provisions

Evaluation of the impact of the Covid 19 pandemic on Company activities

Covid-19 pandemic in Turkey as well as all over the world and has affected all areas of life significantly. In addition to the health threat it posed, the epidemic caused financial fluctuations whose impact was felt on a global scale. Countries have announced economic measures one after another in order to reduce the negative effects of the virus epidemic on economies. With the onset of the virus as of March 2020 in our country, many measures have been taken in social life and in the field of economy. In addition to the measures that regulate social life according to the epidemic, support packages were announced to the sectors that are likely to be adversely affected by the epidemic by reducing interest rates in the field of economy.

As of December 31, 2020, it is observed that the pandemic process has not adversely affected the financial performance of our Company. In addition to these data, when our financial indicators are considered as a whole, it is considered that our activities have a sustainable structure. On the other hand, in order to ensure that our operational activities are not interrupted, necessary measures are taken for our personnel to work remotely and our practices are shaped in parallel with the developments in the pandemic process. In this process, there were no disruptions in operations and information technologies due to remote working.

4 Management of insurance and financial risk

4.1 Management of insurance risk

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

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

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

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

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

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

Sensitivity to insurance risk

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))

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

Insurance risk concentrations

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

	December 31, 2020		
Branches	Gross total claims liability (*)	Reinsurance share of total claims liability	Net total claims liability
Fire and natural disasters	503.437.397	(39.421.972)	464.015.425
General Losses	298.887.494	(996.143)	297.891.351
Land vehicles liability (MTPL)	55.178.373	(27.799)	55.150.574
General liabilities	46.904.303	(1.435.196)	45.469.107
Sea Vehicles	47.471.332	(3.920.139)	43.551.193
Marine	32.433.852	(1.682.640)	30.751.212
Land vehicles	26.528.601	275.821	26.804.422
Financial Losses	17.110.270	-	17.110.270
Casualty	9.494.351	(127.322)	9.367.029
Life	11.471.676	(3.304.640)	8.167.036
Health	2.448.227	-	2.448.227
Fidelity Guarantees	895.433	820	896.253
Financial losses	432.724	-	432.724
Air Vehicles	872	-	872
Credit	150	-	150
Legal protection	(10.018)	-	(10.018)
Total	**1.052.685.037**	**(50.639.210)**	**1.002.045.827**

	December 31, 2019		
Branches	Gross total claims liability (*)	Reinsurance share of total claims liability	Net total claims liability
Fire and natural disasters	515.769.646	(28.001.107)	487.768.539
General Losses	250.668.378	(819.163)	249.849.215
Land vehicles liability (MTPL)	47.830.299	(24.164)	47.806.135
General liabilities	40.743.871	(1.339.151)	39.404.720
Sea Vehicles	33.198.281	(3.479.788)	29.718.493
Marine	22.903.942	(2.345.008)	20.558.934
Land vehicles	30.864.346	(816.525)	30.047.821
Casualty	11.620.156	(348.799)	11.271.357
Life	6.307.867	(882.208)	5.425.659
Health	14.472.059	-	14.472.059
Fidelity Guarantees	559.095	(2.269)	556.826
Financial losses	11.159.910	-	11.159.910
Air Vehicles	414.714	-	414.714
Credit	168.772	-	168.772
Legal protection	557	-	557
Total	**986.681.893**	**(38.058.182)**	**948.623.711**

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

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

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

4.2 Management of financial risk

Introduction and overview

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

- credit risk
- liquidity risk
- market risk

The Company is subject to credit risk, market risk (foreign currency risk, interest rate risk and price risk in relation with financial investments) and liquidity risk due to assets and liabilities. The Company's exposure to each of the above risks is assessed according to "Application Principles in Respect of Risk Limits".

The Company monitors its receivables by obtaining comprehensive information about the debtors and debtors' activities. The risk over investment portfolio is managed by measuring and reporting the market risk daily, reassessing the results validity and applying different scenario analyses. The Company's exposure to each of the above risks is measured by Internal Control and Risk Management Service independently, reported to Board of Directors and units of İş Bankası through the Risk Committee.

Credit risk

Credit risk is the risk of financial loss to the Company if counterparties (parties issued financial instrument, insurance companies, reinsurance companies and other debtors) having business relationship with the Company fails to meet its contractual obligations. The Company manages this credit risk by regularly assessing reliability of the counterparties.

Credit risk is measured by both quantitative and qualitative methods and the weighted reinsurers in retrocession programs, credit ratings of them that indicate their financial strengths and their financial positions are analysed.

Doubtful receivables are monitored quarterly.

In addition, concentration of the investment portfolio is assessed quarterly.

The results evaluated by the Risk Committee and reported regularly to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

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

	December 31, 2020	December 31, 2019
Cash and cash equivalents *(Note 14)* (*)	1.592.095.625	1.754.740.598
Financial assets and financial investments with risks on policyholders *(Note 11)* (**)	1.001.292.061	442.911.579
Receivables from main operations *(Note 12)*	429.575.728	343.722.732
Reinsurer share in outstanding claims reserve *(Note 10), (Note 17)*	78.871.381	90.544.841
Income accruals	20.892.868	12.380.768
Prepaid taxes and funds *(Note 12)*	11.092.252	6.312.824
Other Prepaid Expenses (***)	29.492.569	909.110
Other receivables *(Note 12)*	1.604.433	1.746.065
Other current asset *(Note 12)*	106.950	10.000
Total	**3.165.023.867**	**2.653.278.517**

(*) Cash on hands balance amounting to TL 21.439 are not included (December 31, 2019: TL 60.119).
(**) Equity shares amounting to TL 157.662.336 are not included (December 31, 2019: TL 77.844.172)
(***) TL 26.661.018 is the advance amount given by the Company.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

December 31, 2020 and 2019, the aging of the receivables from main operations and related provisions are as follows:

	December 31, 2020		December 31, 2019	
	Gross amount	Provision	Gross amount	Provision
Not past due	315.675.462	-	233.187.242	-
Past due 0-30 days	50.748.454	-	48.817.880	-
Past due 31-60 days	3.510.421	-	4.831.298	-
Past due 61-90 days	9.990.422	-	3.894.946	-
More than 90 days	84.707.486	(35.056.517)	81.629.930	(28.638.564)
Total	**464.632.245**	**(35.056.517)**	**372.361.296**	**(28.638.564)**

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

	December 31, 2020	December 31, 2019
Provision for receivables from insurance operations at the beginning of the year	28.638.564	25.352.034
Collections during the period *(Note 47)*	-	(159)
Provisions for doubtful receivables during the period (*Note 47)*	15.299	110.953
Foreign currency translation effect *(Note 47)*	6.402.654	3.175.736
Provision for receivables from insurance operations at the end of the year	**35.056.517**	**28.638.564**

The movements of the allowances for impairment losses for other receivables are as follows:

	December 31, 2020	December 31, 2019
Provision for other receivables at the beginning of the year	**754.788**	409.363
Collections during the period	-	(17.075)
Impairment losses provided during the period *(Note 47)*	78.000	362.500
Provision for other receivables at the end of the year	**832.788**	**754.788**

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset as a result of the imbalance between the Company's cash inflows and outflows in terms of maturity and volume.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities.

In respect of this risk, which is measured by quantitative methods, any liquidity deficit is observed via the maturity analysis of assets and liabilities in the statement of balance sheet. Furthermore, liquidity structure of the Company is monitored by using the following basic indicators in respect of liquidity ratios:

- Liquid Assets/Total Assets
- Liquidity Ratio
- Current Ratio
- Premium and Reinsurance Receivables/Total Assets

The results evaluated by the Risk Committee and reported regularly to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

Management of the liquidity risk

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Maturity distribution of monetary assets and liabilities:

December 31, 2020	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 year and up	Unallocated
Cash and cash equivalents	1.592.117.064	1.418.820.700	66.515.239	52.046.973	54.734.152	-	-
Financial assets (*)	1.001.292.061	349.485.443	165.686.902	28.383.600	111.071.322	346.664.794	-
Receivables from main operations	429.575.728	132.441.168	85.037.364	19.865.886	28.297.389	163.933.921	-
Other receivables and current assets	63.189.072	62.571.719	-	-	617.353	-	-
Total monetary assets	**3.086.173.925**	**1.963.319.030**	**317.239.505**	**100.296.459**	**194.720.216**	**510.598.715**	**-**
Financial liabilities and other liabilities	1.321.982	1.321.982	-	-		-	-
Payables arising from main operations	75.120.811	59.301.100	1.179.731	1.250.893	95.495	13.293.592	-
Due to related parties	136.214	136.214	-	-	-	-	-
Insurance technical reserves (**)	1.631.453.741	-	-	-	-	-	1.631.453.741
Provisions for taxes and other similar obligations	2.358.902	2.358.902	-	-	-	-	-
Provisions for other risks and expense accruals	88.672.602	2.757.182	4.231.201	-	-	-	81.684.219
Total monetary liabilities	**1.799.064.252**	**65.875.380**	**5.410.932**	**1.250.893**	**95.495**	**13.293.592**	**1.713.137.960**

(*) Equity shares amounting to TL 157.662.336 are not included.
(**) Net of outstanding claims reserve not subject to consistent distribution is presented in the "unallocated" column.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

December 31, 2019	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 year and up	Unallocated
Cash and cash equivalents	1.754.800.717	1.410.171.051	266.062.815	35.517.982	43.048.869	-	-
Financial assets (*)	442.911.579	226.752.000	26.200.250	20.572.099	-	169.387.230	-
Receivables from main operations	343.722.732	141.286.737	27.343.851	3.193.844	6.647.676	165.250.624	-
Other receivables and current assets	21.358.767	20.943.224	-	-	415.543	-	-
Total monetary assets	**2.562.793.795**	**1.799.153.012**	**319.606.916**	**59.283.925**	**50.112.088**	**334.637.854**	**-**
Financial liabilities and other liabilities	3.803.972	2.539.462	254.524	380.262	629.724	-	-
Payables arising from main operations	61.264.524	50.927.505	2.449.570	1.499.843	1.365.065	5.022.541	-
Due to related parties	141.374	141.374	-	-	-	-	-
Insurance technical reserves (**)	1.365.064.221	-	-	-	-	-	1.365.064.221
Provisions for taxes and other similar obligations	2.273.036	2.273.036	-	-	-	-	-
Provisions for other risks and expense accruals	70.329.253	2.130.579	3.939.929	-	-	-	64.258.745
Total monetary liabilities	**1.502.876.380**	**58.011.956**	**6.644.023**	**1.880.105**	**1.994.789**	**5.022.541**	**1.429.322.966**

(*) Equity shares amounting to TL 77.844.172 are not included.
(**) Net of outstanding claims reserve not subject to consistent distribution is presented in the "unallocated" column.

Market risk

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Foreign currency risk

The Company is exposed to foreign currency risk through insurance and reinsurance transactions in foreign currencies. Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the reporting periods, foreign currency assets and liabilities evaluated by the Central Bank of Republic of Turkey's spot purchase rates and the differences arising from foreign currency rates are recorded as foreign exchange gain or loss in the statement of income.

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

December 31, 2020	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	255.831.573	34.279.547	4.470.228	294.581.348
Financial assets and financial investments of risky insurers	340.721.866	55.397.567	-	396.119.433
Receivables from main operations	98.596.016	41.684.005	208.762.775	349.042.796
Total foreign currency assets	**695.149.455**	**131.361.119**	**213.233.003**	**1.039.743.577**
Liabilities:				
Payables arising from main operations	(20.742.798)	(4.800.405)	(27.946.680)	(53.489.883)
Insurance technical reserves (*)	(353.021.324)	(154.013.462)	(178.734.536)	(685.769.322)
Financial liabilities	-	-	-	-
Total foreign currency liabilities	**(373.764.122)**	**(158.813.867)**	**(206.681.216)**	**(739.259.205)**
Net financial position	**321.385.333**	**(27.452.748)**	**6.551.787**	**300.484.372**

December 31, 2019	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	342.391.688	1.195.187	5.097.719	348.684.594
Financial assets and financial investments of risky insurers	125.237.757	28.789.772	-	154.027.529
Receivables from main operations	63.121.897	27.167.763	195.477.075	285.766.735
Total foreign currency assets	**530.751.342**	**57.152.722**	**200.574.794**	**788.478.858**
Liabilities:				
Payables arising from main operations	(14.115.806)	(2.583.100)	(28.058.846)	(44.757.752)
Insurance technical reserves (*)	(284.223.390)	(144.877.345)	(152.774.383)	(581.875.118)
Financial liabilities	-	-	(1.392.078)	(1.392.078)
Total foreign currency liabilities	**(298.339.196)**	**(147.460.445)**	**(182.225.307)**	**(628.024.948)**
Net financial position	**232.412.146**	**(90.307.723)**	**18.349.487**	**160.453.910**

(*) According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated July 28, 2010; foreign currency denominated claims provisions evaluated by the Central Bank of Republic of Turkey's spot sales rates.

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

Foreign currency rates used for the translation of foreign currency denominated monetary assets and liabilities as of December 31, 2020 and 2019 dates are as follows:

	At the end of the period		Average	
	US Dollar	Euro	US Dollar	Euro
December 31, 2020	7,3405	9,0079	7,0034	8,0140
December 31, 2019	5,9402	6,6506	5,6712	6,3481

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))

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

Exposure to foreign currency risk

20 percent depreciation of the TL against the following currencies as of December 31, 2020 would have increased or decreased equity and profit or loss (excluding tax effects) by the amounts shown below (December 31, 2019: 20 percent depreciation of the TL). This analysis assumes that all other variables, in particular interest rates, remain constant. In case of a 20 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

	December 31, 2020		December 31, 2019	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	64.277.067	64.277.067	46.482.429	46.482.429
Euro	(5.490.550)	(5.490.550)	(18.061.545)	(18.061.545)
Others	1.310.357	1.310.357	3.669.897	3.669.897
Total, net	**60.096.874**	**60.096.874**	**32.090.781**	**32.090.781**

(*) Equity effect also includes profit or loss effect of 20% depreciation of TL against related currencies (December 31, 2019: 20% depreciation of TL).

Exposure to interest rate risk

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

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

	December 31, 2020	December 31, 2019
Financial assets		
Financial assets with fixed interest rates:	**2.207.520.461**	**1.895.523.007**
Cash at banks *(Note 14)*	1.554.163.504	1.737.350.019
Available for sale financial assets - Government bonds - FC *(Note 11)*	201.272.717	79.700.480
Available for sale financial assets - Private sector bonds - FC *(Note 11)*	194.846.716	74.327.048
Available for sale financial assets - Private sector bonds - TL *(Note 11)*	257.237.524	4.145.460
Financial assets with variable interest rate:	**87.447.351**	**57.132.050**
Available for sale financial assets - Private sector bonds - TL *(Note 11)*	87.447.351	57.132.050

Fair value information

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

The Company has classified its financial assets as held for trading or available for sale. As of the reporting date, available for sale financial assets and financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying unconsolidated financial statements.

Management estimates that the fair value of other financial assets and liabilities are not materially different than their carrying values.

Classification relevant to fair value information

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

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

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

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

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

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

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Held for trading financial assets *(Note 11)*	190.742.811	-	-	190.742.811
Available for sale financial assets *(Note 11)* (*)	968.120.094	-	-	968.120.094
Associates (Note 9)	-	199.595.913	-	199.595.913
Subsidiaries (Note 9)	-	1.187.633.948	-	1.187.633.948
Total financial assets	**1.158.862.905**	**1.387.229.861**	**-**	**2.546.092.766**
Tangible assets:				
Investment properties *(Note 6)*	-	458.821.000	-	458.821.000
Owner Occupied Properties *(Note 6)*	-	180.163.740	-	180.163.740
Total tangible assets	**-**	**638.984.740**	**-**	**638.984.740**
Total	**1.158.862.905**	**2.026.214.601**	**-**	**3.185.077.506**

(*) As of December 31, 2020, securities that are not publicly traded amounting to TL 91.492 have been measured at cost.

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available for sale financial assets *(Note 11)* (*)	520.027.470	-	-	520.027.470
Associates *(Note 9)*	-	160.221.809	-	160.221.809
Subsidiaries *(Note 9)*	-	903.819.494	-	903.819.494
Total financial assets	**520.027.470**	**1.064.041.303**	**-**	**1.584.068.773**
Tangible assets:				
Investment properties *(Note 6)*	-	415.891.000	-	415.891.000
Owner Occupied Properties *(Note 6)*	-	179.340.000	-	179.340.000
Total tangible assets	**-**	**595.231.000**	**-**	**595.231.000**
Total	**520.027.470**	**1.659.272.303**	**-**	**2.179.299.773**

(*) As of December 31, 2019, securities that are not publicly traded amounting to TL 728.281 have been measured at cost.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Equity share price risk

Equity share price risk is defined as the risk of decreasing the market price of equity shares as a result of a decline in index.

The effect of changes in fair values of the associates and the available-for-sale financial assets on equity that is resulted from the fluctuations on index (all of the other variables are assumed to be fixed) are as follows as of December 31, 2020 and 2019:

	Change in index	December 31, 2020	December 31,2019
Market price of equity	10%	15.757.084	7.711.589

Gain and losses from financial assets

Gains and losses recognized in the statement of income, net:	December 31, 2020	December 31, 2019
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15*)	20.321.227	1.902.905
Interest income from bank deposits	127.604.439	255.763.639
Interest income from debt securities classified as available-for-sale financial assets	48.832.056	25.390.236
Income from equity shares	-	48.591
Foreign exchange gains	94.862.946	61.769.977
Income from mutual funds classified as trading financial assets	18.233.969	-
Income from investment funds	16.362.189	8.234.701
Interest income from repos	50	53.026
Income from derivative products	-	18.985
Income from subsidiaries	231.971.961	216.410.793
Income from affiliates	65.656.632	44.942.194
Other	216.110	-
Investment income	**624.061.579**	**614.535.047**
Foreign exchange losses	(20.493.502)	(31.632.288)
Loss from disposal of financial assets	(1.586.173)	(1.345.499)
Investment management expenses (including interest)	(78.988)	(44.377)
Investment expenses	**(22.158.663)**	**(33.022.164)**
Investment income, net	**601.902.916**	**581.512.883**

Gains and losses recognized in the statement of equity, net:	December 31, 2020	December 31, 2019
Fair value changes in available for sale financial assets *(Note 15)*	204.918.992	139.770.632
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15*)	(20.321.227)	(1.902.905)
Total	**184.597.765**	**137.867.727**

Capital management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements required by Republic of Turkey Ministry of Treasury and Finance
- To safeguard the Company's ability to continue as a going concern

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Individual Pension Companies" issued by Republic of Turkey Ministry of Treasury and Finance on August 23, 2015 dated and 29454 numbered; the Company measured its minimum capital requirement as TL 720.762.903 (December 31, 2019: 581.406.867) as of December 31, 2020. As of December 31, 2020, and 2019, the capital amount of the Company presented in the unconsolidated financial statements are TL 2.638.633.525 and TL 2.135.840.889 respectively and capital surplus of the Company is amounting to TL 1.811.692.867 (December 31, 2019: TL 1.403.336.796) according to the communiqué.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

5 Segment Information

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

As of December 31, 2020, the Company operates in life and non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

6 Tangible assets

Movement in tangible assets in the period from January 1 to December 31, 2020 is presented below:

	January 1, 2020	Additions	Foreign currency translation effect (*)	Disposals	Revaluation surplus	December 31, 2020
Cost:						
Investment properties *(Note 7)*	415.891.000	-	-	-	42.930.000	458.821.000
Buildings for own use	179.340.000	823.740	-	-	-	180.163.740
Furniture and fixtures	7.535.039	2.097.289	333.799	(253.694)	-	9.712.433
Land vehicles	2.325.551	974.897	202.973	(1.064.007)	-	2.439.414
Operating leases	2.938.936	-	692.803	-	-	3.631.739
	608.030.526	**3.895.926**	**1.229.575**	**(1.317.701)**	**42.930.000**	**654.768.326**
Accumulated depreciation:						
Buildings for own use	699.341	562.219	-	-	-	1.261.560
Furniture and fixtures	5.360.612	916.514	324.416	(251.772)	-	6.349.770
Land vehicles	1.269.990	483.180	164.772	(868.940)	-	1.049.002
Operating leases	1.533.358	1.657.152	441.229	-	-	3.631.739
	8.863.301	**3.619.065**	**930.417**	**(1.120.712)**	**-**	**12.292.071**
Carrying amounts	**599.167.225**					**642.476.255**

(*) Foreign currency translation effect resulted from Singapore Branch.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Movement in tangible assets in the period from January 1 to December 31, 2019 is presented below:

	January 1, 2019	Additions	Foreign currency translation effect (*)	Disposals	Revaluation surplus	December 31, 2019
Cost:						
Investment properties *(Note 7)*	392.041.000	157.865	-	-	23.692.135	415.891.000
Buildings for own use	179.340.000	-	-	-	-	179.340.000
Furniture and fixtures	6.065.122	1.606.880	160.219	(297.182)	-	7.535.039
Operating leases	-	2.617.283	321.653	-	-	2.938.936
Land vehicles	2.270.724	-	98.466	(43.639)	-	2.325.551
	579.716.846	**4.382.028**	**580.338**	**(340.821)**	**23.692.135**	**608.030.526**
Accumulated depreciation:						
Buildings for own use	139.868	559.473	-	-	-	699.341
Furniture and fixtures	4.906.281	595.361	154.415	(295.445)	-	5.360.612
Land vehicles	792.720	457.312	63.597	(43.639)	-	1.269.990
Operating leases		1.463.920	69.438			1.533.358
	5.838.869	**3.076.066**	**287.450**	**(339.084)**	**-**	**8.863.301**
Carrying amounts	**573.877.977**					**599.167.225**

(*) Foreign currency translation effect resulted from Singapore Branch.

Expertise reports regarding the Company's property are prepared by independent professional valuation specialists authorized by CMB in December 2019.

As of December 31, 2020, and 2019, the fair values (excluding VAT) and net carrying values of property for own used are presented below:

Owner occupied land and buildings	Expertise date	Expertise value	Net Book Value (December 31, 2020)	Net Book Value (December 31, 2019)
Headquarter Building	September 2018	179.340.000	178.902.180	178.640.659
Total		**179.340.000**	**178.902.180**	**178.640.659**

Fair value measurement

The fair values of property for own use were determined by market comparison technique. The fair value measurement of owner-occupied land and buildings is classified as level 2.

As of December 31, 2020, and 2019, there is no mortgage on Company's tangible assets.

7 Investment properties

Additions and disposals for investment properties is given "6- Tangible Assets" note in table of current period movement of tangible assets.

Investment properties are presented by fair value method as of December 31, 2020 and 2019 on balance sheet and The Company's investment properties gained TL 42.930.000 amount of value in 2020 in the context of expertise report prepared by independent professional valuation specialists authorized by Capital Markets Board of Turkey. From investment property, TL 17.841.090 amount of rent income is obtained from investment properties in the current accounting period (December 31, 2019: TL 22.899.496).

As of December 31, 2020, inflation adjusted cost and fair value amounts of the Company's investment properties are amounting to TL 458.821.000 (December 31, 2019: TL 415.891.000).

The expertise (excluding VAT) and net book values of investment properties are as follows per real estate. Expertise reports regarding these properties are prepared by independent professional valuation specialists authorized by CMB in December 2020. There is no mortgage on the real estates.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

As of December 31, 2020, and 2019, details of investment properties and the fair values are as follows:

	December 31, 2020 Net book value	December 31, 2019 Net book value	Date of expertise report	Value of expertise report
Çifteler Land	6.000	6.000	December 2020	6.000
Villa Office Block	45.600.000	45.600.000	December 2020	45.600.000
Suadiye Fitness Center	45.840.000	40.270.000	December 2020	45.840.000
Tunaman Garage	155.075.000	133.875.000	December 2020	155.075.000
Operating Center Rental Offices	212.300.000	196.140.000	December 2020	212.300.000
Carrying amounts	**458.821.000**	**415.891.000**		**458.821.000**

Fair value measurement

The fair values of investment properties were determined by market comparison technique. The fair value measurement of owner occupied land and buildings is classified as level 2.

8 Intangible assets

Movement in intangible assets in the period from January 1 to December 31, 2020 is presented below:

	January 1, 2020	Additions	Foreign currency translation effects (*)	Disposal	Transfers	December 31, 2020
Cost:						
Rights	10.494.461	299.763	866.720	(4.460.001)	40.584.723	47.785.666
Advances on intangible fixed assets (**)	37.500.121	3.084.602	-		(40.584.723)	-
	47.994.582	**3.384.365**	**866.720**	**(4.460.001)**		**47.785.666**
Accumulated amortization:						
Rights	7.691.295	12.517.821	866.783	(4.460.001)	-	16.615.898
	7.691.295	**12.517.821**	**866.783**	**(4.460.001)**	**-**	**16.615.898**
Carrying amounts	**40.303.287**					**31.169.768**

(*) Foreign currency translation effect resulted from Singapore Branch.
(**) Given referring to reinsurance computer software.

Movement in intangible assets in the period from January 1 to December 31, 2019 is presented below:

	January 1, 2019	Additions	Foreign currency translation effects (*)	Disposal	December 31, 2019
Cost:					
Rights	8.428.284	1.645.879	420.298	-	10.494.461
Advances on intangible fixed assets (**)	30.103.467	7.396.654	-	-	37.500.121
	38.531.751	**9.042.533**	**420.298**	**-**	**47.994.582**
Accumulated amortization:					
Rights	6.176.494	1.094.877	419.924	-	7.691.295
	6.176.494	**1.094.877**	**419.924**	**-**	**7.691.295**
Carrying amounts	**32.355.257**				**40.303.287**

(*) Foreign currency translation effect resulted from Singapore Branch.
(**) Given referring to reinsurance computer software.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

9 Investments in associates

The Company accounts for its subsidiaries, its investments in associates and its joint ventures using the equity method defined in TAS 27 - "Consolidated and Separate Financial Statements" in preparing the unconsolidated financial statements.

As of the reporting date, the carrying values of the investments accounted for using equity method accounted in balance sheet in the unconsolidated financial statements of the Company are as follows:

	December 31, 2020		December 31, 2019	
	Net book value	Participation rate %	Net book value	Participation rate %
Anadolu Hayat Emeklilik	199.595.913	12,46	160.221.809	12,46
Investments in associates, net	**199.595.913**		**160.221.809**	
Anadolu Sigorta	1.183.837.861	57,31	900.077.235	57,31
Miltaş Turizm İnşaat Ticaret Anonim Şirketi	3.796.087	77,00	3.742.259	77,00
Investments in subsidiaries, net	**1.187.633.948**		**903.819.494**	
Total financial asset	**1.387.229.861**		**1.064.041.303**	

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the year	Audited	Period
Associates:						
Anadolu Hayat Emeklilik (*)	36.087.752.603	1.601.893.365	102.198.183	526.939.264	Audited.	December 31, 2020
Subsidiaries:						
Miltaş Turizm İnşaat Tic.A.Ş.	5.331.484	4.929.984	6.444	82.533	Not Audited.	December 31, 2020
Anadolu Sigorta (*)	11.651.496.402	2.385.996.930	103.217.084	510.025.565	Audited.	December 31, 2020

(*) As of December 31, 2020, consolidated financial informations of Anadolu Sigorta and Anadolu Hayat Emeklilik are shown.

10 Reinsurance assets and liabilities

As of December 31, 2020, and 2019, outstanding reinsurance assets and liabilities of the Company, as Reinsurance company in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	December 31, 2020	December 31, 2019
Receivables from reinsurance companies *(Note 12)*	48.027.209	60.633.142
Cash deposited to reinsurance companies	120.831.485	93.878.470
Outstanding claims reserve, ceded *(Note 4.2), (Note 17)*	78.871.381	90.544.841
Unearned premiums reserve, ceded *(Note 17)*	20.130.822	44.693.136
Total	**267.860.897**	**289.749.589**

There are no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	December 31, 2020	December 31, 2019
Deferred commission income *(Note 19)*	2.760.960	1.018.666
Total	**2.760.960**	**1.018.666**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

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

	December 31, 2020	December 31, 2019
Premiums ceded during the period *(Note 17)*	(238.964.890)	(205.915.052)
Unearned premiums reserve, ceded at the beginning of the period *(Note 17)*	(44.693.136)	(18.693.888)
Unearned premiums reserve, ceded at the end of the period *(Note 17)*	20.130.822	44.693.136
Premiums earned, ceded *(Note 17)*	**(263.527.204)**	**(179.915.804)**
Claims paid, ceded during the period *(Note 17)*	50.639.210	38.058.182
Outstanding claims reserve, ceded at the beginning of the period *(Note 17)*	(90.544.841)	(48.942.099)
Outstanding claims reserve, ceded at the end of the period *(Note 17)*	78.871.381	90.544.841
Claims incurred, ceded *(Note 17)*	**38.965.750**	**79.660.924**
Commission income accrued from reinsurers during the period *(Note 32)*	6.048.624	2.791.118
Deferred commission income at the beginning of the period *(Note 19)*	1.018.666	758.494
Deferred commission income at the end of the period *(Note 19)*	(2.760.960)	(1.018.666)
Commission income earned from reinsurers *(Note 32)*	**4.306.330**	**2.530.946**
Changes in unexpired risks reserve, reinsurers' share *(Note 17)*	**25.701**	**315.759**
Total, net	**(220.229.423)**	**(97.408.175)**

11 Financial assets

As of December 31, 2020, and 2019, the Company's financial assets portfolio are detailed as follows:

	December 31, 2019	December 31, 2019
Available for sale financial assets	975.166.126	527.710.291
Financial Assets Held for Trading	190.742.811	-
Provisions for impairment for financial assets available for sale	(6.954.540)	(6.954.540)
Total	**1.158.954.397**	**520.755.751**

As of December 31, 2020, and 2019, the Company's available for sale financial assets are as follows:

	December 31, 2020			
	Nominal value	Cost	Fair value	Net book value
Debt instruments:				
Government bonds - EUR	5.710.000	41.285.642	55.397.567	55.397.567
Government bonds - USD	18.406.000	118.613.401	145.875.150	145.875.150
Private sector bonds - USD	25.349.000	163.254.487	194.846.716	194.846.716
Private sector bonds - TL	346.110.000	338.697.309	351.639.415	351.639.415
Impairment loss on private sector bonds			(6.954.540)	(6.954.540)
		661.850.839	**740.804.308**	**740.804.308**
Non-fixed income financial assets:				
Equity shares		61.938.846	157.662.336	157.662.336
Investment funds		60.774.131	69.744.942	69.744.942
		122.712.977	**227.407.278**	**227.407.278**
Total available-for-sale financial assets		**784.563.816**	**968.211.586**	**968.211.586**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

	December 31, 2019			
	Nominal value	Cost	Fair value	Net book value
Debt instruments:				
Government bonds - EUR	4.000.000	26.072.226	28.789.772	28.789.772
Government bonds - USD	8.000.000	45.589.426	50.910.708	50.910.708
Private sector bonds - USD	12.420.000	69.114.084	74.327.048	74.327.048
Private sector bonds - TL	66.100.000	66.100.000	68.232.050	68.232.050
Impairment loss on private sector bonds			(6.954.540)	(6.954.540)
		206.875.736	**215.305.038**	**215.305.038**
Non-fixed income financial assets:				
Equity shares		62.575.635	77.844.172	77.844.172
Investment funds		208.186.565	227.606.541	227.606.541
		270.762.200	**305.450.713**	**305.450.713**
Total available-for-sale financial assets		**477.637.936**	**520.755.751**	**520.755.751**

As of December 31, 2020, the details of the Company's held for trading assets are as follows (December 31, 2019: None):

	December 31, 2020			
	Nominal value	Cost	Fair value	Net book value
Investment funds		183.929.766	190.742.811	190.742.811
Total		**183.929.766**	**190.742.811**	**190.742.811**

Debt instruments presented above are traded in the capital markets. As of December 31, 2020, equity shares classified as available for sale financial assets with a carrying amount of TL 91.492 are not publicly traded (December 31, 2019: TL 728.281).

