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

# Millî Reasürans Türk Anonim Şirketi and its Subsidiary

## Consolidated Financial Statements As of December 31, 2021 together with the Independent Auditor's Report

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**(Convenience translation of a report and consolidated 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 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, 2021, 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, 2021, 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, 2021, the Company has insurance liabilities of TL 14.740.605.662 representing 68% of the Company's total liabilities. The Company has reflected net provision of TL 8.647.449.233 for the future outstanding claims for insurance contracts. In the calculation of Incurred But Not Reported (IBNR) claims provisions (net amount of TL 4.166.004.084) which is accounted under the outstanding claims reserves, the Company Management has used the actuarial assumptions and estimates detailed in note 2 and 17.<br><br>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. |

| 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, 2021, fair value amount of the investment properties and properties for own use disclosed in the consolidated financial statements amounts to TL 635.476.000 and TL 256.634.240 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.<br><br>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.<br><br>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.<br><br>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.<br><br>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. |

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**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.

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- 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, 2021 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
Partner

February 24, 2022

MİLLÎ REASÜRANS

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# MİLLÎ REASÜRANS TÜRK ANONİM ŞİRKETİ

## CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON THE CONSOLIDATED FINANCIAL STATEMENT PREPARED AS OF DECEMBER 31, 2021

We confirm that the consolidated financial statements and related disclosures and footnotes as of December 31, 2021 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, 2022

Şule SOYLU
Assistant General Manager

Özlem CİVAN
Assistant General Manager

Fikret Utku ÖZDEMİR
General Manager

Ertan TAN
Actuary
Registration No: 21

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*(Currency: Turkish Lira (TL))*

| ASSETS | | | |
|---|---|---|---|
| **I- Current Assets** | **Note** | **Audited Current Period December 31, 2021** | **Audited Prior Period December 31, 2020** |
| **A- Cash and Cash Equivalents** | 14 | **5.116.960.019** | **4.869.424.993** |
| 1- Cash | 14 | 103.408 | 76.079 |
| 2- Cheques Received | 14 | - | 400.138 |
| 3- Banks | 14 | 4.012.403.163 | 4.097.477.416 |
| 4- Cheques Given and Payment Orders (-) | 14 | (19.566) | (8.020) |
| 5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months | 14 | 1.104.473.014 | 771.479.380 |
| 6- Other Cash and Cash Equivalents | | - | - |
| **B- Financial Assets and Investments with Risks on Policy Holders** | 11 | **9.330.067.375** | **5.793.877.787** |
| 1- Financial Assets Available for Sale | 11 | 6.937.424.930 | 4.342.132.693 |
| 2- Financial Assets Held to Maturity | 11 | 1.471.518.019 | 1.038.057.085 |
| 3- Financial Assets Held for Trading | 11 | 928.078.966 | 420.642.549 |
| 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 | **4.169.032.520** | **2.573.475.445** |
| 1- Receivables From Insurance Operations | 12 | 2.927.089.501 | 1.883.850.409 |
| 2- Provision for Receivables From Insurance Operations (-) | 12 | (37.902.336) | (24.744.443) |
| 3- Receivables From Reinsurance Operations | 12 | 731.183.328 | 430.658.035 |
| 4- Provision for Receivables From Reinsurance Operations (-) | | - | - |
| 5- Cash Deposited For Insurance & Reinsurance Companies | 12 | 548.662.027 | 283.711.444 |
| 6- Loans to Policyholders | | - | - |
| 7- Provision for Loans to Policyholders (-) | | - | - |
| 8- Receivables from Pension Operation | | - | - |
| 9- Doubtful Receivables From Main Operations | 4.2,12 | 550.992.622 | 453.175.122 |
| 10- Provisions for Doubtful Receivables From Main Operations (-) | 4.2,12 | (550.992.622) | (453.175.122) |
| **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 | **27.194.165** | **22.943.064** |
| 1- Leasing Receivables | | - | - |
| 2- Unearned Leasing Interest Income (-) | | - | - |
| 3- Deposits and Guarantees Given | 12 | 891.434 | 521.527 |
| 4- Other Receivables | 12 | 26.302.731 | 22.421.537 |
| 5- Discount on Other Receivables (-) | | - | - |
| 6- Other Doubtful Receivables | 4.2,12 | 1.061.329 | 832.788 |
| 7- Provisions for Other Doubtful Receivables (-) | 4.2,12 | (1.061.329) | (832.788) |
| **F- Prepaid Expenses and Income Accruals** | | **1.257.539.901** | **976.854.646** |
| 1- Deferred Commission Expenses | 17 | 1.047.686.045 | 737.789.750 |
| 2- Accrued Interest and Rent Income | | - | - |
| 3- Income Accruals | 4.2,12 | 169.041.598 | 209.572.327 |
| 4- Other Prepaid Expenses | 4.2,12 | 40.812.258 | 29.492.569 |
| **G- Other Current Assets** | | **65.107.579** | **46.576.398** |
| 1- Inventories | | 1.208.060 | 1.170.423 |
| 2- Prepaid Taxes and Funds | 12,19 | 58.682.491 | 44.338.424 |
| 3- Deferred Tax Assets | | - | - |
| 4- Job Advances | 12 | 3.037.254 | 211.124 |
| 5- Advances Given to Personnel | 12 | - | - |
| 6- Stock Count Differences | | - | - |
| 7- Other Current Assets | 12 | 2.179.774 | 856.427 |
| 8- Provision for Other Current Assets (-) | | - | - |
| **I- Total Current Assets** | | **19.965.901.559** | **14.283.152.333** |

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

*(Currency: Turkish Lira (TL))*

| ASSETS | | | |
|---|---|---|---|
| **II- Non-Current Assets** | **Note** | **Audited Current Period December 31, 2021** | **Audited Prior Period December 31, 2020** |
| **A- Receivables From Main Operations** | | **125.776.087** | **163.933.921** |
| 1- Receivables From Insurance Operations | | - | - |
| 2- Provision for Receivables From Insurance Operations (-) | | - | - |
| 3- Receivables From Reinsurance Operations | 4.2,12 | 42.780.881 | 50.447.197 |
| 4- Provision for Receivables From Reinsurance Operations (-) | | - | - |
| 5- Cash Deposited for Insurance & Reinsurance Companies | 4.2,12 | 82.995.206 | 113.486.724 |
| 6- Loans to Policyholders | | - | - |
| 7- Provision for Loans to Policyholders (-) | | - | - |
| 8- Receivables From Pension Operations | | - | - |
| 9- Doubtful Receivables from Main Operations | 4.2,12 | 63.257.777 | 35.056.517 |
| 10-Provision for Doubtful Receivables from Main Operations | 4.2,12 | (63.257.777) | (35.056.517) |
| **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** | **324.555** | **326.932** |
| 1- Leasing Receivables | | - | - |
| 2- Unearned Leasing Interest Income (-) | | - | - |
| 3- Deposits and Guarantees Given | 4.2,12 | 324.555 | 326.932 |
| 4- Other Receivables | | - | - |
| 5- Discount on Other Receivables (-) | | - | - |
| 6- Other Doubtful Receivables | | - | - |
| 7- Provisions for Other Doubtful Receivables (-) | | - | - |
| **D- Financial Assets** | **9** | **399.741.075** | **340.193.695** |
| 1- Investments In Associates | | - | - |
| 2- Affiliates | 9 | 395.748.095 | 336.397.607 |
| 3- Capital Commitments to Affiliates (-) | | - | - |
| 4- Subsidiaries | 9 | 3.992.980 | 3.796.088 |
| 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** | **1.007.694.127** | **823.453.113** |
| 1- Investment Properties | 6,7 | 635.476.000 | 532.918.500 |
| 2- Diminution in Value for Investment Properties (-) | | - | - |
| 3- Buildings for Own Use | 6 | 256.634.240 | 198.426.240 |
| 4- Machinery and Equipments | 6 | 118.226.398 | 92.149.319 |
| 5- Furnitures and Fixtures | 6 | 31.332.500 | 27.217.474 |
| 6- Vehicles | 6 | 7.828.373 | 7.033.036 |
| 7- Other Tangible Assets (Including Leasehold Improvements) | 6 | 33.256.305 | 30.451.919 |
| 8- Leased Tangible Fixed Assets | 6 | 77.012.682 | 70.393.383 |
| 9- Accumulated Depreciation (-) | 6 | (157.996.401) | (135.136.758) |
| 10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses) | 6 | 5.924.030 | - |
| **F- Intangible Fixed Assets** | **8** | **201.991.396** | **157.224.202** |
| 1- Rights | 8 | 425.145.359 | 325.342.220 |
| 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 | (264.203.297) | (193.489.327) |
| 8- Advances Regarding Intangible Assets | 8 | 24.799.334 | 9.121.309 |
| **G- Prepaid Expenses and Income Accruals** | | **1.302.274** | **2.411.371** |
| 1- Deferred Commission Expenses | 17 | 1.281.781 | 2.167.444 |
| 2- Accrued Interest and Rent Income | | - | - |
| 3- Other Prepaid Expenses | 4.2 | 20.493 | 243.927 |
| **H- Other Non-current Assets** | **21** | **114.590.673** | **-** |
| 1- Effective Foreign Currency Accounts | | - | - |
| 2- Foreign Currency Accounts | | - | - |
| 3- Inventories | | - | - |
| 4- Prepaid Taxes and Funds | | - | - |
| 5- Deferred Tax Assets | 21 | 114.590.673 | - |
| 6- Other Non-current Assets | | - | - |
| 7- Other Non-current Assets Amortization (-) | | - | - |
| 8- Provision for Other Non-current Assets (-) | | - | - |
| **II- Total Non-current Assets** | | **1.851.420.187** | **1.487.543.234** |
| **TOTAL ASSETS** | | **21.817.321.746** | **15.770.695.567** |

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

*(Currency: Turkish Lira (TL))*

| LIABILITIES | | | |
|---|---|---|---|
| **III- Short-Term Liabilities** | **Note** | **Audited Current Period December 31, 2021** | **Audited Prior Period December 31, 2020** |
| **A- Borrowings** | **19,20** | **334.063.065** | **3.029.771** |
| 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 | 334.063.065 | 3.029.771 |
| **B- Payables From Main Operations** | **19** | **1.730.933.368** | **967.576.888** |
| 1- Payables Due to Insurance Operations | 19 | 1.227.691.234 | 634.689.122 |
| 2- Payables Due to Reinsurance Operations | 19 | 116.512.437 | 65.746.892 |
| 3- Cash Deposited by Insurance & Reinsurance Companies | 19 | 8.385.787 | 6.898.890 |
| 4- Payables Due to Pension Operations | | - | - |
| 5- Payables from Other Operations | 19 | 390.301.209 | 267.527.913 |
| 6- Rediscount on Other Payables From Main Operations (-) | 19 | (11.957.299) | (7.285.929) |
| **C- Due to Related Parties** | **19** | **583.728** | **224.447** |
| 1- Due to Shareholders | 19 | 177.824 | 152.744 |
| 2- Due to Affiliates | 19 | - | - |
| 3- Due to Subsidiaries | | - | - |
| 4- Due to Joint Ventures | | - | - |
| 5- Due to Personnel | 19 | 390.747 | 63.042 |
| 6- Due to Other Related Parties | 19 | 15.157 | 8.661 |
| **D- Other Payables** | **19** | **196.778.372** | **136.517.896** |
| 1- Deposits and Guarantees Received | 19 | 16.342.036 | 11.777.540 |
| 2- Due to SSI regarding Treatment Expenses | 19 | 68.451.361 | 45.849.660 |
| 3- Other Payables | 19 | 114.547.169 | 80.245.627 |
| 4- Discount on Other Payables (-) | 19 | (2.562.194) | (1.354.931) |
| **E- Insurance Technical Reserves** | **17** | **14.159.877.830** | **10.059.955.305** |
| 1- Unearned Premiums Reserve - Net | 17 | 5.069.360.240 | 3.552.398.412 |
| 2- Unexpired Risk Reserves - Net | 17 | 443.068.357 | 118.215.672 |
| 3- Mathematical Reserves - Net | 17 | - | 13.014 |
| 4- Outstanding Claims Reserve - Net | 17 | 8.647.449.233 | 6.385.328.207 |
| 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** | **212.288.501** | **78.146.382** |
| 1- Taxes and Dues Payable | 19 | 125.845.998 | 71.071.290 |
| 2- Social Security Premiums Payable | 19 | 9.013.711 | 7.075.092 |
| 3- Overdue, Deferred or By Installment Taxes and Other Liabilities | | - | - |
| 4- Other Taxes and Liabilities | | - | - |
| 5- Corporate Tax Liability Provision on Period Profit | 19 | 306.101.998 | 129.065.521 |
| 6- Prepaid Taxes and Other Liabilities on Period Profit (-) | 19 | (228.673.206) | (129.065.521) |
| 7- Provisions for Other Taxes and Liabilities | | - | - |
| **G- Provisions for Other Risks** | | **-** | **-** |
| 1- Provision for Employment Termination Benefits | | - | - |
| 2- Pension Fund Deficit Provision | | - | - |
| 3- Provisions for Costs | | - | - |
| **H- Deferred Income and Expense Accruals** | **19** | **333.738.596** | **231.208.040** |
| 1- Deferred Commission Income | 10,19 | 202.730.004 | 135.727.041 |
| 2- Expense Accruals | 19 | 130.772.049 | 95.019.565 |
| 3- Other Deferred Income | 19 | 236.543 | 461.434 |
| **I- Other Short Term Liabilities** | **21,23** | **5.532.364** | **13.536.778** |
| 1- Deferred Tax Liability | 21 | - | 9.539.732 |
| 2- Inventory Count Differences | | - | - |
| 3- Other Short Term Liabilities | 23 | 5.532.364 | 3.997.046 |
| **III - Total Short Term Liabilities** | | **16.973.795.824** | **11.490.195.507** |

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

*(Currency: Turkish Lira (TL))*

**LIABILITIES**

| IV- Long-Term Liabilities | Note | Audited Current Period December 31, 2021 | Audited Prior Period December 31, 2020 |
|---|---|---|---|
| **A- Borrowings** | **20** | **55.443.145** | **55.725.100** |
| 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 | 55.443.145 | 55.725.100 |
| **B- Payables From Main Operations** | | **30.490.157** | **13.293.592** |
| 1- Payables Due to Insurance Operations | | - | - |
| 2- Payables Due to Reinsurance Operations | 19 | 30.490.157 | 13.293.592 |
| 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** | **580.727.832** | **442.193.750** |
| 1- Unearned Premiums Reserve - Net | 17 | 2.352.694 | 1.920.318 |
| 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 | 578.375.138 | 440.273.432 |
| **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** | **161.185.029** | **115.026.170** |
| 1- Provision for Employment Termination Benefits | 23 | 58.186.518 | 45.465.115 |
| 2- Provisions for Employee Pension Fund Deficits | 22,23 | 102.998.511 | 69.561.055 |
| **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** |
| 1- Deferred Tax Liability | 21 | - | 8.053.549 |
| 2- Other Long Term Liabilities | | - | - |
| **IV- Total Long Term Liabilities** | | **827.846.163** | **634.292.161** |

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

*(Currency: Turkish Lira (TL))*

| EQUITY | | | |
|---|---|---|---|
| **V- Equity** | **Note** | **Audited Current Period December 31, 2021** | **Audited Prior Period December 31, 2020** |
| **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** | **287.282.906** | **170.939.417** |
| 1- Equity Share Premiums | | - | - |
| 2- Cancellation Profits of Equity Shares | | - | - |
| 3- Profit on Sale to be Transferred to Capital | 15 | 24.729.869 | 24.431.260 |
| 4- Translation Reserves | 15 | 41.999.609 | (21.166.656) |
| 5- Other Capital Reserves | 15 | 220.553.428 | 167.674.813 |
| **C- Profit Reserves** | | **1.163.008.525** | **1.195.280.741** |
| 1- Legal Reserves | 15 | 226.709.388 | 194.945.022 |
| 2- Statutory Reserves | 15 | 83.112.202 | 58.171.807 |
| 3- Extraordinary Reserves | 15 | 823.206.149 | 692.870.924 |
| 4- Special Funds (Reserves) | | 57.074.903 | 16.900.903 |
| 5- Revaluation of Financial Assets | 11,15 | 28.018.183 | 284.072.561 |
| 6- Other Profit Reserves | 15 | 15.947.854 | 19.379.678 |
| 7- Subsidiary Capital Correction | 15 | (71.060.154) | (71.060.154) |
| **D- Previous Years' Profits** | | **326.869.518** | **253.955.801** |
| 1- Previous Years' Profits | | 326.869.518 | 253.955.801 |
| **E- Previous Years' Losses (-)** | | - | - |
| 1- Previous Years' Losses | | - | - |
| **F- Net Profit of the Period** | | **487.295.000** | **344.161.542** |
| 1- Net Profit of the Period | | 487.295.000 | 343.416.328 |
| 2- Net Loss of the Period (-) | | - | - |
| 3- Net Income not subject to distribution | 15 | - | 745.214 |
| **G- Minority Shares** | | **1.091.223.810** | **1.021.870.398** |
| **Total Shareholders' Equity** | | **4.015.679.759** | **3.646.207.899** |
| **Total Liabilities and Shareholders' Equity** | | **21.817.321.746** | **15.770.695.567** |

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

*(Currency: Turkish Lira (TL))*

| **I-TECHNICAL SECTION** | **Note** | **Audited Current Period January 1- December 31, 2021** | **Audited Prior Period January 1- December 31, 2020** |
|---|---|---|---|
| **A- Non-Life Technical Income** | | **11.516.007.119** | **8.069.853.622** |
| 1- Earned Premiums (Net of Reinsurer Share) | | 7.580.279.224 | 6.359.252.401 |
| 1.1 - Written Premiums (Net of Reinsurer Share) | 17 | 9.432.578.143 | 6.993.907.258 |
| 1.1.1 - Gross Written Premiums (+) | 17 | 12.972.810.203 | 9.603.727.059 |
| 1.1.2 - Ceded Premiums to Reinsurers (-) | 10,17 | (3.330.790.294) | (2.439.719.104) |
| 1.1.3 - Ceded Premiums to SSI (-) | 17 | (209.441.766) | (170.100.697) |
| 1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-) | 17,29 | (1.528.394.757) | (590.266.415) |
| 1.2.1 - Unearned Premiums Reserve (-) | 17 | (2.032.170.785) | (828.493.879) |
| 1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+) | 10,17 | 477.983.012 | 218.655.212 |
| 1.2.3 - SSI of Unearned Premiums Reserve (+) | | 25.793.016 | 19.572.252 |
| 1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-) | 17 | (323.904.162) | (44.388.442) |
| 1.3.1 - Unexpired Risks Reserve (-) | 17 | (422.890.761) | (88.069.367) |
| 1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+) | 10,17 | 98.986.599 | 43.680.925 |
| 2- Investment Income Transferred from Non-Technical Part | | 3.290.559.596 | 1.369.611.050 |
| 3- Other Technical Income (Net of Reinsurer Share) | | 519.816.273 | 217.554.417 |
| 3.1 - Gross Other Technical Income (+) | | 519.816.238 | 217.554.730 |
| 3.2 - Reinsurance Share of Other Technical Income (-) | | 35 | (313) |
| 4- Accrued Subrogation and Salvage Income (+) | | 125.352.026 | 123.435.754 |
| **B- Non-Life Technical Expense (-)** | | **(10.507.371.078)** | **(7.281.506.213)** |
| 1- Total Claims (Net of Reinsurer Share) | | (7.939.631.736) | (5.323.751.184) |
| 1.1- Claims Paid (Net of Reinsurer Share) | 17,29 | (5.682.768.890) | (4.025.734.905) |
| 1.1.1 - Gross Claims Paid (-) | 17 | (6.567.116.693) | (4.794.642.219) |
| 1.1.2 - Reinsurance Share of Claims Paid (+) | 10,17 | 884.347.803 | 768.907.314 |
| 1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-) | 17,29 | (2.256.862.846) | (1.298.016.279) |
| 1.2.1 - Outstanding Claims Reserve (-) | 17 | (3.036.601.958) | (1.972.603.974) |
| 1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+) | 10,17 | 779.739.112 | 674.587.695 |
| 2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-) | 29 | 4.000.002 | (4.000.000) |
| 2.1 - Bonus and Discount Reserve (-) | 29 | 4.000.002 | (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 | (138.095.981) | (82.099.537) |
| 4- Operating Expenses (-) | 32 | (2.240.630.671) | (1.712.547.377) |
| 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 | (193.012.692) | (159.108.115) |
| 6.1.- Gross Other Technical Expenses (-) | | (200.740.747) | (166.236.853) |
| 6.2.- Reinsurance Share of Other Technical Expenses (+) | | 7.728.055 | 7.128.738 |
| **C- Non Life Technical Net Profit (A-B)** | | **1.008.636.041** | **788.347.409** |
| **D- Life Technical Income** | | **15.167.930** | **23.092.848** |
| 1- Earned Premiums (Net of Reinsurer Share) | | 11.229.108 | 20.295.729 |
| 1.1 - Written Premiums (Net of Reinsurer Share) | 17 | 1.177.078 | 27.267.192 |
| 1.1.1 - Gross Written Premiums (+) | 17 | 158.222 | 32.914.453 |
| 1.1.2 - Ceded Premiums to Reinsurers (-) | 10,17 | 1.018.856 | (5.647.261) |
| 1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-) | 17,29 | 11.000.553 | (6.971.463) |
| 1.2.1- Unearned Premium Reserves (-) | 17 | 14.976.201 | (9.586.883) |
| 1.2.2- Unearned Premium Reserves Reinsurer Share (+) | 10,17 | (3.975.648) | 2.615.420 |
| 1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-) | | (948.523) | - |
| 1.3.1- Unexpired Risks Reserves (-) | | (948.523) | - |
| 1.3.2- Unexpired Risks Reserves Reinsurer Share (+) | | - | - |
| 2- Life Branch Investment Income | | 3.475.599 | 2.734.967 |
| 3- Unrealized Income from Investments | | - | - |
| 4-Other Technical Income (Net of Reinsurer Share) (+/-) | | 463.223 | 62.152 |
| 4.1- Gross Other Technical Income (+/-) | | 463.223 | 62.152 |
| 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.