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

Value increases in financial assets including equity shares classified as available for sale financial assets and subsidiaries for the last 3 years (including tax effects):

Year	Change in value increase	Total increase in value
2020	184.597.765	284.072.561
2019	137.867.727	99.474.796
2018	(91.304.729)	(38.392.931)

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Details of the financial assets issued by related parties of the Company's are as follows:

	December 31, 2020			
	Nominal value	Cost	Fair value	Net book value
Available for sale financial assets - Equity shares		61.871.244	157.594.734	157.594.734
Available for sale financial assets - Investment funds		60.774.131	69.744.942	69.744.942
Financial Assets Held For Trading - Investment funds		183.929.766	190.742.811	190.742.811
Available for sale financial assets - Private sector bonds	229.800.000	222.958.902	227.248.464	227.248.464
Available for sale financial assets - Private sector bonds FC	14.000.000	99.688.723	105.690.061	105.690.061
Total		**629.222.766**	**751.021.012**	**751.021.012**

	December 31, 2019			
	Nominal value	Cost	Fair value	Net book value
Available for sale financial assets - Equity shares		62.508.033	77.776.570	77.776.570
Available for sale financial assets - Investment funds		208.186.565	227.606.541	227.606.541
Available for sale financial assets - Private sector bonds FC	12.420.000	69.114.084	74.327.048	74.327.048
Available for sale financial assets - Private sector bonds	25.000.000	25.000.000	26.200.250	26.200.250
Total		**364.808.682**	**405.910.409**	**405.910.409**

Movements of the financial assets during the period are presented below:

	December 31, 2020		
	Financial assets held for trading	Available-for-sale	Total
Balance at the beginning of the period	**-**	**520.755.751**	**520.755.751**
Unrealized exchange differences on financial assets	-	43.285.313	43.285.313
Acquisitions during the period	1.133.943.320	1.573.734.209	2.707.677.529
Disposals (sale and redemption)	(960.907.402)	(1.421.128.319)	(2.382.035.721)
Change in the fair value of financial assets	17.706.893	243.255.528	260.962.421
Change in amortized cost of the financial assets	-	8.309.104	8.309.104
Balance at the end of the period	**190.742.811**	**968.211.586**	**1.158.954.397**

	December 31, 2019		
	Financial assets held for trading	Available-for-sale	Total
Balance at the beginning of the period	**-**	**159.988.747**	**159.988.747**
Acquisitions during the period	-	7.065.556	7.065.556
Disposals (sale and redemption)	-	1.163.468.635	1.163.468.635
Change in the fair value of financial assets	-	(888.744.285)	(888.744.285)
Change in amortized cost of the financial assets	-	72.411.513	72.411.513
Bonus shares acquired	-	6.565.585	6.565.585
Balance at the end of the period	**-**	**520.755.751**	**520.755.751**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))

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

12 Loans and receivables

	December 31, 2020	December 31, 2019
Receivables from main operations *(Note 4.2)*	429.575.728	343.722.732
Prepaid taxes and funds *(Note 19)*	11.092.252	6.312.824
Other receivables *(Note 4.2)*	1.604.433	1.746.065
Other current asset	106.950	10.000
Total	**442.379.363**	**351.791.621**
Short-term receivables	278.445.442	186.540.997
Medium and long-term receivables	163.933.921	165.250.624
Total	**442.379.363**	**351.791.621**

As of December 31, 2020, and 2019, receivables from main operations are detailed as follows:

	December 31, 2020	December 31, 2019
Receivables from insurance companies	120.993.013	72.720.084
Receivables from brokers and intermediaries	56.023.124	60.768.061
Receivables from reinsurance companies *(Note 10)*	48.027.209	60.633.142
Total receivables from insurance operations, net	**225.043.346**	**194.121.287**
Cash deposited to insurance and reinsurance companies	204.532.382	149.601.445
Doubtful receivables from main operations	35.056.517	28.638.564
Provision for doubtful receivables from main operations	(35.056.517)	(28.638.564)
Receivables from main operations	**429.575.728**	**343.722.732**

As of December 31, 2020, and 2019, mortgages and collaterals obtained for receivables are disclosed as follows:

	December 31, 2020	December 31, 2019
Letters of guarantees	15.467.376	13.852.965
Other Guarantees	400.138	240.000
Total	**15.867.514**	**14.092.965**

Provisions for overdue receivables and receivables not due yet

a) *Receivables under legal or administrative follow up (due): TL* 35.056.517 for main operations (December 31, 2019: TL 28.638.564) and TL 832.788 (December 31, 2019: TL 754.788) for other receivables.

b) Provision for premium receivables (due): None (December 31, 2019: None).

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

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

13 Derivative financial assets

As of December 31, 2020, and 2019, the Company has no derivative financial instruments.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

14 Cash and cash equivalents

As of December 31, 2020, and 2019, the details of cash and cash equivalents are as follows:

	December 31, 2020		December 31, 2019	
	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	21.439	60.119	60.119	19.945
Bank deposits	1.591.695.487	1.754.500.598	1.754.500.598	1.742.194.280
Cheques received	400.138	240.000	240.000	-
Cash and cash equivalents in the balance sheet	**1.592.117.064**	**1.754.800.717**	**1.754.800.717**	**1.742.214.225**
Bank deposits - blocked	(500)	(500)	(500)	(500)
Time deposits with maturities longer than 3 months	(145.142.438)	(196.631.873)	(196.631.873)	(409.261.173)
Interest accruals on bank deposits	(10.329.632)	(6.341.497)	(6.341.497)	(12.664.099)
Cash and cash equivalents presented in the statement of cash flows	**1.436.644.494**	**1.551.826.847**	**1.551.826.847**	**1.320.288.453**

As of December 31, 2020, and 2019, the details of bank deposits as follows:

	December 31, 2020	December 31, 2019
Foreign currency denominated bank deposits		
- time deposits	257.078.486	331.620.931
- demand deposits	37.500.098	17.017.549
Bank deposits in Turkish Lira		
- time deposits	1.297.085.018	1.405.729.088
- demand deposits	31.885	133.030
Bank deposits	**1.591.695.487**	**1.754.500.598**

15 Equity

Paid in capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group having 87,60% of outstanding shares. As of December 31, 2020, and, 2019, the shareholding structure of the Company is as follows:

	December 31, 2020		December 31, 2019	
Name	Shareholding amount(TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)
Türkiye İş Bankası A.Ş.	578.177.926	87,60	508.573.072	77,06
Millî Reasürans T.A.Ş. Mensupları Yardımlaşma Sandığı Vakfı (*)	-	-	69.604.854	10,55
Groupama Hayat A.Ş.	38.809.894	5,88	38.809.894	5,88
Ankara Doğal Elektrik Üretim ve Ticaret A.Ş.	22.240.456	3,37	22.240.456	3,37
T.C. Ziraat Bankası A.Ş.	16.430.944	2,49	16.430.944	2,49
Other	4.340.780	0,66	4.340.780	0,65
Paid in capital	**660.000.000**	**100,00**	**660.000.000**	**100,00**

(*) As of August 21, 2020, Türkiye İş Bankası A.Ş. purchased 69,604,854 shares of nominal value of TL with all of the rate of 10.55% owned by one of the shareholders of the Company, Millî Reasürans T.A.Ş. Mensupları Yardımlaşma Sandığı Vakfı. It was approved by Milli Reasürans T.A.Ş.'s Board of Directors decision dated 26 August 2020 and numbered 1318.

As of December 31, 2020, the issued share capital of the Company is TL 660.000.000 (December 31, 2019: TL 660.000.000) and the share capital of the Company consists of 66.000.000.000 (December 31, 2019: 66.000.000.000 shares) issued shares with TL 0,01 nominal value each. There are no privileges over the shares of the Company.

There are not any treasury shares held by the Company itself or by its subsidiaries or associates.

There are not any treasury shares issued which will be subject to sale in accordance with forward transactions and contracts.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))

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

Legal reserves

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

The movements of legal reserves are as follows:

	December 31, 2020	December 31, 2019
Legal reserves at the beginning of the period	**155.933.971**	**123.041.466**
Transfer from profit	17.060.060	17.117.473
Accounted according to the equity method	21.950.991	15.775.032
Legal reserves at the end of the period	**194.945.022**	**155.933.971**

As of December 31, 2020, and December 31, 2019, "Other Reserves and Retained Earnings" includes extraordinary reserves, gains to be added to equity and buildings for own use revaluation differences and other profit reserves.

Extraordinary reserves

The movement of extraordinary reserves is as follows:

	December 31, 2020	December 31, 2019
Extraordinary reserves at the beginning of the period	**588.605.263**	**284.629.561**
Transfer from profit	-	201.095.939
Accounted according to the equity method	104.265.661	102.879.763
Extraordinary reserves at the end of the period	**692.870.924**	**588.605.263**

Special funds (reserves)

As of December 31, 2020, special funds accounted according to the equity method is amounting to TL 16.900.903 (December 31, 2019: None).

The movements of special funds are as follows:

	December 31, 2020	December 31, 2019
Special funds at the beginning of the period	**-**	**-**
Accounted according to the equity method	16.900.903	-
Special funds at the end of the period	**16.900.903**	-

Other profit reserves

According to revision on TAS 19, actuarial profit and losses that recognized in income statement in termination indemnity calculation before, is recognized in "Other Profit Reserves" account under equity in current period financial statements. The amount of TL (4.294.111) (December 31, 2019: TL (2.758.065)) regarding actuarial calculation is presented in other profit reserves account, in calculation of termination indemnity as of December 31, 2020.

Movement of other profit reserves is presented below:

	December 31, 2020	December 31, 2019
Other profit reserves at the beginning of the period	**21.666.327**	**22.407.942**
Actuarial gains/losses	(1.536.046)	(684.257)
Accounted according to the equity method	(750.603)	(57.358)
Other profit reserves at the end of the period	**19.379.678**	**21.666.327**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Statutory reserves

After the allocation of first legal reserves and first dividend to shareholders, reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly. As of December 31, 2020, there are no funds allocated in this manner (December 31, 2019: None). As of December 31, 2020, the statutory reverses that are accounted according to the equity method amounting to TL 58.171.807 (December 31, 2019: TL 37.967.890).

Foreign currency translation differences

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. As of December 31, 2020, foreign currency translation loss amounting to TL 21.166.656 (December 31, 2019: TL 34.192.451 loss) stems from Singapore Branch whose functional currency is US Dollars.

Other capital reserves

“According to TAS 16 - “Property Plant and Equipment”, property, plant and equipment are initially recorded at cost and can be subsequently measured at their fair values. The Company has started to show based on the revaluation model by measuring over fair value as of the third quarter of 2015 by making changes in the use of the property which is measuring the cost model in the financial statements before.

According to expertise reports, fair value of building for own use is calculated as TL 179.340.000 and revaluation differences amounted TL 162.300.435 is recognized in ‘Other Capital Reserves’ account under equity amounting to TL 146.070.394 with net tax effect in financial statements as of December 31, 2020 (December 31, 2019: TL 146.070.394). As of December 31, 2020, the other capital reverses that are accounted according to the equity method amounting to TL 21.604.419 (December 31, 2019: TL 19.744.587)

Valuation of financial assets

As of December 31, 2020, and 2019 detailed change of fair value of marketable securities, debt securities and subsidiaries classified as available for sale financial assets is as following:

	December 31, 2020	December 31, 2019
Fair value reserves at the beginning of the period	**99.474.796**	**(38.392.931)**
Change in the fair value during the period *(Note 4.2)*	199.208.837	144.451.080
Deferred tax effect *(Note 4.2)*	1.645.910	(5.099.087)
Net gains transferred to the statement of income *(Note 4.2)*	(20.321.227)	(1.902.905)
Deferred tax effect *(Note 4.2)*	4.064.245	418.639
Fair value reserves at the end of the period	**284.072.561**	**99.474.796**

Profit for the period that is extraneous from the distribution

In accordance with tax legislation, 75% of profits from sales of participation shares and 50% of profit from real states included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years. In the direction of sector announcement made by Treasury dated October 27, 2008 and numbered 2008/41, the Company classified the gain on sale dated April 10, 2015 from the land in real estate amounting to TL 23.723.323 as of December 31, 2016. As of December 31, 2020, profit for the period that is extraneous from the distribution that are accounted according to the equity method amounting to TL 707.937 (December 31, 2019: TL 522.188.). As of December 31, 2020, TL 162.083, which corresponds to 75% of the income obtained from the sale of the subsidiary realized by the Company as of December 14, 2020, has been classified in the Non-Distributable Period Profit. The Non-Distributable Period Profit amount accounted for using the equity method is TL 583.131. (31 December 2019: 3.129.194)

16 Other reserves and equity component of discretionary participation

As of December 31, 2020, and 2019, other reserves are explained in detail in Note 15 - *Equity* above.

As of December 31, 2020, and 2019, the Company does not hold any insurance or investment contracts which contain a discretionary participation feature.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

17 Insurance contract liabilities and reinsurance assets

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

As of December 31, 2020, and 2019, technical reserves of the Company are as follows:

	December 31, 2020	December 31, 2019
Unearned premiums reserve, gross	840.067.426	751.413.623
Unearned premiums reserve, ceded *(Note 10)*	(20.130.822)	(44.693.136)
Unearned premiums reserve, net	**819.936.604**	**706.720.487**
Outstanding claims reserve, gross	1.710.325.122	1.455.609.062
Outstanding claims reserve, ceded *(Note 10)*	(78.871.381)	(90.544.841)
Outstanding claims reserve, net	**1.631.453.741**	**1.365.064.221**
Unexpired risks reserve, gross	48.745.980	24.096.177
Unexpired risks reserve, ceded *(Note 10)*	(597.586)	(571.885)
Unexpired risks reserve, net	**48.148.394**	**23.524.292**
Equalization reserve, net	**184.672.350**	**139.752.880**
Mathematical reserves	**13.014**	**38.691**
Total technical reserves, net	**2.684.224.103**	**2.235.100.571**
Short-term	2.499.551.753	2.095.347.691
Medium and long-term	184.672.350	139.752.880
Total technical reserves, net	**2.684.224.103**	**2.235.100.571**

As of December 31, 2020, and 2019, movements of the insurance liabilities and related reinsurance assets are presented below:

	December 31, 2020		
Unearned premiums reserve	**Gross**	**Ceded**	**Net**
Unearned premiums reserve at the beginning of the period	751.413.623	(44.693.136)	706.720.487
Written premiums during the period	1.820.275.306	(238.964.890)	1.581.310.416
Earned premiums during the period	(1.731.621.503)	263.527.204	(1.468.094.299)
Unearned premiums reserve at the end of the period	**840.067.426**	**(20.130.822)**	**819.936.604**

	December 31, 2019		
Unearned premiums reserve	**Gross**	**Ceded**	**Net**
Unearned premiums reserve at the beginning of the period	597.910.179	(18.693.888)	579.216.291
Written premiums during the period	1.658.819.927	(205.915.052)	1.452.904.875
Earned premiums during the period	(1.505.316.483)	179.915.804	(1.325.400.679)
Unearned premiums reserve at the end of the period	**751.413.623**	**(44.693.136)**	**706.720.487**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

	December 31, 2020		
Outstanding claims reserve	**Gross**	**Ceded**	**Net**
Outstanding claims reserve at the beginning of the period	1.455.609.062	(90.544.841)	1.365.064.221
Claims reported during the period and changes in the estimations of outstanding claims reserve provided at the beginning of the period	1.443.605.643	(39.936.116)	1.403.669.527
Claims paid during the period	(1.052.685.037)	50.639.210	(1.002.045.827)
Discount effect	(136.204.546)	970.366	(135.234.180)
Outstanding claims reserve at the end of the period	**1.710.325.122**	**(78.871.381)**	**1.631.453.741**

	December 31, 2019		
Outstanding claims reserve	**Gross**	**Ceded**	**Net**
Outstanding claims reserve at the beginning of the period	1.208.024.137	(48.942.099)	1.159.082.038
Claims reported during the period and changes in the estimations of outstanding claims reserve provided at the beginning of the period	1.345.627.711	(80.916.759)	1.264.710.952
Claims paid during the period	(986.681.894)	38.058.182	(948.623.712)
Discount effect	(111.360.892)	1.255.835	(110.105.057)
Outstanding claims reserve at the end of the period	**1.455.609.062**	**(90.544.841)**	**1.365.064.221**

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

The Company, being a reinsurance company, has no obligation of providing guarantees.

Total amount of insurance risk on a branch basis

Total amount of insurance risk on branch basis for non-life insurance branch is not kept by the Company.

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

None.

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

None.

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

None.

Pension investment funds established by the Company and their unit prices

None.

Number and amount of participation certificates in portfolio and circulation

None.

Portfolio amounts in terms of number of new participants, left or cancelled participants, and existing participants for individuals and groups

None.

Valuation methods used in profit share calculation for saving life contracts with profit sharing

None.

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups

None.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups which were transferred from other insurance companies during the year

None.

Distribution of individual and group participants and their gross and net contributions which were transferred from life insurance portfolio to private pension portfolio during the year

None.

Distribution of individual and group participants which were cancelled or transferred to other insurance companies in terms of their numbers and gross and net contributions

None.

Profit share distribution rate of life insurances

None.

Deferred commission expenses

The Company capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As of December 31, 2020, deferred production expenses amounting to TL 200.379.888, deferred production commissions amounting to TL 199.751.582 (31 December 2019: TL 186.668.623) and deferred loss surplus amounting to TL 628.306 (31 December 2020: None) It consists of premiums.

As of December 31, 2020, and 2019, the movement of deferred commission expenses is presented below:

	December 31, 2020	December 31, 2019
Deferred commission expenses at the beginning of the period	186.668.623	147.058.200
Commissions accrued during the period *(Note 32)*	411.965.745	394.855.067
Commissions expensed during the period *(Note 32)*	(398.882.786)	(355.244.644)
Deferred commission expenses at the end of the period	**199.751.582**	**186.668.623**

18 Investment contract liabilities

None.

19 Trade and other payables and deferred income

	December 31, 2020	December 31, 2019
Financial Liabilities	-	1.392.078
Payables from reinsurance operations	75.120.811	61.264.524
Short/long term deferred income and expense accruals	10.087.217	7.246.691
Taxes and other liabilities and similar obligations	2.358.902	2.273.036
Due to related parties *(Note 45)*	136.214	141.374
Other payables	1.321.982	2.411.894
Total	**89.025.126**	**74.729.597**
Short-term liabilities	75.731.534	69.707.056
Medium and long-term liabilities	13.293.592	5.022.541
Total	**89.025.126**	**74.729.597**

As of December 31, 2020, and 2019, other payables largely consist of outsourced benefits and services.

Short/long term deferred income and expense accruals include deferred commission income *(Note 10)* amounting to TL 2.760.960 (December 31, 2019: TL 1.018.666).

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

As of December 31, 2020, the amounting of the expense accruals TL 6.988.383 (December 31, 2019: TL 6.070.508) are detailed in the table below.

	December 31, 2020	December 31, 2019
Dividend accrual	4.231.201	3.939.929
Other accruals	2.757.182	2.130.579
Total	**6.988.383**	**6.070.508**

Prepaid income and expense accruals are TL 337.874 (December 31, 2019: TL 157.517) consist of long-term and short term other deferred income.

Corporate tax liabilities and prepaid taxes are disclosed below:

	December 31, 2020	December 31, 2019
Taxes paid during the year	40.123.021	43.539.965
Corporate tax liabilities	(29.030.769)	(37.227.141)
Prepaid assets, net	**11.092.252**	**6.312.824**

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

None.

20 Financial liabilities

As of 31 December 2020, discounted repayment plans for the Company's operating leases are as follows:

	December 31, 2020	December 31, 2019
Within one year	-	1.392.078
Total	**-**	**1.392.078**

21 Deferred tax

As of December 31, 2020, and 2019, deferred tax assets and liabilities are attributable to the following:

	December 31, 2020	December 31, 2019
	Deferred tax assets/(liabilities)	Deferred tax assets/(liabilities)
Equalization provision	25.592.795	18.304.698
Provision for the pension fund deficits	13.912.211	10.643.391
Unexpired risks reserve	9.629.679	5.175.344
Provisions for employee termination benefits	2.424.633	2.208.358
Provision for doubtful receivables	1.240.963	999.697
Personnel Bonus Accrual	846.240	866.784
Time deposits	123.787	91.793
Rediscount of receivables and payables	(33.413)	20.954
Amortization correction differences	(785.041)	(314.155)
Valuation differences in financial assets	(1.705.917)	(1.803.001)
Profit commission accrual	(4.178.574)	(2.723.769)
Real estate valuation differences	(59.798.532)	(55.505.531)
Deferred tax (liabilities)/assets, net	**(12.731.169)**	**(22.035.437)**

As of December 31, 2020, the Company does not have any deductible tax losses (December 31, 2019: None).

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Movement of deferred tax assets are given below:

	December 31, 2020	December 31, 2019
Opening balance at 1 January	**(22.035.437)**	**(26.848.005)**
Deferred tax income/expense	7.274.347	9.740.590
Deferred tax income/expense recognised in equity	2.029.921	(4.928.022)
Deferred tax (assets)/liabilities:	**(12.731.169)**	**(22.035.437)**

22 Retirement benefit obligations

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

As per the provisional article No: 23 of the Banking Law No: 5411, pension funds of the banks which were established within the framework of Social Security Institution Law, should be transferred to the Social Security Institution within three years after the publication of the prevailing Banking Law enacted on November 1, 2005. However, the said article of the Banking Law has been vetoed by the President on November 2, 2005 and the execution of the article was ceased based on the Supreme Court's decision numbered 2007/33 and dated March 22, 2007. The justified decision of Supreme Court is published in Official Gazette dated December 15, 2007 and numbered 26731. Supreme Court asserted possible losses on acquired rights of employees of pension fund as reason for cancellation decision.

Following annulment of the temporary Article 23 of the Banking Law, the new law "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" was published in the Official Gazette dated May 8, 2008 and came into force. The new law requires transfer of the participants or beneficiaries of pension funds to Social Security Institution as at the effective date of the Act within 3 years and prescribe the extension period of the transfer as maximum of two years upon the order of the Cabinet. Accordingly, the three-year period expired on May 8, 2011 was extended to the May 8, 2013. On March 8, 2012, "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" numbered 28227, was published on Official Gazette and 4th article of this act changed "two years" phrase as "four years" which takes part on second sentence of first clause of 20th article of the code numbered 5510. Also, under the scope of Decree of the Council of Ministers numbered 2013/4617 was published on Official Gazette numbered 28636, on May 3, 2013 and 20th temporary article of the Social Security Laws numbered 506 banks, insurance and reinsurance companies, chambers of commerce, stock markets or participants of pension funds and salary or income provided ones and their shareholders' transfer duration has been extended one year to the Social Security Institution by Decree of the Council of Ministers. Under the scope of Decree of Turkish Ministry of Labour and Social Security numbered 174, according to 20th temporary article of the Social Security Laws numbered 5510, the Council of Ministers postpone transfer of the funds until May 8, 2015 with the decision of The Council of Ministers dated February 24, 2014.

April 23, 2015 dated Official Gazette is changed as following; insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or which constitutes their union personnel and associates of funds "The Council is authorized to determine the date of transfer within the scope of article 20 the of the law, 506 banks, insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or which constitutes their union personnel and associates of funds to the social security institution. Pension fund contributors as of the transfer date and considered insured by the first paragraph of Article 4 of this law.

With the decision of the Council of Ministers to be published in the future, the principles and practices of the period will be determined.

On the other hand, the application made on June 19, 2008 by the Republican People's Party to the Constitutional Court for the annulment and motion for stay of some articles, including the first paragraph of the provisional article 20 of the Law, which covers provisions on transfers, was rejected in accordance with the decision taken at the meeting of the afore-mentioned court on March 30, 2011.

As per the temporary sub article No: 20 of the Article 73 of the above mentioned law also includes the following;

a) technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and
b) uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by the entities who transfer the funds.

In accordance with the law; after fund affiliates along with monthly salary and/or revenue endowed people and their rights holder transfer to Social Security Intuition, these people' uncovered social rights and payments is paid, even if it is written in the foundation's obligation which they are belong to, by funds and fund affiliate's employer institutions. The benefits stated in the settlement deeds of pension fund but not subject to transfer will continue to be covered by the pension funds.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

The technical financial position of the Milli Reasürans Pension Fund is audited by the registered actuary in accordance with the Article 21 of the Insurance Law and Actuary Act. As per the calculations based on the above mentioned assumptions, actuarial and technical deficit amounting to TL 69.561.055 (December 31, 2019: TL 53.216.955) is accounted as "Provision for pension fund deficits" in the accompanying unconsolidated financial statements.

An actuarial report has been obtained from registered actuary regarding calculation of the amount to be paid to the Social Security Institution by the Company in accordance with the new law. The CSO 1980 mortality table for December 31,2020 9.8% of technical deficit interest rate are taken into account in the calculation of the said technical deficit. No real increase/decrease is anticipated in salary and health expenses. The health benefits to be paid will be considered by the Group management due to the changes in the Social Security Institution legislation and other regulations. At December 31, 2020 and 2019, technical deficit from pension funds comprised the following.

	December 31, 2020	December 31, 2019
Net present value of total liabilities other than health	(176.277.838)	(154.412.630)
Net present value of insurance premiums	42.294.833	36.399.424
Net present value of total liabilities other than health	**(133.983.005)**	**(118.013.206)**
Net present value of health liabilities	(20.228.903)	(18.531.186)
Net present value of health premiums	23.199.132	19.953.802
Net present value of health liabilities	**2.970.229**	**1.422.616**
Pension fund assets	**61.451.721**	**63.373.635**
Amount of actuarial and technical deficit	**(69.561.055)**	**(53.216.955)**

Pension fund's assets are comprised of the following items:

	December 31, 2020	December 31, 2019
Cash and cash equivalents	47.150.065	51.228.641
Associates	12.431.247	10.648.699
Other	1.870.409	1.496.295
Total plan assets	**61.451.721**	**63.373.635**

23 Other liabilities and expense accruals

As of December 31, 2020, and 2019; the provisions for other risks are disclosed as follows:

	December 31, 2020	December 31, 2019
Provision for pension fund deficits *(Note 22)*	69.561.055	53.216.955
Provision for employee termination benefits	12.123.164	11.041.790
Total provision for other risks	**81.684.219**	**64.258.745**

Movement of provision for employee termination benefits during the period is presented below:

	December 31, 2020	December 31, 2019
Provision at the beginning of the period	11.041.790	9.224.292
Interest cost *(Note 47)*	995.359	1.255.064
Service cost *(Note 47)*	729.263	632.523
Payments during the period *(Note 47)*	(2.563.305)	(925.410)
Actuarial gain/loss	1.920.057	855.321
Provision at the end of the period	**12.123.164**	**11.041.790**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))

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

24 Net insurance premium revenue

Net insurance premium revenue for non-life branches is presented in detailed in the accompanying unconsolidated statement of income.

25 Fee revenue

None.

26 Investment income

Investment income is presented in Note 4.2 - *Financial risk management*.

27 Net income accrual on financial assets

Net realized gains on financial assets are presented in Note 4.2 - *Financial risk management*.

28 Asset held at fair value through profit or loss

Presented in "Note 4.2 - Financial Risk Management".

29 Insurance rights and claims

	December 31, 2020		December 31, 2019	
	Life	Non-Life	Life	Non-Life
Claims paid, net off reinsurers' share	(8.167.036)	(993.878.791)	(5.425.658)	(943.198.053)
Changes in outstanding claims reserve, net off reinsurers' share	1.113.555	(267.503.075)	(116.156)	(205.866.027)
Changes in unearned premiums reserve, net off reinsurers' share	(6.971.463)	(106.244.654)	701.958	(127.117.873)
Changes in unexpired risks reserve, net off reinsurers' share	-	(24.624.102)	-	(20.221.287)
Change in equalization reserve, net off reinsurers' share	(345.929)	(44.573.541)	(186.425)	(38.578.905)
Change in life mathematical reserves, net off reinsurers' share	25.677	-	35.104	-
Total	**(14.345.196)**	**(1.436.824.163)**	**(4.991.177)**	**(1.334.982.145)**

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.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

32 Operating expenses

As of December 31, 2020, and 2019, the operating expenses are disclosed as follows:

	December 31, 2020		December 31, 2019	
	Life	Non-Life	Life	Non-Life
Commission expenses *(Note 17)*	11.053.130	387.829.656	9.867.612	345.377.032
Commissions to the intermediaries accrued during the period (Note 17)	12.443.367	399.522.378	10.073.409	384.781.658
Changes in deferred commission expenses (Note 17)	(1.390.237)	(11.692.722)	(205.797)	(39.404.626)
Employee benefit expenses *(Note 33)*	873.527	64.273.901	727.446	58.694.997
Foreign exchange losses	177.897	100.100.735	84.022	30.104.524
Administration expenses	317.704	20.929.747	184.804	14.935.415
Commission income from reinsurers *(Note 10)*	-	(4.306.330)	-	(2.530.945)
Commission income from reinsurers accrued during the period (Note 10)	-	(6.048.624)	-	(2.791.117)
Change in deferred commission income (Note 10)	-	1.742.294	-	260.172
Outsourced benefits and services	114.363	7.078.286	45.015	3.147.512
Other	40.286	10.157.952	24.363	14.779.995
Total	**12.576.907**	**586.063.947**	**10.933.262**	**464.508.530**

33 Employee benefit expenses

As of December 31, 2020, and 2019, employee benefit expenses are disclosed as follows:

	December 31, 2020		December 31, 2019	
	Life	Non-Life	Life	Non-Life
Wages and salaries	623.085	47.827.749	513.595	42.928.532
Employer's share in social security premiums	146.993	9.806.193	141.764	10.475.757
Pension fund benefits	103.449	6.639.959	72.087	5.290.708
Total *(Note 32)*	**873.527**	**64.273.901**	**727.446**	**58.694.997**

34 Financial costs

As of December 31, 2020, TL 78.988 (1 January - 31 December 2019: 44.377) interest expense arising from leases that the Company is subject to TFRS 16 Leasing Transactions standard is recognised under "Investment Management Expenses - Interest Included" account; and the depreciation expense amounting to TL 1.657.154 is recognised under the "Depreciation and Amortization Expense" accounts (1 January - 31 December 2019: 1.463.920).

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))

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

35 Income Taxes

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

	December 31, 2020	December 31, 2019
Corporate tax expense:		
Corporate tax provision	(29.030.769)	(37.227.141)
Deferred taxes:		
Origination and reversal of temporary differences	7.274.347	9.740.590
Total income tax expense/(income)	**(21.756.422)**	**(27.486.551)**

For the period then ended as of December 31, 2020 and 2019, a reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate is as follows:

	December 31, 2020		December 31, 2019	
Profit before taxes	**370.355.330**	**Tax rate (%)**	**339.997.165**	**Tax rate (%)**
Taxes on income per statutory tax rate	81.478.173	22,00	74.799.376	22,00
Tax exempt income	(65.606.193)	(17,71)	(57.514.265)	(16,92)
Non-deductible expenses	5.884.442	1,59	10.201.440	3,00
Total tax expense recognized in profit or loss	**21.756.422**	**5,87**	**27.486.551**	**8,08**

36 Net foreign exchange gains

Net foreign exchange gains are presented in Note 4.2 - *Financial Risk Management* above.

37 Earnings per share

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

	2020	2019
Net profit for the period	348.598.908	312.510.614
Weighted average number of shares	66.000.000.000	66.000.000.000
Earnings per share (TL)	0,00528	0,0047

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

38 Dividends per share

Dividend distribution policy of the Company stated its Articles of Association are as follows:

Net profit for the year presents remaining amount of total income of the year after deducting operating expenses, amortisation, provisions, taxes and other similar obligations and prior year losses if any. Net profit is divided and distributed in accordance with order as follows.