*(Currency: Turkish Lira (TL))*

| **I-TECHNICAL SECTION** | **Note** | **Audited Current Period January 1- December 31, 2021** | **Audited Prior Period January 1- December 31, 2020** |
|---|---|---|---|
| **E- Life Technical Expense** | | **(18.570.321)** | **(19.950.640)** |
| 1- Total Claims (Net of Reinsurer Share) | | (15.373.920) | (7.053.482) |
| 1.1- Claims Paid (Net of Reinsurer Share) | 17,29 | (10.115.740) | (8.167.035) |
| 1.1.1- Gross Claims Paid (-) | 17 | (11.946.157) | (11.471.676) |
| 1.1.2- Claims Paid Reinsurer Share (+) | 10,17 | 1.830.417 | 3.304.641 |
| 1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-) | 17,29 | (5.258.180) | 1.113.553 |
| 1.2.1 - Outstanding Claims Reserve (-) | 17 | (3.585.990) | 2.790.109 |
| 1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+) | 10,17 | (1.672.190) | (1.676.556) |
| 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 | 13.014 | 25.677 |
| 3.1- Mathematical Reserves (-) | 29 | 13.014 | 25.677 |
| 3.1.1- Actuarial Mathematical Reserve (-) | 29 | 13.014 | 25.677 |
| 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 | (5.725) | (345.928) |
| 5- Operating Expenses (-) | 32 | (3.203.690) | (12.576.907) |
| 6- Investment Expenses (-) | | - | - |
| 7- Unrealized Losses from Investments (-) | | - | - |
| 8- Investment Income Transferred to Non- Technical Part (-) | | - | - |
| **F- Life Technical Profit (D-E)** | | **(3.402.391)** | **3.142.208** |
| **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.

*(Currency: Turkish Lira (TL))*

| **II-NON-TECHNICAL SECTION** | **Note** | **Audited Current Period January 1- December 31, 2021** | **Audited Prior Period January 1- December 31, 2020** |
|---|---|---|---|
| **C- Net Technical Income – Non-Life (A-B)** | | **1.008.636.041** | **788.347.409** |
| **F- Net Technical Income – Life (D-E)** | | **(3.402.391)** | **3.142.208** |
| **I - Net Technical Income – Pension Business (G-H)** | | **-** | **-** |
| **J- Total Net Technical Income (C+F+I)** | | **1.005.233.650** | **791.489.617** |
| **K- Investment Income** | | **7.530.233.160** | **2.930.020.235** |
| 1- Income From Financial Investment | 4.2 | 961.030.637 | 486.681.461 |
| 2- Income from Sales of Financial Investments | 4.2 | 382.305.022 | 206.153.004 |
| 3- Revaluation of Financial Investments | 4.2 | 277.448.084 | 155.934.763 |
| 4- Foreign Exchange Gains | 4.2 | 3.822.076.685 | 1.112.174.319 |
| 5- Income from Affiliates | 4.2 | 146.997.494 | 110.657.245 |
| 6- Income from Subsidiaries and Joint Ventures | 4.2 | 148.939 | 63.549 |
| 7- Income Received from Land and Building | 7 | 131.245.944 | 70.803.895 |
| 8- Income from Derivatives | 4.2 | 1.808.979.313 | 787.297.521 |
| 9- Other Investments | | 1.042 | 254.478 |
| 10- Investment Income transferred from Life Technical Part | | - | - |
| **L- Investment Expense** | | **(7.411.691.709)** | **(2.926.911.846)** |
| 1- Investment Management Expenses (including interest) (-) | 4.2 | (31.565.502) | (19.235.674) |
| 2- Valuation Allowance of Investments (-) | 4.2 | (2.037.569) | (3.920.793) |
| 3- Losses On Sales of Investments (-) | 4.2 | (97.064.043) | (57.271.018) |
| 4- Investment Income Transferred to Non-Life Technical Part (-) | | (3.290.559.596) | (1.369.611.050) |
| 5- Losses from Derivatives (-) | 4.2 | (3.017.776.367) | (776.356.453) |
| 6- Foreign Exchange Losses (-) | 4.2 | (843.340.003) | (608.836.954) |
| 7- Depreciation Expenses (-) | 6,8 | (101.967.531) | (77.955.837) |
| 8- Other Investment Expenses (-) | | (27.381.098) | (13.724.067) |
| **M- Income and Expenses From Other and Extraordinary Operations** | | **(78.577.712)** | **(103.641.030)** |
| 1- Provisions Account (+/-) | 47 | (168.131.584) | (114.479.922) |
| 2- Discount account (+/-) | 47 | (15.554.657) | 2.683.283 |
| 3- Mandatory Earthquake Insurance Account (+/-) | | - | - |
| 4- Inflation Adjustment Account (+/-) | | - | - |
| 5- Deferred Tax Asset Accounts(+/-) | 35 | 92.278.186 | 8.380.748 |
| 6- Deferred Tax Expense Accounts (-) | 35 | - | (14.573.998) |
| 7- Other Income and Revenues | | 14.749.237 | 15.879.162 |
| 8- Other Expense and Losses (-) | | (1.918.894) | (1.530.303) |
| 9- Prior Period Income | | - | - |
| 10- Prior Period Losses (-) | | - | - |
| **N- Net Profit for the Year** | | **739.095.391** | **561.891.455** |
| 1- Profit /(Loss) Before Tax | | 1.045.197.389 | 690.956.976 |
| 2- Corporate Tax Liability Provision (-) | 35 | (306.101.998) | (129.065.521) |
| 3- Net Profit (Loss) | | 739.095.391 | 561.891.455 |
| 3.1-Groups Profit/(Loss) | | 487.295.000 | 344.161.542 |
| 3.2-Minority Shares | | 251.800.391 | 217.729.913 |
| 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 Cash Flows**
**for the Period Ended December 31, 2021**
*(Currency: Turkish Lira ("TL"))*

| | Note | Audited Current Period January 1- December 31, 2021 | Audited Prior Period January 1- December 31, 2020 |
|---|---|---|---|
| **A. CASH FLOWS FROM THE OPERATING ACTIVITIES** | | | |
| 1. Cash inflows from the insurance operations | | 12.556.394.241 | 8.501.356.425 |
| 2. Cash inflows from the reinsurance operations | | 1.832.419.517 | 2.481.101.399 |
| 3. Cash inflows from the pension operations | | - | - |
| 4. Cash outflows due to the insurance operations (-) | | (11.191.615.181) | (8.608.720.004) |
| 5. Cash outflows due to the reinsurance operations (-) | | (2.028.870.702) | (1.412.035.194) |
| 6. Cash outflows due to the pension operations (-) | | - | - |
| **7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)** | | **1.168.327.875** | **961.702.626** |
| 8. Interest payments (-) | | - | - |
| 9. Income tax payments (-) | | (254.109.525) | (244.546.962) |
| 10. Other cash inflows | | 275.003.722 | 2.464.364.023 |
| 11. Other cash outflows (-) | | (975.802.664) | (736.369.250) |
| **12. Net cash generated from the operating activities** | | **213.419.408** | **2.445.150.437** |
| **B. CASH FLOWS FROM THE INVESTING ACTIVITIES** | | - | - |
| 1. Sale of tangible assets | | 5.672.626 | 537.867 |
| 2. Purchase of tangible assets (-) | 6, 8 | (158.144.061) | (81.245.875) |
| 3. Acquisition of financial assets (-) | 11 | (16.378.013.829) | (5.564.477.476) |
| 4. Sale of financial assets | 11 | 16.351.387.241 | 3.292.878.047 |
| 5. Interest received | | 1.241.954.320 | 645.351.191 |
| 6. Dividends received | | 4.069.234 | 1.285.103 |
| 7. Other cash inflows | | 5.092.058.271 | 1.349.301.599 |
| 8. Other cash outflows (-) | | (5.951.250.709) | (1.790.809.952) |
| **9. Net cash generated from the investing activities** | | **207.733.093** | **(2.147.179.496)** |
| **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 (-) | | (111.290.535) | (100.618.350) |
| 5. Other cash inflows | | - | - |
| 6. Other cash outflows (-) | | - | - |
| **7. Cash generated from the financing activities** | | **(111.290.535)** | **(100.618.350)** |
| **D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS** | | **456.327.257** | **(47.427.825)** |
| **E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)** | | **766.189.224** | **149.924.766** |
| **F. Cash and cash equivalents at the beginning of the period** | 14 | **3.871.356.155** | **3.721.431.389** |
| **G. Cash and cash equivalents at the end of the period (E+F)** | 14 | **4.637.545.379** | **3.871.356.155** |

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, 2021

*(Currency:Turkish Lira ("TL"))*

| 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 | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **I – Balance at the end of the previous year – December 31, 2020** | 15 | **660.000.000** | **-** | **99.474.816** | **-** | **(34.192.451)** | **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** |
| **II – Change in Accounting Standards** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **III – Restated balances (I+II) – January 1, 2020** | | **660.000.000** | **-** | **99.474.816** | **-** | **(34.192.451)** | **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** |
| 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 | | - | - | - | - | - | - | - | (721.288) | 184.146.852 | (183.696.693) | (271.129) | 4.891.681 | 4.620.552 |
| E – Change in the value of financial assets | 15 | - | - | 184.597.745 | - | - | - | - | - | - | - | 184.597.745 | 77.414.005 | 262.011.750 |
| F – Currency translation adjustments | | - | - | - | - | 13.025.795 | - | - | - | - | - | 13.025.795 | - | 13.025.795 |
| G – Other gains or losses | | - | - | - | - | - | - | - | - | (187.012) | 27.947 | (159.065) | (174.354) | (333.419) |
| H – Inflation adjustment differences | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| I – Net profit for the year | | - | - | - | - | - | - | - | - | 344.161.542 | - | 344.161.542 | 217.729.913 | 561.891.455 |
| J – Other reserves and transfers from retained earnings | 38 | - | - | - | - | - | 39.011.027 | 20.203.903 | 121.646.570 | (450.938.721) | 270.077.221 | - | - | - |
| K – Dividends paid | 38 | - | - | - | - | - | - | - | - | (43.000.000) | - | (43.000.000) | (61.512.935) | (104.512.935) |
| **IV - Balance at the end of the year – December 31, 2020** | **15** | **660.000.000** | **-** | **284.072.561** | **-** | **(21.166.656)** | **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** |

| Audited Changes in Equity – December 31, 2021 | Note | Paid-in capital | Equity Share Owned by Company | Revaluation of financial assets | Inflation Adjustment on Capital | Currency translation reserves | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **I – Balance at the end of the previous year – December 31, 2020** | 15 | **660.000.000** | **-** | **284.072.561** | **-** | **(21.166.656)** | **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** |
| **II – Change in Accounting Standards** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **III – Restated balances (I+II) – January 1, 2020** | | **660.000.000** | **-** | **284.072.561** | **-** | **(21.166.656)** | **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** |
| 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 | | - | - | - | - | - | - | - | 49.539.837 | 206.234.274 | (206.970.353) | 48.803.758 | 4.683.685 | 53.487.443 |
| E –Change in the value of financial assets | 15 | - | - | (256.054.378) | - | - | - | - | - | - | - | (256.054.378) | (114.091.313) | (370.145.691) |
| F – Currency translation adjustments | | - | - | - | - | 63.166.265 | - | - | - | - | - | 63.166.265 | - | 63.166.265 |
| G – Other gains or losses | | - | - | - | - | - | - | - | - | (163.638) | 71.441 | (92.197) | (131.107) | (223.304) |
| H – Inflation adjustment differences | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| I – Net profit for the year | | - | - | - | - | - | - | - | - | 487.295.000 | - | 487.295.000 | 251.800.392 | 739.095.392 |
| J – Other reserves and transfers from retained earnings | 38 | - | - | - | - | - | 31.764.366 | 24.940.395 | 170.714.788 | (507.232.178) | 279.812.629 | - | - | - |
| K – Dividends paid | 38 | - | - | - | - | - | - | - | - | (43.000.000) | - | (43.000.000) | (72.908.245) | (115.908.245) |
| **IV- Balance at the end of the year – December 31, 2021** | **15** | **660.000.000** | **-** | **28.018.183** | **-** | **41.999.609** | **226.709.388** | **83.112.202** | **1.070.452.049** | **487.295.000** | **326.869.518** | **2.924.455.949** | **1.091.223.810** | **4.015.679.759** |

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, 2021

*(Currency: Turkish Lira ("TL"))*

| | Note | Audited Current Period December 31, 2021(*) | Audited Prior Period December 31, 2020 |
|---|---|---|---|
| **I. PROFIT DISTRIBUTION** | | | |
| 1.1. CURRENT YEAR PROFIT(**) | | **682.320.051** | **381.115.664** |
| 1.2. TAX AND FUNDS PAYABLE | 35 | **(128.897.591)** | **(29.030.769)** |
| 1.2.1. Corporate Income Tax(Income Tax) | 35 | (128.897.591) | (29.030.769) |
| 1.2.2. Income tax deduction | | - | |
| 1.2.3. Other taxes and Duties | | - | |
| **A. NET PROFIT(1.1 – 1.2)** | | **553.422.460** | **352.084.895** |
| 1.3. PREVIOUS PERIOD LOSSES (-) | | | |
| 1.4. FIRST LEGAL RESERVE | | (27.671.123) | (17.604.245) |
| 1.5. STATUTORY FUND (-) | | (58.196.850) | |
| **B. NET PROFIT DISTRIBUTION [(A-(1.3 + 1.4 + 1.5)]** | | **467.554.487** | **334.480.650** |
| 1.6. FIRST DIVIDEND TO SHAREHOLDERS (-) | | - | **(33.448.065)** |
| 1.6.1. Holders of shares | | - | (33.448.065) |
| 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 (-) | | - | **(4.231.201)** |
| 1.8. DIVIDENDS TO BOARD OF DIRECTORS (-) | | - | - |
| 1.9. SECOND DIVIDEND TO SHAREHOLDERS (-) | | - | - |
| 1.9.1. Holders of shares | | - | **(9.551.935)** |
| 1.9.2. Holders of Preferred shares | | - | (9.551.935) |
| 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 (-) | | - | **(1.423.120)** |
| 1.12. EXTRAORDINARY RESERVES | | - | - |
| 1.13. OTHER RESERVES | | - | - |
| 1.14. SPECIAL FUNDS | | - | (17.000.000) |
| **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 | | - | 352.084.895 |
| 3.2. HOLDERS OF SHARES ( % ) | | - | % 53,3462 |
| 3.3. HOLDERS OF PREFERRED SHARES | | - | - |
| 3.4. HOLDERS OF PREFERRED SHARES ( % ) | | - | - |
| **IV. DIVIDEND PER SHARE** | | - | - |
| 4.1. HOLDERS OF SHARES | | - | 43.000.000 |
| 4.2. HOLDERS OF SHARES ( % ) | | - | % 6,5152 |
| 4.3. HOLDERS OF PREFERRED SHARES | | - | - |
| 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, 2021, the dividend to be paid to personnel amounting to TL 4.456.812 (December 31, 2020: TL 4.231.201 ), which is allocated in accordance with TAS 19, has also been added to the profit.

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

# 1 General information

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

As of December 31, 2021, 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, 2021 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, 2021, the Company serves through 2.681 agencies of which 2.574 authorized and 107 unauthorized agencies. (December 31, 2020: 2.369 authorized 104 unauthorized total 2.473 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.

*(Currency: Turkish Lira (TL))*

# 1 General information *(continued)*

## 1.4 Details of the Company's operations and nature of field of activities *(continued)*

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.

## 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, 2021** | **December 31, 2020** |
|---|---|---|
| Top executive | 14 | 12 |
| Managers | 79 | 76 |
| Assistant managers | 212 | 206 |
| Contracted personnel | 4 | 5 |
| Advisors | 1 | 2 |
| Specialist/ Senior/ Other personnel | 1.328 | 1.265 |
| **Total** | **1.638** | **1.566** |

## 1.6 Remuneration and similar benefits provided to top management

For the year ended December 31, 2021, 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 22.274.111**.** (December 31, 2020: TL 17.071.158).

# 1 General information *(continued)*

## 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, 2021, 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, 2021 and 2020.

Anadolu Sigorta as a subsidiary company of the Group, is operating in almost all of the none-life insurance branches composed of casualty, health, general losses, land vehiclesss liability, aircraft liability, general liability, credits, financial losses and legal protection.

The activities of Anadolu Hayat involve providing individual and group insurance and reinsurance services relating to group life, individual life, retirement and related personal Casualty branches, establishing retirement funds, developing internal rules and regulations related to these funds, carrying out retirement, annual income insurance, portfolio management and custody contracts for the assets of the funds held in custody.

The Miltaş Sports Complex has been serving the insurance sector since 1986 with its facilities in various sports, particularly tennis. The International Insurance Tennis Tournament has been held every June at this Complex since 1986, providing a unique environment for local and foreign reinsurers and brokers. In addition to tennis and basketball courses organized every year for youngsters, private tennis lessons are available for adults in the Complex.

*(Currency: Turkish Lira (TL))*

# 1 General information *(continued)*

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

| | |
|---|---|
| Trade name of the Company | : 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

# 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 Summary of significant accounting policies *(continued)*

## 2.1 Basis of preparation *(continued)*

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

**Accounting in hyperinflationary countries**

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

With respect to the declaration of the Republic of Turkey Ministry of Treasury and Finance with the article dated April 4, 2005 and numbered 19387, consolidated financial statements as of December 31, 2004 are adjusted for the opening balances of 2005 in accordance with the section with respect to inflation accounting of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated January 15, 2003 and numbered 25290. Inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Republic of Turkey Ministry of Treasury and Finance. Accordingly, as at December 31, 2021, 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.

In the statement made by the Public Oversight, Accounting and Auditing Standards Authority on January 20, 2022, since the cumulative change in the general purchasing power of the last three years according to the Consumer Price Index (CPI) is 74.41%, TAS 29 Financial Inflationary Economies in 2021 financial statements. It has been stated that there is no need to make any adjustments within the scope of the Reporting Standard. In this respect, while preparing the consolidated financial statements as of December 31 2021, no inflation adjustment was made according to TAS 29.