- 5% of legal reserve is divided from annual net profit, until it reaches 20% of share capital.
- Amounts described by a and b clauses of 2nd paragraph of 519th article of the Turkish Commercial Law will be added to general legal reserves, after legal limit is reached.
- 10% of the remaining net profit amount is distributed to shareholders, as first dividend.
- If the company has acquired his share, according to 520th article of the Turkish Commercial Law, legal reserve is divided to meet the acquiring amount.
- Reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly,
- After the allocation of first legal reserves, first dividend to shareholders and statutory reserves, up to 3% of the remaining amount not exceeding three-wages is distributed to personnel.
- After the allocation of above mentioned reserves and dividends, second dividend to shareholders might be allocated, based on the suggestion of the Board of Directors and decision of the General Assembly.
- According to c clause of 2nd paragraph of 519th article of the Turkish Commercial Law, 10% of total amount distributed to people have share of profit will be added to general legal reserves.
- The fate of remaining amount will be determined by the General Assembly.

Judgements of 3rd paragraph of 519th article of Turkish Commercial Law are reserved.

Other legal reserves cannot be divided, profit cannot be transferred to next year and share of profit cannot be distributed to members of the Board of Directors, founders or workers, unless legal reserves have to be divided according to laws and first dividend for shareholders is divided, in accordance with the Articles of Association.

It is decided in Ordinary General Assembly Meeting of the Company, held on March 26, 2020, to make a dividend payment of TL 43.000.000 to shareholders and to allocate remaining balance as voluntary reserves from the net period income amounting to TL 312.510.614 from 2019 activities of the Company.

Paid dividend amount is reflected to financial statements as liability on the period that is declared by the Company.

39 Cash generated from operations

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

40 Convertible bonds

None.

41 Redeemable preference shares

None.

42 Risks

"Millî Reasürans Türk Anonim Şirketi Mensupları Yardımlaşma Sandığı Vakfı" was established by Millî Reasürans Türk Anonim Şirketi, in accordance with the Turkish Commercial and Civil Laws which is examined by Tax Audit Committee inspectors due to the Company payments what are fulfilled obligations to the foundation owing to deed of the foundation and the related act. As a result of this investigation, an examination was reported for periods of 2007, 2008, 2009, 2010 and 2011.

Legal process has been started for the years 2007, 2008, 2009, 2010, 2011 and the later years and the payment regarding to the revenue authorities was paid. As of the report date, there is no recognized provision.

43 Commitments

The Company provides guarantee to ceding companies in the non-life branch as a reinsurance company and transfers insurance risks through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies.

The future aggregate minimum lease payments under operating leases for properties rented for use are as follows:

	December 31, 2020	December 31, 2019
Within one year	-	1.392.078
Between two to five years	-	-
Total of minimum rent payments	**-**	**1.392.078**

44 Business combinations

None.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

45 Related party transactions

For the purpose of the accompanying unconsolidated financial statements, shareholders, key management and members of board of directors together with their families and companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties.

The related party balances as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Türkiye İş Bankası A.Ş.	848.282.685	1.413.861.995
Other	3.779	3.034
Banks	**848.286.464**	**1.413.865.029**
Investment funds founded by İş Portföy Yönetimi A.Ş. *(Note 11)*	260.487.753	227.606.541
Equity shares of the related parties *(Note 11)*	157.594.734	77.776.570
Bond issued by Türkiye İş Bankası A.Ş. *(Note 11)*	100.980.000	26.200.250
Eurobonds issued by Türkiye İş Bankası A.Ş. *(Note 11)*	90.460.138	74.327.048
Bonds issued by İş GYO A.Ş. (Note 11)	67.265.664	-
Bonds issued by İş Faktoring A.Ş. (Note 11)	59.002.800	-
Industrial Development Bank of Turkey as bonds issued Inc. (Note 11)	15.229.923	-
Financial assets	**751.021.012**	**405.910.409**
Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş)	9.979.614	-
Halk Hayat ve Emek.(Türkiye Hayat ve Emeklilik A.Ş)	8.505.261	-
Halk Sigorta A.Ş.(Türkiye Sigorta A.Ş)	3.869.428	-
Anadolu Sigorta	3.691.018	2.551.533
Ziraat Sigorta A.Ş.(Türkiye Sigorta A.Ş)	2.887.098	3.586.897
Türkiye Hayat ve Emeklilik A.Ş (Vakıf Hayat ve Emeklilik A.Ş)	2.398.064	-
Anadolu Hayat Emeklilik A.Ş	1.016.579	901.580
İstanbul Umum Sigorta A.Ş	188.991	169.977
Groupama Sigorta A.Ş	97.516	3.416.718
Güven Sigorta T.A.Ş	12.903	-
Ziraat Hayat ve Emeklilik(Türkiye Hayat ve Emeklilik A.Ş)	3.834	86.250
HDI Sigorta A.Ş.	-	102.879
Liberty Sigorta A.Ş. (HDI Sigorta A.Ş.)	-	87.846
Receivables from main operations	**32.650.306**	**10.903.680**
Due to shareholders	127.553	116.208
Due to other related parties	8.661	25.166
Due to related parties	**136.214**	**141.374**
Allianz Sigorta A.Ş	3.347.558	1.836.870
Axa Sigorta A.Ş	3.116.280	4.481.577
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	766.597	1.519.469
HDI Sigorta A.Ş.	448.088	-
Liberty Sigorta A.Ş. (HDI Sigorta A.Ş.)	181.993	65.482
Güven Sigorta T.A.Ş	69.749	124.933
Groupama Sigorta A.Ş	48.697	41.766
Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş)	42.916	-
İstanbul Umum Sigorta A.Ş	29.063	22.541
Anadolu Sigorta	15.963	13.406
Halk Sigorta A.Ş.(Türkiye Sigorta A.Ş)	9.338	-
Payables from main operations	**8.076.242**	**8.106.044**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

No guarantees have been taken against receivables from related parties.

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

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

The transactions with related parties are as follows:

	December 31, 2020	December 31, 2019
Anadolu Sigorta	187.883.281	166.823.936
Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş)	137.358.307	-
Halk Sigorta A.Ş.(Türkiye Sigorta A.Ş)	87.838.414	-
Ziraat Sigorta A.Ş.(Türkiye Sigorta A.Ş)	26.019.942	24.283.392
Halk Hayat ve Emek.(Türkiye Hayat Emeklilik A.Ş)	23.941.512	-
Groupama Sigorta A.Ş.	22.097.082	18.950.974
Türkiye Hayat ve Emeklilik A.Ş (Vakıf Hayat ve Emeklilik A.Ş)	5.211.904	-
Anadolu Hayat Emeklilik A.Ş.	2.593.824	1.886.239
Axa Sigorta A.Ş.	1.152.343	1.493.921
Hdi Sigorta A.Ş.	1.038.334	631.473
Ziraat Hayat ve Emeklilik(Türkiye Hayat Emeklilik A.Ş)	365.790	444.848
Allianz Sigorta A.Ş.	330.895	(5.197)
Ergo Sigorta A.Ş. (Hdi Sigorta A.Ş.)	86.340	122.159
Liberty Sigorta A.Ş.(Hdi Sigorta A.Ş.)	41.418	7.768
Güven Sigorta T.A.Ş.	9	-
Premiums received	**495.959.395**	**214.639.513**
Hdi Sigorta A.Ş.	(26)	40
Güven Sigorta T.A.Ş.	(51)	189
Liberty Sigorta A.Ş.(Hdi Sigorta A.Ş.)	(53)	165
Halk Sigorta A.Ş.(Türkiye Sigorta A.Ş)	(58)	-
Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş)	(59)	-
Ergo Sigorta A.Ş. (Hdi Sigorta A.Ş.)	(132)	426
Axa Sigorta A.Ş.	(181)	582
Groupama Sigorta A.Ş.	(221)	760
Anadolu Sigorta	(448)	1.469
Premiums ceded	**(1.229)**	**3.631**
Anadolu Sigorta	2.845	(137)
Groupama Sigorta A.Ş.	1.480	(67)
Axa Sigorta A.Ş.	889	(91)
Ergo Sigorta A.Ş. (Hdi Sigorta A.Ş.)	727	(55)
Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş)	684	-
Güven Sigorta T.A.Ş.	319	(24)
Halk Sigorta A.Ş.(Türkiye Sigorta A.Ş)	290	-
Liberty Sigorta A.Ş.(Hdi Sigorta A.Ş.)	172	(38)
Hdi Sigorta A.Ş.	135	(12)
Commissions received	**7.541**	**(424)**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

	December 31, 2020	December 31, 2019
Anadolu Sigorta	38.051.349	35.915.625
Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş)	36.089.545	-
Halk Sigorta A.Ş.(Türkiye Sigorta A.Ş)	21.636.463	-
Halk Hayat ve Emek.(Türkiye Hayat Emeklilik A.Ş)	10.537.322	-
Ziraat Sigorta A.Ş.(Türkiye Sigorta A.Ş)	6.647.073	5.872.836
Groupama Sigorta A.Ş.	4.796.889	4.167.015
Türkiye Hayat ve Emeklilik A.Ş (Vakıf Hayat ve Emeklilik A.Ş)	2.193.956	-
Anadolu Hayat Emeklilik A.Ş.	472.126	434.254
Hdi Sigorta A.Ş.	147.631	100.488
Allianz Sigorta A.Ş.	61.371	11.611
Ergo Sigorta A.Ş. (Hdi Sigorta A.Ş.)	29.290	31.312
Liberty Sigorta A.Ş.(Hdi Sigorta A.Ş.)	13.534	1.165
Güven Sigorta T.A.Ş.	1	-
Axa Sigorta A.Ş.	(419.305)	141.462
Commissions given	**120.257.245**	**46.675.768**
Anadolu Sigorta	97.982.096	109.416.116
Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş)	48.811.098	-
Halk Sigorta A.Ş.(Türkiye Sigorta A.Ş)	25.945.370	-
Groupama Sigorta A.Ş.	25.177.964	1.507.011
Ergo Sigorta A.Ş. (Hdi Sigorta A.Ş.)	5.066.497	1.937.515
Ziraat Sigorta A.Ş.(Türkiye Sigorta A.Ş)	4.653.469	7.724.930
Axa Sigorta A.Ş.	3.600.235	6.508.049
Türkiye Hayat ve Emeklilik A.Ş (Vakıf Hayat ve Emeklilik A.Ş)	1.856.069	-
Allianz Sigorta A.Ş.	1.840.091	1.999.105
Halk Hayat ve Emek.(Türkiye Hayat Emeklilik A.Ş)	1.207.892	-
Anadolu Hayat Emeklilik A.Ş.	1.073.700	1.270.970
Ziraat Hayat ve Emeklilik(Türkiye Hayat Emeklilik A.Ş)	783.101	704.475
Hdi Sigorta A.Ş.	592.766	163.922
Liberty Sigorta A.Ş.(Hdi Sigorta A.Ş.)	554.216	118
Güven Sigorta T.A.Ş.	333.116	416.584
Claims paid	**219.477.680**	**131.648.795**
Anadolu Sigorta	83.155	(31.988)
Groupama Sigorta A.Ş.	53.276	(19.547)
Axa Sigorta A.Ş.	46.964	(33.949)
Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş)	39.139	-
Liberty Sigorta A.Ş.(Hdi Sigorta A.Ş.)	31.194	7.651
Güven Sigorta T.A.Ş.	29.973	13.938
Ergo Sigorta A.Ş. (Hdi Sigorta A.Ş.)	23.712	(40.506)
Halk Sigorta A.Ş.(Türkiye Sigorta A.Ş)	12.104	-
İstanbul Umum A.Ş.	11.387	16.564
Allianz Sigorta A.Ş.	8.144	11.525
Hdi Sigorta A.Ş.	3.267	(4.435)
Reinsurance's share of claims paid	**342.315**	**(80.747)**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

	December 31, 2020	December 31, 2019
Anadolu Sigorta	1.884.177	380.909
Groupama Sigorta A.Ş.	1.637.379	43.842
Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş)	1.065.031	-
Axa Sigorta A.Ş.	474.276	41.981
Ziraat Sigorta A.Ş.(Türkiye Sigorta A.Ş)	305.939	113.157
Halk Sigorta A.Ş.(Türkiye Sigorta A.Ş)	234.255	-
Hdi Sigorta A.Ş.	231.437	19.160
Güven Sigorta T.A.Ş.	40.214	1.405
Liberty Sigorta A.Ş.(Hdi Sigorta A.Ş.)	39.013	2.535
Ergo Sigorta A.Ş. (Hdi Sigorta A.Ş.)	20.114	5.384
Allianz Sigorta A.Ş.	20.090	122.530
İstanbul Umum A.Ş.	12.520	1.200
Anadolu Hayat Emeklilik A.Ş.	6.893	3.612
Ziraat Hayat ve Emeklilik(Türkiye Hayat Emeklilik A.Ş)	-	2.049
Other income	**5.971.338**	**737.764**
Axa Sigorta A.Ş.	931.864	132.217
Ergo Sigorta A.Ş. (Hdi Sigorta A.Ş.)	909.782	6.241
Allianz Sigorta A.Ş.	575.098	75.604
Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş)	334.244	-
Anadolu Sigorta	320.368	71.322
Halk Sigorta A.Ş.(Türkiye Sigorta A.Ş)	178.306	-
Groupama Sigorta A.Ş.	80.987	3.378
Güven Sigorta T.A.Ş.	32.613	7.786
Liberty Sigorta A.Ş.(Hdi Sigorta A.Ş.)	28.764	9.710
Ziraat Sigorta A.Ş.(Türkiye Sigorta A.Ş)	8.321	18.633
İstanbul Umum A.Ş.	7.963	4.005
Anadolu Hayat Emeklilik A.Ş.	5.913	698
Hdi Sigorta A.Ş.	1.956	5.710
Other expenses	**3.416.179**	**335.304**

46 Subsequent events

Subsequent events are disclosed in note 1.10 - *subsequent events.*

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

47 Other

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

They are presented in the related notes above.

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

None.

Subrogation recorded in "Off-Balance Sheet Accounts"

None.

Real rights on immovable and their values

None.

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

None.

Details of rediscount and provision expenses are as follows:

Provision expenses	December 31, 2020	December 31, 2019
Provision for pension fund deficits	(16.344.100)	(8.480.143)
Provision expenses for doubtful receivables (*)	(6.399.969)	(3.292.941)
Provision for employee termination benefits *(Note 23)*	838.683	(962.177)
Other provision	(84.828)	(345.425)
Total of provisions	**(21.990.214)**	**(13.080.686)**

(*) The provision for doubtful receivables related to valuation of foreign currency denominated receivables from main operations.

Rediscount Expenses	December 31, 2020	December 31, 2019
Rediscount income/(expense) from reinsurance receivables	83.702	(5.420)
Rediscount income/(expense) from reinsurance payables	412.055	(293.745)
Total of rediscounts	**495.757**	**(299.165)**

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

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

INFORMATION ON CONSOLIDATED SUBSIDIARIES

Anadolu Anonim Türk Sigorta Şirketi

Writing Non-life insurance and reinsurance business, Anadolu Sigorta was founded on 1925 at the initiative of Mustafa Kemal Atatürk and under the leadership of İşbank, Turkey's first national bank.

Pioneering its sector ever since it was founded, Anadolu Sigorta is committed to offering only high-quality products and services and to ensuring their sustainability with its experienced staff, solid financial and high-tech infrastructure, dynamic approach towards continuous development and improvement, and extensive network of expert agents.

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

Headquartered in İstanbul, Anadolu Sigorta brings its products to its customers via regional offices in İstanbul (2), Ankara, Adana, Antalya, Bursa, Samsun, Trabzon, and İzmir, a sales office in Gaziantep, a branch in the Turkish Republic of Northern Cyprus, and about 2,473 agencies.

Anadolu Sigorta uses bank branches within the bancassurance network as fundamental element of its service delivery in Turkey. Together with all İşbank branches, Türkiye Sınai Kalkınma Bankası, Arap Türk Bankası, Alternatifbank, Albaraka Türk Katılım Bankası and QNB Finansbank branches are serving as Anadolu Sigorta agencies.

In 2020, Anadolu Sigorta expanded its total premium production by 21% year-on-year on basis to TL 8 billion and controls an 11.76% share of the overall market among Non-life companies.

Anadolu Sigorta registered its highest premium production in 2020 in Land Vehicles Liability with TL 2,305 million, followed by Land Vehicles with TL 1,506 million, Fire and Natural Disasters with 1,423 million and Sickness/Health with TL 948 million.

According to the unconsolidated financial statements, Anadolu Sigorta's total assets reached TL 12.1 billion at the end of 2020 increasing by 23.6% while shareholders' equity stood at TL 2.8 billion with an increase of 30.4%. Anadolu Sigorta with the net profit for the year of TL 460.6 million with an increase of 14% compared to the previous year, successfully achieved its sustainable profit target in 2020 as well.

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Millî Reasürans Türk Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Millî Reasürans Türk Anonim Şirketi (the Company) and its subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of income, consolidated statement of changes in equity, consolidated statement of cash flows and statement of profit distribution for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance, its consolidated cash flows and its profit distribution for the year then ended in accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Financial Reporting Standards decree for the matters not regulated by insurance legislation; "Insurance Accounting and Financial Reporting Legislation".

2) Basis for Opinion

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

3) Key Audit Matters

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

Key audit matter	*How our audit addressed the key audit matter*
Incurred But Not Reported Outstanding Claims Reserve	
As of December 31, 2020, the Company has insurance liabilities of TL 10.502.149.055 representing 67% of the Company's total liabilities. The Company has reflected net provision of TL 6.385.328.207 for the future outstanding claims for insurance contracts. In the calculation of Incurred But Not Reported (IBNR) claims provisions (net amount of TL 2.816.004.655) which is accounted under the outstanding claims reserves, the Company Management has used the actuarial assumptions and estimates detailed in note 2 and 17. The significance of the provision amount allocated for compensations for incurred but not reported losses within Company's consolidated financial tables and also the calculations of such provisions include significant actuarial judgements and forecast, IBNR calculations has been considered as a key audit matter.	We have performed the audit procedures related the actuarial assumptions which disclosed in the Note 2 and 17 together with the actuary auditor who is part of our audit team. These procedures are primarily intended to assess whether the estimates and methods that used in the calculation of the outstanding claims reserve by the Group are appropriate. In this context, we have performed the audit procedures related to the recording of the Group's incurred outstanding claims; performed the analytical review, performed detailed testing on the incurred case files which selected randomly; obtained the signed lawyer letters from the Group's attorneys for litigated case files; assessed the average claim amount and opening claim amounts determined by the Group's actuaries; have performed the audit procedures related to the completeness of the data used in the calculation of insurance contract liabilities; assessed the properness of the IBNR calculation method used by the Group for each line of businesses both the relevant claim characteristics and the Group's claim history; performed the recalculation procedure on the amount of IBNR calculated by the Group; reviewed the claim analyzes made by the Group's actuaries and questioned these analyzes in terms of suitability and consistency of both legislation and Group past experience; assessed whether the disclosures in the notes of the consolidated financial statements are sufficient.

INDEPENDENT AUDITOR'S REPORT

Valuation of investment properties and properties for own use and significant information disclosed	
As explained in note 2, 6 and 7, the Group recognizes investment properties and properties for own use at their fair values, after initial recognition. As of December 31, 2020, fair value amount of the investment properties and properties for own use disclosed in the consolidated financial statements amounts to TL 532.918.500 and TL 198.426.240 respectively, as determined by independent appraisal firms and details of the valuation have been disclosed in note 2, 6 and 7. Due to the fact that investment properties and properties for own use are a significant part of the Group's assets and applied valuation methods contain significant judgements and assumptions, we have considered the valuation of properties as a key audit matter.	We assessed the qualifications, competencies and independence of the professional appraisers engaged by the management. In our audit, we assessed whether the valuation methods as applied by appraisers are acceptable for valuation of the underlying property. We reconciled the appraised value for independent sections in the valuation report with disclosed amount in note 6 and 7. In addition, we reconciled standing data included in the valuation report such as rental income, duration of lease contracts, occupancy rates and administration expenses to source documents. Among the other audit procedures we performed, we verified the assumptions used by the external appraisers in their valuations (including the discount rate, the market rent and the expected occupancy rates) against external data. For this assessment we involved internal valuation experts in our audit procedures. Due to the high level of judgment in the valuation of investment property and properties for own use and the existence of alternative assumptions and valuation methods, we assessed if the result of the external valuation is within an acceptable range. We also examined the suitability of the information in the financial statements and explanatory note, given the importance of this information for users of the financial statements.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 - December 31, 2020 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
2) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

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

Fatih Polat, SMMM
Sorumlu Denetçi

25 Mart 2021
İstanbul, Türkiye

Millî Reasürans Türk Anonim Şirketi

CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON THE CONSOLIDATED FINANCIAL STATEMENT PREPARED AS OF DECEMBER 31, 2020

We confirm that the consolidated financial statements and related disclosures and footnotes as of December 31, 2020 which were prepared in accordance with the accounting principles and standards in force as per the regulations of Republic of Turkey Ministry of Treasury and Finance are in compliance with the "Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies" and the financial records of our Company.

Istanbul,
February 24, 2021

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

CONTENTS

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))

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

ASSETS				
I-	**Current Assets**	**Note**	**Audited Current Period December 31, 2020**	**Audited Prior Period December 31, 2019**
A-	**Cash and Cash Equivalents**	**14**	**4.869.424.993**	**6.391.200.569**
1-	Cash	14	76.079	117.671
2-	Cheques Received	14	400.138	240.000
3-	Banks	14	4.097.477.416	5.803.536.011
4-	Cheques Given and Payment Orders (-)	14	(8.020)	(35.083)
5-	Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	14	771.479.380	587.341.970
6-	Other Cash and Cash Equivalents		-	-
B-	**Financial Assets and Investments with Risks on Policy Holders**	**11**	**5.793.877.787**	**2.400.104.842**
1-	Financial Assets Available for Sale	11	4.342.132.693	2.247.608.666
2-	Financial Assets Held to Maturity	11	1.038.057.085	-
3-	Financial Assets Held for Trading	11	420.642.549	159.450.716
4-	Loans		-	-
5-	Provision for Loans (-)		-	-
6-	Investments with Risks on Policy Holders		-	-
7-	Equity Shares		-	-
8-	Impairment in Value of Financial Assets (-)	11	(6.954.540)	(6.954.540)
C-	**Receivables From Main Operations**	**12**	**2.573.475.445**	**2.019.309.386**
1-	Receivables From Insurance Operations	12	1.883.850.409	1.487.843.012
2-	Provision for Receivables From Insurance Operations (-)	12	(24.744.443)	(28.174.144)
3-	Receivables From Reinsurance Operations	12	430.658.035	362.508.470
4-	Provision for Receivables From Reinsurance Operations (-)		-	-
5-	Cash Deposited For Insurance & Reinsurance Companies	12	283.711.444	197.132.048
6-	Loans to Policyholders		-	-
7-	Provision for Loans to Policyholders (-)		-	-
8-	Receivables from Pension Operation		-	-
9-	Doubtful Receivables From Main Operations	4.2,12	453.175.122	360.768.832
10-	Provisions for Doubtful Receivables From Main Operations (-)	4.2,12	(453.175.122)	(360.768.832)
D-	**Due from Related Parties**		**-**	**-**
1-	Due from Shareholders		-	-
2-	Due from Affiliates		-	-
3-	Due from Subsidiaries		-	-
4-	Due from Joint Ventures		-	-
5-	Due from Personnel		-	-
6-	Due from Other Related Parties		-	-
7-	Rediscount on Receivables Due from Related Parties (-)		-	-
8-	Doubtful Receivables Due from Related Parties		-	-
9-	Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
E-	**Other Receivables**	**12**	**22.943.064**	**32.157.258**
1-	Leasing Receivables		-	-
2-	Unearned Leasing Interest Income (-)		-	-
3-	Deposits and Guarantees Given	12	521.527	411.381
4-	Other Receivables	12	22.421.537	31.746.817
5-	Discount on Other Receivables (-)		-	(940)
6-	Other Doubtful Receivables	4.2,12	832.788	754.788
7-	Provisions for Other Doubtful Receivables (-)	4.2,12	(832.788)	(754.788)
F-	**Prepaid Expenses and Income Accruals**		**976.854.646**	**646.100.472**
1-	Deferred Commission Expenses	17	737.789.750	606.023.035
2-	Accrued Interest and Rent Income		-	-
3-	Income Accruals	4.2,12	209.572.327	39.168.327
4-	Other Prepaid Expenses	4.2,12	29.492.569	909.110
G-	**Other Current Assets**		**46.576.398**	**8.106.719**
1-	Inventories		1.170.423	1.130.541
2-	Prepaid Taxes and Funds	12,19	44.338.424	6.312.824
3-	Deferred Tax Assets		-	-
4-	Job Advances	12	211.124	10.000
5-	Advances Given to Personnel	12	-	-
6-	Stock Count Differences		-	-
7-	Other Current Assets	12	856.427	653.354
8-	Provision for Other Current Assets (-)		-	-
I-	**Total Current Assets**		**14.283.152.333**	**11.496.979.246**

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

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2020

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

ASSETS			
II- Non-Current Assets	**Note**	**Audited Current Period December 31, 2020**	**Audited Prior Period December 31, 2019**
A- Receivables From Main Operations		**163.933.921**	**165.250.624**
1- Receivables From Insurance Operations		-	-
2- Provision for Receivables From Insurance Operations (-)		-	-
3- Receivables From Reinsurance Operations	4.2,12	50.447.197	68.753.775
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited for Insurance & Reinsurance Companies	4.2,12	113.486.724	96.496.849
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables From Pension Operations		-	-
9- Doubtful Receivables from Main Operations	4.2,12	35.056.517	28.638.564
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(35.056.517)	(28.638.564)
B- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
C- Other Receivables	**4.2,12**	**326.932**	**326.932**
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given	4.2,12	326.932	326.932
4- Other Receivables		-	-
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
D- Financial Assets	**9**	**340.193.695**	**273.779.014**
1- Investments In Associates		-	-
2- Affiliates	9	336.397.607	270.036.755
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries	9	3.796.088	3.742.259
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)		-	-
E- Tangible Fixed Assets	**6**	**823.453.113**	**779.370.918**
1- Investment Properties	6,7	532.918.500	482.776.000
2- Diminution in Value for Investment Properties (-)		-	-
3- Buildings for Own Use	6	198.426.240	195.012.000
4- Machinery and Equipments	6	92.149.319	91.841.231
5- Furnitures and Fixtures	6	27.217.474	22.434.892
6- Vehicles	6	7.033.036	6.919.173
7- Other Tangible Assets (Including Leasehold Improvements)	6	30.451.919	28.826.269
8- Leased Tangible Fixed Assets	6	70.393.383	65.358.069
9- Accumulated Depreciation (-)	6	(135.136.758)	(113.796.716)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		-	-
F- Intangible Fixed Assets	**8**	**157.224.202**	**140.544.531**
1- Rights	8	325.342.220	227.639.545
2- Goodwill	8	16.250.000	16.250.000
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortizations (-)	8	(193.489.327)	(145.530.086)
8- Advances Regarding Intangible Assets	8	9.121.309	42.185.072
G- Prepaid Expenses and Income Accruals		**2.411.371**	**1.818.180**
1- Deferred Commission Expenses	17	2.167.444	1.444.448
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses	4.2	243.927	373.732
H- Other Non-current Assets	**21**	**-**	**48.255.857**
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	-	48.255.857
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
II- Total Non-current Assets		**1.487.543.234**	**1.409.346.056**
TOTAL ASSETS		**15.770.695.567**	**12.906.325.302**

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

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2020

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

LIABILITIES			
III- Short-Term Liabilities	**Note**	**Audited Current Period December 31, 2020**	**Audited Prior Period December 31, 2019**
A- Borrowings	**19,20**	**3.029.771**	**63.093.304**
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Current Portion of Long Term Borrowings		-	-
5- Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6- Other Financial Assets Issued		-	-
7- Value Differences on Issued Financial Assets (-)		-	-
8- Other Financial Borrowings (Liabilities)	19,20	3.029.771	63.093.304
B- Payables From Main Operations	**19**	**967.576.888**	**791.892.340**
1- Payables Due to Insurance Operations	19	634.689.122	511.069.869
2- Payables Due to Reinsurance Operations	19	65.746.892	59.545.497
3- Cash Deposited by Insurance & Reinsurance Companies	19	6.898.890	5.469.130
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations	19	267.527.913	219.094.708
6- Rediscount on Other Payables From Main Operations (-)	19	(7.285.929)	(3.286.864)
C- Due to Related Parties	**19**	**224.447**	**368.661**
1- Due to Shareholders	19	152.744	131.570
2- Due to Affiliates	19	-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel	19	63.042	211.925
6- Due to Other Related Parties	19	8.661	25.166
D- Other Payables	**19**	**136.517.896**	**133.712.351**
1- Deposits and Guarantees Received	19	11.777.540	9.790.921
2- Due to SSI regarding Treatment Expenses	19	45.849.660	40.724.732
3- Other Payables	19	80.245.627	83.941.498
4- Discount on Other Payables (-)	19	(1.354.931)	(744.800)
E- Insurance Technical Reserves	**17**	**10.059.955.305**	**8.117.368.295**
1- Unearned Premiums Reserve - Net	17	3.552.398.412	2.955.076.893
2- Unexpired Risk Reserves - Net	17	118.215.672	73.827.230
3- Mathematical Reserves - Net	17	13.014	38.691
4- Outstanding Claims Reserve - Net	17	6.385.328.207	5.088.425.481
5- Provision for Bonus and Discounts - Net	17	4.000.000	-
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Relevant Provisions	**19**	**78.146.382**	**136.600.008**
1- Taxes and Dues Payable	19	71.071.290	59.876.928
2- Social Security Premiums Payable	19	7.075.092	5.580.063
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		-	-
5- Corporate Tax Liability Provision on Period Profit	19	129.065.521	201.913.417
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	19	(129.065.521)	(130.770.400)
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks		**-**	**-**
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs	23	-	-
H- Deferred Income and Expense Accruals	**19**	**231.208.040**	**221.449.286**
1- Deferred Commission Income	10,19	135.727.041	109.664.368
2- Expense Accruals	19	95.019.565	111.613.442
3- Other Deferred Income	19	461.434	171.476
I- Other Short Term Liabilities	**23**	**13.536.778**	**2.905.069**
1- Deferred Tax Liability		9.539.732	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities	23	3.997.046	2.905.069
III- Total Short Term Liabilities		**11.490.195.507**	**9.467.389.314**

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

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2020

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

LIABILITIES

IV- Long-Term Liabilities	Note	Audited Current Period December 31, 2020	Audited Prior Period December 31, 2019
A- Borrowings	**20**	**55.725.100**	**54.555.236**
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Bonds Issued		-	-
5- Other Issued Financial Assets		-	-
6- Value Differences on Issued Financial Assets (-)		-	-
7- Other Financial Borrowings (Liabilities)	20	55.725.100	54.555.236
B- Payables From Main Operations		**13.293.592**	**5.022.541**
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations	19	13.293.592	5.022.541
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Discount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		**-**	**-**
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		**-**	**-**
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses		-	-
3- Other Payables		-	-
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves	**17**	**442.193.750**	**359.831.926**
1- Unearned Premiums Reserve - Net	17	1.920.318	2.003.959
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net	17	440.273.432	357.827.967
F- Other Liabilities and Provisions		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks	**23**	**115.026.170**	**91.557.366**
1- Provision for Employment Termination Benefits	23	45.465.115	38.340.411
2- Provisions for Employee Pension Fund Deficits	22,23	69.561.055	53.216.955
H- Deferred Income and Expense Accruals	**19**	**-**	**-**
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
I- Other Long Term Liabilities	**21**	**8.053.549**	**18.464.218**
1- Deferred Tax Liability	21	8.053.549	18.464.218
2- Other Long Term Liabilities		-	-
IV- Total Long Term Liabilities		**634.292.161**	**529.431.287**