**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, 2021 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 Summary of significant accounting policies *(continued)*

## 2.1 Basis of preparation *(continued)*

### 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, 2021, 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, 2020 – December 31, 2021. The same ratio is used for unproportioned reinsurance treaties in accordance with the Communiqué released on July 28, 2010 and numbered 27655 “Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves”. Distribution of commissions and claims between the fire and earthquake branches is parallel with the aforementioned method.

According to the letter dated January 12, 2012 and numbered B.02.1.HZN.0.10.03.01/854 sent by 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.

# 2 Summary of significant accounting policies *(continued)*

## 2.1 Basis of preparation *(continued)*

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

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, 2021, 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 Summary of significant accounting policies *(continued)*

### 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, 2021 and 2020 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.

*(Currency: Turkish Lira (TL))*

# 2 Summary of significant accounting policies *(continued)*

## 2.2 Consolidation *(continued)*

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, 2021 | Anadolu Sigorta (consolidated) | %57,31 | %57,31 | 16.120.481.026 | 2.548.455.142 | 121.103.662 | 589.834.604 |
| December 31, 2020 | Anadolu Sigorta (consolidated) | %57,31 | %57,31 | 11.651.496.402 | 2.385.996.930 | 103.217.084 | 510.025.565 |

**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 Summary of significant accounting policies *(continued)*

## 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, 2021, and 2020, 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.

*(Currency: Turkish Lira (TL))*

## 2 Summary of significant accounting policies *(continued)*

### 2.5 Tangible assets *(continued)*

Increase arising from the revaluation of lands and buildings for own use are presented under the other capital reserves in the equity excluding tax. As a result of property based evaluation, value decreases that correspond the previous period value increases are deducted from related fund; other decreases are recognized in income statement.

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

Lands are not amortised due to their unlimited useful life. Tangible assets are depreciated on a straight-line basis over their estimated useful lives (3-15 years) over the cost of the asset or revaluated amounts.

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

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

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

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 Summary of significant accounting policies *(continued)*

### 2.6 Investment property

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

Investment properties are initially recorded at cost and subsequently measured at their fair values. The changes which result of fair value valuation recognised in the income statement.

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

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

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

### 2.7 Intangible assets

The Group's intangible assets consist of computer software, goodwill and advances on intangible assets.

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

The Group differentiates the depreciation shares of intangible assets based on their useful lives, using the straight-line method, over their cost values. The amortization period of intangible assets is between 3 and 15 years.

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gain or losses on the disposal of an entity includes the carrying amount of goodwill relating to the entity disposed of.

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocations made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arises.

The Group has acquired the health portfolio of Anadolu Hayat Emeklilik A.Ş. as of August 31, 2004 with all of its rights and liabilities. The value at acquisition of the portfolio amounting to TL 16.250.000 is capitalized as goodwill by the Group.

# 2 Summary of significant accounting policies *(continued)*

## 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 Summary of significant accounting policies *(continued)*

## 2.9 Impairment on assets

**Impairment on financial assets**

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

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

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

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

**Impairment on tangible and intangible assets**

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

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

# 2 Summary of significant accounting policies *(continued)*

## 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.

*(Currency: Turkish Lira (TL))*

# 2 Summary of significant accounting policies *(continued)*

## 2.13 Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group. As of December 31, 2021, and 2020, the share capital and ownership structure of the Company are as follows:

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| **Name** | **Shareholding amount (TL)** | **Shareholding rate (%)** | **Shareholding amount (TL)** | **Shareholding rate (%)** |
| Türkiye İş Bankası A.Ş. | 578.177.926 | 87,60 | 578.177.926 | 87,60 |
| 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 | 0,66 |
| **Total paid-in capital** | **660.000.000** | **100,00** | **660.000.000** | **100,00** |

**Sources of capital increases during the period**

The company has not performed capital increase As of December 31, 2021 (December 31, 2020: 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 Summary of significant accounting policies *(continued)*

### 2.14 Insurance and investment contracts - classification

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

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

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

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

### 2.15 Insurance contracts and investment contracts with discretionary participation feature

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

(i) that are likely to comprise a significant portion of the total contractual benefits,

(ii) whose amount or timing is contractually at the discretion of the Issuer; and

(iii) that are contractually based on:

(1) the performance of a specified pool of contracts or a specified type of contract;

(2) realized and/or unrealized investments returns on a specified pool of assets held by the Issuer; or

(3) the profit or loss of company, fund or other entity that issues the contract.

As of balance sheet date, the Group does not have any insurance or investment contracts that contain a DPF.

### 2.16 Investment contracts with discretionary participation feature

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

### 2.17 Liabilities

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

# 2 Summary of significant accounting policies *(continued)*

## 2.18 Income taxes

### Corporate tax

Statuary income is subject to corporate tax at 20% However, the corporate tax rate which is 20% pursuant to the temporary article 13 added to the Corporate Tax Law; It will be applied at the rate of 25% for corporate earnings in 2021 and 23% for corporate earnings in 2022. This rate is applied to as accounting income modified for certain exceptions (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 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 end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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.

With the "Law Amending the Tax Procedure Law and the Corporate Tax Law", which was accepted on the agenda of the Turkish Grand National Assembly on January 20, 2022, the application of inflation accounting was postponed starting from the balance sheet dated on December 31, 2023.

### Deferred tax

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

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

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot be retrospectively offset against the profits of previous years.

# 2 Summary of significant accounting policies *(continued)*

## 2.18 Income taxes *(continued)*

**Deferred tax** *(continued)*

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.

As of December 31, 2021, a tax rate of 23% is used for temporary differences that are expected to occur / close in 2022, and 20% for temporary differences that are expected to occur / close after 2022.(December 31, 2020: Since the effective corporate tax rate on January 1, 2021 is 20%, 20% tax rate has been used for valid differences that are expected to occur / close in 2021 and after.)

**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 Summary of significant accounting policies *(continued)*

## 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.

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.

*(Currency: Turkish Lira (TL))*

# 2 Summary of significant accounting policies *(continued)*

## 2.19 Employee benefits *(continued)*

### 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, 2021 is TL 8.285 (December 31, 2020: TL 7.117).

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, 2021 and 2020 are as follows:

| | **December 31, 2020** | **December 31, 2020** |
|---|---|---|
| Discount rate | %3,50 | %4,07-4,50 |
| Expected rate of salary/limit increase | %10,30-15,07 | %7,66-12,00 |
| Estimated employee turnover rate | %2,57-3,77 | %2,22-4,03 |

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.

*(Currency: Turkish Lira (TL))*

# 2 Summary of significant accounting policies *(continued)*

## 2.21 Revenue recognition *(continued)*

### Claims paid

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

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

### Subrogation, salvage and quasi income

According to the Circular 2010/13 dated September 20, 2010; the Company may account for income accrual for subrogation receivables without any voucher after the completion of the claim payments made to the insurer. If the amount cannot be collected from the counterparty insurance company, the Company provides provision for uncollected amounts due for six months. If the counter party is not an insurance Company, the provision is provided after four months. As at the reporting date, in accordance with the related circular the Company provided TL 103.420.003 (December 31, 2020: TL 62.093.125) subrogation receivables and recorded TL 133.135.883 (December 31, 2020: TL 88.399.103) (Note 12) net subrogation and salvage receivables under receivables from main operations. The Company provided allowance for uncollected subrogation receivables amounting to TL 37.902.336 (December 31, 2020: TL 24.744.443) (Note 12) in accordance with circular.

For the years ended December 31, 2021 and 2020, salvage and subrogation collected are as follows:

| | **December 31, 2021** | **December 31, 2020** |
|---|---:|---:|
| Land Vehicles | 959.795.444 | 610.070.256 |
| Land Vehicles Liability | 25.275.036 | 10.175.098 |
| Marine | 7.425.922 | 2.204.341 |
| Fire and Natural Disasters | 7.114.999 | 4.823.627 |
| Sea Vehicles | 3.856.696 | 617.188 |
| General Losses | 2.483.190 | 657.535 |
| General Liability | 888.347 | 171.732 |
| Breach of trust | 233.681 | - |
| Accident | 230.498 | 12.459 |
| Air Vehicles | 203.610 | - |
| Credit | 27.005 | - |
| Air Vehicles Liability | 17.638 | - |
| Legal Protection | 8.310 | 32 |
| **Total** | **1.007.560.376** | **628.732.268** |

*(Currency: Turkish Lira (TL))*

# 2 Summary of significant accounting policies *(continued)*

## 2.21 Revenue recognition *(continued)*

**Subrogation, salvage and quasi income** *(continued)*

As of December 31, 2021, and 2020, accrued subrogation and salvage income per branches is as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Land Vehicles | 94.484.614 | 65.010.849 |
| Land Vehicles Liability | 23.401.253 | 15.088.472 |
| Fire and Natural Disasters | 8.502.989 | 5.708.556 |
| General Damages | 2.380.740 | 995.426 |
| Marine | 3.150.366 | 767.440 |
| Casualty | 516.591 | 527.346 |
| Sea Vehicles | 634.894 | 250.401 |
| General Liability | 64.436 | 50.613 |
| **Total** | **133.135.883** | **88.399.103** |

**Commission income and expenses**

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

**Interest income and expenses**

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

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

**Trading income/expense**

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

**Dividends**

Dividend income is recognized when the Group’s right to receive payment is ascertained.

# 2 Summary of significant accounting policies *(continued)*

## 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 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 the right-of-use asset includes:

(a) initial direct costs incurred,
(b) lease payments made at or before the commencement date less any lease incentives received, and
(c) All initial costs incurred by the company.

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.

Right-of-use assets are subject to impairment.

**Lease liabilities**

The company measures the lease liability based on the present value of the lease payments that were not paid at the actual start of the lease.

The lease payments, which are included in the measurement of the lease liability at the actual start of the lease, consist of the following payments to be made for the right of use of the underlying asset during the lease term and which were not paid at the actual start of the lease:

(a) fixed payments,
(b) variable lease payments based on an index or ratio, the first measurement of which was made using an index or ratio at the actual beginning of the lease,
(c) amounts expected to be paid by the company under residual value commitments
(d) if the company is reasonably confident that it will exercise the option to purchase, the price at which the option is used and
(e) penalty payments for termination of the lease if the lease term indicates that the company will exercise an option to terminate the lease.

Variable lease payments that are not linked to an index or ratio are recorded as expenses in the period in which the event or condition that triggered the payment occurs

The company sets the revised discount rate for the remainder of the lease period as this rate if the implied interest rate on the lease can be easily determined; if it cannot be easily determined as the alternative borrowing rate at the date of the company's reassessment.

*(Currency: Turkish Lira (TL))*

# 2 Summary of significant accounting policies *(continued)*

## 2.22 Leasing transactions *(continued)*

After the actual start of the lease, the company measures the lease liability as follows:

(a) increases the book value to reflect the interest on the lease obligation, and
(b) reduces the book value to reflect the lease payments made.

In addition, a change in the fixed lease payments is essentially the lease or a change in the assessment of the option to purchase the underlying asset in case of a change in the value of finance lease liabilities is measured again.

Right-of-use assets calculated regarding to lease liabilities are accounted in "Tangible Assets" located in balance sheet.

Interest expense on lease liabilities and depreciation expense of right-of-use asset are accounted in "Investment Management Expenses (inc. interest)" and "Depreciation and Amortisation Expenses" respectively.

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 | 5,25-24,42 |

## 2.23 Dividend distribution

It is decided in Ordinary General Assembly Meeting of the Company held on March 30, 2021, from the net profit of the period amounting to TL 348.598.908 resulting from the activities of the Company for the year 2020, TL 43.000.000 will be paid to the shareholders as cash dividends, after the legal reserves are set aside, and the remaining amount will be paid to the shareholders according to the Tax Procedure Law. Within the framework of the provisions of Article 325/A of the Law and Article 10 of the Corporate Tax Law, it has been decided to allocate TL 17.000.000 of funds for the purchase of venture capital investment fund participation shares, and the remaining amount will be set aside as previous year's profit, and TL 42.986.569 of it. paid in cash and TL 13.431 has been recognized in due to shareholders account under short term liabilities. Circular No. 2016/22 Amending the Circular No. 2016/22 on the Discounting of Net Cash Flows Arising from Outstanding Claims Provisions published on December 30, 2021(2021/30) and Article 7 of the Circular No. 2016/22, has been changed to "Net cash flows as of the financial reporting period date It is discounted to the cash value, taking into account the rate of 14%.". Due to the related change, 14% rate has been taken into account in discounting the net cash flows arising from outstanding claims provision. Added to the 13th article of the same circular, "The positive difference arising within the scope of changing the discount rate in this direction cannot be used for a year following the year in which the change was made." Due to the statement, the positive difference of TL 77.595.800 in the discount amount as of December 31, 2021 shall not be used in the profit distribution.

# 2 Summary of significant accounting policies *(continued)*

## 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

# 2 Summary of significant accounting policies *(continued)*

## 2.24 Unearned premiums reserve *(continued)*

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 6.754.872.769 (December 31, 2020: TL 4.737.678.184) and reinsurer share in unearned premiums reserve amounting TL 1.563.331.963 (December 31, 2020: TL 1.089.324.598) Furthermore, unearned premiums reserve includes Social Security Institution ("SSI") share amounting to TL 119.827.872 (December 31, 2020: TL 94.034.856).

# 2 Summary of significant accounting policies *(continued)*

## 2.25 Outstanding claims reserves

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

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

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

The selection of data to be used, correction operations, selection of the most appropriate method and growth factors and interference to growth factors is made by the Company’s actuaries by using actuarial methods on the basis of branches. This matter is detailed in the actuarial report that is sent to Republic of Turkey Ministry of Treasury and Finance according to Article 11 of Actuaries Regulation. Actuary of Anadolu Sigorta selects the correct factors for the actuarial analysis and to write back and to calculate the damage growth factors.

In the compulsory traffic branch the physical and bodily damages, and in the General Responsibility branch the employer’s liability, medical injury compensation, professional liability and other liability branches are being analyzed separately.

The Company’s actuary uses %9 which is the latest statutory rate of interest in the Official Gazette for the discount process in accordance with "General Instructions Regarding The Cash Flow From Outstanding Claim Reserves And Their Discounts" numbered 2016/22 which regulates the processes involving the discount of cash flow from outstanding claims reserve.

Anadolu Sigorta has used the gradual transition curve which was published by the Republic of Turkey Ministry of Treasury and Finance "General Instructions Regarding to the Changes in the General Instructions Regarding Outstanding Claim Reserves (2014/16)" which was published in February 29th, 2016 with the number 2016/11. The company has used these gradual transition curve with 100% accuracy and has reflected the calculations on the official statements as of December 31, 2016 and has continued to use same method in the current period.

Anadolu Sigorta, according to Provisional Article 12 of the Regulation on the Amendment of the Regulation on Tariff Implementation Principles in the Compulsory Motor Insurance for Compulsory Liability for Land Vehicles, published in the Official Gazette dated July 11, 2017 and numbered 30121, the "Risk Insured Pool" has been established for those vehicle groups with high damage frequencies. In this context, the premiums and damages related to the traffic insurance policies issued within the scope of the pool starting on April 12, 2017 have started to be shared among insurance companies within the framework of the principles determined by the Undersecretariat of Turkish Motor Vehicle Office.

“Summary Actuarial Evaluation Report with respect to Final Claim/Premium Range of Risky Insurance”, shared by TMTB, was based while calculating IBNR for pool portfolio, transferred and taken over in scope of the pooling application in question of Anadolu Sigorta.

After the change in legislation, by the Turkish Motor Vehicles office (TMTB) within the scope of monthly declarations, accounting records were created on premiums, damages and commission amounts transferred the pool and transferred to the pool according to its share, and also accounting was made for the amounts for the period not yet communicated by the Turkish Motor Vehicles office.

*(Currency: Turkish Lira (TL))*

# 2 Summary of significant accounting policies *(continued)*

## 2.25 Outstanding claims reserves *(continued)*

Except for the life branch, outstanding claims reserves consists of claims are recorded in the year in which they occur, based on reported claims and the difference between the result of the actuarial chain ladder method whose content and application criteria stated by the Republic of Turkey Ministry of Treasury and Finance and reported but not settled claims are considered as incurred but not reported ("IBNR") claims. Actuarial chain ladder method may be differentiated by the Republic of Turkey Ministry of Treasury and Finance for reinsurance companies due to their special conditions.Methods for the calculation of provision for incurred but not reported claims are determined by the Republic of Turkey Ministry of Treasury and Finance in the life-branch. The ACML methods selected for each branch is provided in the following section. The Group could not perform big claim elimination by Box Plox.

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| 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 09/2021) | Standard Chain | Sector Average (Insurance Association of Turkey 09/2020) | Standard Chain |
| Air Vehicles Liability | Sector Average (Insurance Association of Turkey 09/2021) | Standard Chain | Sector Average (Insurance Association of Turkey 09/2020) | Standard Chain |
| Fidelity Guarantees | Sector Average (Insurance Association of Turkey 09/2021) | Standard Chain | Sector Average (Insurance Association of Turkey 09/2020) | Standard Chain |
| Financial Losses | Sector Average (Insurance Association of Turkey 09/2021) | Standard Chain | Sector Average (Insurance Association of Turkey 09/2020) | Standard Chain |
| Credit | Sector Average (Insurance Association of Turkey 09/2021) | Standard Chain | Sector Average (Insurance Association of Turkey 09/2020) | Standard Chain |
| Life | Sector Average (Insurance Association of Turkey 09/2021) | - | Sector Average (Insurance Association of Turkey 09/2020) | - |
| 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, 2021.

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, 2021, 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.

# 2 Summary of significant accounting policies *(continued)*

## 2.25 Outstanding claims reserves *(continued)*

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.

Anadolu Sigorta , In accordance with the Communiqué on the Amendment of the Communiqué on the Procedures and Principles of the Contribution of the Institution in the Compulsory Financial Liability Insurance for Medical Malpractice Law, published in the Official Gazette dated October 7, 2017 and numbered 30203, the Compulsory Financial Liability Insurance for Medical Malpractice the rules for premium and damage sharing have been established. Türk Reasürans A.Ş. has been appointed of such transactions has been indefinitely.

In this context, premiums and claims related to the policies issued as of October 1, 2017 have been started to be allocated among the insurance companies within the framework of the principles determined by the Undersecretariat.

Anadolu Sigorta became a part of Türk Reasürans A.Ş. Accounting records have been created over the premium, damage and commission amounts transferred to the pool within the scope of the monthly receipts finalized and forwarded by the Company, and also the amounts belonging to the period whose receipt has not been sent yet, have been reflected in the financial statements.

During the calculation of ACLM, the recourse and salvage amounts to be deducted according to the method determined by the Ministry must be calculated over the collected amounts (including the interest income collected together with the recourse incomes and the litigation costs incurred for the collection of this receivable and attorney fees). When calculating the aforementioned amounts, only the recourse and salvage collections for which compensation was paid within the period subject to the calculation should be taken into account and associated with the period in which they were collected in the table.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.

## 2 Summary of significant accounting policies *(continued)*

### 2.25 Outstanding claims reserves*(continued)*

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, 2021, and 2020, 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 31 December 2021, the amounts found as a result of the relevant method change are reflected in the records.

However, with the "Circular No. 2021/30 Amending the Circular No. 2016/22 on Discounting the Net Cash Flows Arising from Outstanding Claims" published on 30 December 2021, the rate used as 9% in the discounting of net cash flows is 14% as of 31 December 2021. arranged as In addition, according to the 13th article of the Circular no 2016/22, "The differences between the periods due to the change in the discount rate will be considered as a change in the estimation method, and the financial statements should be prepared within this framework and the effect of this change on the financial statements should be explained in the footnotes of the financial statements." With the effect of the said regulation, the discount amount calculated as of 31 December 2021 has increased by TL 77.595.800.

As of 31 December 2021, Anadolu Sigorta calculated the net discount amount against outstanding claims as 2.264,265.104 TL (31 December 2020: 1.189.385.664 TL). If the discount rate was continued to be used as 9% without making the relevant change, it has been calculated that the net discount amount in the outstanding claims provision as of 31 December 2021 would have been TL 1.634.815.301.