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

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2020

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

EQUITY

V- Equity	Note	Audited Current Period December 31, 2020	Audited Prior Period December 31, 2019
A- Paid in Capital		**660.000.000**	**660.000.000**
1- (Nominal) Capital	2.13,15	660.000.000	660.000.000
2- Unpaid Capital (-)		-	-
3- Positive Inflation Adjustment on Capital		-	-
4- Negative Inflation Adjustment on Capital (-)		-	-
5- Unregistered Capital		-	-
B- Capital Reserves	**15**	**170.939.417**	**155.868.049**
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital	15	24.431.260	24.245.511
4- Translation Reserves	15	(21.166.656)	(34.192.451)
5- Other Capital Reserves	15	167.674.813	165.814.989
C- Profit Reserves		**1.195.280.741**	**832.588.357**
1- Legal Reserves	15	194.945.022	155.933.995
2- Statutory Reserves	15	58.171.807	37.967.904
3- Extraordinary Reserves	15	692.870.924	588.605.356
4- Special Funds (Reserves)		16.900.903	-
5- Revaluation of Financial Assets	11,15	284.072.561	99.474.816
6- Other Profit Reserves	15	19.379.678	21.666.335
7- Subsidiary Capital Correction	15	(71.060.154)	(71.060.049)
D- Previous Years' Profits		**253.955.801**	**167.547.326**
1- Previous Years' Profits		253.955.801	167.547.326
E- Previous Years' Losses (-)		**-**	-
1- Previous Years' Losses		-	-
F- Net Profit of the Period		**344.161.542**	**309.978.881**
1- Net Profit of the Period		343.416.328	306.849.687
2- Net Loss of the Period (-)		-	-
3- Net Income not subject to distribution	15	745.214	3.129.194
G- Minority Shares		**1.021.870.398**	**783.522.088**
Total Shareholders' Equity		**3.646.207.899**	**2.909.504.701**
Total Liabilities and Shareholders' Equity		**15.770.695.567**	**12.906.325.302**

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

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

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

I- TECHNICAL SECTION	Note	Audited Current Period January 1- December 31, 2020	Audited Prior Period January 1- December 31, 2019
A- Non-Life Technical Income		**8.069.853.622**	**7.084.610.800**
1- Earned Premiums (Net of Reinsurer Share)		6.359.252.401	5.486.164.145
1.1 - Written Premiums (Net of Reinsurer Share)	17	6.993.907.258	5.963.834.974
1.1.1 - Gross Written Premiums (+)	17	9.603.727.059	8.074.209.807
1.1.2 - Ceded Premiums to Reinsurers (-)	10,17	(2.439.719.104)	(1.974.306.774)
1.1.3 - Ceded Premiums to SSI (-)	17	(170.100.697)	(136.068.059)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	17,29	(590.266.415)	(473.064.180)
1.2.1 - Unearned Premiums Reserve (-)	17	(828.493.879)	(620.224.279)
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)	10,17	218.655.212	136.309.220
1.2.3 - SSI of Unearned Premiums Reserve (+)		19.572.252	10.850.879
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	17	(44.388.442)	(4.606.649)
1.3.1 - Unexpired Risks Reserve (-)	17	(88.069.367)	20.046.008
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+)	10,17	43.680.925	(24.652.657)
2- Investment Income Transferred from Non-Technical Part		1.369.611.050	1.443.659.274
3- Other Technical Income (Net of Reinsurer Share)		217.554.417	103.308.969
3.1 - Gross Other Technical Income (+)		217.554.730	103.304.343
3.2 - Reinsurance Share of Other Technical Income (-)		(313)	4.626
4- Accrued Subrogation and Salvage Income (+)		123.435.754	51.478.412
B- Non-Life Technical Expense (-)		**(7.281.506.213)**	**(6.361.708.095)**
1- Total Claims (Net of Reinsurer Share)		(5.323.751.184)	(4.661.871.787)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(4.025.734.905)	(3.794.030.739)
1.1.1 - Gross Claims Paid (-)	17	(4.794.642.219)	(4.711.507.952)
1.1.2 - Reinsurance Share of Claims Paid (+)	10,17	768.907.314	917.477.213
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17,29	(1.298.016.279)	(867.841.048)
1.2.1 - Outstanding Claims Reserve (-)	17	(1.972.603.974)	(1.178.471.053)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	10,17	674.587.695	310.630.005
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(4.000.000)	-
2.1 - Bonus and Discount Reserve (-)	29	(4.000.000)	-
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(82.099.537)	(80.907.453)
4- Operating Expenses (-)	32	(1.712.547.377)	(1.468.956.696)
5- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
5.1- Mathematical Reserves (-)		-	-
5.2- Reinsurance Share of Mathematical Reserves (+)		-	-
6.- Other Technical Expenses (-)	47	(159.108.115)	(149.972.159)
6.1.- Gross Other Technical Expenses (-)		(166.236.853)	(155.791.797)
6.2.- Reinsurance Share of Other Technical Expenses (+)		7.128.738	5.819.638
C- Non Life Technical Net Profit (A-B)		**788.347.409**	**722.902.705**
D- Life Technical Income		**23.092.848**	**20.239.081**
1- Earned Premiums (Net of Reinsurer Share)		20.295.729	16.225.200
1.1 - Written Premiums (Net of Reinsurer Share)	17	27.267.192	15.523.242
1.1.1 - Gross Written Premiums (+)	17	32.914.453	17.323.840
1.1.2 - Ceded Premiums to Reinsurers (-)	10,17	(5.647.261)	(1.800.598)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	17,29	(6.971.463)	701.958
1.2.1- Unearned Premium Reserves (-)	17	(9.586.883)	856.646
1.2.2- Unearned Premium Reserves Reinsurer Share (+)	10,17	2.615.420	(154.688)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		-	-
1.3.1- Unexpired Risks Reserves (-)		-	-
1.3.2- Unexpired Risks Reserves Reinsurer Share (+)		-	-
2- Life Branch Investment Income		2.734.967	3.896.284
3- Unrealized Income from Investments		-	-
4- Other Technical Income (Net of Reinsurer Share) (+/-)		62.152	117.597
4.1- Gross Other Technical Income (+/-)		62.152	117.597
4.2- Reinsurance Share of Other Technical Income (+/-)		-	-
5- Accrued Subrogation and Salvage Income (+)		-	-

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

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

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

I-TECHNICAL SECTION	Note	Audited Current Period January 1- December 31, 2020	Audited Prior Period January 1- December 31, 2019
E- Life Technical Expense		**(19.950.640)**	**(16.626.397)**
1- Total Claims (Net of Reinsurer Share)		(7.053.482)	(5.541.814)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(8.167.035)	(5.425.659)
1.1.1- Gross Claims Paid (-)	17	(11.471.676)	(6.307.867)
1.1.2- Claims Paid Reinsurer Share (+)	10,17	3.304.641	882.208
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17,29	1.113.553	(116.155)
1.2.1 - Outstanding Claims Reserve (-)	17	2.790.109	(687.868)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	10,17	(1.676.556)	571.713
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1 - Bonus and Discount Reserve (-)		-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	25.677	35.104
3.1- Mathematical Reserves (-)	29	25.677	35.104
3.1.1- Actuarial Mathematical Reserve (-)	29	25.677	35.104
3.1.2- Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-
3.2- Reinsurer Share of Mathematical Reserves (+)		-	-
3.2.1- Reinsurance Share of Actuarial Mathematical Reserve (+)		-	-
3.2.2- Reinsurance Share of Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-
4- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(345.928)	(186.425)
5- Operating Expenses (-)	32	(12.576.907)	(10.933.262)
6- Investment Expenses (-)		-	-
7- Unrealized Losses from Investments (-)		-	-
8- Investment Income Transferred to Non-Technical Part (-)		-	-
F- Life Technical Profit (D-E)		**3.142.208**	**3.612.684**
G- Individual Retirement Technical Income		**-**	**-**
1- Fund Management Fee		-	-
2- Management Fee Deduction		-	-
3- Initial Contribution Fee		-	-
4- Management Fee In Case Of Temporary Suspension		-	-
5- Witholding tax		-	-
6- Increase in Market Value of Capital Commitment Advances		-	-
7- Other Technical Income		-	-
H- Individual Retirement Technical Expense		**-**	**-**
1- Fund Management Expenses (-)		-	-
2- Decrease in Market Value of Capital Commitment Advances (-)		-	-
3- Operating Expenses (-)		-	-
4- Other Technical Expense (-)		-	-
I- Individual Retirement Technical Profit (G-H)		-	-

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

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

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

			Audited Current Period January 1- December 31, 2020	Audited Prior Period January 1- December 31, 2019
II-	**NON-TECHNICAL SECTION**	**Note**		
C-	**Net Technical Income - Non-Life (A-B)**		**788.347.409**	**722.902.705**
F-	**Net Technical Income - Life (D-E)**		**3.142.208**	**3.612.684**
I -	**Net Technical Income - Pension Business (G-H)**		**-**	**-**
J-	**Total Net Technical Income (C+F+I)**		**791.489.617**	**726.515.389**
K-	**Investment Income**		**2.930.020.235**	**1.823.293.029**
1-	Income From Financial Investment	4.2	486.681.461	578.365.327
2-	Income from Sales of Financial Investments	4.2	206.153.004	95.400.016
3-	Revaluation of Financial Investments	4.2	155.934.763	33.395.314
4-	Foreign Exchange Gains	4.2	1.112.174.319	489.708.640
5-	Income from Affiliates	4.2	110.657.245	75.745.271
6-	Income from Subsidiaries and Joint Ventures	4.2	63.549	309.134
7-	Income Received from Land and Building	7	70.803.895	52.719.531
8-	Income from Derivatives	4.2	787.297.521	497.591.796
9-	Other Investments		254.478	58.000
10-	Investment Income transferred from Life Technical Part		-	-
L-	**Investment Expense**		**(2.926.911.846)**	**(1.855.485.562)**
1-	Investment Management Expenses (including interest) (-)	4.2	(19.235.674)	(38.276.163)
2-	Valuation Allowance of Investments (-)	4.2	(3.920.793)	(4.981.343)
3-	Losses On Sales of Investments (-)	4.2	(57.271.018)	(63.644.857)
4-	Investment Income Transferred to Non-Life Technical Part (-)		(1.369.611.050)	(1.443.659.274)
5-	Losses from Derivatives (-)	4.2	(776.356.453)	(30.741.125)
6-	Foreign Exchange Losses (-)	4.2	(608.836.954)	(206.389.927)
7-	Depreciation Expenses (-)	6,8	(77.955.837)	(49.626.963)
8-	Other Investment Expenses (-)		(13.724.067)	(18.165.910)
M-	**Income and Expenses From Other and Extraordinary Operations**		**(103.641.030)**	**9.333.139**
1-	Provisions Account (+/-)	47	(114.479.922)	(78.966.046)
2-	Discount account (+/-)	47	2.683.283	5.376.644
3-	Mandatory Earthquake Insurance Account (+/-)		-	-
4-	Inflation Adjustment Account (+/-)		-	-
5-	Deferred Tax Asset Accounts(+/-)	35	8.380.748	69.039.680
6-	Deferred Tax Expense Accounts (-)	35	(14.573.998)	-
7-	Other Income and Revenues		15.879.162	14.655.659
8-	Other Expense and Losses (-)		(1.530.303)	(772.798)
9-	Prior Period Income		-	-
10-	Prior Period Losses (-)		-	-
N-	**Net Profit for the Year**		**561.891.455**	**501.742.578**
1-	Profit/(Loss) Before Tax		690.956.976	703.655.995
2-	Corporate Tax Liability Provision (-)	35	(129.065.521)	(201.913.417)
3-	Net Profit (Loss)		561.891.455	501.742.578
	3.1- Groups Profit/(Loss)		344.161.542	309.978.881
	3.2- Minority Shares		217.729.913	191.763.697
4-	Monetary Gains and Losses		-	-

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

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2020

(Currency: Turkish Lira (TL))

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

Audited Changes in Equity - December 31, 2019

	Note	Paid-in capital	Equity Share Owned by Company	Revaluation of financial assets	Inflation Adjustment on Capital	Currency translation reserves
I - Balance at the end of the previous year - December 31, 2019	15	**660.000.000**		**(38.392.942)**		**(43.734.932)**
II - Change in Accounting Standards		-		-		-
III - Restated balances (I+II) - January 1, 2019		**660.000.000**		**(38.392.942)**		**(43.734.932)**
A- Capital increase (A1+A2)		-		-		-
1- In cash		-		-		-
2- From reserves		-		-		-
B - Effects of changes in group structure		-		-		-
C - Purchase of own shares		-		-		-
D - Gains or losses that are not included in the statement of income		-		-		-
E - Change in the value of financial assets	15	-		137.867.758		-
F - Currency translation adjustments		-		-		9.542.481
G - Other gains or losses		-		-		-
H - Inflation adjustment differences		-		-		-
I - Net profit for the year		-		-		-
J - Other reserves and transfers from retained earnings	38	-		-		-
K - Dividends paid	38	-		-		-
IV - Balance at the end of the year - December 31, 2019	**15**	**660.000.000**		**99.474.816**		**(34.192.451)**

Audited Changes in Equity - December 31, 2020

	Note	Paid-in capital	Equity Share Owned by Company	Revaluation of financial assets	Inflation Adjustment on Capital	Currency translation reserves
I - Balance at the end of the previous year - December 31, 2019	15	**660.000.000**	**-**	**99.474.816**	**-**	**(34.192.451)**
II - Change in Accounting Standards		-	-	-	-	-
III - Restated balances (I+II) - January 1, 2020		**660.000.000**	**-**	**99.474.816**	**-**	**(34.192.451)**
A- Capital increase (A1+A2)		-	-	-	-	-
1- In cash		-	-	-	-	-
2- From reserves		-	-	-	-	-
B - Effects of changes in group structure		-	-	-	-	-
C - Purchase of own shares		-	-	-	-	-
D - Gains or losses that are not included in the statement of income		-	-	-	-	-
E - Change in the value of financial assets	15	-	-	184.597.745	-	-
F - Currency translation adjustments		-	-	-	-	13.025.795
G - Other gains or losses		-	-	-	-	-
H - Inflation adjustment differences		-	-	-	-	-
I - Net profit for the year		-	-	-	-	-
J - Other reserves and transfers from retained earnings	38	-	-	-	-	-
K - Dividends paid	38	-	-	-	-	-
IV- Balance at the end of the year - December 31, 2020	**15**	**660.000.000**	**-**	**284.072.561**	**-**	**(21.166.656)**

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

Legal reserves	Statutory Reserves	Other reserves and retained earnings	Net profit/ (Loss) for the year	Retained earnings	Total equity before minority shares	Minority share	Total
123.041.486	**23.673.668**	**423.972.882**	**278.283.572**	**302.129.975**	**1.728.973.709**	**566.438.403**	**2.295.412.112**
-	-	-	-	-	-	-	-
123.041.486	*23.673.668*	*423.972.882*	*278.283.572*	*302.129.975*	*1.728.973.709*	*566.438.403*	*2.295.412.112*
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(460.176)	130.091.467	(130.085.166)	(453.874)	2.957.266	2.503.391
-	-	-	-	-	137.867.758	67.768.855	205.636.613
-	-	-	-	-	9.542.481	-	9.542.481
-	-	441	66.211	7.007	73.659	8.357	82.016
-	-	-	-	-	-	-	-
-	-	-	309.978.881	-	309.978.881	191.763.696	501.742.577
32.892.509	14.294.236	305.758.995	(348.441.250)	(4.504.490)	-	-	-
-	-	-	(60.000.000)	-	(60.000.000)	(45.414.489)	(105.414.489)
155.933.995	**37.967.904**	**729.272.142**	**309.978.881**	**167.547.326**	**2.125.982.614**	**783.522.088**	**2.909.504.701**

Legal reserves	Statutory Reserves	Other reserves and retained earnings	Net profit/ (Loss) for the year	Retained earnings	Total equity before minority shares	Minority share	Total
155.933.995	**37.967.904**	**729.272.142**	**309.978.881**	**167.547.326**	**2.125.982.613**	**783.522.088**	**2.909.504.701**
-	-	-	-	-	-	-	-
155.933.995	**37.967.904**	**729.272.142**	**309.978.881**	**167.547.326**	**2.125.982.613**	**783.522.088**	**2.909.504.701**
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(721.288)	184.146.852	(183.696.693)	(271.129)	4.891.681	4.620.552
-	-	-	-	-	184.597.745	77.414.005	262.011.750
-	-	-	-	-	13.025.795	-	13.025.795
-	-	-	(187.012)	27.947	(159.065)	(174.354)	(333.419)
-	-	-	-	-	-	-	-
-	-	-	344.161.542	-	344.161.542	217.729.913	561.891.455
39.011.027	20.203.903	121.646.570	(450.938.721)	270.077.221	-	-	-
-	-	-	(43.000.000)	-	(43.000.000)	(61.512.935)	(104.512.935)
194.945.022	**58.171.807**	**850.197.424**	**344.161.542**	**253.955.801**	**2.624.337.501**	**1.021.870.398**	**3.646.207.899**

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED DECEMBER 31, 2020

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

	Note	Audited Current Period January 1- December 31, 2020	Audited Prior Period January 1- December 31, 2019
A. CASH FLOWS FROM THE OPERATING ACTIVITIES			
1. Cash inflows from the insurance operations		8.501.356.425	7.776.671.232
2. Cash inflows from the reinsurance operations		2.481.101.399	1.571.917.139
3. Cash inflows from the pension operations		-	-
4. Cash outflows due to the insurance operations (-)		(8.608.720.004)	(7.338.793.029)
5. Cash outflows due to the reinsurance operations (-)		(1.412.035.194)	(1.448.974.575)
6. Cash outflows due to the pension operations (-)		-	-
7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)		**961.702.626**	**560.820.767**
8. Interest payments (-)		-	-
9. Income tax payments (-)		(244.546.962)	(101.422.128)
10. Other cash inflows		2.464.364.023	2.299.539.321
11. Other cash outflows (-)		(736.369.250)	(2.194.565.685)
12. Net cash generated from the operating activities		**2.445.150.437**	**564.372.275**
B. CASH FLOWS FROM THE INVESTING ACTIVITIES		-	-
1. Sale of tangible assets		537.867	3.565.828
2. Purchase of tangible assets (-)	6, 8	(81.245.875)	(81.350.177)
3. Acquisition of financial assets (-)	11	(5.564.477.476)	(5.733.643.991)
4. Sale of financial assets	11	3.292.878.047	4.934.081.400
5. Interest received		645.351.191	720.989.451
6. Dividends received		1.285.103	2.799.628
7. Other cash inflows		1.349.301.599	988.214.384
8. Other cash outflows (-)		(1.790.809.952)	(843.439.083)
9. Net cash generated from the investing activities		**(2.147.179.496)**	**(8.782.560)**
C. CASH FLOWS FROM THE FINANCING ACTIVITIES		-	-
1. Issue of equity shares		-	-
2. Cash inflows from the loans to policyholders		-	-
3. Payments of financial leases (-)		-	-
4. Dividend paid (-)		(100.618.350)	(102.671.238)
5. Other cash inflows		-	-
6. Other cash outflows (-)		-	-
7. Cash generated from the financing activities		**(100.618.350)**	**(102.671.238)**
D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS		**(47.427.825)**	**95.825.621**
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)		**149.924.766**	**548.744.098**
F. Cash and cash equivalents at the beginning of the period	14	**3.721.431.389**	**3.172.687.291**
G. Cash and cash equivalents at the end of the period (E+F)	14	**3.871.356.155**	**3.721.431.389**

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

Millî Reasürans Türk Anonim Şirketi

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE PERIOD ENDED DECEMBER 31, 2020

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

	Note	Audited Current Period December 31, 2020(*)	Audited Prior Period December 31, 2019
I. PROFIT DISTRIBUTION			
1.1. CURRENT YEAR PROFIT (*)		**381.115.664**	**350.548.490**
1.2. TAX AND FUNDS PAYABLE	35	**(29.030.769)**	**(37.227.141)**
1.2.1. Corporate Income Tax (Income Tax)	35	(29.030.769)	(37.227.141)
1.2.2. Income tax deduction			-
1.2.3. Other taxes and Duties			-
A. NET PROFIT (1.1 - 1.2)		**352.084.895**	**313.321.349**
1.3. PREVIOUS PERIOD LOSSES (-)			
1.4. FIRST LEGAL RESERVE		(17.604.245)	(15.666.067)
1.5. STATUTORY FUND (-)			-
B. NET PROFIT DISTRIBUTION [(A-(1.3 + 1.4 + 1.5)]		**334.480.650**	**297.655.282**
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	(29.765.528)
1.6.1. Holders of shares		-	(29.765.528)
1.6.2. Holders of Preferred shares		-	-
1.6.3. Holders of Redeemed shares		-	-
1.6.4. Holders of Participation Bond		-	-
1.6.5. Holders of Profit and Loss sharing certificate		-	-
1.7. DIVIDEND TO PERSONNEL (-)		-	(3.939.929)
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
1.9.1. Holders of shares		-	(13.234.472)
1.9.2. Holders of Preferred shares		-	(13.234.472)
1.9.3. Holders of Redeemed shares		-	-
1.9.4. Holders of Participation Bond		-	-
1.9.5. Holders of Profit and Loss sharing certificate		-	-
1.10. SECOND LEGAL RESERVE (-)		-	-
1.11. STATUTORY RESERVES (-)		-	(1.393.993)
1.12. EXTRAORDINARY RESERVES		-	-
1.13. OTHER RESERVES		-	-
1.14. SPECIAL FUNDS		-	-
II. DISTRIBUTION OF RESERVES		-	-
2.1. DISTRIBUTION OF RESERVES		-	-
2.2. SECOND LEGAL RESERVES (-)		-	-
2.3. COMMON SHARES (-)		-	-
2.3.1. Holders of shares		-	-
2.3.2. Holders of Preferred shares		-	-
2.3.3. Holders of Redeemed shares		-	-
2.3.4. Holders of Participation Bond		-	-
2.3.5. Holders of Profit and Loss sharing certificate		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III. PROFIT PER SHARE		-	-
3.1. HOLDERS OF SHARES		-	-
3.2. HOLDERS OF SHARES (%)		-	313.321.349
3.3. HOLDERS OF PREFERRED SHARES		-	47,4729
3.4. HOLDERS OF PREFERRED SHARES (%)		-	-
IV. DIVIDEND PER SHARE		-	-
4.1. HOLDERS OF SHARES		-	-
4.2. HOLDERS OF SHARES (%)		-	43.000.000
4.3. HOLDERS OF PREFERRED SHARES		-	6,5152
4.4. HOLDERS OF PREFERRED SHARES (%)		-	-

(*) Since the profit distribution proposal for the year 2020 has not prepared by the Board of Directors, profit distribution table has not been filled yet.

(**) As of December 31, 2020, the dividend to be paid to personnel amounting to TL 4.231.201 (December 31, 2019: TL 3.939.929), which is allocated in accordance with TAS 19, has also been added to the profit. In the profit of the period of December 31, 2020, in accordance with the 5th article of Corporate Tax Law, 75% of the sales income arising from the sales income of the affiliate amounting to TL 162.083 which is allocated to be followed under Non-Distributable Period Profit has not been subject to Profit Distribution. In our financial statements which are prepared in accordance with the equity method in accordance with TAS 27 - Consolidated and Individual Financial Statements standard, TL 583.131 (December 31, 2019: TL 3.129.194) Non-Distribution Period Profit, which comes from the accounting of our subsidiary Anadolu Hayat Emeklilik by equity method, has not been subject to Profit Distribution.

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

1 General information

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

As of December 31, 2020, the shareholder having direct or indirect control over the shares of Millî Reasürans Türk Anonim Şirketi (the "Company") is Türkiye İş Bankası AŞ Group ("İş Bankası") having 87,60% of the outstanding shares.

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

On September 30, 2010, the Company purchased 35,53% shares of Anadolu Sigorta Anonim Şirketi with nominal value of TL 177.650.110 from İş Bankası amounting to TL 248.710.154. The transaction is realized on the weighted average price on İstanbul Stock Exchange wholesale market. With the purchase, the share of the Company at Anadolu Sigorta increased to 57,31% and investment increased to TL 286.550.106.

The consolidated financial statements as of December 31, 2020 include the Company and its subsidiary Anadolu Sigorta (together with "the Group").

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

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

1.3 Main operations of the Company

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

The subsidiary of the Company, Anadolu Sigorta operates in almost all non-life insurance branches consisting of mainly casualty, health, land vehicles, aircraft, ships, marine, fire and natural disasters, general losses, credits, financial losses, and legal protection. As at December 31, 2020, the Company serves through 2.473 agencies of which 2.369 authorized and 104 unauthorized agencies. (December 31, 2019: 2.198 authorized 100 unauthorized total 2.298 agencies)

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

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

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

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

Anadolu Sigorta is incorporated in Turkey and operates in insurance branches as mentioned above Note 1.3 Business of the Company. Anadolu Sigorta's shares have been listed on the Istanbul Stock Exchange ("BIST"). In accordance with Paragraph 5 Article 136 in Section VIII of the Capital Markets Law numbered 6362, insurance companies have to comply with their own specific laws and regulations in matters of establishment, supervision/oversight, accounting and independent auditing standards; therefore, Anadolu Sigorta performs its operations accordingly.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))

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

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

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

	December 31, 2020	December 31, 2019
Top executive	12	13
Managers	76	72
Assistant managers	206	189
Contracted personnel	5	6
Advisors	2	2
Specialist/Senior/Other personnel	1.265	1.250
Total	**1.566**	**1.532**

1.6 Remuneration and similar benefits provided to top management

For the year ended December 31, 2020, wages and similar benefits provided to the top management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers is amounting to TL 17.071.158. (December 31, 2019: TL 17.301.542).

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

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

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

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

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

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

The accompanying financial statements comprise the consolidated financial information of the Company. Consolidation principles are further discussed in note 2.2 - *Consolidation*.

As at December 31, 2019, the Company owns 57.31% of its subsidiary, Anadolu Anonim Türk Sigorta Şirketi ("Anadolu Sigorta") are included in the scope of consolidation by line-by-line method. Anadolu Hayat Emeklilik AŞ ("Anadolu Hayat") is associate of Anadolu Sigorta and is consolidated by equity method with share of 21.00% (effective percentage of share: 12,46%) and Miltaş Turizm İnşaat Ticaret A.Ş. is associate of the Company and is consolidated by equity method with share of 77.00% in the consolidated financial statements as at December 31, 2020 and 2019.

Anadolu Sigorta as a subsidiary company of the Group, is operating in almost all of the none-life insurance branches composed of casualty, health, general losses, land vehiclesss liability, aircraft liability, general liability, credits, financial losses and legal protection.

The activities of Anadolu Hayat involve providing individual and group insurance and reinsurance services relating to group life, individual life, retirement and related personal Casualty branches, establishing retirement funds, developing internal rules and regulations related to these funds, carrying out retirement, annual income insurance, portfolio management and custody contracts for the assets of the funds held in custody.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

The Miltaş Sports Complex has been serving the insurance sector since 1986 with its facilities in various sports, particularly tennis. The International Insurance Tennis Tournament has been held every June at this Complex since 1986, providing a unique environment for local and foreign reinsurers and brokers. In addition to tennis and basketball courses organized every year for youngsters, private tennis lessons are available for adults in the Complex.

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

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

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

1.10 Subsequent events

There has been no change in the Company's operations, documentation and records or policies after the reporting date. The financial statements for the period January 1 - December 31, 2020 have been approved by the Board of Directors on February 24, 2021.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

In accordance with Article 136(5) in Section VIII of the Capital Markets Law, numbered 6362 Anadolu Sigorta which is the subsidiaries of the Company and Anadolu Hayat which is the affiliates of the Group complies with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting. Therefore, the Group complies with the accounting principles and standards set out in the regulations in force in accordance with the Insurance Law numbered 5684 published in the Official Gazette dated 14 June 2007 and numbered 26522, and the Insurance and Private Pension Regulation and Supervision Agency (IPPRSA") established by the Presidential Decree of 18 October 2019. ") other regulations issued by the statements and guidance and Turkey Accounting Standards except arranged matters with them ("TAS") with Turkey Financial Reporting Standards ("IFRS") contains the terms" Insurance Accounting and Financial Reporting regulations "are prepared in accordance with n. The insurance legislation before the establishment of SEDDK and the initiation of regulatory activities regarding the insurance sector was T.C. Published by the Ministry of Treasury and Finance ("Ministry of Treasury and Finance").

In the Article 4 of related regulation, procedures and principles related to insurance contracts, recognition of subsidiaries, jointly controlled associations and associates and formation of consolidated financial statements, financial statements disclosed to public, and explanations related to these statements will be determined by Communiqués issued by Republic of Turkey Ministry of Treasury and Finance.

The form and content of financial statements of companies is regulated by "Communiqué on Presentation of Financial Statements" that is published in Official Gazette dated April 18, 2008 and numbered 26851 in order for comparison of financial statements with previous period and other companies' financial statements.

Financial statements are prepared with the regulations regarding accounting and financial reporting in force the insurance legislation, in matters not regulated by these financial statements are prepared in accordance with the provisions of Turkish Accounting Standards.

Additional paragraph for convenience translation to English

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

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

Accounting in hyperinflationary countries

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

With respect to the declaration of the Republic of Turkey Ministry of Treasury and Finance with the article dated April 4, 2005 and numbered 19387, consolidated financial statements as of December 31, 2004 are adjusted for the opening balances of 2005 in accordance with the section with respect to inflation accounting of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated January 15, 2003 and numbered 25290. Inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Republic of Turkey Ministry of Treasury and Finance. Accordingly, as at December 31, 2020, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded before January 1, 2005 are measured as restated to December 31, 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded after January 1, 2005 are measured at their nominal values.

Other accounting policies

The Company recorded premiums, commissions and claims accruals based on the notifications sent by the insurance and reinsurance companies after the closing of their balances. Premiums, commissions and claims accruals are recorded in the accompanying financial statements with the three-month delay. Therefore, related income statement balances include last quarter results for the year ended December 31, 2019and nine-month results as at and for the period ended September 30, 2019 and accordingly related balance sheet balances as of December 31, 2020 do not reflect the actual position. According to the letter dated August 31, 2010 and numbered B.02.1.HZN.0.10.03.01/42139 sent by the Republic of Turkey Ministry of Treasury and Finance to the Company, it is stated that account statements sent by the ceding companies are subject to possible delays and the Republic of Turkey Ministry of Treasury and Finance is considered special situations of the reinsurance companies in their regulations.

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

2.1.3 Valid and presentation currency

The accompanying consolidated financial statements are presented in TL, which is the Group's valid reporting currency.