Added to the 13th article of the circular, "The positive difference that arises within the scope of changing the discount rate in this direction cannot be used for a year following the year in which the change was made." Due to the statement, the positive difference of 629.449.804 TL in the discount amount as of 31 December 2021 cannot be used in profit distribution.

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 322.137.338 (31 December 2020: TL 296.857.614 negative IBNR). As of the reporting date, TL 75.178.484 (31 December 2020: TL 32.287.960) 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 2021 (31 December 2020: None).

### 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 Summary of significant accounting policies *(Continued)*

### 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, 2021.

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%.

Anadolu Sigorta, the subsidiary of the Company, In the amendment made with the circular numbered 2020/1 of the Ministry of Treasury and Finance, if a separate calculation is made for the works where 100% of the direct production is transferred to the pools established in Turkey, 100% of the gross claim/premium rate and 85% of the gross damage premium rate for other works. If it is higher than the ratio, the URR calculation is made.

*(Currency: Turkish Lira (TL))*

# 2 Summary of significant accounting policies *(Continued)*

## 2.27 Reserve for unexpired risk *(Continued)*

In Anadolu Sigorta, the subsidiary of the Company, the DERK calculation method has been changed as follows, pursuant to the Circular No. 2021/31 of the Insurance and Private Pensions Regulation and Supervision Agency, published on 30 December 2021:

*"The 95% rate used for the calculation method of unexpired risk reserves, which is included in the third paragraph of Article 6 of the Regulation, is used as 100% in the third party liability for motor vehicles (MTPL) branch.*

*In case the calculation method of unexpired risk reserves, specified in the Circular on the Provision for Ongoing Risks numbered 2019/5 is used, due to the 4th article of the same Circular for the third party liability for motor vehicles (MTPL) branch ;*

*1 If a separate calculation is made for the works where 100% of the direct production is transferred to the pools established in Turkey, the gross damage premium rate used as 100% is 105%, the gross damage premium rate used for other works as 85% is 90%,*

*2. If a separate calculation is not made for the works where 100% of the direct production is transferred to the pools established in Turkey, the 85% used is used as 90%."*

The result of the URR calculation made by the company for the Risky Insured Pool and TKU Pool, which are included in this scope, are given below:

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | **Gross URR** | **Net URR** | **Gross URR** | **Net URR** |
| RSH – Received | 13.124.721 | 13.124.721 | 25.571.927 | 25.571.927 |
| Motor Vehicles Liability – Non pool | 152.523.905 | 136.918.350 | - | - |
| TKU Pool – Received | 15.448.935 | 15.448.935 | 10.497.890 | 10.497.890 |
| General Liability – Non pool | 113.397.022 | 58.101.662 | 24.470.753 | 13.343.728 |
| **Total** | **294.494.583** | **223.593.668** | **60.540.570** | **49.413.545** |

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 443.068.357 in the accompanying consolidated financial statements (December 31, 2020: TL 118.215.672).

The net effect of Anadolu Sigorta, circulars numbered 2021/30 and 2021/31 is TL 76.062.393 and TL 36.934.281 and a total of TL 112.996.674 . If the calculation had been made without making changes in the relevant circulars, it was calculated that the net amount of provision for continuing risks would have been TL 373.524.623.

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.

# 3 Summary of significant accounting policies *(Continued)*

## 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 578.375.138 (December 31, 2020: TL 440.273.432).

As of December 31, 2021, the Group has deducted TL 22.336.820 (December 31, 2020: TL 12.134.835) from equalization provision in consequence of realized earthquake losses.

## 2 Summary of significant accounting policies *(Continued)*

### 2.29 Related parties

Parties are considered related to the Group if;

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

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

(b) The party is an associate of the Group;

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

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

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

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

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

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

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

### 2.30 Earnings per share

Earnings per share presented in the income statement are calculated by dividing the net profit into the weighted average number of the outstanding shares throughout the financial year. Companies in Turkey can increase their capital by distributing “bonus shares” to shareholders from the prior years’ profit. Such “bonus share” distributions are considered as issued shares in the earnings per share calculations. Accordingly, weighted average number of the outstanding shares used in this calculation is found by considering the retrospective effects of the outstanding shares distributions.

### 2.31 Subsequent events

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

# 2 Summary of significant accounting policies *(Continued)*

## 2.32 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the unconsolidated financial statements as at December 31, 2021 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2021. 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, 2021are as follows:**

**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 th e followings. The amendments are effective for periods beginning on or after January 1, 2021. Earlier application is permitted.

***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.

## 2 Summary of significant accounting policies *(continued)*

## 2.32 The new standards, amendments and interpretations *(continued)*

***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.

**Amendments to TFRS 16 – Covid-19 Rent Related Concessions**

In June, 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. On April 7, 2021, the POA made an amendment to extend the exemption to include concessions that cause a decrease in rental payments due on or before June 30, 2022.

Tenants will apply this change in annual accounting periods beginning on or after April 1, 2021. Early application is permitted.

Overall, the company does not expect a significant impact on the financial statements.

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 unconsolidated financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the unconsolidated 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.

**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 January 1, 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 and performance of the Company.

## 2 Summary of significant accounting policies *(continued)*

## 2.32 The new standards, amendments and interpretations *(continued)*

**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 January 1, 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 and 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 January 1, 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.

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

**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 enter into force for annual periods beginning on or after 1 January 2023, and early application is permitted for entities that have applied TFRS 9 Financial Instruments and TFRS 15 Revenue from Contracts with Customers on or before this date. According to the amendments published by POA in December 2021, enterprises have the option to “overlap classification” in order to eliminate possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented when TFRS 17 is applied for the first time.The Company is in the process of assessing the impact of the standard on financial position and performance of the Company.

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

On January 2021, 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 January 1, 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 and performance of the Company.

## 2 Summary of significant accounting policies *(continued)*

## 2.32 The new standards, amendments and interpretations *(continued)*

**Amendments to TAS 8- Definition of Accounting Estimates**

In August 2021, POA published amendments to TAS 8 that introduce a new definition for "accounting estimates". The amendments published for TAS 8 are valid for annual accounting periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. In addition, the amended standard clarifies that the effects of a change in input or a change in a measurement technique on the accounting estimate are changes in accounting estimates unless they result from a correction for prior period errors. The previous definition of change in accounting estimate indicated that changes in accounting estimates could result from new information or new developments. Therefore, such changes are not considered as corrections of errors. This aspect of the definition has been preserved by the POA. Changes will apply to accounting estimates or accounting policy changes that occur on or after the effective date, with early application permitted.

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

**Amendments to TAS 1 – Disclosure of Accounting Policies**

In August 2021, POA published amendments to TAS 1 in order to provide guidance and examples to help businesses apply materiality estimates to accounting policy disclosures. The amendments published in TAS 1 are valid for annual accounting periods beginning on or after 1 January 2023. Due to the lack of a definition of the term "significant" in TFRS, POA has decided to replace this term with "significant" in the context of disclosing accounting policy information. 'Significant' is a term defined in TFRS and is widely understood by users of financial statements according to POA. In assessing the materiality of accounting policy information, entities need to consider both the size of transactions, other events or conditions, and their nature. In addition, examples of situations in which the entity may consider accounting policy information to be important are included.

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

**Amendments to TAS 12 – Deferred Tax on assets and liabilities arising from a single transaction**

In August 2021, POA published amendments to TAS 12 that narrows the scope of the initial recognition exemption and thus ensures that the exemption is not applied to transactions that result in equal taxable and deductible temporary differences. Amendments to TAS 12 are valid for annual accounting periods beginning on or after 1 January 2023. Given applicable tax law, the amendments clarify that where payments on a liability are tax-deductible, whether such deductions are attributed to the recognized liability (and interest expense) or tax-related asset component (and interest expense) is a matter of jurisdiction. This judgment is important in determining whether there is any temporary difference in initial recognition of the asset and liability. Changes apply to transactions that occur at or after the beginning of the earliest period presented comparatively. In addition, at the beginning of the earliest comparative period presented, deferred tax asset (provided there is sufficient taxable income) and deferred tax liability are recognized for all deductible and taxable temporary differences related to leases and decommissioning, restoration and similar liabilities.

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

## 2 Summary of significant accounting policies *(continued)*

## 2.32 The new standards, amendments and interpretations *(continued)*

**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 tto 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 January 1, 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 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

**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, 2021, 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.

## 3 Significant accounting estimates and requirements (continued)

### 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, 2021, the pandemic has negatively affected the financial performance of the Company. When the premium production compared to 2020 in non-life insurance sector, there was an increase of 28.5% in 2021. During the pandemic period, there was no significant increase in the net damage amount and policy cancellations.

As of December 2021, claims in the health branch increased by 42.3%. Due to the controlled return to normal life and when the results of the relevant branch are examined, it has been decided not to set aside additional provisions.

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.

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.

# 4 Management of insurance and financial risk *(continued)*

## 4.1 Management of insurance risk *(continued)*

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

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.

*(Currency: Turkish Lira (TL))*

# 4 Management of insurance and financial risk *(continued)*

## 4.1 Management of insurance risk *(continued)*

### 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, 2021 | | |
|---|---|---|---|
| **Branches** | **Gross total claims liability (*)** | **Reinsurance share of total claims liability** | **Net total claims liability** |
| Land Vehicles | 1.318.818.317 | (4.582.733) | 1.314.235.584 |
| Land Vehicles Liabitily | 1.680.196.544 | (411.160.437) | 1.269.036.107 |
| Fire and Natural Disasters | 1.221.426.828 | (193.200.666) | 1.028.226.162 |
| Health | 906.344.373 | (45.284.704) | 861.059.669 |
| General Losses | 776.261.208 | (64.852.537) | 711.408.671 |
| General Liability | 179.024.789 | (19.579.288) | 159.445.501 |
| Sea Vehicles | 179.076.835 | (55.126.088) | 123.950.747 |
| Marine | 110.895.792 | (30.824.421) | 80.071.371 |
| Financial Losses | 129.052.017 | (50.649.961) | 78.402.056 |
| Casualty | 40.324.538 | (2.827.260) | 37.497.278 |
| Air Vehicles | 17.114.776 | (5.000.394) | 12.114.382 |
| Life | 11.946.157 | (1.830.418) | 10.115.739 |
| Credits | 5.140.078 | (877.077) | 4.263.001 |
| Breach of trust | 2.848.855 | (263.754) | 2.585.101 |
| Air Vehicles Liability | 410.248 | (118.482) | 291.766 |
| Legal Protection | 181.420 | - | 181.420 |
| Sea Vehicles Liability | 75 | - | 75 |
| **Total** | **6.579.062.850** | **(886.178.220)** | **5.692.884.630** |

| | December 31, 2020 | | |
|---|---|---|---|
| **Branches** | **Gross total claims liability (*)** | **Reinsurance share of total claims liability** | **Net total claims liability** |
| Land Vehicles | 908.889.970 | (2.631.714) | 906.258.256 |
| Land Vehicles Liabitily | 1.165.767.103 | (269.972.050) | 895.795.053 |
| Fire and Natural Disasters | 940.369.820 | (158.681.964) | 781.687.856 |
| Health | 573.596.008 | (27.476.952) | 546.119.056 |
| General Losses | 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 |
| Marine | 72.734.760 | (15.062.376) | 57.672.384 |
| Casualty | 33.706.699 | (3.067.045) | 30.639.654 |
| Sea Vehicles Liability | 57.807.756 | (33.998.643) | 23.809.113 |
| Air Vehicles | 166.591.587 | (148.035.805) | 18.555.782 |
| Life | 11.471.676 | (3.304.640) | 8.167.036 |
| Air Vehicles Liability | 5.642.962 | (802.508) | 4.840.454 |
| Credits | 4.265.608 | (667.916) | 3.597.692 |
| Breach of trust | 2.622.715 | (152.399) | 2.470.316 |
| Legal Protection | 421.233 | - | 421.233 |
| Financial Losses | 150 | - | 150 |
| **Total** | **4.806.113.895** | **(772.211.955)** | **4.033.901.940** |

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

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

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

# 4 Management of insurance and financial risk *(continued)*

## 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.

*(Currency: Turkish Lira (TL))*

# 4 Management of insurance and financial risk *(continued)*

## 4.2 Management of financial risk *(continued)*

**Credit risk** *(continued)*

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Cash and cash equivalents *(Note 14)* (*) | 5.116.876.177 | 4.869.356.934 |
| Receivables from main operations *(Note 12)* | 4.294.808.607 | 2.737.409.366 |
| Financial assets and financial investments with risks on policyholders *(Note 11)* (**) | 8.836.894.794 | 5.292.019.331 |
| Reinsurer share in outstanding claims reserves *(Note 10), (Note 17)* | 2.957.988.891 | 2.179.921.969 |
| Income accruals *(Note 12)* | 169.041.598 | 209.572.327 |
| Other prepaid expenses (***) | 40.832.751 | 29.736.496 |
| Other receivables *(Note 12)* | 27.518.720 | 23.269.996 |
| Prepaid taxes and funds *(Note 12)* | 58.682.491 | 44.338.424 |
| Other current asset *(Note 12)* | 3.037.253 | 211.124 |
| **Total** | **21.505.681.282** | **15.385.835.967** |

(*) Cash on hands balance amounting to TL 103.408 are not included (December 31, 2020: TL 76.079).

(**) Equity shares amounting to TL 493.172.581 are not included (December 31, 2020: TL 501.858.456).

(***) TL 37.634.324 is the advance amount given by the Group. (December 31, 2020: TL 26.661.018).

December 31, 2021 and 2020, the aging of the receivables from main operations and related provisions are as follows:

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | **Gross amount** | **Provision** | **Gross amount** | **Provision** |
| Not past due | 3.896.445.522 | - | 2.375.615.368 | - |
| Past due 0-30 days | 290.746.378 | (4.797.001) | 279.536.920 | (2.022.721) |
| Past due 31-60 days | 29.416.323 | (1.848.701) | 29.515.455 | (19.386.963) |
| Past due 61-90 days | 15.716.450 | (3.291.157) | 26.160.907 | (1.660.569) |
| More than 90 days(*) | 714.636.669 | (642.215.876) | 539.556.798 | (489.905.829) |
| **Total** | **4.946.961.342** | **(652.152.735)** | **3.250.385.448** | **(512.976.082)** |

(*) 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, 2021 | December 31, 2020 |
|---|---|---|
| **Provision for receivables from insurance operations at the beginning of the year** | **488.231.639** | **389.407.396** |
| Collections during the period *(Note 47)* | (726.805) | (44.534) |
| Impairment losses provided during the period *(Note 47)* | 2.456.437 | 2.151.009 |
| Impairment losses provided for subrogation – salvage receivables during the period *(Note 47)* | 95.804.170 | 90.315.114 |
| Valuation of doubtful receivables *(Note 47)* | 28.484.958 | 6.402.654 |
| **Provision for receivables from insurance operations at the end of the year** | **614.250.399** | **488.231.639** |

*(Currency: Turkish Lira (TL))*

# 4 Management of insurance and financial risk *(continued)*

## 4.2 Management of financial risk *(continued)*

**Credit risk** *(continued)*

The movements of the allowances for impairment losses for other receivables are as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Provision for other receivables at the beginning of the year | (832.788) | (754.788) |
| Collections during the period *(Note 47)* | - | - |
| Provision for impairment allocated during the period (Note 47) | (228.541) | (78.000) |
| **Provision for other receivables at the end of the year** | **(1.061.329)** | **(832.788)** |

**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.

*(Currency: Turkish Lira (TL))*

# 4 Management of insurance and financial risk *(continued)*

## 4.2 Management of financial risk *(continued)*

*Management of the liquidity risk (continued)*

Maturity distribution of monetary assets and liabilities:

| December 31, 2021 | Book value | Up to 1 month | 1 to 3 months | 3 to 6 months | 6 to 12 months | Over 1 year |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 5.116.960.019 | 2.536.128.008 | 2.421.765.236 | 118.228.812 | 40.837.963 | - |
| Financial assets and financial investments with risks on policyholders(*) | 8.836.894.794 | 1.110.807.808 | 536.920.915 | 488.705.204 | 825.503.635 | 5.874.957.232 |
| Receivables from main operations | 4.294.808.607 | 325.818.931 | 976.931.120 | 1.131.150.500 | 306.486.324 | 1.554.421.732 |
| Other receivables and current assets | 301.292.588 | 249.180.253 | 4.824.034 | 28.053.544 | 18.889.709 | 345.048 |
| **Total monetary assets** | **18.549.956.008** | **4.221.935.000** | **3.940.441.305** | **1.766.138.060** | **1.191.717.631** | **7.429.724.012** |
| **Liabilities** | | | | | | |
| Financial liabilities | 389.506.210 | 117.453.125 | 31.076.748 | 181.499.967 | 4.033.225 | 55.443.145 |
| Payables arising from main operations | 1.761.423.525 | 558.634.193 | 157.094.353 | 283.045.708 | 732.175.461 | 30.473.810 |
| Due to related parties | 583.728 | 583.728 | - | - | - | - |
| Other liabilities | 196.778.372 | 103.607.823 | 76.828.510 | - | 16.342.039 | - |
| Insurance technical reserves (**) | 8.647.449.233 | 454.970.188 | 780.642.561 | 506.926.991 | 686.963.252 | 6.217.946.241 |
| Provisions for taxes and other similar obligations | 212.288.501 | 134.859.709 | 77.428.792 | - | - | - |
| Provisions for other risks and expense accruals | 297.489.442 | 61.873.779 | 17.590.467 | - | 100.034.647 | 117.990.549 |
| **Total monetary liabilities** | **11.505.519.011** | **1.431.982.545** | **1.140.661.431** | **971.472.666** | **1.539.548.624** | **6.421.853.745** |

(*) Equity shares amounting to TL 493.172.581 are not included.

(**) Provisions for outstanding claims are subject to maturity distribution, taking into account the estimated payment dates, and all of the provisions for outstanding claims are presented under current liabilities in the accompanying consolidated financial statements. Provisions for outstanding claims that could not be distributed consistently are shown in the "more than 1 year" column.

*(Currency: Turkish Lira (TL))*

# 4 Management of insurance and financial risk *(continued)*

## 4.2 Management of financial risk *(continued)*

*Management of the liquidity risk (continued)*

| 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.

(**) Provisions for outstanding claims are subject to maturity distribution, taking into account the estimated payment dates, and all of the provisions for outstanding claims are presented under current liabilities in the accompanying consolidated financial statements. Provisions for outstanding claims that could not be distributed consistently are shown in the “more than 1 year” 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 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.

*(Currency: Turkish Lira (TL))*

# 4 Management insurance and financial risk *(continued)*

## 4.2 Management of financial risk *(continued)*

### Market risk *(continued)*

*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 balances evaluated by the Central Bank of Republic of Turkey's ("TCMB") exchange buying rates and the liabilities balances evaluated by the TCMB exchange selling rates. Differences arising from foreign currency rates are recorded as foreign exchange gain or loss in the statement of income.

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

| **December 31, 2021** | **US Dollar** | **Euro** | **Other currencies** | **Total** |
|---|---|---|---|---|
| ***Assets:*** | | | | |
| Cash and cash equivalents | 328.755.849 | 327.035.564 | 99.231.469 | 755.022.882 |
| Financial assets and financial investments with risks on policyholders | 5.319.979.824 | 632.265.575 | - | 5.952.245.399 |
| Receivables from main operations | 1.359.979.579 | 463.521.950 | 547.212.377 | 2.370.713.906 |
| **Total foreign currency assets** | **7.008.715.252** | **1.422.823.089** | **646.443.846** | **9.077.982.187** |
| ***Liabilities:*** | | | | |
| Payables arising from main operations | (3.453.872.230) | (660.656.397) | (71.197.246) | (4.185.725.873) |
| Insurance technical reserve(*) | (109.127.512) | (13.483.559) | (270.897.303) | (393.508.374) |
| Financial Liabilities | (3.473.100.234) | (662.188.119) | (3.234.894) | (4.138.523.247) |
| **Total foreign currency liabilities** | **(7.036.099.976)** | **(1.336.328.075)** | **(345.329.443)** | **(8.717.757.494)** |
| **Net financial position** | **(27.384.724)** | **86.495.014** | **301.114.403** | **360.224.693** |

| **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** |

(*) 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.

In order to evaluate the table above, the TL equivalents of the relevant foreign currency amounts are shown. If no exchange rate is specified, foreign currency technical reserves are valued at theTCMB's selling rate of foreign currency as of December 31, 2021, while other foreign currency transactions are accounted at the prevailing exchange rates on the date of the transaction, and as of the end of the reporting period, active items in foreign currency at the TCMB buying rates and liabilities as of December 31, 2021. It is valued with the TCMB selling rates.

*(Currency: Turkish Lira (TL))*

# 4 Management insurance and financial risk *(continued)*

## 4.2 Management of financial risk *(continued)*

*Foreign currency risk (continued)*

Foreign currency rates used for the translation of foreign currency denominated monetary assets and liabilities As of December 31, 2021 and 2020 are as follows:

| | **End of the period (Buying)** | | **End of the period (Selling)** | | **Average** | |
|---|---|---|---|---|---|---|
| | **US Dollar** | **Euro** | **US Dollar** | **Euro** | **US Dollar** | **Euro** |
| December 31,2021 | 13,3290 | 15,0867 | 13,3530 | 15,1139 | 8,8557 | 10,4408 |
| December 31,2020 | 7,3405 | 9,0079 | 7,3537 | 9,0241 | 7,0034 | 8,0140 |

*Exposure to foreign currency risk*

A 20 percent depreciation of the TL against the following currencies As of December 31, 2021 would have increased or decreased equity and profit or loss (excluding tax effects) by the amounts shown below (December 31, 2020: 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, 2021** | | **December 31, 2020** | |
|---|---|---|---|---|
| | **Profit or loss** | **Equity**(*) | **Profit or loss** | **Equity**(*) |
| US Dollar | (5.476.945) | (5.476.945) | 122.993.902 | 122.993.902 |
| Euro | 17.299.003 | 17.299.003 | (6.405.005) | (6.405.005) |
| Others | 60.222.881 | 60.222.881 | 5.951.625 | 5.951.625 |
| **Total, net** | **72.044.939** | **72.044.939** | **122.540.522** | **122.540.522** |

(*) Equity effect also includes profit or loss effect of 20% depreciation of TL against related currencies (December 31, 2020: 20% depreciation of TL).

*(Currency: Turkish Lira (TL))*

# 4 Management insurance and financial risk *(continued)*

## 4.2 Management of financial risk *(continued)*

**Market risk** *(continued)*

*Exposure to interest rate risk (continued)*

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, 2021** | **December 31, 2020** |
|---|---|---|
| **Financial assets** | | |
| *Financial assets with fixed interest rates:* | ***11.852.882.496*** | ***8.338.748.369*** |
| Cash at banks *(Note 14)*(*) | 3.868.387.140 | 4.007.128.416 |
| Available for sale financial assets – Private sector bonds *(Note 11)* | 3.416.179.119 | 1.915.793.014 |
| Available for sale financial assets – Government bonds *(Note 11)* | 1.985.467.702 | 926.457.441 |
| Cash deposited to insurance and reinsurance companies *(Note 12)* | 631.657.233 | 397.198.168 |
| F.V. held to maturity - government debt securities (Note 11) | 329.943.241 | 322.276.101 |
| Held for trading financial assets – other *(Note 11)* | 479.673.282 | 54.114.245 |
| Held-to-maturity financial assets - private sector debt securities (Note 11) | 1.141.574.778 | 715.780.984 |
| *Financial assets with variable interest rate:* | ***906.451.254*** | ***363.728.340*** |
| Available for sale financial assets – Private sector bonds *(Note 11)* | 882.362.938 | 340.231.872 |
| Available for sale financial assets – Government bonds *(Note 11)* | 24.088.316 | 23.496.468 |
| **Financial liabilities:** | | |
| *Financial liabilities with fixed interest rate:* | ***389.506.210*** | ***58.754.871*** |
| Expense Accruals From Derivative Contracts *(Note 20)* | 326.794.945 | - |
| Payables from operating leases *(Note 34)* | 62.711.265 | 58.754.871 |

(*) Demand deposits amounting to TL 144.016.023 are not included (December 31, 2020: TL 90.349.000).

# 4 Management insurance and financial risk *(continued)*

## 4.2 Management of financial risk *(continued)*

**Market risk** *(continued)*

*Fair value information*

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

The Group has classified its financial assets as held for trading or available for sale, As at the reporting date, available for sale financial assets and financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying consolidated financial statements.

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

*Classification relevant to fair value information*

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

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

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

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

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

*(Currency: Turkish Lira (TL))*

# 4 Management insurance and financial risk *(continued)*

## 4.2 Management of financial risk *(continued)*

**Market risk** *(continued)*

*Classification relevant to fair value information (continued)*

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

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| ***Financial assets:*** | | | | |
| Available for sale financial assets *(Note 11) (*)* | 6.785.851.089 | 143.627.229 | - | 6.929.478.318 |
| Financial assets held for trading *(Note 9)* | 828.950.976 | 99.127.990 | - | 928.078.966 |
| Financial assets to be held to maturity (Note 11) | 1.471.518.019 | | | 1.471.518.019 |
| Associates | - | 395.748.095 | - | 395.748.095 |
| Subsidiaries | - | 3.992.980 | - | 3.992.980 |
| **Total financial assets** | **9.086.320.084** | **642.496.294** | | **9.728.816.378** |
| **Tangible assets:** | | | | |
| Investment properties *(Note 6)* | - | 635.476.000 | - | 635.476.000 |
| Owner occupied properties *(Note 6)* | - | 256.634.240 | - | 256.634.240 |
| **Total tangible assets** | **-** | **892.110.240** | **-** | **892.110.240** |
| **Total** | **9.086.320.084** | **1.534.606.534** | | **10.620.926.618** |

| | 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 |
| Financial assets to be held to maturity (Note 11) | 1.038.057.085 | - | - | 1.038.057.085 |
| Associates | - | 336.397.607 | - | 336.397.607 |
| 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** |

(*) As of December 31, 2021, securities that are not publicly traded amounting to TL 992.072 (December 31, 2020: TL 1.031.948) have been measured at cost.

*(Currency: Turkish Lira (TL))*

# 4 Management insurance and financial risk *(continued)*

## 4.2 Management of financial risk *(continued)*

**Market risk** *(continued)*

*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, 2021** | | **December 31, 2020** | |
|---|---|---|---|---|
| | **Profit or loss** | **Equity(*)** | **Profit or loss** | **Equity(*)** |
| Financial assets held for trading | (5.534.272) | (5.534.272) | (2.975.448) | (2.975.448) |
| Available for sale financial assets | - | (43.683.779) | - | (47.107.203) |
| **Total, net** | **(5.534.272)** | **(49.218.051)** | **(2.975.448)** | **(50.082.651)** |

(*) 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, 2021** | **December 31, 2020** |
|---|---|---|
| Income from derivative transactions | 1.808.979.313 | 787.297.521 |
| Interest income from bank deposits | 593.147.319 | 354.970.495 |
| Foreign exchange gains | 3.822.076.685 | 1.112.174.319 |
| Interest income from available-for-sale financial assets | 226.125.665 | 127.162.085 |
| Income from participates | 146.997.494 | 110.657.245 |
| Income from investment funds reclassified as available for sale financial assets | 236.423.276 | 96.729.941 |
| Income from equity shares classified as held for trading financial assets | 36.991.428 | 33.099.883 |
| Income from investment funds reclassified as held for trading financial assets | 116.041.312 | 40.222.452 |
| Income from equity shares | 58.920.201 | 34.236.406 |
| Income from subsidiaries | 148.939 | 63.549 |
| Interest income from repos | 160.753 | 50 |
| Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15)* | 251.244.060 | 100.066.628 |
| Interest income from debt securities classified as held to maturity financial investments | 94.636.714 | 56.474.517 |
| Other | 7.093.015 | 5.806.771 |
| **Investment income** | **7.398.986.174** | **2.858.961.862** |
| Loss from valuation of financial assets | (2.037.569) | (3.920.793) |
| Loss from derivative transactions | (3.017.776.367) | (776.356.453) |
| Investment management expenses (including interest) | (31.565.502) | (19.235.674) |
| Loss from disposal of financial assets | (97.064.043) | (57.271.018) |
| Foreign exchange losses | (843.340.003) | (608.836.954) |
| **Investment expenses** | **(3.991.783.484)** | **(1.465.620.892)** |
| | | |
| **Investment income, net** | **3.407.202.690** | **1.393.340.970** |

| ***Financial gains and losses recognized in equity, net:*** | **December 31, 2021** | **December 31, 2020** |
|---|---|---|
| Fair value changes in available for sale financial assets *(Note 15)* | (4.810.318) | 284.664.373 |
| Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15)* | (251.244.060) | (100.066.628) |
| **Total** | **(256.054.378)** | **184.597.745** |

# 4 Management insurance and financial risk *(continued)*

## 4.2 Management of financial risk *(continued)*

**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 980.075.804 (December 31, 2020: TL 719.335.487) As of December 31, 2021. As of December 31, 2021, and 2020, the capital amount of the Company presented in the unconsolidated financial statements are TL 3.000.442.620 and 2.638.633.525 respectively and capital surplus of the Company is amounting to TL 1.975.351.761 (December 31, 2020: TL 1.813.120.282) according to the communiqué.

As of June 30, 2021, required equity amount determined in calculations over consolidated financial statements of Company's subsidiary Anadolu Sigorta, is amounted TL 2.682.124.849. As of 30 June 2021, the amount of raw equity in Anadolu Sigorta's unconsolidated financial statements is TL 419.709.967 above the required equity amount calculated in accordance with the regulation.

# 5 Segment information

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

**Business segment**

Financial information of the Group is presented on life and non-life basis in the accompanying consolidated financial statements.

**Geographical segment**

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

*(Currency: Turkish Lira (TL))*

# 6 Tangible assets

Movement in tangible assets in the period from January 1 to December 31, 2021 is presented below:

| | January 1, 2021 | Addition | Foreign currency translation effect(*) | Disposals | Transfers | Valuation differences | December 31, 2021 |
|---|---|---|---|---|---|---|---|
| ***Cost:*** | | | | | | | |
| Investment properties *(Note 7)* | 532.918.500 | - | - | - | - | 102.557.500 | 635.476.000 |
| Buildings for own use | 198.426.240 | 386.023 | - | (645.000) | - | 58.466.977 | 256.634.240 |
| Machinery and equipment | 92.149.319 | 30.384.338 | - | (4.307.259) | - | - | 118.226.398 |
| Furniture and fixtures | 27.217.474 | 3.134.253 | 1.432.218 | (451.445) | - | - | 31.332.500 |
| Land Vehicles | 7.033.036 | - | 795.337 | - | - | - | 7.828.373 |
| Other tangible assets (including leasehold improvements) | 30.451.919 | 2.963.069 | - - | - (158.683) | - | - | 33.256.305 |
| Leased tangible assets | 3.858.074 | - | - | - | - | - | 3.858.074 |
| Operating Lease Buildings | 66.535.309 | 13.972.868 | 2.491.466 | (9.845.035) | - | - | 73.154.608 |
| Ongoing investments(**) | - | 5.924.030 | | - | | | 5.924.030 |
| | **958.589.871** | **56.764.581** | **4.719.021** | **(15.407.422)** | **-** | **161.024.477** | **1.165.690.528** |
| ***Accumulated depreciation:*** | | | | | | | |
| Buildings for own use | 1.284.646 | 921.219 | - | (13.564) | - | (1.911.420) | 280.881 |
| Machinery and equipment | 67.779.244 | 15.238.382 | - | (4.279.387) | - | - | 78.738.239 |
| Furniture and fixtures | 19.576.827 | 2.378.741 | 1.373.936 | (122.341) | - | - | 23.207.163 |
| Land Vehiclesss | 2.852.972 | 1.436.310 | 238.120 | - | - | - | 4.527.402 |
| Other tangible assets (including leasehold improvements) | 24.142.098 | 2.097.382 | - | (144.311) | - | - | 26.095.169 |
| Leased tangible assets | 3.858.074 | - | - | - | - | - | 3.858.074 |
| Operating Lease Buildings | 15.642.897 | 9.277.264 | 1.113.838 | (4.744.526) | - | - | 21.289.473 |
| | **135.136.758** | **31.349.298** | **2.725.894** | **(9.304.129)** | **-** | **(1.911.420)** | **157.996.401** |
| **Net book value** | **823.453.113** | | | | | | **1.007.694.127** |

(*) Foreign currency translation effect resulted from Singapore Branch.

(**) The costs related to heating and cooling group renewal in the investment in ongoing invesments.

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 Vehicles | 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.

*(Currency: Turkish Lira (TL))*

## 6 Tangible Assets (continued)

As of 31 December 2021 and 31 December 2020, the Group's real estates, some of which are for investment purposes and some for use, are valued at their fair value and are valued in this context. The appraisal reports for these real estates were prepared by the CMB licensed real estate appraisal company in December 2021 for Anadolu Sigorta and in September 2021 for Milli Reasürans. There is no mortgage on the Group's real estate for use. Milli Re's real estate for use was revalued as of September 2021, and the appraisal reports for these real estates were prepared in September 2021 by a real estate appraisal company licensed by the CMB..

As of December 31, 2021, 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, 2021) | Net Book Value (December 31, 2020) |
|---|---|---|---|---|
| Headquarter | September 2021 | 234.955.000 | 234.710.806 | 178.902.180 |
| İzmir Regional Headquarter | December 2021 | 10.480.000 | 10.452.348 | 9.494.289 |
| Adana Regional Headquarter | December 2021 | 3.310.000 | 3.306.772 | 2.942.774 |
| Lefkoşe Cyprus Branch | December 2021 | 7.244.000 | 7.239.810 | 4.346.962 |
| Adana Office | December 2021 | 414.000 | 413.093 | 591.972 |
| Other | December 2021 | 210.000 | 230.530 | 863.417 |
| **Total** | | **256.613.000** | **256.353.359** | **197.141.594** |

### *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, 2021, and 2020, there is no mortgage on Group’s tangible assets.

*(Currency: Turkish Lira (TL))*

## 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, 2021 and 2020 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, 2021, the Group has rental income from investment properties amounting to TL 102.557.500 (December 31, 2020: TL 20.661.395).

As of December 31, 2021, inflation adjusted cost and carrying amounts of the Company's investment properties are amounting to TL 635.476.000 (December 31, 2020: TL 532.918.500)

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, 2021, and 2020, details of investment properties and the fair values are as follows:

| | December 31, 2021 Net book value | December 31, 2020 Net book value | Date of expertise report | Value of expertise report |
|---|---|---|---|---|
| Operating Center Rental Offices | 265.345.000 | 212.300.000 | September 2021 | 265.345.000 |
| Suadiye Fitness Center | 48.770.000 | 45.840.000 | September 2021 | 48.770.000 |
| Tunaman Garage | 182.925.000 | 155.075.000 | September 2021 | 182.925.000 |
| Villa Office Block | 52.850.000 | 45.600.000 | September 2021 | 52.850.000 |
| Çifteler Land | 6.000 | 6.000 | September 2021 | 6.000 |
| Other buildings | 85.580.000 | 74.097.500 | September 2021 | 85.580.000 |
| **Net book value** | **635.476.000** | **532.918.500** | | **635.476.000** |

***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, 2021 is presented below:

| | January 1, 2021 | Additions | Transfers | Foreign currency translation effects(*) | Disposals | December 31, 2021 |
|---|---|---|---|---|---|---|
| ***Cost:*** | | | | | | |
| Other intangible assets | 325.342.220 | 19.091.943 | 80.582.381 | 128.815 | - | 425.145.359 |
| Goodwill | 9.121.309 | 96.260.406 | (80.582.381) | - | - | 24.799.334 |
| Advances given for intangible assets ** | 16.250.000 | - | - | - | - | 16.250.000 |
| | **350.713.529** | **115.352.349** | **-** | **128.815** | **-** | **466.194.693** |
| ***Accumulated amortization:*** | | | | | | |
| Other intangible assets | 193.489.327 | 70.618.233 | - | 95.737 | - | 264.203.297 |
| | **193.489.327** | **70.618.233** | **-** | **95.737** | **-** | **264.203.297** |
| **Net book value** | **157.224.202** | | | | | **201.991.396** |

(*) Foreign currency translation effect resulted from Singapore Branch.

(**) IFRS 17 has been given with reference to licensing-consultation and computer software.

*(Currency: Turkish Lira (TL))*

## 8 Intangible assets *(continued)*

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 | 93.651.275 | 866.720 | (4.460.001) | 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.

## 9 Investments in associates

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | **Book value** | **Participation rate %** | **Book value** | **Participation rate %** |
| Anadolu Hayat Emeklilik A.Ş. | 395.748.095 | 21,00 | 336.397.607 | 21,00 |
| **Affiliates, net** | **395.748.095** | | **336.397.607** | |
| Miltaş Turizm Inşaat Ticaret Anonim Şirketi | 3.992.980 | 78,00 | 3.796.088 | 77,00 |
| **Subsidiaries, net** | **3.992.980** | | **3.796.088** | |
| **Total financial asset** | **399.741.075** | | **340.193.695** | |

| **Name** | **Total assets** | **Shareholders' equity** | **Retained earnings** | **Profit for the year** | **Audited** | **Period** |
|---|---|---|---|---|---|---|
| ***Subsidiaries:*** | | | | | | |
| Miltaş Turizm Inşaat Ticaret AŞ | 5.688.344 | 5.119.204 | 8.636 | 190.948 | Not Audited. | 31 December 2021 |
| **Associates*:*** | | | | | | |
| Anadolu Hayat Emeklilik AŞ (consolidated) | 51.499.992.517 | 1.884.514.731 | 108.600.909 | 699.988.065 | Audited. | 31 December 2021 |

In the current period TL 146.997.494 (December 31, 2021: 110.657.245) of income is obtained from associates and TL 148.939 of income is obtained from subsidiaries (December 31, 2020: TL 63.549) through equity accounted consolidation method.