2.1.4 Rounding scale of the amounts presented in the financial statements

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

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

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

2.1.6 Accounting policies, changes in accounting estimates and errors

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

Fire and earthquake premiums obtained from foreign reinsurance treaties could not accounted on the basis of branches in the previous years due to limitations imposed by local legislation of the foreign countries, notification characteristics of the treaties and total premiums used by foreign companies in the reconciliation process. Therefore, all premiums obtained from aforementioned treaties are accounted on the fire branch. According to the letter dated August 2, 2011 and numbered B.02.1.HZN.0.10.03.01/38732 sent by the Republic of Turkey Ministry of Treasury and Finance to the Company, it is allowed to use average rate calculated over separately reported fire and earthquake premiums for unclassified premiums of proportioned treaties. Furthermore, according to the letter dated August 12, 2011 sent by the Republic of Turkey Ministry of Treasury and Finance to the Company, prospective application as at June 30, 2011 effective from January 1, 2011 is allowed since retrospective application is impossible. Accordingly, financial statements prepared as of December 31, 2020, premiums obtained from foreign proportioned treaties are accounted on the basis of average earthquake premium ratio calculated from foreign proportioned treaties over the period of January 1, 2019 - December 31, 2020. The same ratio is used for unproportioned reinsurance treaties in accordance with the Communiqué released on July 28, 2010 and numbered 27655 "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves". Distribution of commissions and claims between the fire and earthquake branches is parallel with the aforementioned method.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

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

According to 16th article of “Circular on Actuarial Chain Ladder Method (2010/12)” dated September 20, 2010 and announced by Republic of Turkey Ministry of Treasury and Finance, ACML calculation should be made through main branches. However, as of December 31, 2012, the Company has calculated ACML reserve for General Damages main branch as two separate subbranches namely agriculture and non-agriculture branches. Because, Agriculture and Engineering subbranches under General Damages main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Damages branch produces unreliable and improper results. The Company applied to Republic of Turkey Ministry of Treasury and Finance on January 17, 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Damages branch as agriculture and non-agriculture subbranches separately. Republic of Turkey Ministry of Treasury and Finance has given permission the Company in order to calculate IBNR reserve for General Damages within two subbranches with the letter dated January 28, 2013 and numbered 24179134. As at December 31, 2020, the Company recognised the amount that arose due to change in calculation method for IBNR on General Damages branch.

Significant changes in accounting policies and significant accounting misstatements are applied retrospectively and prior period financial statements are restated. If the changes in accounting estimates are for only one period, they are applied prospectively both in the current period when the change is made and in the future period if the change is made.

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

2.2 Consolidation

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

Anadolu Hayat which is associate of Anadolu Sigorta and Miltaş which is the subsidiary of the Company are consolidated by the equity method.

The Company has not consolidated Miltaş Turizm A.Ş., the subsidiary of the Company, based on the exception specified in the Circular for Consolidation; as the amount of total assets of such subsidiary was below 1% of total assets of the Company. The Company accounted for Miltaş as of December 31, 2020 and 2019 by the equity method as mentioned above.

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The subsidiary, Anadolu Sigorta included in consolidation and effective shareholding percentages of the Company are as follows. The information related to the associate of the Company, Anadolu Hayat and Miltaş which are consolidated using equity method is presented in Note 9.

	Company	Direct and indirect controlling interest	Direct controlling interest	Total assets	Shareholders’ equity	Prior period profit	Current period profit
December 31, 2020	Anadolu Sigorta (consolidated)	57,31%	57,31%	11.651.496.402	2.385.996.930	103.217.084	510.025.565
December 31, 2019	Anadolu Sigorta (consolidated)	57,31%	57,31%	9.439.606.053	1.827.674.315	72.459.667	449.200.726

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))

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

Transactions eliminated on consolidation

Anadolu Sigorta's balance sheet and income statement is consolidated by line-by-line method and the book value of Anadolu Sigorta in the Company's accounts and the capital amount in the Anadolu Sigorta accounts are eliminated. Intra-group balances and transactions between the Company and Anadolu Sigorta, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The accounting policies of subsidiary have been changed when necessary to align them with the policies adopted by the Company.

Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Net profit or loss of subsidiary, applicable to the non-controlling interest are presented under "Non-controlling interest" account under consolidated statement of income.

2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. As of December 31, 2020, and 2019, the Company's operates in life and non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

2.4 Foreign currency transactions

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

Changes in the fair value of financial assets denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the asset and other changes in the carrying amount of the asset. Translation differences related to changes in amortised cost are recognized in profit or loss, and other changes in carrying amount are recognized in "valuation of financial assets" in equity.

2.5 Tangible assets

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

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

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

Increase arising from the revaluation of lands and buildings for own use are presented under the other capital reserves in the equity excluding tax. As a result of property based evaluation, value decreases that correspond the previous period value increases are deducted from related fund; other decreases are recognized in income statement.

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

Lands are not amortised due to their unlimited useful life. Tangible assets are depreciated on a straight-line basis over their estimated useful lives (3-15 years) over the cost of the asset or revaluated amounts.

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

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 at cost.

Depreciation rates and estimated useful lives are as follows

Tangible assets	Estimated useful lives (years)	Depreciation rates (%)
Buildings for own use	50	2,0
Fixtures and installations	3 - 16	6,3 - 33,3
Machinery and equipment	3 - 16	6,3 - 33,3
Vehicles	5	20,0
Other tangible assets (includes leasehold improvements)	5 - 10	10,0 - 20,0
Leased Assets	10	10,0

2.6 Investment property

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

Investment properties are initially recorded at cost and subsequently measured at their fair values. The changes which result of fair value valuation recognised in the income statement.

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

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

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

2.7 Intangible assets

The Group's intangible assets consist of computer software, goodwill and advances on intangible assets.

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

The Group differentiates the depreciation shares of intangible assets based on their useful lives, using the straight-line method, over their cost values. The amortization period of intangible assets is between 3 and 15 years.

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gain or losses on the disposal of an entity includes the carrying amount of goodwill relating to the entity disposed of.

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocations made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arises.

The Group has acquired the health portfolio of Anadolu Hayat Emeklilik A.Ş. as of August 31, 2004 with all of its rights and liabilities. The value at acquisition of the portfolio amounting to TL 16.250.000 is capitalized as goodwill by the Group.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

2.8 Financial assets

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

Securities are recognized and derecognized at the date of settlement.

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

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

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

Held to maturity financial assets are the financial assets with fixed maturities and fixed or pre-determined payment schedules that the Company has the intent and ability to hold until maturity, excluding loans and receivables. Subsequent to initial recognition, held to maturity financial assets and loans and receivables are measured at amortized cost using effective interest rate method less impairment losses, if any. The Company has no financial assets that are not allowed to be classified as held to maturity financial assets for two years due to the tainting rules applied for the breach of classification rules.

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

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Unrecognized gains or losses derived from the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in “Revaluation of financial assets” under shareholders’ equity. Upon disposal, the realized gain or losses are recognized directly in the consolidated statement of income.

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

In the accompanying consolidated financial statements, Anadolu Hayat, associate of the Group, and Miltas, subsidiaries of the Group, has been consolidated by using the equity method of accounting.

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

2.9 Impairment on assets

Impairment on financial assets

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

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

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

Impairment on tangible and intangible assets

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

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

2.10 Derivative financial instruments

Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 - Financial Instruments: Recognition and measurement.

The Company recognizes the profit and loss that arise from the Swap contracts in statement of income.

Derivative financial instruments are initially recognized at their fair value.

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

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

2.11 Offsetting of financial assets

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

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

2.12 Cash and cash equivalents

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

2.13 Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group. As of December 31, 2020, and 2019, the share capital and ownership structure of the Company are as follows:

	December 31, 2020		December 31, 2019	
Name	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)
Türkiye İş Bankası A.Ş.	578.177.926	87,60	508.573.072	77,06
Millî Reasürans TAŞ Mensupları Yardımlaşma Sandığı Vakfı(*)	-	-	69.604.854	10,55
Groupama Hayat A.Ş.	38.809.894	5,88	38.809.894	5,88
Ankara Doğal Elektrik Üretim ve Ticaret A.Ş.	22.240.456	3,37	22.240.456	3,37
T.C. Ziraat Bankası A.Ş.	16.430.944	2,49	16.430.944	2,49
Other	4.340.780	0,66	4.340.780	0,65
Paid Capital	**660.000.000**	**100,00**	**660.000.000**	**100,00**

(*) As of August 21, 2020, Türkiye İş Bankası A.Ş. purchased 69,604,854 shares of nominal value of TL with all of the rate of 10.55% owned by one of the shareholders of the Company, Millî Reasürans T.A.Ş. Mensupları Yardımlaşma Sandığı Vakfı. It was approved by Milli Reasürans T.A.Ş.'s Board of Directors decision dated 26 August 2020 and numbered 1318.

Sources of capital increases during the period

The company has not performed capital increase as of December 31, 2020 (December 31, 2019: None).

Privileges on common shares representing share capital

There are no privileges on common shares representing share capital.

Registered capital system in the Company

None.

Repurchased own shares by the Company

None.

2.14 Insurance and investment contracts - classification

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

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

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

2.15 Insurance contracts and investment contracts with discretionary participation feature

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

(i) that are likely to comprise a significant portion of the total contractual benefits,

(ii) whose amount or timing is contractually at the discretion of the Issuer; and

(iii) that are contractually based on:

  (1) the performance of a specified pool of contracts or a specified type of contract;

  (2) realized and/or unrealized investments returns on a specified pool of assets held by the Issuer; or

  (3) the profit or loss of company, fund or other entity that issues the contract.

As of balance sheet date, the Group does not have any insurance or investment contracts that contain a DPF.

2.16 Investment contracts with discretionary participation feature

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

2.17 Liabilities

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

2.18 Income taxes

Corporate tax

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

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

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

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

According to Turkish tax legislation, financial losses on the returns can be offset against period income for up to 5 years. However, financial losses cannot be offset against previous years' profits.

Deferred tax

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot be retrospectively offset against the profits of previous years.

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

Since the corporate tax rate is 20% as of January 1, 2020, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020 (December 31, 2019: 22% -20%).

Transfer pricing

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

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

2.19 Employee benefits

Pension and other post-retirement obligations

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

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

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

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

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

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

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

a) Technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and

b) Gains and losses of the funds stems from benefits covered by the aforementioned Law taken into accounts to calculate present value of the obligations.

Employee termination benefits

In accordance with existing Turkish Labor Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as of December 31, 2020 is TL 7.117 (December 31, 2019: TL 6.380).

The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 - *Employee Benefits*. The major actuarial assumptions used in the calculation of the total liability as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Discount rate	4,07-4,50%	4,20%
Expected rate of salary/limit increase	7,66-12,00%	7,20-10,30%
Estimated employee turnover rate	2,22-4,03%	2,00-3,29%

The above expected rate of salary/limit increase is determined according to the annual inflation expectations of the government.

Other benefits

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

2.20 Provisions

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

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

2.21 Revenue recognition

Written premiums

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

Claims paid

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))

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

Subrogation, salvage and quasi income

According to the Circular 2010/13 dated September 20, 2010; the Company may account for income accrual for subrogation receivables without any voucher after the completion of the claim payments made to the insurer. If the amount cannot be collected from the counterparty insurance company, the Company provides provision for uncollected amounts due for six months. If the counter party is not an insurance Company, the provision is provided after four months. As at the reporting date, in accordance with the related circular the Company provided TL 62.093.125 (December 31, 2019: TL 55.051.547) subrogation receivables and recorded TL 88.399.103 (December 31, 2019: TL 61.848.008) (Note 12) net subrogation and salvage receivables under receivables from main operations. The Company provided allowance for uncollected subrogation receivables amounting to TL 24.744.443 (December 31, 2019: TL 28.174.144) (Note 12) in accordance with circular.

For the years ended December 31, 2020 and 2019, salvage and subrogation collected are as follows:

	December 31, 2020	December 31, 2019
Land Vehicles	610.070.256	488.773.672
Land Vehicles Liability	10.175.098	9.773.051
Fire and Natural Disasters	4.823.627	3.697.414
Marine	2.204.341	1.046.428
General Damages	657.535	592.116
General Liability	617.188	22.492
Sea Vehicles	171.732	59.570
Casualty	12.459	1.725
Legal Protection	32	-
Total	**628.732.268**	**503.966.468**

As of December 31, 2020, and 2019, accrued subrogation and salvage income per branches is as follows:

	December 31, 2020	December 31, 2019
Land Vehicles	65.010.849	36.130.567
Land Vehicles Liability	15.088.472	16.014.366
Fire and Natural Disasters	5.708.556	7.752.757
General Damages	995.426	824.538
Marine	767.440	705.698
Casualty	527.346	232.701
Sea Vehicles	250.401	131.857
General Liability	50.613	55.524
Total	**88.399.103**	**61.848.008**

Commission income and expenses

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

Interest income and expenses

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Trading income/expense

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

Dividends

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

2.22 Leasing transactions

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

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

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

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

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

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

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

Assets subject to operational leasing	Contract Period (Year)	Discount Rate - TL (%)
Buildings	10 years	24,42

2.23 Dividend distribution

It is decided in Ordinary General Assembly Meeting of the Company, held on March 26, 2020, to make a dividend payment of TL 43.000.000 to shareholders and to allocate remaining balance as voluntary reserves from the net period income amounting to TL 312.510.614, from 2019 activities of the Company, after the legal reserves are allocated and TL 42.986.938 has been paid in cash and TL 13.062 has been recognized in due to shareholders account under short term liabilities.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

2.24 Unearned premiums reserve

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

Unearned premium reserves are calculated on the basis of 1/8 for reinsurance and retrocession transactions that are not subject to basis of day or 1/24 due to application limitations,

For commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions are also provided as unearned premium reserves.

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

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

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

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

According to the 2009/9 Numbered Circular Related to Application of Technical Reserves issued on March 27, 2009 which published by Republic of Turkey Ministry of Treasury and Finance reserve for unearned premiums is calculated by taking into account that all polices become active at 12:00 at noon and end at 12:00 at noon.

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

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

As of the reporting date, the Group has provided unearned premiums reserve amounting to TL 4.737.678.184 (December 31, 2019: TL 3.899.597.423) and reinsurer share in unearned premiums reserve amounting TL 1.089.324.598 (December 31, 2019: TL 868.053.967) Furthermore, unearned premiums reserve includes Social Security Institution ("SSI") share amounting to TL 94.034.856 (December 31, 2019: TL 74.462.604).

2.25 Outstanding claims reserves

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

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

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

The selection of data to be used, correction operations, selection of the most appropriate method and growth factors and interference to growth factors is made by the Company's actuaries by using actuarial methods on the basis of branches. This matter is detailed in the actuarial report that is sent to Republic of Turkey Ministry of Treasury and Finance according to Article 11 of Actuaries Regulation. Actuary of Anadolu Sigorta selects the correct factors for the actuarial analysis and to write back and to calculate the damage growth factors.

In the compulsory traffic branch the physical and bodily damages, and in the General Responsibility branch the employer's liability, medical injury compensation, professional liability and other liability branches are being analyzed separately.

The Company's actuary uses 9% which is the latest statutory rate of interest in the Official Gazette for the discount process in accordance with "General Instructions Regarding The Cash Flow From Outstanding Claim Reserves And Their Discounts" numbered 2016/22 which regulates the processes involving the discount of cash flow from outstanding claims reserve.

Anadolu Sigorta has used the gradual transition curve which was published by the Republic of Turkey Ministry of Treasury and Finance "General Instructions Regarding to the Changes in the General Instructions Regarding Outstanding Claim Reserves (2014/16)" which was published in February 29th, 2016 with the number 2016/11. The company has used these gradual transition curve with 100% accuracy and has reflected the calculations on the official statements as of December 31, 2016 and has continued to use same method in the current period.

Anadolu Sigorta, according to Provisional Article 12 of the Regulation on the Amendment of the Regulation on Tariff Implementation Principles in the Compulsory Motor Insurance for Compulsory Liability for Land Vehicles, published in the Official Gazette dated July 11, 2017 and numbered 30121, the "Risk Insured Pool" has been established for those vehicle groups with high damage frequencies. In this context, the premiums and damages related to the traffic insurance policies issued within the scope of the pool starting on April 12, 2017 have started to be shared among insurance companies within the framework of the principles determined by the Undersecretariat of Turkish Motor Vehicle Office.

"Summary Actuarial Evaluation Report with respect to Final Claim/Premium Range of Risky Insurance", shared by TMTB, was based while calculating IBNR for pool portfolio, transferred and taken over in scope of the pooling application in question of Anadolu Sigorta.

After the change in legislation, by the Turkish Motor Vehicles office (TMTB) within the scope of monthly declarations, accounting records were created on premiums, damages and commission amounts transferred the pool and transferred to the pool according to its share, and also accounting was made for the amounts for the period not yet communicated by the Turkish Motor Vehicles office.

Except for the life branch, outstanding claims reserves consists of claims are recorded in the year in which they occur, based on reported claims and the difference between the result of the actuarial chain ladder method whose content and application criteria stated by the Republic of Turkey Ministry of Treasury and Finance and reported but not settled claims are considered as incurred but not reported ("IBNR") claims. Actuarial chain ladder method may be differentiated by the Republic of Turkey Ministry of Treasury and Finance for reinsurance companies due to their special conditions.Methods for the calculation of provision for incurred but not reported claims are determined by the Republic of Turkey Ministry of Treasury and Finance in the life-branch. The ACML methods selected for each branch is provided in the following section. The Group could not perform big claim elimination by Box Plox.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

	December 31, 2020		December 31, 2019	
Branches	**Milli Reasürans**	**Anadolu Sigorta**	**Milli Reasürans**	**Anadolu Sigorta**
Fire and Natural Disasters	Standard Chain	Standard Chain	Standard Chain	Standard Chain
General Damages (*)	Standard Chain	Standard Chain	Standard Chain	Standard Chain
General Liability	Standard Chain	Cape Cod	Standard Chain	Cape Cod
Land Vehicles Liability	Standard Chain	Cape Cod	Standard Chain	Cape Cod
Marine	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Sea Vehicles	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Land Vehicles	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Casualty	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Health	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Air Vehicles	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Legal Protection	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Sea Vehicles Liabilities	Sector Average (Insurance Association of Turkey 09/2020)	Standard Chain	Sector Average (Insurance Association of Turkey 09/2019)	Standard Chain
Air Vehicles Liability	Sector Average (Insurance Association of Turkey 09/2020)	Standard Chain	Sector Average (Insurance Association of Turkey 09/2019)	Standard Chain
Fidelity Guarantees	Sector Average (Insurance Association of Turkey 09/2020)	Standard Chain	Sector Average (Insurance Association of Turkey 09/2019)	Standard Chain
Financial Losses	Sector Average (Insurance Association of Turkey 09/2020)	Standard Chain	Sector Average (Insurance Association of Turkey 09/2019)	Standard Chain
Credit	Sector Average (Insurance Association of Turkey 09/2020)	Standard Chain	Sector Average (Insurance Association of Turkey 09/2019)	Standard Chain
Life	Sector Average (Insurance Association of Turkey 09/2020)	-	Sector Average (Insurance Association of Turkey 09/2019)	-
Facultative Third Party Liability	-	Standard Chain	-	Standard Chain

(*) Two separate calculations have been made as agriculture and non-agriculture subbranches. (Milli Reasürans T.A.Ş.).

(**) In accordance with the "Circular numbered 2020/11 on Making Amendments on Communique regarding Provision for Outstanding Claim Files numbered 2014/16" which has been published by Republic of Turkey Ministry of Treasury and Finance on December 7, 2020 and entered into force as of its publication date, an additional calculation is made in terms of Compulsory Financial Liability Insurance regarding Medical Malpractice sub-branch and calculation is made in terms of other sub-branches under General Liability through excluding Compulsory Financial Liability Insurance regarding Medical Malpractice.

In accordance with the "Circular numbered 2020/11 on Making Amendments on Communique regarding Provision for Outstanding Claim Files numbered 2014/16" which has been published by Republic of Turkey Ministry of Treasury and Finance on December 7, 2020 and entered into force as of its publication date, IBNR amount is required to be separately calculated for the "Compulsory Financial Liability Insurance regarding Medical Malpractice" sub-branch included under General Liability main branch. In this scope, an additional calculation is made for Compulsory Financial Liability Insurance regarding Medical Malpractice and calculation is made for other sub-branches under General Liability insurance through excluding Compulsory Financial Liability Insurance regarding Medical Malpractice and calculated amounts are recognized on legal books as of December 31, 2020.

Anadolu Sigorta, The Constitutional Court has cancelled "general conditions" in the articles of the Highway Traffic Law No. 2918, which are subject to branch of third party liability for motor vehicles, due to unconstitutional. As of December 31, 2020, effect of the cancellation decision has been analysed and reflected in the amount of incurred but not reported claims.

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

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Anadolu Sigorta has established rules on sharing of premium and damage with respect to Compulsory Financial Liability Insurance regarding Medical Malpractice in accordance with the Communique on Making Amendments on the Communique on Procedures and Principles regarding Corporate Contribution in Compulsory Financial Liability Insurance related to Medical Malpractice (2010/1), which has entered into force through being published on Official Gazette dated October 7, 2017 and numbered 30203. It was decided that Güneş Sigorta A.Ş., which has a license for General Liability Insurance, shall carry out transactions regarding aforementioned allocation. In this scope, premium and damage amounts, which are associated with policies, issued as of October 1, 2017, are commenced to be allocated amount insurance companies in the framework of principles, determined by Ministry of Treasury and Finance

Anadolu Sigorta has issued accounting records based on premium, damage and commission amounts, which were transferred to/from the pool proportionally in scope of the monthly receipts, which are finally submitted by Güneş Sigorta A.Ş upon the respective amendment in the legislation and moreover, it has ensured that amounts, whose receipts have not been submitted yet, are included in the financial statements through carrying our related studies.

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

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

In accordance with December 5, 2014 dated and 2014/16 numbered “Circular for Outstanding Claims Reserve” of Republic of Turkey Ministry of Treasury and Finance, ACML calculation should be on main branch. However, as at December 31, 2012, the Company has calculated ACML reserve for General Losses main branch as two separate subbranches namely agriculture and non-agriculture branches. Because, Agriculture and Engineering subbranches under General Losses main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Losses branch produces unreliable and improper results. The Company applied to Republic of Turkey Ministry of Treasury and Finance on January 17, 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Losses branch as agriculture and non-agriculture subbranches separately. Republic of Turkey Ministry of Treasury and Finance has given permission the Company in order to calculate IBNR reserve for General Losses within two subbranches with the letter dated January 28, 2013 and numbered 24179134. As of December 31, 2020, and 2019, the Company recognised the amount that arose due to change in calculation method for IBNR on General Losses branch.

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

As of the reporting date, as a result of actuarial chain ladder method; Milli Reasürans except Singapore branch recorded 100% of additional negative IBNR amounting to 296.857.614 (31 December 2019: TL 196.418.267 negative IBNR). As of the reporting date, TL 32.287.960 (31 December 2019: TL 27.469.420) of IBNR provision is recorded for Singapore branch.

In accordance with “Circular Related to Information on Calculation of Incurred But Not Reported Claims Reserve” and dated November 26, 2011, companies may decrease their outstanding claims reserve balances based on the winning ratio of the sub-branches calculated from the last five years claims. Winning ratio used for decreasing in outstanding claims reserves could not exceed 25% (15% for the new sub-branches which do not have five year data). The company did not make any discounts regarding the claim files as of 31 December 2020 (31 December 2019: TL 240.658.639).

2.26 Mathematical reserves

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

2.27 Unexpired risk reserves

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

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

Unexpired risks reserve is calculated on the basis of main branches, within the context of circular of Republic of Turkey Ministry of Treasury and Finance, numbered 2012/15 and dated December 10, 2012.

According to the Circular numbered 2011/18, the Company excluded both the premiums and claims transferred to SSI from calculation of reserve for unexpired risks in Land Vehicles Third Party Liability, Compulsory Third Party Liability Insurance for Road Passanger Transportation and Compulsory Road Passenger Transportation Personal Casualty branches.

According to the Circular numbered 2015/30, the opening outstanding claims reserve amount used in the determination of the expected loss premium ratio, which is set for outstanding risk reserves calculation is redefined in a manner consistent with the current period as of December 31, 2020.

In addition to the method stated above with the circular numbered 2019/5 of the Ministry of Treasury and Finance, it is reported that the calculation of the unexpired risk reserves for all branches can be made by the following method.

Net and gross unexpired risk reserves is calculated by multiplying the exceeding portion of the expected discounted claim/premium ratio with the net and gross unearned premiums reserve of that main branch is added to the reserves of that branch in case where the net and gross expected discounted claim/premium ratio that is calculated on the basis of Casualty year and by including indirect reinsurance contracts is higher than 85%.

Subsidiary of the Company, Anadolu Sigorta, has determined gross provision for unexpired risks through multiplying exceeding portion with gross UPR and net provision for unexpired risks amount through multiplying such exceeding part with net UPR if the discounted final claim/premium ratio, calculated based on year of casualty and through including indirect reinsurance contracts, is over 85%.

	December 31, 2020		December 31, 2019	
	Gross URR	Net URR	Gross URR	Net URR
RSH - Taken over	25.571.927	25.571.927	29.193.639	29.193.639
TKU Pool - Taken over	10.497.890	10.497.890	10.603.298	10.603.298
Total	24.470.753	13.343.728	-	-
	60.540.570	**49.413.545**	**39.796.937**	**39.796.937**

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

According to the related test, as at the reporting date, the Group has provided net unexpired risk reserves amounting to TL 118.215.672 in the accompanying consolidated financial statements (December 31, 2019: TL 73.827.230).

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

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

2.28 Equalization reserves

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

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

Equalization provisions are presented under "other technical reserves" within long term liabilities in the accompanying consolidated financial statements. As at the reporting date, the Group has recognized equalization provision amounting to TL 440.273.432 (December 31, 2019: TL 357.827.967).

As of December 31, 2020, the Group has deducted TL 12.134.835 (December 31, 2019: TL 9.650.545) from equalization provision in consequence of realized earthquake losses.

2.29 Related parties

Parties are considered related to the Group if;

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

(b) The party is an associate of the Group;
(c) The party is a joint venture in which the Group is a venturer;
(d) The party is member of the key management personnel of the Group and its parent;
(e) The party is a close member of the family of any individual referred to in (a) or (d);
(f) The party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or
(g) The party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

2.30 Earnings per share

Earnings per share presented in the income statement are calculated by dividing the net profit into the weighted average number of the outstanding shares throughout the financial year. Companies in Turkey can increase their capital by distributing "bonus shares" to shareholders from the prior years' profit. Such "bonus share" distributions are considered as issued shares in the earnings per share calculations. Accordingly, weighted average number of the outstanding shares used in this calculation is found by considering the retrospective effects of the outstanding shares distributions.

2.31 Subsequent events

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

2.32 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2020 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2020. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2020 are as follows:

Definition of a Business (Amendments to TFRS 3)

In May 2019, the POA issued amendments to the definition of a business in TFRS 3 Business Combinations standards. The amendments are intended to assist entities to remove the assessment regarding the definition of business.

The amendments:

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

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively.

The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

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

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. in connection with interest rate benchmark reform.

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

The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

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

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

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively, and earlier application is permitted.

The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Amendments to TFRS 16 - Covid-19 Rent Related Concessions

In June 5, 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the

Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021
- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Early application of the amendments is permitted.

The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

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

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

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

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

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.

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

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

On March 12, 2020, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

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

Amendments to TFRS 3 - Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (March 2018).

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

Amendments to TAS 16 - Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment. There is no transition relief for the first time adopters.

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

Amendments to TAS 37 - Onerous contracts - Costs of Fulfilling a Contract

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach". Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

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

Interest Rate Benchmark Reform - Phase 2 - Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, the POA issued Interest Rate Benchmark Reform - Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings. The amendments are effective for periods beginning on or after 1 January 2021.Earlier application is permitted and must be disclosed.

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Additional disclosures

Amendments need additional TFRS 7 Financial Instruments disclosures such as; How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

Annual Improvements - 2018-2020 Cycle

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018-2020 Cycle, amending the followings:

- *TFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter:* The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- *TFRS 9 Financial Instruments - Fees in the "10 per cent test" for derecognition of financial liabilities:* The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.
- *TAS 41 Agriculture - Taxation in fair value measurements:* The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

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

3 Significant accounting estimates and requirements

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

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

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

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

Note 4.1 - Management of insurance risk

Note 4.2 - Financial risk management

Note 7 - Investment properties

Note 9 - Investments in subsidiaries

Note 10 - Reinsurance assets/liabilities

Note 11 - Financial assets

Note 12 - Loans and receivables

Note 17 - Insurance contract liabilities and reinsurance assets

Note 17 - Deferred acquisition costs

Note 19 - Trade and other payables and deferred income

Note 21 - Deferred income taxes

Note 23 - Provision for other liabilities and charges

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Evaluation of the impact of the Covid 19 pandemic on Company activities

Covid-19 pandemic in Turkey as well as all over the world and has affected all areas of life significantly. In addition to the health threat it posed, the epidemic caused financial fluctuations whose impact was felt on a global scale. Countries have announced economic measures one after another in order to reduce the negative effects of the virus epidemic on economies. With the onset of the virus as of March 2020 in our country, many measures have been taken in social life and in the field of economy. In addition to the measures that regulate social life according to the epidemic, support packages were announced to the sectors that are likely to be adversely affected by the epidemic by reducing interest rates in the field of economy.

As of December 31, 2020, it is observed that the pandemic process has not adversely affected the financial performance of our Company. In addition to these data, when our financial indicators are considered as a whole, it is considered that our activities have a sustainable structure. On the other hand, in order to ensure that our operational activities are not interrupted, necessary measures are taken for our personnel to work remotely and our practices are shaped in parallel with the developments in the pandemic process. In this process, there were no disruptions in operations and information technologies due to remote working.

Evaluation of the effect of Covid 19 pandemic on the subsidiary of the Company Anadolu Sigorta

Covid 19 pandemic brought economical problems with it in global scale. Within this scope to reduce the negative effects in question economical precautions are started to be implemented by many countries. In our country, with the first coronavirus case seen in March and the increasing number of cases, many measures have been taken in the field of social life and economy. In addition to the measures that regulate social life according to the epidemic, support packages to reduce the negative effects of the epidemic have been announced in the field of economy.

When the pandemic is evaluated in terms of our sector due to the decrease in traffic density and postponement of health claims, claim payments in the motor vehicles, motor vehicle third party liability and health branches, and marketable securities profits are monitored.

As of December 31, 2020, the pandemic has not negatively affected the financial performance of the Company. When the premium production compared to 2019 in non-life insurance sector, there was an increase of 17.7% in 2020. During the pandemic period, there was no significant increase in the net damage amount and policy cancellations.

In the health branch, it is observed that the frequency of claims for 2020, due to insurers have avoided going to the hospital and postponed their treatment to future dates. As a result of the examination of inpatient and outpatient treatment data, the Company has added TL 40.098.588 provision for treatments postponed by the insured to future dates due to COVID-19.

When we analyse our investment income, the balanced distribution of our securities portfolio is considered as another important factor that prevents our assets from being exposed to high stress during the pandemic process. In line with these data, when our financial indicators are considered as a whole, it is considered that our activities and profitability level have a sustainable structure.

On the other hand, necessary precautions have been taken for our personnel to work remotely and our practises have been shaped in this direction not to disrupt our operational activities. In this period, there was no disruption caused by remote working in the fields of customer relations, operations and information technologies. In addition, our customer service is maintained without interruption from all contact points including our call center and digital channels.

4 Management of insurance and financial risk

4.1 Management of insurance risk

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

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

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

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

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

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

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

Instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

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

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

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

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

Sensitivity to insurance risk

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Insurance risk concentrations

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

	December 31, 2020		
Branches	Gross total claims liability (*)	Reinsurance share of total claims liability	Net total claims liability
Land Vehicles Liability	1.165.767.103	(269.972.050)	895.795.053
Land Vehicles	908.889.970	(2.631.714)	906.258.256
Fire and Natural Disasters	940.369.820	(158.681.964)	781.687.856
General Damages	575.606.131	(54.120.165)	521.485.966
General Liability	151.999.159	(17.735.646)	134.263.513
Sea Vehicles	134.620.558	(36.502.132)	98.118.426
Casualty	33.706.699	(3.067.045)	30.639.654
Marine	72.734.760	(15.062.376)	57.672.384
Life	11.471.676	(3.304.640)	8.167.036
Air Vehicles	166.591.587	(148.035.805)	18.555.782
Health	573.596.008	(27.476.952)	546.119.056
Fidelity Guarantees	2.622.715	(152.399)	2.470.316
Air Vehicles Liability	5.642.962	(802.508)	4.840.454
Legal Protection	421.233	-	421.233
Sea Vehicles Liability	150	-	150
Financial Losses	57.807.756	(33.998.643)	23.809.113
Credits	4.265.608	(667.916)	3.597.692
Total	**4.806.113.895**	**(772.211.955)**	**4.033.901.940**

	December 31, 2019		
Branches	Gross total claims liability (*)	Reinsurance share of total claims liability	Net total claims liability
Land Vehicles Liability	1.147.132.099	(222.298.884)	924.833.215
Land Vehicles	769.928.845	(4.116.796)	765.812.049
Fire and Natural Disasters	907.754.242	(180.566.480)	727.187.762
Health	672.148.717	(37.946.849)	634.201.868
General Damages	531.705.389	(95.853.717)	435.851.672
General Liability	114.399.766	(17.357.975)	97.041.791
Sea Vehicles	145.393.312	(64.253.374)	81.139.938
Marine	64.346.326	(19.131.539)	45.214.787
Casualty	37.420.502	(4.583.387)	32.837.115
Air Vehicles	256.064.429	(229.485.354)	26.579.075
Financial Losses	52.888.453	(33.344.584)	19.543.869
Life	6.307.867	(882.208)	5.425.659
Fidelity Guarantees	6.148.381	(4.119.721)	2.028.660
Air Vehicles Liability	3.820.485	(2.552.384)	1.268.101
Credits	2.206.515	(1.866.169)	340.346
Legal Protection	150.491	-	150.491
Total	**4.717.815.819**	**(918.359.421)**	**3.799.456.398**

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

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

4.2 Management of financial risk

Introduction and overview

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

- credit risk
- liquidity risk
- market risk

The Group is subject to credit risk, market risk (foreign currency risk, interest rate risk and price risk in relation with financial investments) and liquidity risk due to assets and liabilities. The Group's exposure to each of the above risks is assessed according to "Application Principles in Respect of Risk Limits".

The Group monitors its receivables by obtaining comprehensive information about the debtors and debtors' activities. The risk over investment portfolio is managed by measuring and reporting the market risk daily, reassessing the results validity and applying different scenario analyses. The Group's exposure to each of the above risks is measured by Internal Control and Risk Management Service independently, reported to Board of Directors and units of İş Bankası through the Risk Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if counterparties (parties issued financial instrument, insurance companies, reinsurance companies and other debtors) having business relationship with the Group fails to meet its contractual obligations. The Group manages this credit risk by regularly assessing reliability of the counterparties.

Credit risk is measured by both quantitative and qualitative methods and the weighted reinsurers in retrocession programs, credit ratings of them that indicate their financial strengths and their financial positions are analysed.

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

Doubtful receivables are monitored quarterly.

In addition, concentration of the investment portfolio is assessed quarterly.

The results evaluated by the Risk Committee and reported regularly to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

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

	December 31, 2020	December 31, 2019
Cash and cash equivalents *(Note 14)* (*)	4.869.356.934	6.391.117.981
Receivables from main operations *(Note 12)*	2.737.409.366	2.184.560.010
Financial assets and financial investments with risks on policyholders *(Note 11)* (**)	5.292.019.331	2.132.398.647
Reinsurer share in outstanding claims reserves *(Note 10), (Note 17)*	2.179.921.969	1.507.010.830
Prepaid taxes and funds *(Note 12)*	209.572.327	39.168.327
Other Prepaid Expenses (***)	29.492.569	909.110
Income accruals *(Note 12)*	23.269.996	32.484.190
Other receivables *(Note 12)*	44.338.424	6.312.824
Other current asset *(Note 12)*	211.124	10.000
Total	**15.385.592.040**	**12.293.971.919**

(*) Cash on hands balance amounting to TL 76.079 are not included (December 31, 2019: TL 111.671).
(**) Equity shares amounting to TL 501.858.456 are not included (December 31, 2019: TL 267.706.195).
(***) TL 26.661.018 is the advance amount given by the Group.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

December 31, 2020 and 2019, the aging of the receivables from main operations and related provisions are as follows:

	December 31, 2020		December 31, 2019	
	Gross amount	Provision	Gross amount	Provision
Not past due	2.375.615.368	-	1.835.968.805	-
Past due 0-30 days	279.536.920	(2.022.721)	269.419.754	(4.212.086)
Past due 31-60 days	29.515.455	(19.386.963)	25.794.218	(2.229.697)
Past due 61-90 days	26.160.907	(1.660.569)	10.660.653	(2.223.380)
More than 90 days(*)	539.556.798	(489.905.829)	460.298.120	(408.916.377)
Total	**3.250.385.448**	**(512.976.082)**	**2.602.141.550**	**(417.581.540)**

(*) As per the February 3, 2005 dated and B.02.1.HM.O.SGM.0.3.1/01/05 numbered Circular issued by the Republic of Turkey Ministry of Treasury and Finance, in case where subrogation is subject to claim/legal action, related subrogation amount is recognized as doubtful receivables and allowance for doubtful receivables is provided by the same amount in the financial statements. Related amounts are presented in "More than 90 days" line in the above table.

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

	December 31, 2020	December 31, 2019
Provision for receivables from insurance operations at the beginning of the year	**389.407.396**	**322.127.564**
Collections during the period *(Note 47)*	(44.534)	(252.935)
Impairment losses provided during the period *(Note 47)*	2.151.009	3.410.377
Impairment losses provided for subrogation - salvage receivables during the period *(Note 47)*	90.315.114	60.946.654
Valuation of doubtful receivables *(Note 47)*	6.402.654	3.175.736
Provision for receivables from insurance operations at the end of the year	**488.231.639**	**389.407.396**

The movements of the allowances for impairment losses for other receivables are as follows:

	December 31, 2020	December 31, 2019
Provision for other receivables at the beginning of the year	(754.788)	(409.363)
Collections during the period *(Note 47)*	-	17.075
Provision for impairment allocated during the period (Note 47)	(78.000)	(362.500)
Provision for other receivables at the end of the year	**(832.788)**	**(754.788)**

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset as a result of the imbalance between the Group's cash inflows and outflows in terms of maturity and volume.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities.

In respect of this risk which is measured by quantitative methods, any liquidity deficit is observed via the maturity analysis of assets and liabilities in the statement of balance sheet. Furthermore, liquidity structure of the Group is monitored by using the following basic indicators in respect of liquidity ratios:

- Liquid Assets/Total Assets
- Liquidity Ratio
- Current Ratio
- Premium and Reinsurance Receivables/Total Assets

The results evaluated by the Risk Committee and reported regularly to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

Management of the liquidity risk

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Maturity distribution of monetary assets and liabilities:

December 31, 2020	Book value	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Assets						
Cash and cash equivalents	4.869.424.993	2.505.767.470	1.947.322.152	361.601.219	54.734.152	-
Financial assets and financial investments with risks on policyholders(*)	5.292.019.331	1.177.819.167	442.930.344	235.528.155	325.096.576	3.110.645.089
Receivables from main operations	2.737.409.366	244.660.418	822.869.228	624.073.156	135.964.638	909.841.926
Other receivables and current assets	307.984.794	283.667.140	2.483.938	19.319.578	2.187.206	326.932
Total monetary assets	**13.206.838.484**	**4.211.914.195**	**3.215.605.662**	**1.240.522.108**	**517.982.572**	**4.020.813.947**
Liabilities						
Financial liabilities	58.754.871	252.481	504.962	757.443	1.514.885	55.725.100
Payables arising from main operations	980.870.480	312.446.406	101.635.861	156.540.917	396.953.704	13.293.592
Due to related parties	224.447	224.447	-	-	-	-
Other liabilities	136.517.896	65.093.838	60.046.656	-	11.377.402	-
Insurance technical reserves (**)	6.385.328.207	316.255.677	585.835.983	392.728.647	543.202.447	4.547.305.453
Provisions for taxes and other similar obligations	78.146.382	78.146.382	-	-	-	-
Provisions for other risks and expense accruals	214.042.781	43.573.632	20.892.588	-	67.892.342	81.684.219
Total monetary liabilities	**7.853.885.064**	**815.992.863**	**768.916.050**	**550.027.007**	**1.020.940.780**	**4.698.008.364**

(*) Equity shares amounting to TL 501.858.456 are not included.

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

December 31, 2019	Book value	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Assets						
Cash and cash equivalents	6.391.200.569	2.821.351.594	2.677.471.665	660.407.885	231.969.425	-
Financial assets and financial investments with risks on policyholders(*)	2.132.398.647	1.299.191.075	34.503.036	86.402.134	16.173.675	696.128.727
Receivables from main operations	2.184.560.010	233.721.305	657.317.793	514.783.011	582.703.841	196.034.060
Other receivables and current assets	79.911.537	68.104.402	4.309.675	2.251.662	4.918.866	326.932
Total monetary assets	**10.788.070.763**	**4.422.368.376**	**3.373.602.169**	**1.263.844.692**	**835.765.807**	**892.489.719**
Liabilities						
Financial liabilities	117.648.540	14.167.858	26.434.197	15.734.893	6.756.356	54.555.236
Payables arising from main operations	796.914.881	309.065.564	118.866.995	138.672.977	225.286.804	5.022.541
Due to related parties	368.661	368.661	-	-	-	-
Other liabilities	133.712.351	74.031.537	50.129.893	-	9.550.921	-
Insurance technical reserves (**)	5.088.425.481	238.171.334	434.251.593	303.790.155	426.862.650	3.685.349.749
Provisions for taxes and other similar obligations	136.600.008	136.600.008	-	-	-	-
Provisions for other risks and expense accruals	206.075.877	39.939.221	23.601.047	-	78.276.864	64.258.745
Total monetary liabilities	**6.479.745.799**	**812.344.183**	**653.283.725**	**458.198.025**	**746.733.595**	**3.809.186.271**

(*) Equity shares amounting to TL 267.706.195 are not included.
(**) Outstanding claims reserve is presented as short term liabilities in the accompanying consolidated financial statements whereas maturity distribution is presented according to projected payment dated in the above table.

Market risk

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

Foreign currency risk

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

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

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

December 31, 2020	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	369.842.503	871.399.712	17.550.673	1.258.792.888
Financial assets and financial investments with risks on policyholders	2.822.423.120	305.096.009	-	3.127.519.129
Receivables from main operations	709.983.476	225.066.788	339.148.850	1.274.199.114
Total foreign currency assets	**3.902.249.099**	**1.401.562.509**	**356.699.523**	**5.660.511.131**
Liabilities:				
Payables arising from main operations	(308.611.765)	(95.059.214)	(26.460.549)	(430.131.528)
Insurance technical reserve(*)	(767.302.439)	(300.700.771)	(300.480.850)	(1.368.484.060)
Financial Liabilities	(2.211.365.385)	(1.037.827.549)	-	(3.249.192.934)
Total foreign currency liabilities	**(3.287.279.589)**	**(1.433.587.534)**	**(326.941.399)**	**(5.047.808.522)**
Net financial position	**614.969.510**	**(32.025.025)**	**29.758.124**	**612.702.609**

December 31, 2019	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	385.454.283	2.987.287.874	8.106.868	3.380.849.025
Financial assets and financial investments with risks on policyholders	630.606.290	45.903.303	-	676.509.593
Receivables from main operations	512.251.594	161.241.702	291.060.361	964.553.657
Total foreign currency assets	**1.528.312.167**	**3.194.432.879**	**299.167.229**	**5.021.912.275**
Liabilities:				
Payables arising from main operations	(223.426.526)	(49.438.829)	(27.715.306)	(300.580.661)
Financial Liabilities	(226.054.310)	(2.951.667.120)	(1.392.078)	(3.179.113.508)
Insurance technical reserve(*)	(647.544.475)	(252.029.594)	(226.936.001)	(1.126.510.070)
Total foreign currency liabilities	**(1.097.025.311)**	**(3.253.135.543)**	**(256.043.385)**	**(4.606.204.239)**
Net financial position	**431.286.856**	**(58.702.664)**	**43.123.844**	**415.708.036**

(*) According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated July 28, 2010; foreign currency denominated claims provisions evaluated by the Central Bank of the Republic of Turkey's spot sales rates.

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

Foreign currency rates used for the translation of foreign currency denominated monetary assets and liabilities as of December 31, 2020 and 2019 are as follows:

	At the end of the period		Average	
	US Dollar	Euro	US Dollar	Euro
December 31, 2020	7,3405	9,0079	7,0034	8,0140
December 31, 2019	5,9402	6,6506	5,6712	6,3481

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Exposure to foreign currency risk

A 20 percent depreciation of the TL against the following currencies as of December 31, 2020 would have increased or decreased equity and profit or loss (excluding tax effects) by the amounts shown below (December 31, 2019: 20 percent depreciation of the TL). This analysis assumes that all other variables, in particular interest rates, remain constant. In case of a 20 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

	December 31, 2020		December 31, 2019	
	Profit or loss	Equity(*)	Profit or loss	Equity(*)
US Dollar	122.993.902	122.993.902	86.257.371	86.257.371
Euro	(6.405.005)	(6.405.005)	(11.740.533)	(11.740.533)
Others	5.951.625	5.951.625	8.624.769	8.624.769
Total, net	**122.540.522**	**122.540.522**	**83.141.607**	**83.141.607**

(*) Equity effect also includes profit or loss effect of 20% depreciation of TL against related currencies (December 31, 2019: 20% depreciation of TL).

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

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

	December 31, 2020	December 31, 2019
Financial assets		
Financial assets with fixed interest rates:	***8.338.748.369***	***6.756.715.734***
Cash at banks *(Note 14)*(*)	4.007.128.416	5.768.417.484
Available for sale financial assets - Private sector bonds *(Note 11)*	1.915.793.014	398.650.528
Available for sale financial assets - Government bonds *(Note 11)*	926.457.441	282.705.065
Cash deposited to insurance and reinsurance companies *(Note 12)*	397.198.168	293.628.897
F.V. held to maturity - government debt securities (Note 11)	322.276.101	
Held for trading financial assets - other *(Note 11)*	54.114.245	13.313.760
Held-to-maturity financial assets - private sector debt securities (Note 11)	715.780.984	-
Financial assets with variable interest rate:	***363.728.340***	***159.495.590***
Available for sale financial assets - Private sector bonds *(Note 11)*	340.231.872	134.156.068
Available for sale financial assets - Government bonds *(Note 11)*	23.496.468	25.339.522
Financial liabilities:		
Financial liabilities with fixed interest rate:	***58.754.871***	***117.648.540***
Payables from operating leases *(Note 34)*	58.754.871	58.175.787
Expense Accruals From Derivative Contracts *(Note 20)*	-	59.472.753

(*) Demand deposits amounting to TL 90.349.000 are not included (December 31, 2019: TL 35.118.527).

Fair value information

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

The Group has classified its financial assets as held for trading or available for sale, As at the reporting date, available for sale financial assets and financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying consolidated financial statements.

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Classification relevant to fair value information

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

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

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

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

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

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

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available for sale financial assets *(Note 11)* (*)	3.822.019.091	512.127.114	-	4.334.146.205
Financial assets held for trading *(Note 9)*	372.949.587	47.692.962	-	420.642.549
Associates	-	336.397.607	-	336.397.607
Financial assets to be held to maturity (Note 11)	1.038.057.085			1.038.057.085
Subsidiaries	-	3.796.088	-	3.796.088
Total financial assets	**5.233.025.763**	**900.013.771**		**6.133.039.534**
Tangible assets:				
Investment properties *(Note 6)*	-	532.918.500	-	532.918.500
Owner occupied properties *(Note 6)*	-	198.426.240	-	198.426.240
Total tangible assets	**-**	**731.344.740**	**-**	**731.344.740**
Total	**5.233.025.763**	**1.631.358.511**		**6.864.384.274**

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available for sale financial assets *(Note 11)* (*)	1.498.093.510	740.295.183	-	2.238.388.693
Financial assets held for trading *(Note 9)*	135.592.200	23.858.516	-	159.450.716
Associates	-	270.036.755	-	270.036.755
Subsidiaries	-	3.742.259	-	3.742.259
Total financial assets	**1.633.685.710**	**1.037.932.713**	**-**	**2.671.618.423**
Tangible assets:				
Investment properties *(Note 6)*	-	482.776.000	-	482.776.000
Owner occupied properties *(Note 6)*	-	195.012.000	-	195.012.000
Total tangible assets	**-**	**677.788.000**	**-**	**677.788.000**
Total	**1.633.685.710**	**1.715.720.713**	**-**	**3.349.406.423**

(*) As of December 31, 2020, securities that are not publicly traded amounting to TL 1.031.948 (December 31, 2019: TL 2.265.431) have been measured at cost.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Equity share price risk

Equity share price risk is defined as the risk of decreasing the market price of equity shares as a result of a decline in index.

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

	December 31, 2020		December 31, 2019	
	Profit or loss	Equity(*)	Profit or loss	Equity(*)
Financial assets held for trading	(2.975.448)	(2.975.448)	(2.735.839)	(2.735.839)
Available for sale financial assets	-	(47.107.203)	-	(23.808.237)
Total, net	**(2.975.448)**	**(50.082.651)**	**(2.735.839)**	**(26.544.076)**

(*) Equity impact includes impact of change of conjectural interest rates on income statement.

Gain and losses from financial assets

Gains and losses recognized in the statement of income, net:	December 31, 2020	December 31, 2019
Interest income from bank deposits	354.970.495	496.992.303
Foreign exchange gains	1.112.174.319	489.708.640
Interest income from available-for-sale financial assets	127.162.085	102.941.894
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15*)	100.066.628	(3.674.113)
Income from derivative transactions	787.297.521	497.591.796
Income from participates	110.657.245	75.745.271
Interest income from debt securities classified as held to maturity financial investments	56.474.517	-
Income from equity shares classified as held for trading financial assets	33.099.883	10.167.315
Interest income from debt securities classified as held for trading financial assets	-	-
Income from equity shares	34.236.406	5.875.210
Interest income from repos	50	53.026
Income from subsidiaries	63.549	309.134
Income from investment funds reclassified as held for trading financial assets	40.222.452	30.033.219
Other	5.806.771	10.599.975
Income from investment funds reclassified as available for sale financial assets	96.729.941	54.171.828
Investment income	**2.858.961.862**	**1.770.515.498**
Loss from derivative transactions	(776.356.453)	(30.741.125)
Foreign exchange losses	(608.836.954)	(206.389.927)
Loss from valuation of financial assets	(3.920.793)	(4.981.343)
Loss from disposal of financial assets	(57.271.018)	(63.644.857)
Investment management expenses (including interest)	(19.235.674)	(38.276.163)
Investment expenses	**(1.465.620.892)**	**(344.033.415)**
Investment income, net	**1.393.340.970**	**1.426.482.083**

Financial gains and losses recognized in equity, net:	December31, 2020	December31, 2019
Fair value changes in available for sale financial assets *(Note 15)*	284.664.373	134.193.645
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15*)	(100.066.628)	3.674.113
Total	**184.597.745**	**137.867.758**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Capital management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements required by the Republic of Turkey Ministry of Treasury and Finance
- To safeguard the Company's ability to continue as a going concern

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Individual Pension Companies" issued by Republic of Turkey Ministry of Treasury and Finance on August 23, 2015 dated and 29454 numbered; the Company measured its minimum capital requirement as TL 720.762.903 (December 31, 2019: TL 581.406.867) as of December 31, 2020. As of December 31, 2020, and 2019, the capital amount of the Company presented in the unconsolidated financial statements are TL 2.638.633.525 and 2.135.840.889 respectively and capital surplus of the Company is amounting to TL 1.811.692.867 (December 31, 2019: TL 1.403.336.796) according to the communiqué.

As of June 30, 2020, required equity amount determined in calculations over consolidated financial statements of Company's subsidiary Anadolu Sigorta, is amounted TL 2.083.507.686. As of 30 June 2020, the amount of raw equity in Anadolu Sigorta's unconsolidated financial statements is TL 462.284.037 above the required equity amount calculated in accordance with the regulation.

5 Segment information

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

Business segment

Financial information of the Group is presented on life and non-life basis in the accompanying consolidated financial statements.

Geographical segment

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

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))

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

6 Tangible assets

Movement in tangible assets in the period from January 1 to December 31, 2020 is presented below:

	January 1, 2020	Addition	Foreign currency translation effect(*)	Disposals	Transfers	Valuation differences	December 31, 2020
Cost:							
Investment properties *(Note 7)*	482.776.000	-	-	-	-	50.142.500	532.918.500
Buildings for own use	195.012.000	823.740	-	(208.000)	-	2.798.500	198.426.240
Machinery and equipment	91.841.231	4.842.705	-	(4.534.617)	-	-	92.149.319
Furniture and fixtures	22.434.892	4.744.853	333.799	(296.070)	-	-	27.217.474
Land Vehiclesss	6.919.173	974.897	202.973	(1.064.007)	-		7.033.036
Other tangible assets (including leasehold improvements)	28.826.269	1.627.487	-	(1.837)	-	-	30.451.919
Leased tangible assets	3.858.074	-	-	-	-	-	3.858.074
Operating Lease Buildings	61.499.995	4.342.511	692.803	-	-	-	66.535.309
	893.167.634	**17.356.193**	**1.229.575**	**(6.104.531)**	**-**	**52.941.000**	**958.589.871**
Accumulated depreciation:							
Buildings for own use	726.874	881.207	-	(13.915)	-	(309.520)	1.284.646
Machinery and equipment	59.615.955	12.669.645	-	(4.506.356)	-	-	67.779.244
Furniture and fixtures	17.763.834	1.781.762	324.416	(293.185)	-	-	19.576.827
Land Vehiclesss	2.165.780	1.391.360	164.772	(868.940)	-	-	2.852.972
Other tangible assets (including leasehold improvements)	22.399.857	1.744.078	-	(1.837)	-	-	24.142.098
Leased tangible assets	3.858.074	-	-	-	-	-	3.858.074
Operating Lease Buildings	7.266.342	7.935.326	441.229	-	-	-	15.642.897
	113.796.716	**26.403.378**	**930.417**	**(5.684.233)**	**-**	**(309.520)**	**135.136.758**
Net book value	**779.370.918**						**823.453.113**

(*) Foreign currency translation effect resulted from Singapore Branch.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Movement in tangible assets in the period from January 1 to December 31, 2019 is presented below:

	January 1, 2019	Addition	Foreign currency translation effect(*)	Disposals	Transfers	Corrections	Valuation differences	December 31, 2019
Cost:								
Investment properties *(Note 7)*	455.721.000	157.865	-	(85.000)	-	-	26.982.135	482.776.000
Buildings for own use	194.296.000	-	-	-	-	-	716.000	195.012.000
Machinery and equipment	80.830.314	12.438.871	-	(1.435.729)	-	7.775	-	91.841.231
Furniture and fixtures	20.572.714	2.369.750	160.219	(610.516)	(53.100)	(4.175)	-	22.434.892
Land Vehiclesss	4.048.489	2.943.851	98.466	(171.633)	-	-		6.919.173
Other tangible assets (including leasehold improvements)	26.004.573	2.860.440	-	(91.844)	53.100	-	-	28.826.269
Leased tangible assets	3.858.074	-	-	-	-	-	-	3.858.074
Operating Lease Buildings	-	61.670.167	321.653	(491.825)	-	-	-	61.499.995
	785.331.164	**82.440.944**	**580.338**	**(2.886.547)**	**-**	**3.600**	**27.698.135**	**893.167.634**
Accumulated depreciation:								
Buildings for own use	215.408	794.744		-	-	-	(283.278)	726.874
Machinery and equipment	48.783.505	12.243.345	-	(1.410.895)	-	-	-	59.615.955
Furniture and fixtures	16.878.708	1.339.490	154.415	(608.779)	-	-	-	17.763.834
Land Vehiclesss	874.192	1.284.429	63.597	(56.438)	-	-	-	2.165.780
Other tangible assets (including leasehold improvements)	20.917.633	1.574.068	-	(91.844)	-	-	-	22.399.857
Leased tangible assets	3.858.074	-	-	-	-	-	-	3.858.074
Operating Lease Buildings	-	7.196.904	69.438	-	-	-	-	7.266.342
	91.527.520	**24.432.980**	**287.450**	**(2.167.956)**	**-**	**-**	**(283.278)**	**113.796.716**
Net book value	**693.803.644**							**779.370.918**

(*) Foreign currency translation effect resulted from Singapore Branch.

The Group's buildings for own use is valuated over fair value as of December 31, 2020 and 2019 year-end and subjected to valuation in this context. Expertise reports regarding this property are prepared by CMB licenced Property Valuation Company in September 2018. There is no pledge over Company's buildings for own use. Milli Reasürans, the Company's buildings for own use is valuated over fair value as of 2018. Expertise reports regarding this property are prepared by independent professional valuation specialists authorized by CMB in September 2018.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

As of December 31, 2020, the fair values (excluding VAT) and net carrying values of buildings for own use are presented below:

Owner occupied land and buildings	Expertise date	Expertise value	Net Book Value (December 31, 2020)	Net Book Value (December 31, 2019)
Headquarter	September 2018	179.340.000	178.902.180	178.640.659
İzmir Regional Headquarter	December 2020	9.510.000	9.494.289	8.081.870
Adana Regional Headquarter	December 2020	2.945.000	2.942.774	1.958.237
Lefkoşe Cyprus Branch	December 2020	4.350.000	4.346.962	4.215.177
Adana Office	December 2020	592.500	591.972	319.486
Other	December 2020	865.000	863.417	1.069.696
Total		**197.602.500**	**197.141.594**	**194.285.125**

Fair value measurement

The fair values of self-used land and buildings were determined by market comparison technique. The fair value measurement of owner occupied land and buildings is classified as Level 2.

As of December 31, 2020, and 2019, there is no mortgage on Group's tangible assets.

7 Investment properties

Additions and disposals for investment properties is given "6- Tangible Assets" note in table of current period movement of tangible assets.

Investment properties are started to be presented by fair value method as of December 31, 2020 and 2019 on balance sheet and the Company's investment properties gained TL 50.142.500 amount of value in 2020 in the context of expertise report prepared by independent professional valuation specialists authorized by Capital Markets Board. For the year ended December 31, 2020, the Group has rental income from investment properties amounting to TL 20.661.395 (December 31, 2019: TL 25.737.396).

As of December 31, 2020, inflation adjusted cost and carrying amounts of the Company's investment properties are amounting to TL 532.918.500 (December 31, 2019: TL 482.776.000)

Property based value of expertise report (excluding VAT) and fair values of investment properties are as follows. Expertise reports regarding these properties are prepared by independent professional valuation specialists authorized by CMB in September 2019. There is no mortgage on Group's investment properties.

As of December 31, 2020, and 2019, details of investment properties and the fair values are as follows:

	December 31, 2020 Net book value	December 31, 2019 Net book value	Date of expertise report	Value of expertise report
Operating Center Rental Offices	212.300.000	196.140.000	December 2020	212.300.000
Suadiye Fitness Center	45.840.000	40.270.000	December 2020	45.840.000
Tunaman Garage	155.075.000	133.875.000	December 2020	155.075.000
Villa Office Block	45.600.000	45.600.000	December 2020	45.600.000
Çifteler Land	6.000	6.000	December 2020	6.000
Other buildings	74.097.500	66.885.000	December 2020	74.097.500
Net book value	**532.918.500**	**482.776.000**		**532.918.500**

Fair value measurement

The fair values of investment properties were determined by market comparison technique. The fair value measurement of owner occupied land and buildings is classified as Level 2.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

8 Intangible Assets

Movement in intangible assets in the period from January 1 to December 31, 2020 is presented below:

	January 1, 2020	Additions	Transfers	Foreign currency translation effects(*)	Disposals	December 31, 2020
Cost:						
Other intangible assets	227.639.545	7.644.681	866.720	(4.460.001)	93.651.275	325.342.220
Goodwill	42.185.072	60.587.512	-	-	(93.651.275)	9.121.309
Advances given for intangible assets	16.250.000	-	-	-	-	16.250.000
	286.074.617	**68.232.193**	**866.720**	**(4.460.001)**	**-**	**350.713.529**
Accumulated amortization:						
Other intangible assets	145.530.086	51.552.459	866.783	(4.460.001)	-	193.489.327
	145.530.086	**51.552.459**	**866.783**	**(4.460.001)**	**-**	**193.489.327**
Net book value	**140.544.531**					**157.224.202**

(*) Foreign currency translation effect resulted from Singapore Branch.

Movement in intangible assets in the period from January 1 to December 31, 2019 is presented below:

	January 1, 2019	Additions	Transfers	Foreign currency translation effects(*)	Disposals	December 31, 2019
Cost:						
Other intangible assets	150.150.335	5.902.730	71.166.182	420.298	-	227.639.545
Goodwill	16.250.000	-		-	-	16.250.000
Advances given for intangible assets	58.674.584	54.676.670	(71.166.182)	-	-	42.185.072
	225.074.919	**60.579.400**		**420.298**	**-**	**286.074.617**
Accumulated amortization:						
Other intangible assets	119.916.179	25.193.983		419.924	-	145.530.086
	119.916.179	**25.193.983**		**419.924**	**-**	**145.530.086**
Net book value	**105.158.740**					**140.544.531**

(*) Foreign currency translation effect resulted from Singapore Branch.

9 Investments in associates

	December 31, 2020		December 31, 2019	
	Book value	Participation rate %	Book value	Participation rate %
Anadolu Hayat Emeklilik A.Ş.	336.397.607	21,00	270.036.755	21,00
Affiliates, net	**336.397.607**		**270.036.755**	
Miltaş Turizm Inşaat Ticaret Anonim Şirketi	3.796.088	77,00	3.742.259	77,00
Subsidiaries, net	**3.796.088**		**3.742.259**	
Total financial asset	**340.193.695**		**273.779.014**	

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the year	Audited	Period
Subsidiaries:						
Miltaş Turizm Inşaat Ticaret AŞ	5.331.484	4.929.984	6.444	82.533	Not Audited.	31 December 2020
Associates:						
Anadolu Hayat Emeklilik AŞ (consolidated)	36.087.752.603	1.601.893.365	102.198.183	526.939.264	Audited.	31 December 2020

In the current period TL 110.657.245 (December 31, 2019: 75.745.271) of income is obtained from associates and TL 63.549 of income is obtained from subsidiaries (December 31, 2019: TL 309.134) through equity accounted consolidation method.