*(Currency: Turkish Lira (TL))*

## 10 Reinsurance assets and liabilities

As of December 31, 2021, and 2020, outstanding reinsurance assets and liabilities of the Group in accordance with existing reinsurance contracts are as follows:

| **Reinsurance assets** | **December 31, 2021** | **December 31, 2020** |
|---|---|---|
| Unearned premiums reserves, ceded (Note 17) | 1.563.331.963 | 1.089.324.599 |
| Outstanding claims reserve, ceded (Note 4.2), (Note 17) | 2.957.988.891 | 2.179.921.969 |
| Receivables from reinsurance companies (Note 12) | 467.249.577 | 261.679.932 |
| Cash deposited to reinsurance companies | 631.657.238 | 397.198.168 |
| **Total** | **5.620.227.669** | **3.928.124.668** |

There are no impairment losses recognized for reinsurance assets.

| **Reinsurance liabilities** | **December 31, 2021** | **December 31, 2020** |
|---|---|---|
| Payables to the reinsurers related to premiums written *(Note 19)* | 1.243.712.653 | 622.634.390 |
| Deferred commission income *(Note 19)* | 202.730.004 | 135.727.041 |
| Cash deposited by reinsurance companies | 7.358.088 | 5.458.061 |
| Commission payables to the reinsurers related to written premiums *(Note 19)* | 8.390.642 | - |
| **Total** | **1.462.191.387** | **763.819.492** |

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

| | **December 31, 2021** | **December 31, 2020** |
|---|---|---|
| Premiums ceded during the period *(Note 17)* | (3.329.771.438) | (2.445.366.365) |
| Unearned premiums reserve, ceded at the beginning of the period *(Note 17)* | (1.089.324.599) | (868.053.967) |
| Unearned premiums reserve, ceded at the end of the period *(Note 17)* | 1.563.331.963 | 1.089.324.599 |
| **Earned premiums, ceded** *(Note 17)* | **(2.855.764.074)** | **(2.224.095.733)** |
| Claims paid, ceded during the period *(Note 17)* | 886.178.220 | 772.211.955 |
| Outstanding claims reserves, ceded at the beginning of the period *(Note 17)* | (2.179.921.969) | (1.507.010.830) |
| Outstanding claims reserves, ceded at the end of the period *(Note 17)* | 2.957.988.891 | 2.179.921.969 |
| **Incurred claims, ceded** *(Note 17)* | **1.664.245.142** | **1.445.123.094** |
| Commission income accrued from reinsurers during the period *(Note 32)* | 385.906.303 | 287.174.537 |
| Deferred commission income at the beginning of the period *(Note 19)* | 135.727.041 | 109.664.368 |
| Deferred commission income at the end of the period *(Note 19)* | (202.730.004) | (135.727.041) |
| **Commission income earned from reinsurers** *(Note 32)* | **318.903.340** | **261.111.864** |
| **Changes in unexpired risk reserves, reinsurers' share** *(Note 17)* | **98.986.599** | **43.680.925** |
| **Total, net** | **(773.628.993)** | **(474.179.850)** |

*(Currency: Turkish Lira (TL))*

## 11 Financial assets

As of December 31, 2021, and 2020, the Group's financial assets are detailed as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Available for sale financial assets | 6.937.424.930 | 4.342.132.693 |
| Financial assets held for trading | 928.078.966 | 420.642.549 |
| Impairment loss on available for sale financial assets | 1.471.518.019 | 1.038.057.085 |
| Impairment in value of financial assets (-) | (6.954.540) | (6.954.540) |
| **Total** | **9.330.067.375** | **5.793.877.787** |

As of December 31, 2021, and 2020, the Group's financial assets held for trading are detailed as follows:

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | Nominal value | Cost | Fair value | Book value |
| ***Debt instruments:*** | | | | |
| Other TL | - | 479.103.135 | 479.673.281 | 479.673.281 |
| | **-** | **479.103.135** | **479.673.281** | **479.673.281** |
| ***Non-fixed income financial assets:*** | | | | |
| Investment funds TL | - | 191.086.615 | 299.397.911 | 299.397.911 |
| Investment funds EUR | | 63.032.262 | 84.376.756 | 84.376.756 |
| Equity shares | - | 34.919.176 | 55.342.715 | 55.342.715 |
| Derivative guarantees | - | 7.007.053 | 9.288.303 | 9.288.303 |
| | **-** | **296.045.106** | **448.405.685** | **448.405.685** |
| **Total financial assets held for trading** | **-** | **775.148.241** | **928.078.966** | **928.078.966** |

| | 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** |

*(Currency: Turkish Lira (TL))*

## 11 Financial assets *(continued)*

As of December 31, 2021, and 2020, the Group's available for sale financial assets are detailed as follows:

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | **Nominal value** | **Cost** | **Fair value** | **Book Value** |
| ***Debt instruments:*** | | | | |
| Government bonds – TL | 1.381.716.740 | 1.220.705.372 | 1.155.385.162 | 1.155.385.162 |
| Government bonds – USD | 209.312.910 | 412.603.919 | 520.647.054 | 520.647.054 |
| Government bonds – EUR | 163.092.000 | 283.141.231 | 333.523.802 | 333.523.802 |
| Private sector bonds – USD | 3.116.939.583 | 3.317.796.056 | 3.467.190.557 | 3.467.190.557 |
| Private sector bonds- TL | 753.706.825 | 742.405.526 | 763.369.122 | 763.369.122 |
| Private sector bonds - EUR | 75.433.500 | 74.415.148 | 74.936.919 | 74.936.919 |
| Impairment loss on private sector bonds | | | (6.954.540) | (6.954.540) |
| | | **6.051.067.252** | **6.308.098.076** | **6.308.098.076** |
| ***Non-fixed income financial assets:*** | | | | |
| Equity shares | | 238.492.481 | 437.829.866 | 437.829.866 |
| Investment funds | | 152.825.735 | 184.542.448 | 184.542.448 |
| | | **391.318.216** | **622.372.314** | **622.372.314** |
| **Total available for sale financial assets** | | **6.442.385.468** | **6.930.470.390** | **6.930.470.390** |

| | 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 |
| Private sector bonds – TL | 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 – EUR | 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:*** | | | | |
| Investment funds | | 186.213.078 | 472.103.981 | 472.103.981 |
| Equity shares | | 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** |

All debt instruments presented above are traded in the capital markets, As of December 31, 2021, equity shares classified as available for sale financial assets with a carrying amount of TL 992.072 are not publicly traded (December 31, 2020: TL 1.031.948).

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** |
|---|---|---|
| 2021 | (256.054.378) | 28.018.183 |
| 2020 | 184.597.745 | 284.072.561 |
| 2019 | 137.867.758 | 99.474.816 |

*(Currency: Turkish Lira (TL))*

## 11 Financial assets *(continued)*

As of December 31, 2021, and 2020 the Group's held to maturity financial assets portfolio are detailed as follows:

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | **Nominal value** | **Cost** | **Fair value** | **Net book value** |
| **Debt instruments:** | | | | |
| Government bonds – USD | 193.270.500 | 183.060.487 | 194.882.716 | 190.515.144 |
| Government bonds – EUR | 133.653.075 | 135.010.836 | 137.300.143 | 139.428.097 |
| Private sector bonds – USD | 1.149.892.830 | 1.087.955.022 | 1.143.972.754 | 1.141.574.778 |
| **Total held to maturity financial assets** | | **1.406.026.345** | **1.476.155.613** | **1.471.518.019** |

| | 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** | | **1.011.860.271** | **1.087.016.522** | **1.038.057.085** |

As of December 31, 2021, and 2020, the movement of the financial assets is presented below:

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | **Trading** | **Available-for-Sale** | **Held to maturity** | **Total** |
| **Balance at the beginning of the period** | **420.642.549** | **4.335.178.153** | **1.038.057.085** | **5.793.877.787** |
| Acquisitions during the period | 612.070.482 | 15.765.943.347 | - | 16.378.013.829 |
| Disposals (sale and redemption) | (730.037.032) | (15.317.942.351) | (303.407.858) | (16.351.387.241) |
| Change in the fair value of financial assets | 601.686.722 | 54.702.285 | - | 656.389.007 |
| Change in amortized cost of the financial assets | - | 1.847.947.238 | 736.868.792 | 2.584.816.030 |
| Bonus shares acquired | 23.716.245 | 244.641.718 | - | 268.357.963 |
| **Balance at the end of the period** | **928.078.966** | **6.930.470.390** | **1.471.518.019** | **9.330.067.375** |

| | 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** |

*(Currency: Turkish Lira (TL))*

## 11 Financial assets *(continued)*

Details of the financial assets issued by related parties of the Group are as follows:

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | **Nominal value** | **Cost** | **Fair value** | **Book value** |
| Available for sale financial assets – Investment funds | 101.957.587 | 141.128.226 | 171.415.425 | 171.415.425 |
| Available for sale financial assets – Private sector bonds | 394.251.825 | 382.337.119 | 386.564.161 | 386.564.161 |
| Available for sale financial assets – Private sector bonds | 258.584.875 | 323.176.383 | 340.292.712 | 340.292.712 |
| Financial assets held for trading – Investment funds | 50.820.215 | 141.084.477 | 235.476.922 | 235.476.922 |
| Available for sale financial assets – Equity shares | - | 61.871.244 | 104.398.469 | 104.398.469 |
| Financial assets held to maturity - Bonds | 466.781.580 | 454.396.713 | 461.614.653 | 469.932.162 |
| **Total** | | **1.503.994.162** | **1.699.762.342** | **1.708.079.851** |

| | December 31, 2020 | | | |
|---|---|---|---|---|
| | **Nominal value** | **Cost** | **Fair value** | **Book value** |
| 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 | 274.294.130 | 345.092.297 | 373.603.758 | 373.603.758 |
| Available for sale financial assets – Investment funds | 18.109.391 | 223.246.721 | 273.173.933 | 273.173.933 |
| Available for sale financial assets – Investment funds | 120.369.810 | 349.955.709 | 400.926.647 | 400.926.647 |
| Available for sale financial assets – Equity shares | - | 61.871.244 | 157.594.734 | 157.594.734 |
| Financial assets held for trading – 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** |

As of December 31, 2021, and 2020, 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.

*(Currency: Turkish Lira (TL))*

## 12 Loans and receivables

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Receivables from main operations *(Note 4.2)* | 4.294.808.607 | 2.737.409.366 |
| Prepaid taxes and funds *(Note 19), (Note 4.2)* | 27.518.720 | 23.269.996 |
| Income accruals (*Note 4.2)* | 169.041.598 | 209.572.327 |
| Other receivables *(Note 4.2)* | 58.682.491 | 44.338.424 |
| Other current assets *(Note 4.2)* | 3.037.253 | 211.124 |
| **Total** | **4.553.088.669** | **3.014.801.237** |
| Short-term receivables | 4.426.988.027 | 2.850.540.383 |
| Medium and long-term receivables | 126.100.642 | 164.260.853 |
| **Total** | **4.553.088.669** | **3.014.801.236** |

As at December 31, 2021 and 2020, receivables from main operations are detailed as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Receivables from insurance companies | 197.350.065 | 147.013.858 |
| Receivables from reinsurance companies *(Note 10)* | 467.249.577 | 261.679.932 |
| Receivables from agencies, brokers and intermediaries | 109.364.567 | 72.411.442 |
| **Total receivables from reinsurance operations, net** | **773.964.209** | **481.105.232** |
| Receivables from agencies, brokers and other intermediaries | 2.178.274.951 | 1.379.824.798 |
| Receivables from insurance and reinsurance companies | 430.432.842 | 66.508.000 |
| Long term receivable which is bank guarantee and three months credit card | 42.690.388 | 323.669.240 |
| Salvage and subrogation receivables *(Note 2.21)* | 142.555.437 | 88.399.103 |
| Receivables from policyholders | 133.135.883 | 25.449.268 |
| **Total receivables from insurance operations, net** | **2.927.089.501** | **1.883.850.409** |
| Cash deposited to insurance and reinsurance companies *(Note 4.2)* | 631.657.233 | 397.198.168 |
| Provisions for receivables from insurance operations – subrogation receivables *(Note 2.21)* | (37.902.336) | (24.744.443) |
| Doubtful receivables from main operations – premium receivables | 102.222.152 | 72.007.562 |
| Provision for doubtful receivables from main operations – premium receivables | (102.222.152) | (72.007.562) |
| Doubtful receivables from insurance operations – subrogation receivables | 512.028.247 | 416.224.077 |
| Provisions for doubtful receivables from insurance operations – subrogation receivables | (512.028.247) | (416.224.077) |
| **Receivables from main operations** | **4.294.808.607** | **2.737.409.366** |

As of December 31, 2021, and 2020, mortgages and collaterals obtained for receivables are disclosed as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Mortgage notes | 99.845.138 | 96.436.638 |
| Letters of guarantees | 162.734.100 | 135.183.316 |
| Other guarantees | 131.947.292 | 85.078.544 |
| Government bonds and treasury bills | 73.656 | 2.873.656 |
| **Total** | **394.600.186** | **319.572.154** |

*(Currency: Turkish Lira (TL))*

## 12 Loans and receivables *(continued)*

**Provisions for overdue receivables and receivables not due yet**

a) Receivables under legal or administrative follow up (due): TL 102.222.152 for main operations (December 31, 2020: TL 72.007.562) and TL 1.061.329 (December 31, 2020: TL 832.788) for other receivables.

b) Provision for premium receivables (due): None (December 31, 2020: None).

c) Provision for subrogation receivables: TL 549.930.583 (December 31, 2020: TL 440.968.520).

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, 2021, the Group has derivative financial instruments recognized in the financial assets held for trading amounting to TL 9.288.303 (December 31, 2020: TL 63.599.896).

As of December 31, 2021, the Group has accounted in income accruals and other financial liabilities amounting to TL 145.419.619 (December 31, 2020: TL 183.754.467) that is increase in value while there is TL 326.794.946 impairment balance under the other financial liabilities account (December 31, 2020: None) due to forward foreign currency agreement.

## 14 Cash and cash equivalents

As of December 31, 2021, and December 31, 2020, the details of the cash and cash equivalents are as follows:

| | **December 31, 2021** | | **December 31, 2020** | |
|---|---|---|---|---|
| | **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 | 103.408 | 76.079 | 76.079 | 117.671 |
| Cheques received | - | 400.138 | 400.138 | 240.000 |
| Bank deposits | 4.012.403.163 | 4.097.477.416 | 4.097.477.416 | 5.803.536.011 |
| Cheques given and payment orders | (19.566) | (8.020) | (8.020) | (35.083) |
| Bank guaranteed credit card receivables with maturities less than three months | 1.104.473.014 | 771.479.380 | 771.479.380 | 587.341.970 |
| **Cash and cash equivalents in the balance sheet** | **5.116.960.019** | **4.869.424.993** | **4.869.424.993** | **6.391.200.569** |
| Bank deposits – blocked(*) | (272.352.942) | (836.221.606) | (836.221.606) | (467.204.688) |
| Time deposits with maturities longer than 3 months | (180.310.274) | (145.142.438) | (145.142.438) | (2.191.076.064) |
| Interest accruals on banks deposits | (26.751.424) | (16.704.794) | (16.704.794) | (11.488.428) |
| **Cash and cash equivalents presented in the statement of cash flows** | **4.637.545.379** | **3.871.356.155** | **3.871.356.155** | **3.721.431.389** |

(*) As of December 31, 2021, cash collateral amounting to TL 226.986.014 is kept in favour of the T.C. Sigortacılık ve Özel Emeklilik Düzenleme ve Denetleme Kurumuand Finance and ve 45.366.428 is kept in favour of Agricultural Insurance Pool as a guarantee for the insurance activities of Anadolu Sigorta..

## 14 Cash and cash equivalents *(continued)*

As of December 31, 2021, and 2020, bank deposits are further analysed as follows:

| | **December 31, 2021** | **December 31, 2020** |
|---|---|---|
| Foreign currency denominated bank deposits | | |
| - time deposits | 619.358.056 | 1.179.927.143 |
| - demand deposits | 135.592.241 | 78.824.641 |
| | | |
| Bank deposits in Turkish Lira | | |
| - time deposits | 3.249.029.084 | 2.827.201.273 |
| - demand deposits | 8.423.782 | 11.524.359 |
| **Bank deposits** | **4.012.403.163** | **4.097.477.416** |

## 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, 2021, and 2020, the shareholding structure of the Company is presented below:

| | **December 31, 2021** | | **December 31, 2020** | |
|---|---|---|---|---|
| **Name** | **Shareholding amount(TL)** | **Shareholding rate (%)** | **Shareholding amount(TL)** | **Shareholding rate (%)** |
| Türkiye İş Bankası A.Ş. | 578.177.926 | 87,60 | 578.177.926 | 87,60 |
| 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 | 0,66 |
| **Paid in capital** | **660.000.000** | **100,00** | **660.000.000** | **100,00** |

As of December 31, 2021, the issued share capital of the Group is TL 660.000.000 (December 31, 2020: TL 660.000.000) and the share capital of the Group consists of 66.000.000.000 (December 31, 2020: 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.

*(Currency: Turkish Lira (TL))*

## 15 Equity *(continued)*

**Equity method consolidation**

As of December 31, 2021, and 2020, in the accompanying consolidated financial statements of the Group, Anadolu Hayat, 21% and Miltaş, 78% of shares is owned by the Group are consolidated by using the equity method.

**Legal Reserves**

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

The movements of legal reserves are as follows:

| | **December 31, 2021** | **December 31, 2020** |
|---|---|---|
| **Legal reserves at the beginning of the period** | **194.945.022** | **155.933.995** |
| Transfer from profit | 31.764.366 | 39.011.027 |
| **Legal reserves at the end of the period** | **226.709.388** | **194.945.022** |

As of December 31, 2021, and 2020, "Other Reserves and Retained Earnings" includes extraordinary reserves, sales profits to be capitalized and buildings for own use revaluation differences.

As at December 31, 2021 and 2020, "Other Reserves and Retained Earnings" are detailed as below:

| | **December 31, 2021** | **December 31, 2020** |
|---|---|---|
| Other profit reserves | 21.913.243 | 23.673.789 |
| Extraordinary reserves | 823.206.149 | 692.870.924 |
| Other capital reserves | 220.553.428 | 167.674.813 |
| Sales profits to be capitalized | 24.729.869 | 24.431.260 |
| Other earnings and losses | (5.965.389) | (4.294.111) |
| Private funds | (71.060.154) | (71.060.154) |
| Subsidiary capital correction | 57.074.903 | 16.900.903 |
| **Total** | **1.070.452.049** | **850.197.424** |

**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, 2021, 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, 2020 and 2021 the profit not subject to distribution for 2018, 2019, 2020 and 2021 are classified as other capital reserves.

*(Currency: Turkish Lira (TL))*

## 15 Equity (continued*)*

**Legal reserves** *(continued)*

**Other capital reserves** *(continued)*

Milli Reasürans, according to expertise reports, fair value of property for use is calculated as TL 234.955.000 and revaluation differences amounting to TL 218.374.872 is recognized in 'Other Capital Reserves' account under equity as TL 196.537.385 with net tax effect in financial statements As of December 31, 2021 (December 31, 2020: TL 146.070.394). As of 31 December 2020, Non-Distributable Profit amount recognized according to the equity method is TL 24.016.043. (December 31, 2020: TL 21.604.419).

**Extraordinary reserves**

The movement of extraordinary reserves is as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| **Extraordinary reserves at the beginning of the period** | **692.870.924** | **588.605.356** |
| Transfer from profit | 130.335.225 | 104.265.568 |
| **Extraordinary reserves at the end of the period** | **823.206.149** | **692.870.924** |

**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, 2021, a fund of TL 17.000.000 has been allocated to receive venture capital investment fund participation shares from the 2020 period profit in accordance with the provisions of Article 325/A of the Tax Procedure Law and Article 10 of the Corporate Tax Law. Special funds accounted according to the equity method is amounting to TL 40.074.90 (December 31, 2020: 16.900.903).

The movements of special funds are as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| **Special funds at the beginning of the period** | **16.900.903** | **-** |
| Transfer from profit | 17.000.000 | - |
| Girşim Sermayesi Yatırım Fonu | - | 16.900.903 |
| Accounted according to the equity method | 23.174.000 | - |
| **Special funds at the end of the period** | **57.074.903** | **16.900.903** |

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## 15 Equity (continued*)*

**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.

Company's subsidiary Anadolu Sigorta A.Ş. Within the scope of this circular, earthquake claim provision amounting to TL 96.036.157 in total, including the earthquake claim provisions set aside in its financial statements as of 31 December 2006 and the income obtained from the investment of this amount, has been shown in the other profit reserves account in the financial statements. 51,846.111 TL of this amount was used for capital increase in 2010. As of 31 December 2020, by adding the total net (9.390.252) TL, which is the actuarial loss and gain amount resulting from the re-measurement of the net benefit debt defined in accordance with TAS 19, and as a result of the consolidation, the balance of the account became 32.721.044 TL by adding the amount of (2.078.750) TL.

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, 2021, TL (5.965.389) (31 December 2020: TL (4.294.111) ), of actuarial gains and losses, which are presented in profit or loss is presented under "other profit reserves". As of 31 December 2021, other profit reserves amount recognized according to the equity method is TL 21.913.242 (December 31, 2020: TL 23.673.789).

**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 2021, sales profits to be capitalized amount recognized according to the equity method is TL 844.463 (December 31, 2020: TL 707.937 ) As of December 31, 2021, 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. There is no amount of Profit for the Period that cannot be distributed. (December 31, 2020: 583.131).

**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, 2021, total funds allocated is amounting TL tutarı 83.112.202 (December 31, 2020: TL 58.171.807), 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, 2021, foreign currency translation reserve amounting to TL 41.999.609 loss (December 31, 2020: TL 21.166.656 loss) stems from Singapore Branch whose functional currency is US Dollars.

*(Currency: Turkish Lira (TL))*

## 15 Equity (continued)

**Valuation of financial assets**

As of December 31, 2021, and 2020, 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, 2021 | December 31, 2020 |
|---|---|---|
| **Fair value reserves at the beginning of the period** | **284.072.561** | **99.474.816** |
| Change in the fair value during the period *(Note 4.2)* | (137.102.926) | 290.512.327 |
| Deferred tax effect *(Note 4.2)* | 69.481.593 | (25.861.280) |
| Net gains transferred to the statement of income *(Note 4.2)* | (251.244.060) | (100.066.628) |
| Deferred tax effect *(Note 4.2)* | 62.811.015 | 20.013.326 |
| **Fair value reserves at the end of the period** | **28.018.183** | **284.072.561** |

## 16 Other reserves and equity component of discretionary participation

As of December 31, 2021, and 2020, other reserves are explained in detail in Note 15 – Equity above.