10 Reinsurance assets and liabilities

As of December 31, 2020, and 2019, outstanding reinsurance assets and liabilities of the Group in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	December 31, 2020	December 31, 2019
Unearned premiums reserves, ceded (Note 17)	1.089.324.599	868.053.967
Outstanding claims reserve, ceded (Note 4.2), (Note 17)	2.179.921.969	1.507.010.830
Receivables from reinsurance companies (Note 12)	261.679.932	143.868.474
Cash deposited to reinsurance companies	397.198.168	293.628.897
Total	**3.928.124.668**	**2.812.562.168**

There are no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	December 31, 2020	December 31, 2019
Payables to the reinsurers related to premiums written *(Note 19)*	622.634.390	503.446.108
Deferred commission income *(Note 19)*	135.727.041	109.664.368
Cash deposited by reinsurance companies	5.458.061	4.871.763
Commission payables to the reinsurers related to written premiums *(Note 19)*	-	10.626.863
Total	**763.819.492**	**628.609.102**

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

	December 31, 2020	December 31, 2019
Premiums ceded during the period *(Note 17)*	(2.445.366.365)	(1.976.107.372)
Unearned premiums reserve, ceded at the beginning of the period *(Note 17)*	(868.053.967)	(732.987.716)
Unearned premiums reserve, ceded at the end of the period *(Note 17)*	1.089.324.599	868.053.967
Earned premiums, ceded *(Note 17)*	**(2.224.095.733)**	**(1.841.041.121)**
Claims paid, ceded during the period *(Note 17)*	772.211.955	918.359.421
Outstanding claims reserves, ceded at the beginning of the period *(Note 17)*	(1.507.010.830)	(1.195.809.112)
Outstanding claims reserves, ceded at the end of the period *(Note 17)*	2.179.921.969	1.507.010.830
Incurred claims, ceded *(Note 17)*	**1.445.123.094**	**1.229.561.139**
Commission income accrued from reinsurers during the period *(Note 32)*	287.174.537	219.921.607
Deferred commission income at the beginning of the period *(Note 19)*	109.664.368	101.626.238
Deferred commission income at the end of the period *(Note 19)*	(135.727.041)	(109.664.368)
Commission income earned from reinsurers *(Note 32)*	**261.111.864**	**211.883.477**
Changes in unexpired risk reserves, reinsurers' share *(Note 17)*	**43.680.925**	**(24.652.657)**
Total, net	**(474.179.850)**	**(424.249.162)**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

11 Financial assets

As of December 31, 2020, and 2019, the Group's financial assets are detailed as follows:

	December 31, 2020	December 31, 2019
Available for sale financial assets	4.342.132.693	2.247.608.666
Financial assets held for trading	420.642.549	159.450.716
Impairment loss on available for sale financial assets	1.038.057.085	-
Impairment in value of financial assets (-)	(6.954.540)	(6.954.540)
Total	**5.793.877.787**	**2.400.104.842**

As of December 31, 2020, and 2019, the Group's financial assets held for trading are detailed as follows:

	December 31, 2020			
	Nominal value	Cost	Fair value	Book value
Debt instruments:				
Other TL	-	54.089.810	54.114.245	54.114.245
	-	**54.089.810**	**54.114.245**	**54.114.245**
Non-fixed income financial assets:				
Investment funds	-	223.246.721	273.173.933	273.173.933
Equity shares	-	21.340.238	29.754.475	29.754.475
Derivative guarantees	-	61.319.726	63.599.896	63.599.896
	-	**305.906.685**	**366.528.304**	**366.528.304**
Total financial assets held for trading	-	**359.996.495**	**420.642.549**	**420.642.549**

	December 31, 2019			
	Nominal value	Cost	Fair value	Book value
Debt instruments:				
Other TL	-	13.310.217	13.313.760	13.313.760
	-	**13.310.217**	**13.313.760**	**13.313.760**
Non-fixed income financial assets:				
Investment funds		77.430.047	107.307.443	107.307.443
Equity shares		27.805.318	27.358.390	27.358.390
Derivative guarantees		11.638.912	11.471.123	11.471.123
		116.874.277	**146.136.956**	**146.136.956**
Total financial assets held for trading		**130.184.494**	**159.450.716**	**159.450.716**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))

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

As of December 31, 2020, and 2019, the Group's available for sale financial assets are detailed as follows:

	December 31, 2020			
	Nominal value	Cost	Fair value	Book Value
Debt instruments:				
Government bonds - TL	591.504.806	567.215.973	578.550.705	578.550.705
Government bonds - USD	170.721.375	272.024.093	306.498.483	306.498.483
Government bonds - EUR	14.537.742	50.277.544	64.904.721	64.904.721
Private sector bonds - USD	1.466.274.469	1.549.459.382	1.690.656.573	1.690.656.573
Private sector bonds- TL	566.060.000	555.152.544	572.322.853	572.322.853
Impairment loss on private sector bonds			(6.954.540)	(6.954.540)
		2.994.129.536	**3.205.978.795**	**3.205.978.795**
Non-fixed income financial assets:				
Equity shares		186.213.078	472.103.981	472.103.981
Investment funds		589.464.968	657.095.377	657.095.377
		775.678.046	**1.129.199.358**	**1.129.199.358**
Total available for sale financial assets		**3.769.807.582**	**4.335.178.153**	**4.335.178.153**

	December 31, 2019			
	Nominal value	Cost	Fair value	Book Value
Debt instruments:				
Government bonds - TL	203.645.804	200.229.115	216.169.741	216.169.741
Government bonds - USD	19.880.400	57.683.355	63.085.074	63.085.074
Private sector bonds - TL	4.000.000	26.072.226	28.789.772	28.789.772
Private sector bonds- USD	318.470.984	353.401.000	386.505.158	386.505.158
Private sector bonds - EUR	150.640.000	150.381.407	153.255.978	153.255.978
Impairment loss on private sector bonds			(6.954.540)	(6.954.540)
		787.767.103	**840.851.183**	**840.851.183**
Non-fixed income financial assets:				
Investment funds		165.537.729	240.347.804	240.347.804
Equity shares		1.108.128.409	1.159.455.139	1.159.455.139
		1.273.666.138	**1.399.802.943**	**1.399.802.943**
Total available for sale financial assets		**2.061.433.241**	**2.240.654.126**	**2.240.654.126**

All debt instruments presented above are traded in the capital markets, As of December 31, 2020, equity shares classified as available for sale financial assets with a carrying amount of TL 1.031.948 are not publicly traded (December 31, 2019: TL 2.265.431).

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

Value increases in financial assets including equity shares classified as available for sale financial assets and subsidiaries for the last 3 years (including tax effects):

Year	Change in value increase	Total increase in value
2020	184.597.745	284.072.561
2019	137.867.758	99.474.816
2018	(91.304.747)	(38.392.942)

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

As of December 31, 2020, and 2019 the Group's held to maturity financial assets portfolio are detailed as follows:

	December 31, 2020			
	Nominal value	Cost	Fair value	Net book value
Debt instruments:				
Government bonds - USD	106.437.250	100.814.428	113.170.388	103.096.481
Government bonds - EUR	214.919.486	215.932.705	221.860.155	219.179.621
Private sector bonds - USD	730.577.944	695.113.138	751.985.979	715.780.983
Total held to maturity financial assets	**1.051.934.680**	**1.011.860.271**	**1.087.016.522**	**1.038.057.085**

As of December 31, 2020, and 2019, the movement of the financial assets is presented below:

	December 31, 2020			
	Trading	Available-for-Sale	Held to maturity	Total
Balance at the beginning of the period	**159.450.716**	**2.240.654.126**	**-**	**2.400.104.842**
Acquisitions during the period	1.186.197.579	3.438.909.525	939.370.372	5.564.477.476
Disposals (sale and redemption)	(1.030.171.284)	(2.165.909.707)	(96.797.056)	(3.292.878.047)
Change in the fair value of financial assets	105.165.538	517.626.648	-	622.792.186
Change in amortized cost of the financial assets	-	260.612.248	195.483.769	456.096.017
Bonus shares acquired	-	43.285.313	-	43.285.313
Balance at the end of the period	**420.642.549**	**4.335.178.153**	**1.038.057.085**	**5.793.877.787**

	December 31, 2019			
	Trading	Available-for-Sale	Held to maturity	Total
Balance at the beginning of the period	**179.552.746**	**1.008.041.968**	**-**	**1.187.594.714**
Acquisitions during the period	1.911.737.578	3.821.906.413	-	5.733.643.991
Disposals (sale and redemption)	(1.972.103.440)	(2.961.977.960)	-	(4.934.081.400)
Change in the fair value of financial assets	40.263.832	359.052.564	-	399.316.396
Change in amortized cost of the financial assets	-	6.565.585	-	6.565.585
Bonus shares acquired	-	7.065.556	-	7.065.556
Balance at the end of the period	**159.450.716**	**2.240.654.126**	**-**	**2.400.104.842**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Details of the financial assets issued by related parties of the Group are as follows:

	December 31, 2020			
	Nominal value	Cost	Fair value	Book value
Available for sale financial assets - Investment funds	120.369.810	349.955.709	400.926.647	400.926.647
Available for sale financial assets - Private sector bonds	249.800.000	242.267.052	247.006.728	247.006.728
Available for sale financial assets - Private sector bonds	25.000.000	25.000.000	26.200.250	26.200.250
Financial assets held for trading - Investment funds	18.109.391	223.246.721	273.173.933	273.173.933
Available for sale financial assets - Equity shares	-	61.871.244	157.594.734	157.594.734
Available for sale financial assets - Private sector bonds	274.294.130	345.092.297	373.603.758	373.603.758
Financial assets held to maturity - Bonds	323.914.244	316.334.308	333.297.510	324.113.258
Total	**-**	**1.538.767.331**	**1.785.603.310**	**1.776.419.058**

	December 31, 2019			
	Nominal value	Cost	Fair value	Book value
Available for sale financial assets - Private sector bonds	110.083.786	102.507.233	112.038.548	112.038.548
Available for sale financial assets - Private sector bonds	25.000.000	25.000.000	26.200.250	26.200.250
Available for sale financial assets - Private sector bonds	12.420.000	69.114.084	74.327.048	74.327.048
Available for sale financial assets - Investment funds	-	958.243.329	1.001.253.233	1.001.253.233
Available for sale financial assets - Equity shares	-	62.508.033	77.776.570	77.776.570
Financial assets held for trading - Investment funds	-	71.657.767	101.481.176	101.481.176
Total	**-**	**1.289.030.446**	**1.393.076.825**	**1.393.076.825**

As of December 31, 2020, and 2019, there is no financial assets blocked in favour of the Republic of Turkey Ministry of Treasury and Finance as a guarantee for the insurance activities.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

12 Loans and receivables

	December 31, 2020	December 31, 2019
Receivables from main operations *(Note 4.2)*	2.737.409.366	2.184.560.010
Prepaid taxes and funds *(Note 19), (Note 4.2)*	23.269.996	32.484.190
Income accruals *(Note 4.2)*	209.572.327	39.168.327
Other receivables *(Note 4.2)*	44.338.424	6.312.824
Other current assets *(Note 4.2)*	211.124	10.000
Total	**3.014.801.237**	**2.262.535.351**
Short-term receivables	2.850.540.383	2.096.957.795
Medium and long-term receivables	164.260.853	165.577.556
Total	**3.014.801.236**	**2.262.535.351**

As at December 31, 2020 and 2019, receivables from main operations are detailed as follows:

	December 31, 2020	December 31, 2019
Receivables from insurance companies	147.013.858	192.271.606
Receivables from reinsurance companies *(Note 10)*	261.679.932	162.784.152
Receivables from agencies, brokers and intermediaries	72.411.442	76.206.486
Total receivables from reinsurance operations, net	**481.105.232**	**431.262.245**
Receivables from agencies, brokers and other intermediaries	1.379.824.798	1.167.036.824
Receivables from insurance and reinsurance companies	66.508.000	28.031.706
Long term receivable which is bank guarantee and three months credit card	323.669.240	198.701.172
Salvage and subrogation receivables *(Note 2.21)*	88.399.103	61.848.008
Receivables from policyholders	25.449.268	32.225.302
Total receivables from insurance operations, net	**1.883.850.409**	**1.487.843.012**
Cash deposited to insurance and reinsurance companies *(Note 4.2)*	397.198.168	293.628.897
Provisions for receivables from insurance operations - subrogation receivables *(Note 2.21)*	(24.744.443)	(28.174.144)
Doubtful receivables from main operations - premium receivables	72.007.562	63.483.134
Provision for doubtful receivables from main operations - premium receivables	(72.007.562)	(63.483.134)
Doubtful receivables from insurance operations - subrogation receivables	416.224.077	325.924.262
Provisions for doubtful receivables from insurance operations - subrogation receivables	(416.224.077)	(325.924.262)
Receivables from main operations	**2.737.409.366**	**2.184.560.010**

As of December 31, 2020, and 2019, mortgages and collaterals obtained for receivables are disclosed as follows:

	December 31, 2020	December 31, 2019
Mortgage notes	96.436.638	113.964.477
Letters of guarantees	135.183.316	97.755.103
Other guarantees	85.078.544	79.931.851
Government bonds and treasury bills	2.873.656	2.878.656
Total	**319.572.154**	**294.530.087**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 72.007.562 for main operations (December 31, 2019: TL 63.483.134) and TL 832.788 (December 31, 2019: TL 754.788) for other receivables.
b) Provision for premium receivables (due): None (December 31, 2019: None).
c) Provision for subrogation receivables: TL 440.968.520 (December 31, 2019: TL 354.098.406).

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

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

13 Derivative financial assets

As of December 31, 2020, the Group has derivative financial instruments recognized in the financial assets held for trading amounting to TL 63.599.896 (December 31, 2019: TL 11.471.123).

As of December 31, 2020, the Group has accounted in income accruals and other financial liabilities amounting to TL 183.754.467 (December 31, 2019: TL 24.850.393) that is increase in value while there is no impairment balance under the other financial liabilities account (December 31, 2019: TL 59.472.753) due to forward foreign currency agreement.

14 Cash and cash equivalents

As of December 31, 2020, and December 31, 2019, the details of the cash and cash equivalents are as follows:

	December 31, 2020		December 31, 2019	
	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	76.079	117.671	117.671	70.338
Cheques received	400.138	240.000	240.000	-
Bank deposits	4.097.477.416	5.803.536.011	5.803.536.011	5.364.205.897
Cheques given and payment orders	(8.020)	(35.083)	(35.083)	(79.251)
Bank guaranteed credit card receivables with maturities less than three months	771.479.380	587.341.970	587.341.970	451.595.523
Cash and cash equivalents in the balance sheet	**4.869.424.993**	**6.391.200.569**	**6.391.200.569**	**5.815.792.507**
Bank deposits - blocked(*)	(836.221.606)	(467.204.688)	(467.204.688)	(567.003.815)
Time deposits with maturities longer than 3 months	(145.142.438)	(2.191.076.064)	(2.191.076.064)	(2.054.680.462)
Interest accruals on banks deposits	(16.704.794)	(11.488.428)	(11.488.428)	(21.420.939)
Cash and cash equivalents presented in the statement of cash flows	**3.871.356.155**	**3.721.431.389**	**3.721.431.389**	**3.172.687.291**

(*) As of December 31, 2020, cash collateral amounting to TL 809.151.366 is kept in favour of the Republic of Turkey Ministry of Treasury and Finance and TL 27.069.740 is kept in favour of Agricultural Insurance Pool as a guarantee for the insurance activities of Anadolu Sigorta. (31 December 2019: TL 447.225.909).

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

As of December 31, 2020, and 2019, bank deposits are further analysed as follows:

	December 31, 2020	December 31, 2019
Foreign currency denominated bank deposits		
- time deposits	1.179.927.143	3.351.095.077
- demand deposits	78.824.641	29.673.971
Bank deposits in Turkish Lira		
- time deposits	2.827.201.273	2.417.322.407
- demand deposits	11.524.359	5.444.556
Bank deposits	**4.097.477.416**	**5.803.536.011**

15 Equity

Paid in Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group having 77.06% of outstanding shares. As of December 31, 2020, and 2019, the shareholding structure of the Company is presented below:

	December 31, 2020		December 31, 2019	
Name	Shareholding amount(TL)	Shareholding rate (%)	Shareholding amount(TL)	Shareholding rate (%)
Türkiye İş Bankası A.Ş.	578.177.926	87,60	508.573.072	77,06
Millî Reasürans T.A.Ş. Mensupları Yardımlaşma Sandığı Vakfı	-	-	69.604.854	10,55
Groupama Hayat A.Ş*.	38.809.894	5,88	38.809.894	5,88
Ankara Doğal Elektrik Üretim ve Ticaret A.Ş.(*)	22.240.456	3,37	22.240.456	3,37
T.C. Ziraat Bankası A.Ş.	16.430.944	2,49	16.430.944	2,49
Other	4.340.780	0,66	4.340.780	0,65
Paid in capital	**660.000.000**	**100,00**	**660.000.000**	**100,00**

(*) As of August 21, 2020, Türkiye İş Bankası A.Ş. purchased 69,604,854 shares of nominal value of TL with all of the rate of 10.55% owned by one of the shareholders of the Company, Millî Reasürans T.A.Ş. Mensupları Yardımlaşma Sandığı Vakfı. It was approved by Milli Reasürans T.A.Ş.'s Board of Directors decision dated 26 August 2020 and numbered 1318.

As of December 31, 2020, the issued share capital of the Group is TL 660.000.000 (December 31, 2019: TL 660.000.000) and the share capital of the Group consists of 66.000.000.000 (December 31, 2019: 66.000.000.000 shares) issued shares with TL 0,01 nominal value each. There are no privileges over the shares of the Group.

There are not any treasury shares held by the Group itself or by its subsidiaries or associates.

There are not any treasury shares issued which will be subject to sale in accordance with forward transactions and contracts.

Equity method consolidation

As of December 31, 2020, and 2019, in the accompanying consolidated financial statements of the Group, Anadolu Hayat, 21% and Miltaş, 77% of shares is owned by the Group are consolidated by using the equity method.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))

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

Legal Reserves

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

The movements of legal reserves are as follows:

	December 31, 2020	December 31, 2019
Legal reserves at the beginning of the period	**155.933.995**	**123.041.486**
Transfer from profit	39.011.027	32.892.509
Legal reserves at the end of the period	**194.945.022**	**155.933.995**

As of December 31, 2020, and 2019, "Other Reserves and Retained Earnings" includes extraordinary reserves, sales profits to be capitalized and buildings for own use revaluation differences.

As at December 31, 2020 and 2019, "Other Reserves and Retained Earnings" are detailed as below:

	December 31, 2020	December 31, 2019
Other profit reserves	23.673.789	24.424.400
Extraordinary reserves	692.870.924	588.605.356
Other capital reserves	167.674.813	165.814.989
Sales profits to be capitalized	24.431.260	24.245.511
Other earnings and losses	(4.294.111)	(2.758.065)
Private funds	16.900.903	-
Subsidiary capital correction	(71.060.154)	(71.060.049)
Total	**850.197.424**	**729.272.142**

Other capital reserves

According to TAS 16 - "Property Plant and Equipment", property, plant and equipment are initially recorded at cost and can be subsequently measured at their fair values. The Company has started to show based on the revaluation model by measuring over fair value as of the third quarter of 2015 by making changes in the use of the property which is measuring the cost model in the financial statements before.

In accordance with tax legislation, 75% of profits from sales of participation shares and 50% of profits from sales real estates included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years.

Anadolu Sigorta, as of December 31, 2020, the tax exempt which obtained thanks to sale of participation shares and real estate in 2010, 2011, 2013, 2014, 2015, 2016 and 2017 years respectively, amounting to TL 8.081.516, TL 80.025, TL 647.763, TL 920.272, TL 2.541.500, TL 15.094 and TL 838.049 and real estate revaluation funds of 2018, 2019 and 2020 the profit not subject to distribution for 2018, 2019 and 2020 are classified as other capital reserves.

Milli Reasürans, according to expertise reports, fair value of property for use is calculated as TL 179.340.000 and revaluation differences amounting to TL 162.300.435 is recognized in 'Other Capital Reserves' account under equity as TL 146.070.394 with net tax effect in financial statements as of December 31, 2020 (December 31, 2019: TL 146.070.394). As of 31 December 2020, Non-Distributable Profit amount recognized according to the equity method is TL 21.604.419. (December 31, 2019: TL 19.744.595).

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

Extraordinary reserves

The movement of extraordinary reserves is as follows:

	December 31, 2020	December 31, 2019
Extraordinary reserves at the beginning of the period	**588.605.356**	**284.629.618**
Transfer from profit	104.265.568	303.975.738
Extraordinary reserves at the end of the period	**692.870.924**	**588.605.356**

Subsidiary capital correction

On September 30, 2010, the Company purchased 35.53% shares of Anadolu Sigorta Anonim Şirketi with nominal value of TL 177.650.110 from İş Bankası amounting to TL 248.710.154. As Anadolu Sigorta and the Company are under common control and when information transfer and structure is considered, Anadolu Sigorta is accepted as a part of the Company's operations. This subsidiary under common control is recorded at cost in the financial statements. In the business combination of subsidiary under common control, the purchasing company is not obliged to, but has the permission to reflect the effects of business combination the prior year financial statements. In business combinations under common control, shares are transferred from one company to the other in the same group and independent third parties are not included in the transaction and purchasing price is not determined on fair value, the application is determined by the management's decision. The Company management decided not to reflect the effects of the business combination in the comparative financial statements. The difference between purchase price and net asset value amounting to TL (71.060.049), is recorded under "Subsidiary Capital Correction" account under equity.

Special funds (reserves)

As of December 31, 2020, special funds accounted according to the equity method is amounting to TL 16.900.903 (December 31, 2019: None).

The movements of special funds are as follows:

	December 31, 2020	December 31, 2019
Special funds at the beginning of the period	**-**	**-**
Accounted according to the equity method	16.900.903	-
Special funds at the end of the period	**16.900.903**	-

Other profit reserves

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

According to revision on TAS 19, actuarial profit and losses that recognized in income statement in termination indemnity calculation before, is recognized in "Other Profit Reserves" account under equity in current period financial statements. As of December 31, 2020, TL (4.294.111) (31 December 2019: TL (2.758.065) TL), of actuarial gains and losses, which are presented in profit or loss is presented under "other profit reserves". As of 31 December 2020, other profit reserves amount recognized according to the equity method is TL 23.673.789 (December 31, 2019: TL 24.424.400).

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))

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

Profit for the period that is extraneous from the distribution

In accordance terms of tax legislation 50% portion of the gains from sales real estate and 75% portion of the gains from subsidiaries are exempt from corporate tax on condition that it has kept in a special fund account at least five years. Exempt gains cannot be transferred to another account except to add capital or in any way cannot be withdrawn from the business in five years. In the direction of sector announcement made by Treasury dated October 27, 2008 and numbered 2008/41, for the year ended December 31, 2016, the Company categorized the TL 23.723.323 profit on sale from the sale of the properties realized on April 10, 2015 under the company's equity as "sales profits to be capitalized" and "other capital reserves" under the equity for the current period. As of 31 December 2020, sales profits to be capitalized amount recognized according to the equity method is TL 707.937 (December 31, 2019: TL 522.188). As of December 31, 2020, TL 162.083, which corresponds to 75% of the income obtained from the sale of the subsidiary realized by the Company as of December 14, 2020, has been classified in the Non-Distributable Period Profit. The Non-Distributable Period Profit amount accounted for using the equity method is TL 583.131 (December 31, 2019: 3.129.194).

Statutory reserves

After the allocation of first legal reserves and first dividend to shareholders, reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly. As of December 31, 2020, total funds allocated is amounting TL 58.171.807 (December 31, 2019: TL 37.967.904), and there's not any fund allocated from current period profit in current period.

Foreign currency translation differences

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. As at December 31, 2020, foreign currency translation reserve amounting to TL 21.166.656 loss (December 31, 2019: TL 34.192.451 loss) stems from Singapore Branch whose functional currency is US Dollars.

Valuation of financial assets

As of December 31, 2020, and 2019, changes in fair values that stem from securities classified as available for sale financial assets that present share in capital and associates are detailed as below:

	December 31, 2020	December 31, 2019
Fair value reserves at the beginning of the period	**99.474.816**	**(38.392.942)**
Change in the fair value during the period *(Note 4.2)*	290.512.327	140.101.037
Deferred tax effect *(Note 4.2)*	(25.861.280)	(5.099.087)
Net gains transferred to the statement of income *(Note 4.2)*	(100.066.628)	3.674.113
Deferred tax effect *(Note 4.2)*	20.013.326	(808.305)
Fair value reserves at the end of the period	**284.072.561**	**99.474.816**

16 Other reserves and equity component of discretionary participation

As of December 31, 2020, and 2019, other reserves are explained in detail in Note 15 - Equity above.

As of December 31, 2020, and 2019, the Group does not hold any insurance or investment contracts which contain a DPF.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

17 Insurance contract liabilities and reinsurance assets

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

As of December 31, 2020, and 2019, technical reserves of the Group' are as follows:

	December 31, 2020	December 31, 2019
Unearned premiums reserves, gross	4.737.678.185	3.899.597.423
Unearned premiums reserves, ceded *(Note 10)*	(1.089.324.599)	(868.053.967)
Unearned premiums reserves, SSI share	(94.034.856)	(74.462.604)
Unearned premiums reserves, net	**3.554.318.730**	**2.957.080.852**
Outstanding claims reserve, gross	8.565.250.176	6.595.436.311
Outstanding claims reserve, ceded *(Note 10)*	(2.179.921.969)	(1.507.010.830)
Outstanding claims reserve, net	**6.385.328.207**	**5.088.425.481**
Unexpired risk reserves	177.424.807	89.355.440
Unexpired risk reserves, ceded	(59.209.135)	(15.528.210)
Unexpired risk reserves, net	**118.215.672**	**73.827.230**
Equalization reserves, net(*)	440.273.432	357.827.967
Other technical reserves, net	**440.273.432**	**357.827.967**
Life mathematical reserves	**13.014**	**38.691**
Bonuses and Discount	**4.000.000**	-
Total technical reserves, net	**10.502.149.055**	**8.477.200.221**
Short-term	10.059.955.305	8.117.368.295
Medium and long-term	442.193.750	359.831.926
Total technical reserves, net	**10.502.149.055**	**8.477.200.221**

As of December 31, 2020, and 2019, movements of the insurance liabilities and related reinsurance assets are presented below:

	December 31, 2020			
Unearned premiums reserve	**Gross**	**Ceded**	**SSI Share**	**Net**
Unearned premiums reserve at the beginning of the period	3.899.597.423	(868.053.967)	(74.462.604)	2.957.080.852
Written premiums during the period	9.636.641.512	(2.445.366.365)	(170.100.697)	7.021.174.450
Earned premiums during the period	(8.798.560.751)	2.224.095.734	150.528.445	(6.423.936.572)
Unearned premiums reserve at the end of the period	**4.737.678.184**	**(1.089.324.598)**	**(94.034.856)**	**3.554.318.730**

	December 31, 2019			
Unearned premiums reserve	**Gross**	**Ceded**	**SSI Share**	**Net**
Unearned premiums reserve at the beginning of the period	3.280.229.790	(732.987.716)	(63.611.725)	2.483.630.349
Written premiums during the period	8.091.533.647	(1.976.107.372)	(136.068.059)	5.979.358.216
Earned premiums during the period	(7.472.166.014)	1.841.041.121	125.217.180	(5.505.907.713)
Unearned premiums reserve at the end of the period	**3.899.597.423**	**(868.053.967)**	**(74.462.604)**	**2.957.080.852**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))

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

	December 31, 2020		
Outstanding claims reserves	**Gross**	**Ceded**	**Net**
Outstanding claims reserve at the beginning of the period	6.595.436.311	(1.507.010.830)	5.088.425.481
Claims reported during the period and changes in the estimations of outstanding claims reserves provided at the beginning of the period	6.775.927.760	(1.445.123.094)	5.330.804.666
Claims paid during the period	(4.806.113.895)	772.211.955	(4.033.901.940)
Outstanding claims reserve at the end of the period	**8.565.250.176**	**(2.179.921.969)**	**6.385.328.207**

	December 31, 2019		
Outstanding claims reserves	**Gross**	**Ceded**	**Net**
Outstanding claims reserve at the beginning of the period	5.416.277.390	(1.195.809.112)	4.220.468.278
Claims reported during the period and changes in the estimations of outstanding claims reserves provided at the beginning of the period	5.896.974.740	(1.229.561.139)	4.667.413.601
Claims paid during the period	(4.717.815.819)	918.359.421	(3.799.456.398)
Outstanding claims reserve at the end of the period	**6.595.436.311**	**(1.507.010.830)**	**5.088.425.481**

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

As the Company is a reinsurance company, there is not any guarantee that should be placed. The details given below are the amounts of guarantees for Anadolu Sigorta A.Ş.

	December 31, 2020		
	Should be placed (*)	**Placed**	**Book value**
Non-life:			
Bank deposits *(Note 14)*	591.659.902	836.221.106	836.221.106
Total	**591.659.902**	**836.221.106**	**836.221.106**

	December 31, 2019		
	Should be placed (*)	**Placed**	**Book value**
Non-life:			
Bank deposits (Note 14)	494.545.433	447.110.868	447.225.909
Total	**494.545.433**	**447.110.868**	**447.225.909**

(*) Insurance companies and pension companies, which are carrying out activities in life insurance and personal accident insurance branches, are required to allocate their guarantees within two months following capital adequacy calculation periods in accordance with article 7 of Regulation on Financial Structure of Insurance and Reassurance Companies and Pension Companies, regulating allocating and releasing of guarantees. Companies issue capital adequacy statement twice in June and December periods in accordance with "Regulation on Measurement and Review of Capital Adequacy of Insurance and Reassurance and Pension Companies" and submit such statements to Ministry of Treasury and Finance within 2 months.

Total amount of insurance risk on a branch basis

Total amount of insurance risk on branch basis for non-life insurance branch is not kept by the Group.

Group's number of life insurance policies, additions, disposals during the year and the related mathematical reserves

None.

Distribution of new life insurance policyholders in terms of numbers and gross and net premiums as individual or group during the period

None.

Distribution of mathematical reserves for life insurance policyholders who left the Group's portfolio as individual or group during the period

None.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Pension investment funds established by the Group and their unit prices

None.

Number and amount of participation certificates in portfolio and circulation

None.

Portfolio amounts in terms of number of new participants, left or cancelled participants, and existing participants for individuals and groups

None.

Valuation methods used in profit share calculation for saving life contracts with profit sharing

None.

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups

None.

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups which were transferred from other insurance companies during the year

None.

Distribution of individual and group participants and their gross and net contributions which were transferred from life insurance portfolio to private pension portfolio during the year

None.

Distribution of individual and group participants which were cancelled or transferred to other insurance companies in terms of their numbers and gross and net contributions

None.

Profit share distribution rate of life insurances

None.

Deferred commission expenses

The Group capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As of December 31, 2020, short-term prepaid expenses amounting to TL 737.789.750 (December 31, 2019: TL 606.023.035) consist of deferred acquisition cost; deferred commission expenses amounting to TL 661.636.162 (December 31, 2019: TL 555.184.994) and other prepaid expenses amounting to TL 76.153.588 (December 31, 2019: TL 50.838.041). Long-term prepaid expenses amounting TL 2.167.444 (December 31, 2019: TL 1.444.448) are composed of other prepaid expenses.

	December 31, 2020	December 31, 2019
Deferred commission expenses at the beginning of the period	555.184.994	461.641.048
Commissions accrued during the period *(Note 32)*	1.458.942.174	1.254.393.951
Commissions expensed during the period	(1.352.491.006)	(1.160.850.005)
Deferred commission expenses at the end of the period	**661.636.162**	**555.184.994**

(*) Commission expenses accounted under reinsurance commissions are included.

Individual pension funds

None.

18 Investment contract liabilities

None.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

19 Trade and other payables and deferred income

	December 31, 2020	December 31, 2019
Financial payables	58.754.871	117.648.540
Payables from main operations	980.870.480	796.914.881
Other payables	136.517.896	133.712.351
Short/long term deferred income and expense accruals	231.208.040	221.449.286
Taxes and other liabilities and similar obligations	78.146.382	136.600.008
Due to related parties *(Note 45)*	224.447	368.661
Total	**1.485.722.116**	**1.406.693.727**
Short-term liabilities	1.416.703.424	1.347.115.950
Long-term liabilities	69.018.692	59.577.777
Total	**1.485.722.116**	**1.406.693.727**

As of December 31, 2020, other payables amounting to TL 136.517.896 (December 31, 2019: TL 133.712.351) consist of treatment cost payables to SSI amounting to TL 44.494.729 (December 31, 2019: TL 39.979.932) payables to Tarsim and DASK and outsourced benefits and services amounting to TL 80.245.627 (December 31, 2019: TL 83.941.498) and deposits and guarantees received amounting to TL 11.777.540 (December 31, 2019: 9.790.921).

Payables arising from main operations of the Group as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Payables to reinsurance companies *(Note 10)*	622.634.390	503.446.108
Payables to agencies, brokers and intermediaries	91.095.216	72.191.799
Cash deposited by insurance and reinsurance companies	6.898.890	5.469.130
Total payables arising from reinsurance and insurance operations	**720.628.496**	**581.107.037**
Payables arising from other operating activities	260.241.984	215.807.844
Payables arising from main operations	**980.870.480**	**796.914.881**

Corporate tax liabilities and prepaid taxes are disclosed below:

	December 31, 2020	December 31, 2019
Taxes paid during the period	173.403.945	137.083.224
Corporate tax liabilities	(129.065.521)	(201.913.417)
Corporate tax assets, net	**44.338.424**	**(64.830.193)**

Total amount of investment incentives which will be benefited in current and forthcoming periods

None.

20 Financial liabilities

	31 December 2020	31 December 2019
Expense accruals arising from derivative contracts (Note 13) (*)	-	59.472.753
Payables from operating leases (Note 34) (**)	58.754.871	58.175.787
Short-term	3.029.771	3.620.551
Medium and long-term	55.725.100	54.555.236
Total	**58.754.871**	**117.648.540**

(*) The company does not accrue expense from derivative contracts as of December 31, 2020. (December 31, 2019: TL 59.472.753).
(**) As of December 31, 2020, the Group's operating leases are explained in the *Note 34 - Financial Costs*.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

21 Deferred taxes

As of December 31, 2020, and 2019, deferred tax assets and liabilities are attributable to the following:

	December 31, 2020	December 31, 2019
	Deferred tax assets/(liabilities))	Deferred tax assets/(liabilities))
Unexpired risk reserves	66.200.287	53.535.621
Provision for the pension fund deficits	21.175.193	19.583.644
Equalization reserves	23.643.134	16.241.991
Provisions for employee termination benefits	13.912.211	10.643.391
Other provisions	9.892.432	8.307.197
Subrogation provision	4.948.889	6.198.312
Discount of receivables and payables	2.087.204	1.866.480
TAS adjustment differences in depreciation	123.787	91.793
Profit commission accruals	(18.888)	(336.314)
Subrogation receivables from third parties	(4.178.574)	(2.723.769)
Valuation differences in financial assets	(66.990.503)	(3.022.005)
Time deposits	(5.783.669)	(6.931.925)
Other	(13.976.045)	(10.658.223)
Valuation of real estate	(68.628.739)	(63.004.554)
Deferred tax assets/(liabilities), net	**(17.593.281)**	**29.791.639**

As of December 31, 2020, the Group does not have deductible tax losses. (December 31, 2019: None.)

Movement of deferred tax assets as of December 31, 2020 and 2019 are given below:

	December 31, 2020	December 31, 2019
Opening balance at January 1	**29.791.639**	**7.144.002**
Recognized in profit or loss	(6.193.250)	69.039.680
Recognized in equity	(25.453.192)	(32.303.842)
Cancellation corporate tax provision(*)	(15.738.478)	(14.088.201)
Closing balance at December 31	**(17.593.281)**	**29.791.639**

(*) Cancellation of corporate tax provision is included in deferred tax income.

22 Retirement benefit obligations

Employees of the Company are the members of "Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı ("Milli Reasürans Pension Fund") and the employees of Anadolu Sigorta are the members of Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı ("Pension Fund of Anadolu Anonim Türk Sigorta Şirketi") which has been founded in accordance with the Article 20 of the Social Securities Act No: 506.

As per the provisional article No: 23 of the Banking Law No: 5411, pension funds of the banks which were established within the framework of Social Security Institution Law, should be transferred to the Social Security Institution within three years after the publication of the prevailing Banking Law enacted on November 1, 2005. However, the said article of the Banking Law has been vetoed by the President on November 2, 2005 and the execution of the article was ceased based on the Supreme Court's decision numbered E.2005/39, K.2007/33 and dated March 22, 2007 effective from March 31, 2007. Supreme Court asserted possible losses on acquired rights of employees of pension fund as reason for cancellation decision.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

Following annulment of the temporary Article 23 of the Banking Law, the new law "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" was published in the Official Gazette dated May 8, 2008 and came into force. The new law requires transfer of the participants or beneficiaries of pension funds to Social Security Institution as at the effective date of the Act within 3 years and prescribe the extension period of the transfer as maximum of two years upon the order of the Cabinet. Accordingly, the three-year period expired on May 8, 2011 was extended to the May 8, 2013. On March 8, 2012, "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" numbered 28227, was published on Official Gazette and 4th article of this act changed "two years" phrase as "four years" which takes part on second sentence of first clause of 20th article of the code numbered 5510. Also, under the scope of Decree of the Council of Ministers numbered 2013/4617 was published on Official Gazette numbered 28636, on May 3, 2013 and 20th temporary article of the Social Security Laws numbered 506 banks, insurance and reinsurance companies, chambers of commerce, stock markets or participants of pension funds and salary or income provided ones and their shareholders' transfer duration has been extended one year to the Social Security Institution by Decree of the Council of Ministers.

Under the scope of Decree of Turkish Ministry of Labour and Social Security numbered 174, according to 20th temporary article of the Social Security Laws numbered 5510, the Council of Ministers postpone transfer of the funds until May 8, 2015 with the decision of The Council of Ministers dated February 24, 2015.

Lastly, first paragraph of temporary 20th article of 5510 numbered Law, article 51 of the law regarding changing of several laws and delegated legislations and the law of occupational health and safety which are published in April 23, 2015 dated Official Gazette is changed as following.

"Council of minister is entitled to determine the Social Security Intuition's turnover date for banks, assurance and reinsurance companies, chamber of commerce and industry, stock markets or pension fund' partnerships that is constituted by them for union employees along with monthly income endowed people and their rights holder within the scope of 506 numbered law' provisional 20. Article. Pension fund contributors as of the transfer date and considered insured by the first paragraph of Article 4 of this law.

In accordance with the Act, as of the transfer date, present value of the liabilities will be determined by considering the income and expense of the pension fund.

On the other hand, the application made on June 19, 2008 by the Republican People's Party to the Constitutional Court for the annulment and motion for stay of some articles, including the first paragraph of the provisional article 20 of the Law, which covers provisions on transfers, was rejected in accordance with the decision taken at the meeting of the afore-mentioned court on March 30, 2011.

As per the temporary sub article No: 20 of the Article 73 of the above mentioned law also includes the following:

a) technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and

b) uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by the entities who transfer the funds.

In accordance with the law; after fund affiliates along with monthly salary and/or revenue endowed people and their rights holder transfer to Social Security Intuition, these people' uncovered social rights and payments is paid, even if it is written in the foundation's obligation which they are belong to, by funds and fund affiliate's employer institutions.

The benefits stated in the settlement deeds of pension fund but not subject to transfer will continue to be covered by the pension funds.

The technical financial position of the Milli Reasürans Pension Fund is audited by the registered actuary in accordance with the Article 21 of the Insurance Law and Actuary Act. As per the calculations based on the above mentioned assumptions, actuarial and technical deficit amounting to TL 69.561.055 (December 31, 2019: TL 53.216.955) is accounted as "Provision for pension fund deficits" in the accompanying consolidated financial statements.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

An actuarial report has been obtained from registered actuary regarding calculation of the amount to be paid to the Social Security Institution by the Company in accordance with the new law. The CSO 1980 mortality table for December 31,2019 and the TSI 2013 mortality table for December 31, 20199.8% of technical deficit interest rate are taken into account in the calculation of the said technical deficit. No real increase/decrease is anticipated in salary and health expenses. The health benefits to be paid will be considered by the Group management due to the changes in the Social Security Institution legislation and other regulations. As of December 31, 2020, and 2019, technical deficit from pension funds comprised the following.

	December 31, 2020	December 31, 2019
Net present value of total liabilities other than health	(176.277.838)	(154.412.630)
Net present value of insurance premiums	42.294.833	36.399.424
Net present value of total liabilities other than health	**(133.983.005)**	**(118.013.206)**
Net present value of health liabilities	(20.228.903)	(18.531.186)
Net present value of health premiums	23.199.132	19.953.802
Net present value of health liabilities	**2.970.229**	**1.422.616**
Pension fund assets	**61.451.721**	**63.373.635**
Amount of actuarial and technical deficit	**(69.561.055)**	**(53.216.955)**

Plan assets are comprised of the following items:

	December 31, 2020	December 31, 2019
Cash and cash equivalents	47.150.065	51.228.641
Associates	12.431.247	10.648.699
Other	1.870.409	1.496.295
Total plan assets	**61.451.721**	**63.373.635**

Up to date, as per the actuarial calculation performed, there has not been any deficit in Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı and Anadolu Sigorta has made no payment for this purpose. It is believed that the assets of this institution are adequate enough to cover its total obligations; therefore, this shall not constitute any additional liability on Anadolu Sigorta.

23 Provision for other liabilities and expense accruals

As of December 31, 2020, and 2019, the provisions for other risks are disclosed as follows:

	December 31, 2020	December 31, 2019
Provision for pension fund deficits *(Note 22)*	69.561.055	53.216.955
Provision for employee termination benefits	45.465.115	38.340.411
Provision for unused vacation	3.997.046	2.905.069
Total provision for other risks	**119.023.216**	**94.462.435**

Movement of provision for employee termination benefits during the period is presented below:

	December 31, 2020	December 31, 2019
Provision at the beginning of the period	38.340.411	35.080.373
Interest cost *(Note 47)*	4.380.388	4.280.225
Service cost *(Note 47)*	4.015.240	2.429.854
Payments during the period *(Note 47)*	(4.865.371)	(4.378.995)
Actuarial gain/loss	3.594.447	928.954
Provision at the end of the period	**45.465.115**	**38.340.411**

24 Net insurance premium revenue

Net insurance premium revenue for non-life branches is presented in detailed in the accompanying consolidated statement of income.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

25 Fee revenue

None.

26 Investment income

Investment income is presented in Note 4.2 - *Financial risk management*.

27 Net income accrual on financial asset

Net realized gains on financial assets are presented in Note 4.2 - *Financial risk management*.

28 Assets held at fair value through profit or loss

Presented in "*Note 4.2* - Financial Risk Management".

29 Insurance rights and claims

	December 31, 2020	December 31, 2019
Claims paid, net off reinsurers' share	(4.033.901.940)	(3.799.456.398)
Changes in outstanding claims reserves, net off reinsurers' share	(1.296.902.726)	(867.957.203)
Changes in unearned premium reserves, net off reinsurers' share	(597.237.878)	(472.362.222)
Change in equalization reserves	(82.445.465)	(81.093.878)
Change in life mathematical reserves, net off reinsurers' share	25.677	35.104
Exchange in return for bonuses and discounts, deducting the reinsurer share	(4.000.000)	-
Changes in unexpired risks reserves, net off reinsurers' share	(44.388.442)	(4.606.649)
Total	**(6.058.850.774)**	**(5.225.441.246)**

30 Investment contract benefits

None.

31 Other expenses

The allocation of the expenses with respect to their nature or function is presented in Note 32 - *Expenses by nature* below.

32 Operating expenses

For the years ended December 31, 2020 and 2019, the operating expenses are disclosed as follows:

	December 31, 2020	December 31, 2019
Commission expenses *(Note 17)*	1.157.562.296	996.680.788
Commissions to the intermediaries accrued during the period (Note 17)	*1.256.127.553*	*1.083.550.914*
Changes in deferred commission expenses (Note 17)	*(98.565.257)*	*(86.870.126)*
Employee benefit expenses *(Note 33)*	326.590.288	291.494.818
Foreign exchange losses	100.278.632	30.188.546
Administration expenses	151.872.827	140.528.715
Commission income from reinsurers *(Note 10)*	(261.111.864)	(211.883.477)
Commission income from reinsurers accrued during the period (Note 10)	*(287.174.537)*	*(219.921.607)*
Change in deferred commission income (Note 10)	*26.062.673*	*8.038.130*
Advertising and marketing expenses	15.465.393	28.727.445
Outsourced benefits and services	29.339.763	25.179.548
Commission expenses from reinsurance transactions (Note 10)	194.928.710	164.169.217
Commissions from reinsurance transactions during the period (Note 10)	202.814.621	*170.843.037*
Change in deferred reinsurance commission expenses (Note 10)	(7.885.911)	*(6.673.820)*
Other	10.198.239	14.804.358
Total	**1.725.124.284**	**1.479.889.958**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

33 Employee benefit expenses

As of December 31, 2020, and 2019, employee benefit expenses are disclosed as follows:

	December 31, 2020	December 31, 2019
Wages and salaries	233.992.274	211.068.619
Employer's share in social security premiums	66.754.858	56.028.392
Pension fund benefits	6.743.408	5.362.795
Other	19.099.748	19.035.012
Total *(Note 32)*	**326.590.288**	**291.494.818**

34 Financial costs

As of December 31, 2020, interest expense arising from the leases that the Group has subject to TFRS 16 Leasing Standards amounting to TL 12.916.412 has accounted under "Investment Management Expenses - Including Interest"; amortization expense amounting to TL 7.935.328 has been accounted under "Depreciation and Amortization Expense" accounts (January 1 - December 31, 2019: 7.196.904).

As of December 31, 2020, discounted repayment plans for the Group's operating leases are as follows (December 31, 2019: 58.175.787):

	Operating lease repayments -TL
Up to 1 year	3.029.771
1 - 2 years	3.769.641
2 - 3 years	4.690.188
3 - 4 years	5.802.213
4 - 5 years	7.252.433
Over 5 years	34.210.625
Total	**58.754.871**

35 Income tax

Income tax expense in the accompanying consolidated financial statements is as follows:

	December 31, 2020	December 31, 2019
Current tax expense provision:		
Corporate tax provision	(129.065.521)	(201.913.417)
Deferred taxes:		
Origination and reversal of temporary differences	(6.193.250)	69.039.680
Total income tax expense/(income)	**(135.258.771)**	**(132.873.737)**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

A reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended December 31, 2020 and 2019 is as follows:

	2020		2019	
Profit before taxes	**697.150.226**	**Tax rate (%)**	**634.616.315**	**Tax rate (%)**
Taxes on income per statutory tax rate	153.373.050	22,00	139.615.589	22,00
Tax exempt income	(77.579.552)	(11,13)	(63.502.257)	(10,01)
Non-deductible expenses	59.465.273	8,53	56.760.405	8,95
Total tax expense recognized in consolidated profit or loss	**135.258.771**	**19,40**	**132.873.737**	**20,94**

36 Net foreign exchange gains

Net foreign exchange gains are presented in Note 4.2 - *Financial Risk Management* above.

37 Earnings per share

Earnings per share are calculated by dividing Group's net profit of the year to the weighted average number of shares.

	2020	2019
Net profit/loss for the period	344.161.542	309.978.881
Weighted average number of shares	66.000.000.000	66.000.000.000
Earnings/losses per share (TL)	0,00528	0,0047

38 Dividends per share

Dividend distribution policy of the Company stated its Articles of Association are as follows:

Net profit for the year presents remaining amount of total income of the year after deducting operating expenses, amortisation, provisions, taxes and other similar obligations and prior year losses if any. Net profit is divided and distributed in accordance with order as follows.

- 5% of legal reserve is divided from annual net profit, until it reaches 20% of share capital.
- Amounts described by a and b clauses of 2nd paragraph of 519th article of the Turkish Commercial Law will be added to general legal reserves, after legal limit is reached.
- 10% of the remaining net profit amount is distributed to shareholders, as first dividend.
- If the company has acquired his share, according to 520th article of the Turkish Commercial Law, legal reserve is divided to meet the acquiring amount.
- Reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly,
- After the allocation of first legal reserves, first dividend to shareholders and statutory reserves, up to 3% of the remaining amount not exceeding three-wages is distributed to personnel.
- After the allocation of above mentioned reserves and dividends, second dividend to shareholders might be allocated, based on the suggestion of the Board of Directors and decision of the General Assembly.
- According to c clause of 2nd paragraph of 519th article of the Turkish Commercial Law, 10% of total amount distributed to people have share of profit will be added to general legal reserves.
- The fate of remaining amount will be determined by the General Assembly.

Judgements of 3rd paragraph of 519th article of Turkish Commercial Law are reserved.

Other legal reserves cannot be divided, profit cannot be transferred to next year and share of profit cannot be distributed to workers, unless legal reserves have to be divided according to laws and first dividend for shareholders is divided, in accordance with the Articles of Association.

It is decided in Ordinary General Assembly Meeting of the Company, held on March 26, 2020, to make a cash dividend payment of TL 43.000.000 to shareholders and to allocate remaining balance as voluntary reserves from the net period income amounting to TL 312.510.614, from 2019 activities of the Company, after the legal reserves are allocated.

Paid dividend amount is reflected to financial statements as liability in the period it is declared by the Company.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

39 Cash generated from operations

The cash flows from operating activities are presented in the accompanying consolidated statement of cash flows.

40 Convertible bond

None.

41 Redeemable preference shares

None.

42 Risks

In the normal course of its operations, the Group is exposed to legal disputes, claims and challenges, which mainly stem from its insurance operations. The necessary income/expense accruals for the revocable cases against/on behalf of the Group are provided under outstanding claims reserves in the accompanying consolidated financial statements.

As of December 31,2020, total amount of the claims that the Group face is TL 1.976.464.629 in gross (December 31, 2019: TL 1.716.620.953). The Group provided outstanding claims reserves in the consolidated financial statements by considering collateral amounts.

As of December 31, 2020, ongoing lawsuits prosecuted by the Company's subsidiary Insurance Company against the third parties amounting TL 521.063.482 (December 31, 2019: TL 409.892.582).

Anadolu Anonim Türk Sigorta Şirketi Mensupları Dayanışma Vakfı" was established by Anadolu Anonim Türk Sigorta Şirketi in accordance with the Turkish Commercial and Civil Laws which is examined by Tax Audit Committee inspectors due to the Company payments what are fulfilled obligations to the foundation owing to deed of the foundation and the related act. As a result of this investigation, an examination was reported for periods of 2007, 2008, 2009, 2010 and 2011.

The final legal process which is related the period of 2007 and 2008 is expected to result in the Company's favour and the amount of provision TL 12.768.684 which was published on the Official Gazette dated November 12, 2014. December 2013 and after the condition of the provision is evaluated later ongoing development of the legal process.

An examination related to payments made for Company's liabilities in frame of related regulations to "Milli Reasürans Türk Anonim Şirketi Mensupları Yardımlaşma Sandığı Vakfı" that established by Milli Reasürans Türk Anonim Şirketi in accordance with the Turkish Commercial and Civil Laws is realized by Tax Inspection Board inspectors. As a result of this investigation, a tax audit report is issued for the periods 2007, 2008, 2009, 2010 and 2011 with the claim that liability amounts shall be taxed at cost principle and be taxable for income tax withholding and stamp tax.

Legal process has been started for the years 2007, 2008, 2009, 2010, 2011 and the later years and the payment regarding to the revenue authorities was paid. As of the report date, there is no recognized provision.

43 Commitments

Details of the guarantees given by the Group in non-life insurance branches are shown in Note 17.

44 Business combinations

None.

45 Related party transactions

For the purpose of the accompanying consolidated financial statements, shareholders, key management and members of board of directors together with their families and companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties.

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

The related party balances as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Türkiye İş Bankası AŞ	1.023.519.055	1.774.359.555
Other	3.914	3.137
Banks	**1.023.522.969**	**1.774.362.692**
Investment funds founded by İş Portföy Yönetimi A.Ş. *(Note 11)*	653.088.912	1.085.620.877
Bond issued by Türkiye Sınai Kalkınma Bankası A.Ş. *(Note 11)*	348.295.405	41.955.002
Eurobond issued by Türkiye İş Bankası *(Note 11)*	90.460.138	74.327.048
Equity shares of the related parties *(Note 11)*	157.594.734	77.776.570
Bond issued by Türkiye İş Bankası *(Note 11)*	359.941.473	96.283.796
Investment funds founded by İşbank AG *(Note 11)*	21.011.668	17.113.532
Bond issued by İş Faktoring A.Ş. *(Note 11)*	73.819.194	-
Bond issued by İş GYO A.Ş. *(Note 11)*	67.265.664	-
Bond issued by Yatırım Finansman Menkul Değerler A.Ş. *(Note 11)*	4.941.870	-
Financial assets	**1.776.419.058**	**1.393.076.825**
İş Gayrimenkul Yatırım Ortaklığı A.Ş. - TFRS 16 Operating leases	1.813.908	1.956.528
Financial liabilities	**1.813.908**	**1.956.528**
Türkiye İş Bankası A.Ş.	581.782.070	469.586.257
Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş)	9.979.614	-
Halk Hayat ve Emeklilik A.Ş. (Türkiye Hayat Emeklilik A.Ş.)	8.505.261	-
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	6.421.163	5.181.827
Halk Sigorta A.Ş. (Türkiye Sigorta A.Ş.)	3.869.428	-
Ziraat Sigorta A.Ş. (Türkiye Sigorta A.Ş.)	2.887.098	3.586.897
Türkiye Hayat ve Emeklilik A.Ş (Vakıf Hayat ve Emeklilik A.Ş)	2.398.064	-
Anadolu Hayat Emeklilik A.Ş.	1.025.618	930.395
İstanbul Umum Sigorta A.Ş.	188.991	169.977
Groupama Sigorta A.Ş.	97.516	3.416.718
Güven Sigorta T.A.Ş.	12.903	102.879
Ziraat Hayat ve Emeklilik A.Ş. (Türkiye Hayat Emeklilik A.Ş.)	3.834	86.250
Receivables from main operations	**617.171.560**	**483.061.200**
Türkiye İş Bankası A.Ş.	12.735.885	11.021.482
Allianz Sigorta A.Ş.	3.347.558	1.836.870
Axa Sigorta A.Ş.	3.116.280	4.481.577
Şişecam Sigorta Aracılık Hizmetleri AŞ	1.090.820	696.535
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	766.597	1.519.469
HDI Sigorta A.Ş.	448.088	-
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	181.993	65.482
Güven Sigorta T.A.Ş.	69.749	-
Groupama Sigorta A.Ş.	48.697	-
Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş)	42.916	-
İstanbul Umum Sigorta A.Ş.	29.063	22.541
Halk Sigorta A.Ş. (Türkiye Sigorta A.Ş.)	9.338	-
Payables from main operations	**21.886.984**	**19.643.956**
Due to personnel	63.042	211.925
Due to shareholders	152.744	131.570
Due to other related parties	8.661	25.166
Due to related parties	**224.447**	**368.661**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

No guarantees have been taken against receivables from related parties.

There are no doubtful receivables and payables from/to shareholders, subsidiaries and joint ventures.

There are no guarantees, commitments, guarantee letters, advances and endorsements given in favor of shareholders, associates and subsidiaries.

The transactions with related parties during the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Türkiye İş Bankası A.Ş.	987.292.140	845.874.415
Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş)	137.358.307	-
Halk Sigorta A.Ş. (Türkiye Sigorta A.Ş.)	87.838.414	-
Ziraat Sigorta A.Ş. (Türkiye Sigorta A.Ş.)	26.019.942	24.283.392
Halk Hayat ve Emeklilik A.Ş. (Türkiye Hayat Emeklilik A.Ş.)	23.941.512	-
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	22.181.679	21.067.933
Groupama Sigorta A.Ş	22.097.082	18.950.974
Anadolu Hayat Emeklilik A.Ş.	9.090.574	7.714.571
Türkiye Hayat ve Emeklilik A.Ş (Vakıf Hayat ve Emeklilik A.Ş)	5.211.904	-
Axa Sigorta A.Ş	1.152.343	1.493.921
HDI Sigorta A.Ş.	1.038.334	631.473
Ziraat Hayat ve Emeklilik A.Ş. (Türkiye Hayat Emeklilik A.Ş.)	365.790	444.848
Allianz Sigorta A.Ş	330.895	(5.197)
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	86.340	122.159
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	41.418	7.768
Güven Sigorta TAŞ	9	-
Premium received	**1.324.046.683**	**920.586.257**
HDI Sigorta A.Ş.	(26)	40
Güven Sigorta TAŞ	(51)	189
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	(53)	165
Halk Sigorta A.Ş. (Türkiye Sigorta A.Ş.)	(58)	-
Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş)	(59)	-
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	(132)	426
Axa Sigorta A.Ş	(181)	582
Groupama Sigorta A.Ş	(221)	760
Premiums ceded	**(781)**	**2.162**
Groupama Sigorta A.Ş.	1.480	(67)
Axa Sigorta A.Ş.	889	(91)
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	727	(55)
Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş)	684	-
Güven Sigorta T.A.Ş.	319	(24)
Halk Sigorta A.Ş. (Türkiye Sigorta A.Ş.)	290	-
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	172	(38)
HDI Sigorta A.Ş.	135	(12)
Commissions received	**4.696**	**(287)**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

	December 31, 2020	December 31, 2019
Türkiye İş Bankası A.Ş.	98.355.253	82.199.913
Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş)	36.089.545	-
Halk Sigorta A.Ş. (Türkiye Sigorta A.Ş.)	21.636.463	-
Halk Hayat ve Emeklilik A.Ş. (Türkiye Hayat Emeklilik A.Ş.)	10.537.322	-
Ziraat Sigorta A.Ş. (Türkiye Sigorta A.Ş.)	6.647.073	5.872.836
Groupama Sigorta A.Ş	4.796.889	4.167.015
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	4.595.495	4.204.632
Türkiye Hayat ve Emeklilik A.Ş (Vakıf Hayat ve Emeklilik A.Ş)	2.193.956	-
Anadolu Hayat Emeklilik A.Ş.	472.126	434.254
HDI Sigorta A.Ş.	147.631	100.488
Allianz Sigorta A.Ş	61.371	11.611
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	29.290	31.312
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	13.534	1.165
Güven Sigorta TAŞ	1	-
Axa Sigorta A.Ş	(419.305)	141.462
Commissions given	**185.156.644**	**97.164.688**
Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş)	48.811.098	-
Halk Sigorta A.Ş. (Türkiye Sigorta A.Ş.)	25.945.370	-
Groupama Sigorta A.Ş	25.177.964	1.507.011
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	5.066.497	1.937.515
Ziraat Sigorta A.Ş. (Türkiye Sigorta A.Ş.)	4.653.469	7.724.930
Axa Sigorta A.Ş	3.600.235	6.508.049
Türkiye Hayat ve Emeklilik A.Ş (Vakıf Hayat ve Emeklilik A.Ş)	1.856.069	-
Allianz Sigorta A.Ş	1.840.091	1.999.105
Halk Hayat ve Emeklilik A.Ş. (Türkiye Hayat Emeklilik A.Ş.)	1.207.892	-
Anadolu Hayat Emeklilik A.Ş.	1.073.700	1.270.970
Ziraat Hayat ve Emeklilik A.Ş. (Türkiye Hayat Emeklilik A.Ş.)	783.101	704.475
HDI Sigorta A.Ş.	592.766	163.922
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	554.216	118
Güven Sigorta TAŞ	333.116	416.584
Claims paid	**121.495.584**	**22.232.679**
Groupama Sigorta A.Ş	53.276	(19.547)
Axa Sigorta A.Ş.	46.964	(33.949)
Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş)	39.139	-
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	31.194	7.651
Güven Sigorta T.A.Ş	29.973	13.938
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	23.712	(40.506)
Halk Sigorta A.Ş. (Türkiye Sigorta A.Ş.)	12.104	-
İstanbul Umum Sigorta A.Ş	11.387	16.564
Allianz Sigorta A.Ş	8.144	11.525
HDI Sigorta A.Ş.	3.267	-
Reinsurance's share of claims paid	**259.160**	**(44.324)**

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

	December 31, 2020	December 31, 2019
Groupama Sigorta A.Ş	1.637.379	43.842
Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş)	1.065.031	-
Axa Sigorta A.Ş	474.276	41.981
Ziraat Sigorta A.Ş. (Türkiye Sigorta A.Ş.)	305.939	113.157
Halk Sigorta A.Ş. (Türkiye Sigorta A.Ş.)	234.255	-
HDI Sigorta A.Ş.	231.437	19.160
Anadolu Hayat Emeklilik A.Ş.	155.022	260.401
Güven Sigorta T.A.Ş	40.214	1.405
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	39.013	2.535
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	20.114	5.384
Allianz Sigorta A.Ş	20.090	122.530
İstanbul Umum Sigorta A.Ş	12.520	1.200
Ziraat Hayat ve Emeklilik A.Ş. (Türkiye Hayat Emeklilik A.Ş.)	-	2.049
Other income	**4.235.290**	**613.644**
İş Merkezleri Yönetim ve İşletim A.Ş. - bina hizmet gideri	8.142.498	7.500.919
İş Portföy Yönetimi - performans komisyonu	4.997.587	-
Axa Sigorta A.Ş	931.864	132.217
Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.)	909.782	6.241
İş Gayrimenkul Yatırım Ortaklığı A.Ş. - TFRS 16 faiz gideri	628.033	678.267
Allianz Sigorta A.Ş	575.098	75.604
İş Portföy Yönetimi - yönetim komisyonu	452.471	312.361
Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş)	334.244	-
Halk Sigorta A.Ş. (Türkiye Sigorta A.Ş.)	178.306	-
Yatırım Finansman Menkul Değerler - yönetim komisyonu	142.120	584.816
Groupama Sigorta A.Ş	80.987	3.378
Güven Sigorta A.Ş	32.613	7.786
Liberty Sigorta A.Ş.(HDI Sigorta A.Ş.)	28.764	9.710
Ziraat Sigorta A.Ş. (Türkiye Sigorta A.Ş.)	8.321	18.633
İstanbul Umum Sigorta A.Ş	7.963	4.005
Anadolu Hayat Emeklilik A.Ş.	5.913	698
HDI Sigorta A.Ş.	1.956	5.710
Other expenses	**17.458.520**	**9.340.345**

46 Subsequent events

Subsequent events are disclosed in note 1.10 - *Subsequent events.*

Millî Reasürans Türk Anonim Şirketi

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

(Currency: Turkish Lira (TL))
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1)

47 Other

Items and amounts classified under the "other" account in financial statements either exceeding 20% of the total amount of the group to which they relate or 5% of the total assets in the balance sheet

They are presented in the related notes above.

Payables to employees and receivables from employees presented under accounts, "other receivables" and "other short or long term payables", and which have balance more than 1% of the total assets

None.

Subrogation recorded in "Off-Balance Sheet Accounts

None.

Real rights on immovable and their values

None.

Explanatory note for the amounts and nature of previous years' income and losses

None.

Information about the other technical expenses in the income statement

The amounting to TL 159.108.115 (31 December 2019: TL 149.972.159) which is the part of other technical expenses in the income statement of amounting to TL 146.566.440 (31 December 2019: TL 140.222.386) is the assistance services, postponement of these amounts and their technical expenses.

As of and for the year ended December 31, 2020 and 2019, details of discount and provision expenses are as follows:

	December 31, 2020	December 31, 2019
Provision expense for doubtful receivables *(Note 4.2)*	(98.850.793)	(67.539.019)
Provision for pension fund deficits *(Note 23)*	(16.344.100)	(8.480.143)
Provision expense for employee termination benefits *(Note 23)*	(3.530.257)	(2.331.085)
Provision expenses for unused vacation *(Note 23)*	(1.091.977)	(505.886)
Terminated provision income/(expense)	4.404.549	252.776
Other provision expenses *(Note 4.2)*	932.656	(362.689)
Provision expenses	**(114.479.922)**	**(78.966.046)**

	December 31, 2020	December 31, 2019
Rediscount income/(expense) from main operations receivables	37.292.018	45.201.232
Rediscount income/(expense) from main operations payables	(34.608.735)	(39.824.588)
Total of rediscounts	**2.683.283**	**5.376.644**

Contact Information

Millî Reasürans T.A.Ş.
Harbiye Mahallesi Maçka Caddesi No: 35
34367 Şişli - İstanbul/TURKEY

Tel (+90 212) 231 47 30
Fax (+90 212) 230 86 08
E-mail info@millire.com
millire@millire.com

Singapore Branch
4 Battery Road #20-01
Bank of China Building
Singapore 049908

Tel +65 6499 9340
Fax +65 6534 2884
E-mail singapore@millire.com

www.millire.com
www.millire.com.tr

Produced by Tayburn
Tel: (90 212) 227 04 36
www.tayburnkurumsal.com