As of December 31, 2021, and 2020, the Group does not hold any insurance or investment contracts which contain a DPF.

*(Currency: Turkish Lira (TL))*

## 17 Insurance contract liabilities and reinsurance assets

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

As of December 31, 2021, and 2020 technical reserves of the Group' are as follows:

| | **December 31, 2021** | **December 31, 2020** |
|---|---|---|
| Unearned premiums reserves, gross | 6.754.872.769 | 4.737.678.185 |
| Unearned premiums reserves, ceded *(Note 10)* | (1.563.331.963) | (1.089.324.599) |
| Unearned premiums reserves, SSI share | (119.827.872) | (94.034.856) |
| **Unearned premiums reserves, net** | **5.071.712.934** | **3.554.318.730** |
| Outstanding claims reserve, gross | 11.605.438.124 | 8.565.250.176 |
| Outstanding claims reserve, ceded *(Note 10)* | (2.957.988.891) | (2.179.921.969) |
| **Outstanding claims reserve, net** | **8.647.449.233** | **6.385.328.207** |
| Unexpired risk reserves | 601.264.091 | 177.424.807 |
| Unexpired risk reserves, ceded | (158.195.734) | (59.209.135) |
| **Unexpired risk reserves, net** | **443.068.357** | **118.215.672** |
| Equalization reserves, net(*) | 578.375.138 | 440.273.432 |
| **Other technical reserves, net** | **578.375.138** | **440.273.432** |
| **Life mathematical reserves** | **-** | **13.014** |
| **Bonuses and Discount** | **-** | **4.000.000** |
| **Total technical reserves, net** | **14.740.605.662** | **10.502.149.055** |
| Short-term | 14.159.877.830 | 10.059.955.305 |
| Medium and long-term | 580.727.832 | 442.193.750 |
| **Total technical reserves, net** | **14.740.605.662** | **10.502.149.055** |

As of December 31, 2021, and 2020, movements of the insurance liabilities and related reinsurance assets are presented below:

| | **December 31, 2021** | | | |
|---|---|---|---|---|
| **Unearned premiums reserve** | **Gross** | **Ceded** | **SSI Share** | **Net** |
| Unearned premiums reserve at the beginning of the period | 4.737.678.185 | (1.089.324.599) | (94.034.856) | 3.554.318.730 |
| Written premiums during the period | 12.972.968.425 | (3.329.771.438) | (209.441.766) | 9.433.755.221 |
| Earned premiums during the period | (10.955.773.841) | 2.855.764.074 | 183.648.753 | (7.916.361.017) |
| **Unearned premiums reserve at the end of the period** | **6.754.872.769** | **(1.563.331.963)** | **(119.827.869)** | **5.071.712.934** |

*(Currency: Turkish Lira (TL))*

## 17 Insurance liabilities and reinsurance assets *(continued)*

| | 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, 2021 | | |
|---|---|---|---|
| **Outstanding claims reserves** | **Gross** | **Ceded** | **Net** |
| Outstanding claims reserve at the beginning of the period | 8.565.250.176 | (2.179.921.969) | 6.385.328.207 |
| Claims reported during the period and changes in the estimations of outstanding claims reserves provided at the beginning of the period | 9.619.250.798 | (1.664.245.142) | 7.955.005.656 |
| Claims paid during the period | (6.579.062.850) | 886.178.220 | (5.692.884.630) |
| **Outstanding claims reserve at the end of the period** | **11.605.438.124** | **(2.957.988.891)** | **8.647.449.233** |

| | 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** |

### 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, 2021 | | |
|---|---|---|---|
| | **Should be placed(*)** | **Placed** | **Book value** |
| *Non-life:* | | | |
| Bank deposits *(Note 14)* | - | 830.741.091 | 830.741.091 |
| Financial assets | - | 226.986.014 | 226.980.086 |
| **Total** | **894.041.616** | **1.057.727.105** | **1.057.721.177** |

## 17 Insurance liabilities and reinsurance assets *(continued)*

**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** *(continued)*

| | December 31, 2020 | | |
|---|---|---|---|
| | **Should be placed(*)** | **Placed** | **Book value** |
| *Non-life:* | | | |
| Bank deposits *(Note 14)* | - | 836.221.106 | 836.221.106 |
| **Total** | **591.659.902** | **836.221.106** | **836.221.106** |

(*) Insurance companies and pension companies, which are carrying out activities in life insurance and personal accident insurance branches, are required to allocate their guarantees within two months following capital adequacy calculation periods in accordance with article 7 of Regulation on Financial Structure of Insurance and Reassurance Companies and Pension Companies, regulating allocating and releasing of guarantees. Companies issue capital adequacy statement twice in June and December periods in accordance with "Regulation on Measurement and Review of Capital Adequacy of Insurance and Reassurance and Pension Companies" and submit such statements to Ministry of Treasury and Finance within 2 months.

**Total amount of insurance risk on a branch basis**

Total amount of insurance risk on branch basis for non-life insurance branch is not kept by the Group.

**Group's number of life insurance policies, additions, disposals during the year and the related mathematical reserves**

None.

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

None.

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

None.

**Pension investment funds established by the Group and their unit prices**

None.

**Number and amount of participation certificates in portfolio and circulation**

None.

**Portfolio amounts in terms of number of new participants, left or cancelled participants, and existing participants for individuals and groups**

None.

*(Currency: Turkish Lira (TL))*

## 17 Insurance liabilities and reinsurance assets *(continued)*

**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, 2021, short-term prepaid expenses amounting to TL 1.047.686.045 (December 31, 2020: TL 737.789.750) consist of deferred acquisition cost; deferred commission expenses amounting to TL 956.239.676 (December 31, 2020: TL 661.636.162) and other prepaid expenses amounting to TL 91.446.369 (December 31, 2020: TL 76.153.588). Long-term prepaid expenses amounting TL 1.281.781 (December 31, 2020: TL 2.167.444) are composed of other prepaid expenses.

| | **December 31, 2021** | **December 31, 2020** |
|---|---|---|
| Deferred commission expenses at the beginning of the period | 661.636.162 | 555.184.994 |
| Commissions accrued during the period *(Note 32)* | 1.491.127.525 | 1.458.942.174 |
| Commissions expensed during the period | (1.196.524.011) | (1.352.491.006) |
| **Deferred commission expenses at the end of the period** | **956.239.676** | **661.636.162** |

(*) Commission expenses accounted under reinsurance commissions are included.

**Individual pension funds**

None.

## 18 Investment contract liabilities

None.

*(Currency: Turkish Lira (TL))*

## 19 Trade and other payables and deferred income

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Financial payables | 389.506.210 | 58.754.871 |
| Payables from main operations | 1.761.423.525 | 980.870.480 |
| Other payables | 196.778.372 | 136.517.896 |
| Short/long term deferred income and expense accruals | 333.738.596 | 231.208.040 |
| Taxes and other liabilities and similar obligations | 212.288.501 | 78.146.382 |
| Due to related parties *(Note 45)* | 583.728 | 224.447 |
| **Total** | **2.894.318.932** | **1.485.722.116** |
| | | |
| Short-term liabilities | 2.808.385.630 | 1.416.703.424 |
| Long-term liabilities | 85.933.302 | 69.018.692 |
| **Total** | **2.894.318.932** | **1.485.722.116** |

As of December 31, 2021, other payables amounting to TL 196.778.372 (December 31, 2020: TL 136.517.896) consist of treatment cost payables to SSI amounting to TL 68.451.361 (December 31, 2020: TL 45.849.975) payables to Tarsim and DASK and outsourced benefits and services amounting to TL 111.984.975 (December 31, 2020: TL 78.890.696) and deposits and guarantees received amounting to TL 16.342.036 (December 31, 2020: 11.777.540).

Payables arising from main operations of the Group As of December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Payables to reinsurance companies *(Note 10)* | 1.243.712.653 | 622.634.390 |
| Payables to agencies, brokers and intermediaries | 130.981.175 | 91.095.216 |
| Cash deposited by insurance and reinsurance companies | 8.385.787 | 6.898.890 |
| **Total payables arising from reinsurance and insurance operations** | **1.383.079.615** | **720.628.496** |
| Payables arising from other operating activities | 378.343.910 | 260.241.984 |
| **Payables arising from main operations** | **1.761.423.525** | **980.870.480** |

Corporate tax liabilities and prepaid taxes are disclosed below:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Taxes paid during the period | 287.355.697 | 173.403.945 |
| Corporate tax liabilities | (306.101.998) | (129.065.521) |
| **Corporate tax assets, net** | **(18.746.301)** | **44.338.424** |

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

None.

*(Currency: Turkish Lira (TL))*

## 20 Financial liabilities

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Expense accruals arising from derivative contracts (Note 13) (*) | 326.794.945 | - |
| Payables from operating leases (Note 34) (**) | 62.711.265 | 58.754.871 |
| *Short-term* | 7.268.119 | 3.029.771 |
| *Medium and long-term* | 55.443.146 | 55.725.100 |
| **Total** | **389.506.210** | **58.754.871** |

(*) The company accrue expense from derivative contracts As of December 31, 2021. 326.794.945 (December 31, 2020: None).

(**) As of December 31, 2021, the Group's operating leases are explained in the *Note 34 - Financial Costs*.

## 21 Deferred taxes

As of December 31, 2021, and 2020, deferred tax assets and liabilities are attributable to the following:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| | **Deferred tax assets / (liabilities))** | **Deferred tax assets / (liabilities))** |
| Unexpired risk reserves | 83.542.839 | 66.200.287 |
| Provision for the pension fund deficits | 17.798.632 | 21.175.193 |
| Equalization reserves | 101.905.722 | 23.643.134 |
| Provisions for employee termination benefits | 20.599.702 | 13.912.211 |
| Other provisions | 12.909.747 | 9.892.432 |
| Subrogation provision | 8.717.537 | 4.948.889 |
| Discount of receivables and payables | 3.599.122 | 2.087.204 |
| TAS adjustment differences in depreciation | (507.293) | 123.787 |
| Profit commission accruals | 1.382.294 | (18.888) |
| Subrogation receivables from third parties | (4.767.444) | (4.178.574) |
| Valuation differences in financial assets | (15.208.269) | (66.990.503) |
| Time deposits | (10.382.015) | (5.783.669) |
| Other | (20.467.086) | (13.976.045) |
| Valuation of real estate | (84.532.815) | (68.628.739) |
| **Deferred tax assets/(liabilities), net** | **114.590.673** | **(17.593.281)** |

As of December 31, 2021, the Group does not have deductible tax losses. (December 31, 2020: None.)

Movement of deferred tax assets As of December 31, 2021 and 2020 are given below:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| **Opening balance at January 1** | **(17.593.281)** | **29.791.639** |
| Recognized in profit or loss | 92.278.186 | (6.193.250) |
| Recognized in equity | 64.587.120 | (25.453.192) |
| Cancellation corporate tax provision(*) | (24.681.352) | (15.738.478) |
| **Closing balance at December 31** | **114.590.673** | **(17.593.281)** |

(*) 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.

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.

*(Currency: Turkish Lira (TL))*

## 22 Retirement benefit obligations *(continued)*

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 102.998.511 (December 31, 2020: TL 69.561.055) is accounted as "Provision for pension fund deficits" in the accompanying consolidated financial statements.

An actuarial report has been obtained from registered actuary regarding calculation of the amount to be paid to the Social Security Institution by the Company in accordance with the new law. The CSO 1980 mortality table for December 31,2020 and the TSI 2013 mortality table for December 31, 2021 9.8% of technical deficit interest rate are taken into account in the calculation of the said technical deficit. No real increase / decrease is anticipated in salary and health expenses. The health benefits to be paid will be considered by the Group management due to the changes in the Social Security Institution legislation and other regulations. As of December 31, 2021, and 2020, technical deficit from pension funds comprised the following.

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Net present value of total liabilities other than health | (238.855.340) | (176.277.838) |
| Net present value of insurance premiums | 64.386.463 | 42.294.833 |
| **Net present value of total liabilities other than health** | **(174.468.877)** | **(133.983.005)** |
| Net present value of health liabilities | (28.428.461) | (20.228.903) |
| Net present value of health premiums | 35.160.105 | 23.199.132 |
| **Net present value of health liabilities** | **6.731.644** | **2.970.229** |
| **Pension fund assets** | **64.738.722** | **61.451.721** |
| **Amount of actuarial and technical deficit** | **(102.998.511)** | **(69.561.055)** |

Plan assets are comprised of the following items:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Cash and cash equivalents | 46.206.290 | 47.150.065 |
| Associates | 16.823.239 | 12.431.247 |
| Other | 1.709.193 | 1.870.409 |
| **Total plan assets** | **64.738.722** | **61.451.721** |

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.

*(Currency: Turkish Lira (TL))*

## 23 Provision for other liabilities and expense accruals

As of December 31, 2021, and 2020, the provisions for other risks are disclosed as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Provision for pension fund deficits *(Note 22)* | 102.998.511 | 69.561.055 |
| Provision for employee termination benefits | 58.186.518 | 45.465.115 |
| Provision for unused vacation | 5.532.364 | 3.997.046 |
| **Total provision for other risks** | **166.717.393** | **119.023.216** |

Movement of provision for employee termination benefits during the period is presented below:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Provision at the beginning of the period | 45.465.115 | 38.340.411 |
| Interest cost *(Note 47)* | 7.679.100 | 4.380.388 |
| Service cost *(Note 47)* | 4.458.468 | 4.015.240 |
| Payments during the period *(Note 47)* | (5.132.994) | (4.865.371) |
| Actuarial gain/ loss | 5.716.829 | 3.594.447 |
| **Provision at the end of the period** | **58.186.518** | **45.465.115** |

## 24 Net insurance premium revenue

Net insurance premium revenue for non–life branches is presented in detailed in the accompanying consolidated statement of income.

## 25 Fee revenue

None.

## 26 Investment income

Investment income is presented in Note 4.2 – *Financial risk management*.**Net income accrual on financial asset**

Net realized gains on financial assets are presented in Note 4.2 – *Financial risk management*.

## 27 Net accrual income of financial assets

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, 2021 | December 31, 2020 |
|---|---|---|
| Claims paid, net off reinsurers’ share | (5.692.884.630) | (4.033.901.940) |
| Changes in outstanding claims reserves, net off reinsurers’ share | (2.262.121.026) | (1.296.902.726) |
| Changes in unearned premium reserves, net off reinsurers’ share | (1.517.394.204) | (597.237.878) |
| Change in equalization reserves | (138.101.706) | (82.445.465) |
| Change in life mathematical reserves, net off reinsurers’ share | 13.014 | 25.677 |
| Exchange in return for bonuses and discounts, deducting the reinsurer share | (324.852.685) | (44.388.442) |
| Changes in unexpired risks reserves, net off reinsurers’ share | (4.000.000) | (4.000.000) |
| **Total** | **(9.939.341.237)** | **(6.058.850.774)** |

*(Currency: Turkish Lira (TL))*

## 30 Investment contract benefits

None.

## 31 Other expenses

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

## 32 Operating expenses

For the years ended December 31, 2021 and 2020, the operating expenses are disclosed as follows:

| | **December 31, 2021** | **December 31, 2020** |
|---|---|---|
| Commission expenses *(Note 17)* | 1.481.038.028 | 1.157.562.296 |
| *Commissions to the intermediaries accrued during the period (Note 17)* | 1.740.351.880 | *1.256.127.553* |
| *Changes in deferred commission expenses (Note 17)* | (259.313.852) | *(98.565.257)* |
| Employee benefit expenses *(Note 33)* | 412.355.419 | 326.590.288 |
| Foreign exchange losses | 162.979.104 | 100.278.632 |
| Administration expenses | 207.179.776 | 151.872.827 |
| Commission income from reinsurers *(Note 10)* | (318.903.340) | (261.111.864) |
| *Commission income from reinsurers accrued during the period (Note 10)* | (385.906.303) | *(287.174.537)* |
| *Change in deferred commission income (Note 10)* | 67.002.963 | *26.062.673* |
| Advertising and marketing expenses | 29.783.284 | 15.465.393 |
| Outsourced benefits and services | 35.188.441 | 29.339.763 |
| Commission expenses from reinsurance transactions (Note 10) | 220.024.696 | 194.928.710 |
| *Commissions from reinsurance transactions during the period (Note 10)* | 255.314.358 | 202.814.621 |
| *Change in deferred reinsurance commission expenses (Note 10)* | (35.289.662) | (7.885.911) |
| Other | 14.188.953 | 10.198.239 |
| **Total** | **2.243.834.361** | **1.725.124.284** |

*(Currency: Turkish Lira (TL))*

## 33 Employee benefit expenses

As of December 31, 2021, and 2020, employee benefit expenses are disclosed as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Wages and salaries | 295.557.164 | 233.992.274 |
| Employer's share in social security premiums | 87.269.226 | 66.754.858 |
| Pension fund benefits | 7.137.463 | 6.743.408 |
| Other | 22.391.566 | 19.099.748 |
| **Total** *(Note 32)* | **412.355.419** | **326.590.288** |

## 34 Financial costs

As of December 31, 2021, interest expense arising from the leases that the Group has subject to TFRS 16 Leasing Standards amounting to TL 12.848.980 has accounted under "Investment Management Expenses - Including Interest"; amortization expense amounting to TL 9.277.263 has been accounted under "Depreciation and Amortization Expense" accounts (January 1 – December 31, 2020: 7.935.328).

As of December 31, 2021, discounted repayment plans for the Group's operating leases are as follows (December 31, 2020: 58.754.871):

| | Operating lease repayments -TL |
|---|---|
| Up to 1 year | 7.268.119 |
| 1 - 2 years | 5.014.672 |
| 2 – 3 years | 6.200.070 |
| 3 – 4 years | 7.744.237 |
| 4 – 5 years | 9.629.489 |
| Over 5 years | 26.854.678 |
| **Total** | **62.711.265** |

## 35 Income tax

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| ***Current tax expense provision:*** | | |
| Corporate tax provision | (306.101.998) | (129.065.521) |
| ***Deferred taxes:*** | | |
| Origination and reversal of temporary differences | 92.278.186 | (6.193.250) |
| **Total income tax expense/(income)** | **(213.823.812)** | **(135.258.771)** |

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, 2021 and 2020 is as follows:

| | **2021** | | **2020** | |
|---|---|---|---|---|
| **Profit before taxes** | **697.150.226** | **Tax rate (%)** | **634.616.315** | **Tax rate (%)** |
| Taxes on income per statutory tax rate | 238.229.801 | 25,00 | 153.373.050 | 22,00 |
| Tax exempt income | (104.577.884) | (10,97) | (77.579.552) | (11,13) |
| Non-deductible expenses | 80.171.895 | 8,41 | 59.465.273 | 8,53 |
| **Total tax expense recognized in consolidated profit or loss** | **213.823.812** | **22,44** | **135.258.771** | **19,40** |

*(Currency: Turkish Lira (TL))*

## 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.

| | **2021** | **2020** |
|---|---|---|
| Net profit/loss for the period | 487.295.000 | 344.161.542 |
| Weighted average number of shares | 66.000.000.000 | 66.000.000.000 |
| Earnings/losses per share (TL) | 0,00738 | 0,00528 |

## 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.

At the Ordinary General Assembly Meeting of the Company held on March 30, 2021, from the net profit of the period amounting to TL 348.598.908 resulting from the activities of the Company for the year 2020, TL 43.000.000 will be paid to the shareholders as cash dividends, after the legal reserves are set aside, and the remaining amount will be paid to the shareholders according to the Tax Procedure Law. Within the framework of the provisions of Article 325/A of the Law and Article 10 of the Corporate Tax Law, it has been decided to allocate 17.000.000 TL of funds for the purchase of venture capital investment fund participation shares, and the remaining amount will be set aside as previous year's profit, and the profit distribution has been realized within the period.

Paid dividend amount is reflected to financial statements as liability in the period it is declared by the Company.

## 39 Cash generated from operations

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

## 40 Convertible bond

None.

## 41 Redeemable preference shares

None.

## 42 Risks

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

As of December 31,2021, total amount of the claims that the Group face is TL 2.765.800.932 in gross (December 31, 2020: TL 1.976.464.629). The Group provided outstanding claims reserves in the consolidated financial statements by considering collateral amounts.

As of December 31, 2021, ongoing lawsuits prosecuted by the Company's subsidiary Insurance Company against the third parties amounting TL 727.251.158 (December 31, 2020: TL 521.063.482).

An examination related to payments made for Company's liabilities in frame of related regulations to "Milli Reasürans Türk Anonim Şirketi Mensupları Yardımlaşma Sandığı Vakfı" that established by Milli Reasürans Türk Anonim Şirketi in accordance with the Turkish Commercial and Civil Laws is realized by Tax Inspection Board inspectors. As a result of this investigation, a tax audit report is issued for the periods 2007, 2008, 2009, 2010 and 2011 with the claim that liability amounts shall be taxed at cost principle and be taxable for income tax withholding and stamp tax.

Legal process has been started for the years 2007, 2008, 2009, 2010, 2011 and the later years and the payment regarding to the revenue authorities was paid. As of the report date, there is no recognized provision.

## 43 Commitments

Details of the guarantees given by the Group in non-life insurance branches are shown in Note 17.

## 44 Business combinations

None.

*(Currency: Turkish Lira (TL))*

## 45 Related party transactions

For the purpose of the accompanying consolidated financial statements, shareholders, key management and members of board of directors together with their families and companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties.

The related party balances As of December 31, 2021 and 2020 are as follows:

| | **December 31, 2021** | **December 31, 2020** |
|---|---|---|
| Türkiye İş Bankası AŞ | 1.438.643.235 | 1.023.519.055 |
| Other | 6.995 | 3.914 |
| **Banks** | **1.438.650.230** | **1.023.522.969** |
| Investment funds founded by İş Portföy Yönetimi A.Ş. *(Note 11)* | 336.783.288 | 653.088.912 |
| Bond issued by Türkiye Sınai Kalkınma Bankası A.Ş. *(Note 11)* | 450.083.288 | 348.295.405 |
| Eurobond issued by Türkiye İş Bankası *(Note 11)* | 65.623.332 | 90.460.138 |
| Equity shares of the related parties *(Note 11)* | 104.398.469 | 157.594.734 |
| Bond issued by Türkiye İş Bankası *(Note 11)* | 385.074.032 | 359.941.473 |
| Investment funds founded by İşbank AG *(Note 11)* | - | 21.011.668 |
| Bond issued by İş Faktoring A.Ş. *(Note 11)* | 66.800.600 | 73.819.194 |
| Bond issued by İş GYO A.Ş. *(Note 11)* | 29.663.400 | 67.265.664 |
| Bond issued by İş Finansal Kiralama A.Ş. *(Note 11)* | 90.561.586 | - |
| Bond funds founded by İş Yatırım Menkul Değerler A.Ş *(Note 11* | 82.980.050 | - |
| Bond issued by Maxim Girişim Sermayesi Portföy Yönetimi A.Ş. *(Note 11)* | 70.109.059 | - |
| Eurobond issued by Türkiye Sınai Kalkınma Bankası A.Ş.*(Note 11)* | 26.002.746 | - |
| Bond issued by Yatırım Finansman Menkul Değerler A.Ş. *(Note 11)* | - | 4.941.870 |
| **Financial assets** | **1.708.079.850** | **1.776.419.058** |
| Türkiye İş Bankası A.Ş. | 859.363.271 | 581.782.070 |
| Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş) | 43.392.683 | 9.979.614 |
| Şişecam Sigorta Aracılık Hizmetleri A.Ş. | 13.139.525 | 6.421.163 |
| Groupama Sigorta A.Ş. | 3.071.478 | 97.516 |
| Anadolu Hayat Emeklilik A.Ş. | 1.463.682 | 1.025.618 |
| İstanbul Umum Sigorta A.Ş. | 204.952 | 188.991 |
| Ergo Sigorta A.Ş. (HDI Sigorta A.Ş.) | 34.541 | - |
| HDI Sigorta A.Ş. | 29.177 | - |
| Türkiye Hayat ve Emeklilik A.Ş (Vakıf Hayat ve Emeklilik A.Ş) | 13.960 | 2.398.064 |
| Halk Hayat ve Emeklilik A.Ş. ( Türkiye Hayat Emeklilik A.Ş. ) | - | 8.505.261 |
| Halk Sigorta A.Ş. ( Türkiye Sigorta A.Ş. ) | - | 3.869.428 |
| Ziraat Sigorta A.Ş. ( Türkiye Sigorta A.Ş. ) | - | 2.887.098 |
| Güven Sigorta T.A.Ş. | - | 12.903 |
| Ziraat Hayat ve Emeklilik A.Ş. ( Türkiye Hayat Emeklilik A.Ş. ) | - | 3.834 |
| **Receivables from main operations** | **920.713.269** | **617.171.560** |
| Türkiye İş Bankası A.Ş. | 21.542.515 | 12.735.885 |
| Halk Sigorta A.Ş. ( Türkiye Sigorta A.Ş. ) | 4.908.866 | 9.338 |
| Halk Hayat ve Emeklilik A.Ş. ( Türkiye Hayat Emeklilik A.Ş. ) | 3.682.479 | - |
| Türkiye Hayat ve Emeklilik A.Ş (Vakıf Hayat ve Emeklilik A.Ş) | 2.423.749 | - |
| Allianz Sigorta A.Ş. | 2.239.632 | 3.347.558 |
| Şişecam Sigorta Aracılık Hizmetleri AŞ | 2.178.297 | 1.090.820 |
| Ziraat Sigorta A.Ş. ( Türkiye Sigorta A.Ş. ) | 1.049.153 | - |
| Anadolu Hayat Emeklilik A.Ş | 343.679 | - |
| Ziraat Hayat ve Emeklilik A.Ş. ( Türkiye Hayat Emeklilik A.Ş. ) | 230.976 | - |
| Axa Sigorta A.Ş. | 216.841 | 3.116.280 |
| Güven Sigorta T.A.Ş. | 131.943 | 69.749 |
| Liberty Sigorta A.Ş.( HDI Sigorta A.Ş.) | 128.493 | 181.993 |
| Groupama Sigorta A.Ş. | 48.426 | 48.697 |
| Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş) | 40.407 | 42.916 |
| İstanbul Umum Sigorta A.Ş. | 29.152 | 29.063 |
| Ergo Sigorta A.Ş. ( HDI Sigorta A.Ş.) | - | 766.597 |
| HDI Sigorta A.Ş. | - | 448.088 |
| **Payables from main operations** | **39.194.608** | **21.886.984** |
| Due to personnel | 390.747 | 63.042 |
| Due to shareholders | 177.824 | 152.744 |
| Due to other related parties | 15.157 | 8.661 |
| **Due to related parties** | **583.728** | **224.447** |

*(Currency: Turkish Lira (TL))*

## 45 Related party transactions *(continued)*

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, 2021 and 2020 are as follows:

| “ | **December 31, 2021** | **December 31, 2020** |
|---|---|---|
| Türkiye İş Bankası A.Ş. | 1.391.736.145 | 987.292.140 |
| Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş) | 358.925.841 | 137.358.307 |
| Groupama Sigorta A.Ş | 32.408.505 | 22.097.082 |
| Şişecam Sigorta Aracılık Hizmetleri A.Ş. | 30.972.838 | 22.181.679 |
| Anadolu Hayat Emeklilik A.Ş. | 9.890.858 | 9.090.574 |
| Türkiye Hayat ve Emeklilik A.Ş (Vakıf Hayat ve Emeklilik A.Ş) | 3.802.753 | 5.211.904 |
| Allianz Sigorta A.Ş | 2.969.313 | 330.895 |
| Axa Sigorta A.Ş | 1.766.571 | 1.152.343 |
| Ziraat Sigorta A.Ş. ( Türkiye Sigorta A.Ş. ) | 1.248.386 | 26.019.942 |
| HDI Sigorta A.Ş. | 1.027.354 | 1.038.334 |
| Halk Sigorta A.Ş. ( Türkiye Sigorta A.Ş. ) | 370.054 | 87.838.414 |
| Ergo Sigorta A.Ş. ( HDI Sigorta A.Ş.) | 32.975 | 86.340 |
| Ziraat Hayat ve Emeklilik A.Ş. ( Türkiye Hayat Emeklilik A.Ş. ) | - | 365.790 |
| Liberty Sigorta A.Ş.( HDI Sigorta A.Ş.) | - | 41.418 |
| Güven Sigorta TAŞ | (25) | 9 |
| Halk Hayat ve Emeklilik A.Ş. ( Türkiye Hayat Emeklilik A.Ş. ) | (8.679.894) | 23.941.512 |
| **Premium received** | **1.826.471.674** | **1.324.046.683** |
| Groupama Sigorta A.Ş | 29 | (221) |
| Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş) | 21 | (59) |
| Ergo Sigorta A.Ş. ( HDI Sigorta A.Ş.) | 12 | (132) |
| Axa Sigorta A.Ş | 12 | (181) |
| Güven Sigorta TAŞ | 4 | (51) |
| Halk Sigorta A.Ş. ( Türkiye Sigorta A.Ş. ) | 4 | (58) |
| HDI Sigorta A.Ş. | 2 | (26) |
| Liberty Sigorta A.Ş.( HDI Sigorta A.Ş.) | - | (53) |
| **Premiums ceded** | **84** | **(781)** |
| Groupama Sigorta A.Ş. | (1) | 1.480 |
| Axa Sigorta A.Ş. | - | 889 |
| Ergo Sigorta A.Ş. ( HDI Sigorta A.Ş.) | - | 727 |
| Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş) | (1) | 684 |
| Güven Sigorta T.A.Ş. | - | 319 |
| Halk Sigorta A.Ş. ( Türkiye Sigorta A.Ş. ) | - | 290 |
| Liberty Sigorta A.Ş.( HDI Sigorta A.Ş.) | - | 172 |
| HDI Sigorta A.Ş. | - | 135 |
| **Commissions received** | **(2)** | **4.696** |
| Türkiye İş Bankası A.Ş. | 134.308.673 | 98.355.253 |
| Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş) | 96.542.640 | 36.089.545 |
| Groupama Sigorta A.Ş | 7.050.112 | 4.796.889 |
| Şişecam Sigorta Aracılık Hizmetleri A.Ş. | 6.519.385 | 4.595.495 |
| Allianz Sigorta A.Ş | 771.961 | 61.371 |
| Türkiye Hayat ve Emeklilik A.Ş (Vakıf Hayat ve Emeklilik A.Ş) | 551.977 | 2.193.956 |
| Axa Sigorta A.Ş | 458.553 | (419.305) |
| Halk Sigorta A.Ş. ( Türkiye Sigorta A.Ş. ) | 359.376 | 21.636.463 |
| Ziraat Sigorta A.Ş. ( Türkiye Sigorta A.Ş. ) | 340.695 | 6.647.073 |
| Anadolu Hayat Emeklilik A.Ş. | 228.024 | 472.126 |
| HDI Sigorta A.Ş. | 158.832 | 147.631 |
| Ergo Sigorta A.Ş. ( HDI Sigorta A.Ş.) | 13.757 | 29.290 |
| Liberty Sigorta A.Ş.( HDI Sigorta A.Ş.) | - | 13.534 |
| Güven Sigorta TAŞ | (3) | 1 |
| Halk Hayat ve Emeklilik A.Ş. ( Türkiye Hayat Emeklilik A.Ş. ) | (2.162.687) | 10.537.322 |
| Commissions given | **245.141.295** | **185.156.644** |

*(Currency: Turkish Lira (TL))*

## 45 Related parties transactions *(continued)*

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş) | 135.167.046 | 48.811.098 |
| Halk Sigorta A.Ş. ( Türkiye Sigorta A.Ş. ) | 46.071.219 | 25.945.370 |
| Groupama Sigorta A.Ş | 12.270.280 | 25.177.964 |
| Ziraat Sigorta A.Ş. ( Türkiye Sigorta A.Ş. ) | 6.913.248 | 4.653.469 |
| Halk Hayat ve Emeklilik A.Ş. ( Türkiye Hayat Emeklilik A.Ş. ) | 5.299.653 | 1.207.892 |
| Axa Sigorta A.Ş | 5.158.676 | 3.600.235 |
| Türkiye Hayat ve Emeklilik A.Ş (Vakıf Hayat ve Emeklilik A.Ş) | 3.100.838 | 1.856.069 |
| Anadolu Hayat Emeklilik A.Ş. | 2.468.395 | 1.073.700 |
| Ergo Sigorta A.Ş. ( HDI Sigorta A.Ş.) | 2.336.941 | 5.066.497 |
| HDI Sigorta A.Ş. | 1.625.247 | 592.766 |
| Ziraat Hayat ve Emeklilik A.Ş. ( Türkiye Hayat Emeklilik A.Ş. ) | 346.969 | 783.101 |
| Güven Sigorta TAŞ | 336.309 | 333.116 |
| Liberty Sigorta A.Ş.( HDI Sigorta A.Ş.) | 255.887 | 554.216 |
| Allianz Sigorta A.Ş | (96.447) | 1.840.091 |
| **Claims paid** | **221.254.261** | **121.495.584** |
| Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş) | 64.190 | 39.139 |
| Groupama Sigorta A.Ş | 55.695 | 53.276 |
| Axa Sigorta A.Ş. | 42.349 | 46.964 |
| Ergo Sigorta A.Ş. ( HDI Sigorta A.Ş.) | 36.284 | 23.712 |
| Güven Sigorta T.A.Ş | 31.074 | 29.973 |
| Liberty Sigorta A.Ş.( HDI Sigorta A.Ş.) | 30.669 | 31.194 |
| İstanbul Umum Sigorta A.Ş | 12.756 | 11.387 |
| Allianz Sigorta A.Ş | 11.660 | 8.144 |
| Halk Sigorta A.Ş. ( Türkiye Sigorta A.Ş. ) | 11.600 | 12.104 |
| HDI Sigorta A.Ş. | 2.272 | 3.267 |
| **Reinsurance's share of claims paid** | **298.549** | **259.160** |
| Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş) | 5.702.820 | 1.065.031 |
| Anadolu Hayat Emeklilik A.Ş. | 224.573 | 155.022 |
| HDI Sigorta A.Ş. | 117.039 | 231.437 |
| Halk Sigorta A.Ş. ( Türkiye Sigorta A.Ş. ) | 106.919 | 234.255 |
| Groupama Sigorta A.Ş | 35.676 | 1.637.379 |
| Axa Sigorta A.Ş | 29.316 | 474.276 |
| Güven Sigorta T.A.Ş | 22.629 | 40.214 |
| Liberty Sigorta A.Ş.( HDI Sigorta A.Ş.) | 18.960 | 39.013 |
| Allianz Sigorta A.Ş | 9.530 | 20.090 |
| İstanbul Umum Sigorta A.Ş | 6.605 | 12.520 |
| Ziraat Sigorta A.Ş. ( Türkiye Sigorta A.Ş. ) | - | 305.939 |
| Ergo Sigorta A.Ş. ( HDI Sigorta A.Ş.) | (7.237) | 20.114 |
| Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş) | 5.702.820 | 1.065.031 |
| **Other income** | **6.266.830** | **4.235.290** |
| İş Merkezleri Yönetim ve İşletim A.Ş. – bina hizmet gideri | 8.461.968 | 8.142.498 |
| İş Portföy Yönetimi – performans komisyonu | 8.280.899 | 4.997.587 |
| Yatırım Finansman Menkul Değerler – performans komisyonu | 5.015.309 | - |
| Türkiye Sigorta A.Ş (Güneş Sigorta A.Ş) | 2.564.763 | 334.244 |
| Ergo Sigorta A.Ş. ( HDI Sigorta A.Ş.) | 1.601.362 | 909.782 |
| Allianz Sigorta A.Ş | 1.480.960 | 575.098 |
| Axa Sigorta A.Ş | 1.255.485 | 931.864 |
| İş Gayrimenkul Yatırım Ortaklığı A.Ş. – TFRS 16 faiz gideri | 615.319 | 628.033 |
| İş Portföy Yönetimi – yönetim komisyonu | 549.536 | 452.471 |
| Halk Sigorta A.Ş. ( Türkiye Sigorta A.Ş. ) | 212.818 | 178.306 |
| Yatırım Finansman Menkul Değerler – yönetim komisyonu | 191.524 | 142.120 |
| HDI Sigorta A.Ş. | 157.440 | 1.956 |
| Anadolu Hayat Emeklilik A.Ş. | 135.227 | 5.913 |
| Groupama Sigorta A.Ş | 27.618 | 80.987 |
| Güven Sigorta A.Ş | 1.538 | 32.613 |
| Liberty Sigorta A.Ş.( HDI Sigorta A.Ş.) | 765 | 28.764 |
| İstanbul Umum Sigorta A.Ş | 37 | 7.963 |
| Ziraat Sigorta A.Ş. ( Türkiye Sigorta A.Ş. ) | - | 8.321 |
| **Other expenses** | **30.552.568** | **17.458.520** |

*(Currency: Turkish Lira (TL))*

## 46 Subsequent events

With the "Law Amending the Tax Procedure Law and the Corporate Tax Law" published on January 29, 2022, the companies that convert their foreign currencies or various gold resources into Turkish Lira and use the Turkish Lira assets thus obtained in deposits and participation accounts with a maturity of at least three months , interest, profit share and other incomes are exempted from corporate tax. On February 24, 2022, Anadolu Sigorta, the subsidiary of the company, made a currency-protected deposit of TL 72.060.000, with a maturity of 181 days from Türkiye İş Bankası, with a maturity of TL 7.206.000 from HSBC Bank, with a maturity of 181 days.. The amount of tax exemption that will occur within the scope of the said regulation has not been clarified yet. Changes made in tax laws after the reporting date are within the scope of "non-adjusting event after the reporting period" in accordance with IAS 10, and the period tax expense of the enterprise has been calculated without considering this Law amendment.

## 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 193.012.692 (31 December 2020: TL 159.108.115) which is the part of other technical expenses in the income statement of amounting to TL 179.670.384 (31 December 2020: TL 146.566.440) is the assistance services, postponement of these amounts and their technical expenses.

**As of and for the year ended December 31, 2021 and 2020, details of discount and provision expenses are as follows:**

| | **December 31, 2021** | **December 31, 2020** |
|---|---|---|
| Provision expense for doubtful receivables *(Note 4.2)* | (126.709.931) | (98.850.793) |
| Provision for pension fund deficits *(Note 23)* | (33.437.457) | (16.344.100) |
| Provision expense for employee termination benefits *(Note 23)* | (7.004.574) | (3.530.257) |
| Provision expenses for unused vacation *(Note 23)* | (1.535.318) | (1.091.977) |
| Terminated provision income/ (expense) | 443.108 | 4.404.549 |
| Other provision expenses *(Note 4.2)* | 112.588 | 932.656 |
| **Provision expenses** | **(168.131.584)** | **(114.479.922)** |

| | **December 31, 2021** | **December 31, 2020** |
|---|---|---|
| Rediscount income / (expense) from main operations receivables | 50.920.765 | 37.292.018 |
| Rediscount income / (expense) from main operations payables | (66.475.422) | (34.608.735) |
| **Total of rediscounts** | **(15.554.657)** | **2.683.283** |

*(Currency: Turkish Lira (TL))*

## 47 Other *(continued)*

**Fees for services received from Independent Auditor/Independent audit firm**

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Independent audit fee for reporting period(*) | 881.235 | 579.052 |
| Fees for tax advisory service | - | - |
| Fee for other assurance services | - | - |
| Fees other than independent audit | - | - |
| **Total** | **881.235** | **579.052** |

(*)As of December 31 2021, the audit fee received from Güney Bağımsız Denetim ve SMMM A.Ş is TL 189.900, and the audit fee received from other independent auditing companies is TL 491.599 (December 31, 2020: received from Güney Bağımsız Denetim ve SMMM A.Ş. The independent audit fee is TL 162.620 and the audit fee received from other independent audit companies is TL 255.836.)